WINDFALL
RESOURCES INTERNATIONAL, LLC

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November 14, 2003

Office of the Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Pkwy.
Nashville, TN 37243

DOCKET NO.
03-00612

RE: Application for Certificate to Provide Competing Local Telecommunications Services in Tennessee

Attached are 13 original copies for filing with the Tennessee Commission regarding the above captioned registration form for:

Computer Network Technology Corporation

In addition, a check for $25.00 is attached for the cost of the filing fee.

If you have any questions do not hesitate to call (630) 518-5626.

Respectfully,

Paulette Bannack

Paulette Bannack
Operations Director
Windfall Resources International, LLC
486 Sequoia Trail
Roselle, IL 60172
Telephone: (630) 518-5626
FAX: (630) 351-3009
E-mail: pbannack@windfallintl.com

Attachments

BEFORE THE TENNESSEE REGULATORY AUTHORITY

**IN THE MATTER OF THE APPLICATION
OF COMPUTER NETWORK TECHNOOGY CORPORATION
FOR A CERTIFICATE TO PROVIDE COMPETING
PRIVATE LINE SPECIAL ACCESS SERVICE.**

APPLICATION FOR CERTIFICATE TO PROVIDE COMPETING LOCAL TELECOMMUNICATIONS SERVICES

Pursuant to applicable Tennessee Statues and the Rules and Regulations of the Tennessee Regulatory Authority and Section 253 of the Federal Telecommunications Act of 1996 ("Act"), Computer Network Technology Corporation. ("CNT") respectfully requests that the Tennessee Regulatory Authority ("TRA") grant to CNT authority to provide competing local and intrastate inter-exchange telecommunications services, including private line special access telecommunications services within the State of Tennessee. CNT is willing and able to comply with all applicable rules and regulations in Tennessee pertaining to the provision of competing local and intrastate inter-exchange telecommunications services. TCA 65-4-201 In support of its Application, CNT submits the following:

1. The full name and address of the Applicant is:

Computer Network Technology
Corporation
6000 Nathan Lane North
Minneapolis, Minnesota 55442
(763)268-6000

Questions regarding this application should be directed to:

Paulette Bannack
Windfall Resources International, LLC
486 Sequoia Trail
Roselle, IL 60172
(630) 518-5626
E-mail pbannack@windfallintl.com

Contact name and address at the Company is:

Gregory Barnum
Computer Network Technology
Corporation
Minneapolis, Minnesota 55442
(763)268-6000

2. Organizational Chart of Corporate Structure: Include any pertinent acquisition or merger information.

See Exhibit A

3 Corporate information:

CNT was incorporated in the state of Minnesota on July 11, 1979. A copy of CNT's Articles of Incorporation and amendments are provided in Exhibit B. A copy of CNT's Authority to transact business in the State of Tennessee is provided in Exhibit C. The names and addresses of the principal corporate officers are in Exhibit D. There are no officers in Tennessee. The biographies of the principal officers and any other key technical staff are in Exhibit E.

4. CNT possesses the managerial, technical, and financial ability to provide local telecommunications service in the State of Tennessee as demonstrated below:

A. Financial Qualifications:

In support of its financial qualifications, CNT submits the fiscal year-end 2002 SEC Form 10-K. CNT is a leading provider of end to end storage solutions, including hardware and software products, related consulting and integration services, and managed services in the growing storage networking markets. CNT also supplies storage systems, Fibre Channel Switches, telecommunications capacity and storage application software. The Company has a number of financing vehicles in place to ensure adequate liquidity in meeting its anticipated funding needs. Exhibit F summarizes the recent financial performance of CNT. These include income statements, balance sheets, and statement of cash flows for fiscal year-end 2002. CNT refuses to provide projected financial statements for the next three years as this constitutes forward guidance and as a publicly traded company, CNT declines to provide this level of detail. Operating expenses will be the amount paid to underlying carriers for the provided connectivity. CNT anticipates no other significant operating expenses. None of CNT's financials reflect any revenue or expenses associated with reciprocal compensation. Pursuant to TCA § 65-4-301(b), CNT does not own or operate equipment facilities in Tennessee with a value of more then five million ($5,000,000) and therefore is not required to file a corporate surety bond or irrevocable letter of credit. Thus, CNT asserts that it has the financial resources necessary to operate as a competitive local service provider in Tennessee.

B. Managerial Ability.

As shown in Exhibit E to this Application, CNT has the managerial expertise to successfully operate a telecommunications enterprise in Tennessee. As described in the attached biographical information, CNT'S management team has extensive management and business experience in telecommunications.

C. Technical Qualifications:

CNT's services will satisfy the minimum standards established by the TRA. The Company will file and maintain tariffs in the manner prescribed by the TRA and will meet minimum basic local standards, including quality of service and billing standards required of all LEC'S regulated by the TRA. As noted in the biographies Exhibit E of the principal officers, all the officers have several years of telecommunications expertise. Thus, CNT is certainly technically qualified to provide local exchange service and interstate inter-exchange services in Tennessee.

5. Proposed Service Area:

CNT has applications pending to provide telecommunications services in Alabama, California, Colorado, Connecticut, Florida, Georgia, Illinois, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Minnesota, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, South Carolina, Tennessee, Texas, Virginia, and Washington DC. The applicant proposes to offer its services throughout the State of Tennessee. CNT intends to offer private line special access service as a UNE Reseller. Therefore, underlying connectivity will be purchased from underlying carriers and thus, the location of the switches will be that of the incumbent local exchange carrier.

6. Types of Local Exchange Service to be provided:

CNT expects to offer private line special access services in conjunction with products and services already offered to existing CNT customers on a cost plus basis.

7. Repair and Maintenance:

CNT understands the importance of effective customer service for local service customers. CNT will make arrangements for its customers to call the company at its toll-free customer service number 1-800-752-8061. In addition, customers may contact the company in writing at the headquarters address, as well as via email at info@cnt com. The toll free number will be printed on the customer's monthly billing statements. The Tennessee contact person knowledgeable about providers operations is Gregory Barnum, Vice President and Corporate Secretary - see Regulatory Affairs reference (1.) above. Grant of the Application will further the goals of the Tennessee Legislature and further the public interest by expanding the availability of competitive telecommunications services in the State of Tennessee. In addition, intrastate offering of these services is in the public interest because the services will provide Tennessee customers increased efficiencies and cost savings. Authorizing CNT to provide local exchange telecommunications services will enhance materially the telecommunications infrastructure in the State of Tennessee and will facilitate economic development. In particular, the public will benefit both directly, through the use of the competitive services to be offered by CNT and indirectly, because CNT's presence in Tennessee will increase the incentives for other telecommunications providers to operate more efficiently, offer more innovative services, reduce their prices, and improve their quality of service. Grant of this Application will further enhance the service options available to Tennessee citizens for the reasons set forth above.

8. Small and Minority-Owned Telecommunications Business Participation Plan:

   (65-5-212): Exhibit G

9. Toll Dialing Parity Plan:

   Not applicable, the applicant does not intend to provide voice grade service.

10. Applicant has served notice of this application to the eighteen (18) incumbent local exchange telephone companies in Tennessee with a statement regarding the company's intention of operating statewide. See **Exhibit H** for the list.

11. Numbering Issues: This issue is not applicable to CNT as the applicant will be providing private line special access service.

12. Tennessee Specific Operational Issues:

    CNT does not have to comply with TCA 65-21-114 because they will not be providing voice grade service. CNT does not have to be aware of the database maintained by Bellsouth because, again, they are not intending on providing voice grade services. CNT is aware of the local calling areas provided by the Incumbent Local Exchange Carriers in our proposed service areas. Long distance billing will not be an issue because CNT will be providing private line special access services. The employee responsible on working with the TRA on resolving customer complaints is Gregory Barnum. The address is 6000 Nathan Lane North, Minneapolis, MN 55442. His contact number is (763)268-6000. CNT has not decided if it will telemarket its services in Tennessee, however, CNT is aware of the telemarketing statutes and regulations found in TCA 65-4-401 *et seq.* and chapter 1220-4-11.

13. Miscellaneous:

A. Sworn Pre-filed testimony: **Exhibit I**
B. Applicant does not require customer deposits
C. As of now CNT has not been subject to complaints in any of the states, in which we are doing business.
D. A copy of our tariff will be filed subsequent to approval of our application and before commencing operations.

CONCLUSION:

CNT respectfully requests that the TRA enter an order granting it a certificate of convenience and necessity to operate as a competing telecommunications service provider and authority to provide a full range special access service on a facilities-based and resale basis throughout the State of Tennessee. For the reasons stated above, CNTs provision of these services would promote the public interest by providing high-quality service at competitive prices and by creating greater economic incentives for the development and improvement for all competing providers.

Respectfully submitted this 11[TH] day of SEPTEMBER, 2003

Signature

Affidavit of
Gregory Barnum

In Support of Computer Network Technology Corporation
Application for Authority to Operate As a Competitive
Provider of Non-switched Local Exchange and
Intra-state Interexchange Data Communications

Now comes Gregory Barnum, and in support of the application of Computer Network Technology for certificates of service authority to provide local exchange and intra state interexchange telecommunications services, states as follows:

1. **Can you please state your name, your title and business address?**

My name is Gregory T. Barnum, and I am Chief Financial Officer ("CFO") of the Applicant in this matter, Computer Network Technology Corporation ("CNT"). My business address is 6000 Nathan Lane, Minneapolis, Minnesota.

2. **What is the purpose of your affidavit in this matter?**

The purpose of this affidavit is to provide information to the Commission in support of CNT's application for authority to operate as a data communications carrier to business customers throughout the state.

3. **Can you please summarize your testimony in this application case?**

Yes Based upon the evidence that CNT has provided the Commission in this case, there is clearly sufficient support for the granting of a certificate for CNT to operate as a competitive data communications carrier throughout this state. The evidence supports a finding that CNT has the requisite financial, managerial and technical qualifications to own and operate a facilities based telecommunications carrier, specializing in the provision of dedicated, private line data communications circuits to business customers in the state. In addition, granting this certificate is in the public interest, as the presence of a well funded, technically and managerially competent competitive provider of data communications services and facilities will enhance the competitive market for telecommunications services in the state, resulting in benefits to consumers, and the state's economy at large, through the innovation and lower prices that are driven by the presence of competitive carriers such as CNT.

FINANCIAL QUALIFICATIONS

4. **Please describe the financial qualifications of CNT to operate as a competitive data communications provider in this state.**

CNT is a well funded, publicly traded provider of critical data network storage and management products and services to Global 2000 enterprises throughout the world.

Through its own capabilities, and the capabilities of partners such as IBM and Hitachi Data Systems, CNT has built a company with over $400 million in revenues and upwards of 1200 full time employees, providing critical data storage, disaster recovery and other data storage and management capabilities to thousands of large enterprise customers throughout the world

Attached to CNT's application is a copy of the Company's 2002 10-K report, which lists the financial results of the Company for the fiscal year ending January 31, 2003. This report explains the financial operating situation of CNT in detail, and provides the Commission more than enough information to determine that CNT has the financial capabilities necessary to operate as a resale and facilities based provider of non-switched local exchange and intra-state inter-exchange data telecommunications services.

As CNT only plans on leasing and reselling the services of ILECs and other carriers when it first begins offering service to its customers, the level of financial investment necessary to become profitable is very modest. CNT will invest in facilities as customer requirements dictate, and only where such investment makes sense from a financial perspective.

5. Where will CNT keep its books and records from telecommunications operations in this state?

CNT will maintain its books and records at its headquarters, in Minneapolis, Minnesota. However, should the Commission require financial or accounting information related to the Company's operations in this state, CNT will take whatever steps as are necessary to ensure that the Commission has access to all information necessary for its purposes.

6. Will CNT use the Uniform System of Accounts ("USOA") for telecommunications carriers in accounting for revenues and expenses related to its operations in this state?

No. In place of USOA, CNT will use Generally Accepted Accounting Principles ("GAAP") to record the financial and accounting information relative to its telecommunications operations. As CNT is a publicly traded company on the Nasdaq Exchange, the financial and accounting requirements that it operates under are quite rigorous, and provide more than enough financial information to satisfy Commission needs.

7. Can you provide projections of revenues and expenses from CNT's first year of operations as a telecommunications carrier in this state?

No. Such information would be considered forward looking financial information that would be subject to Securities and Exchange Commission disclosure requirements. In addition, whiles CNT is optimistic that it will be successful in marketing its services to existing customers, CNT is unable to predict the number of its existing customers that will choose to purchase data services from CNT as an add-on to the products and services that CNT currently provides them. As such, any projections of revenues and expenses would be highly speculative. The same would hold true for any projections related to technology, equipment and other investments within this state.

MANAGERIAL QUALIFICATIONS

8. **Please describe the qualifications of the members of the senior management team at CNT, and why you believe that these qualifications demonstrate the ability of CNT to operate as a telecommunications carrier under state rules and regulations.**

A review of the resumes of key CNT management personnel, which can be found in the Attachments to this application, reveals a very broad and strong background in communications technology based lines of business. All of the members of the CNT senior management team boast years of experience in network technology companies. Their experience and management skills have allowed them to build CNT into a high revenue, publicly traded company with over $400 million in annual revenues and approximately 1200 full time employees. This background and experience satisfies the Commission's requirements regarding CNT's ability to manage the operations of a competitive telecommunications carrier in this state.

TECHNICAL QUALIFICATIONS

9. **Please describe the technical qualifications of the senior management team at CNT, and why you believe that these qualifications demonstrate the ability of CNT to operate as a telecommunications carrier under state rules and regulations.**

The management of CNT has built a solid, publicly traded business based upon their ability to provide large corporations with managed critical network data storage, management and disaster recovery products and services. In tailoring these products and services to their customers, CNT is required to assist in the design and implementation of data communications networks that allow for the transmission of customer data between various customer locations and CNT locations worldwide. As such, CNT has significant technical experience in the design, ordering and management of data communications services and facilities. This background and experience satisfies the Commission's requirements regarding CNT's technical ability to manage the operations of a competitive telecommunications carrier in this state. A review of the resumes of key CNT management personnel, which can be found in the Attachments to this application, supports this assessment.

PUBLIC INTEREST CONSIDERATIONS

10. Please explain why you believe that it is in the public interest for the Commission to grant CNT's application to operate as a competitive telecommunications carrier.

Under the terms of the Telecommunications Act of 1996, it was determined that it was in the public interest that local exchange telecommunications markets should be opened to competitive entry using either a facilities based, resale or unbundled network elements method of entry. In this case, CNT is applying for the authority to offer competitive data communications services to business customers in non-rural areas of the state. CNT's entry will provide business customers an additional source of supply for critical data communications services, and will provide the competitive marketplace for these services a well-funded competitor that will offer innovative services and pricing, as well as exceptional customer service and support, to the state's business customers. The presence of CNT will benefit both customers and the state economy as a whole, and as such, is in the public interest.

11. Does CNT currently have interconnection agreements in place with incumbent local exchange carriers in the state?

No. CNT is currently in the process of initiating negotiations for interconnection with incumbent local exchange carriers in the non-rural service territories throughout the state. CNT anticipates that it will opt into an existing carrier interconnection agreement. CNT already has relationships in place with competitive providers of data services and facilities which it will augment with the relationships that it establishes with the incumbent local exchange carriers.

12. How does CNT plan to initially serve its customers in the state?

Initially, CNT intends to lease and resell the services and facilities of competitive telecommunications carriers. This will be accomplished through relationships that CNT already has in place with companies such as Broadwing, AT&T and others. In addition, CNT will establish the necessary relationships with incumbent local exchange carriers serving non-rural territories, in order to lease and resell unbundled network elements and other services to its customers. Where sufficient customer demand justifies the expense, CNT would look at the option of supplying its own facilities as well.

13. Please explain the processes that CNT has in place to guard against the unauthorized slamming or cramming of telecommunications services on its customers.

CNT will limit the marketing of its services to customers that currently purchase data management and storage products and services from it. These customers will be offered the option of contracting for the data communications services that CNT will offer. CNT will only use its internal sales force to market the data services that it will sell to its customers, and it will only offer these services under contract with its customers. An additional layer of protection against slamming and cramming is afforded the customers and the Commission by virtue of the fact that the data services that will be offered to existing customers represent a small potential category of revenue to CNT. The data storage products and services which CNT currently sells to its customers are responsible for significantly more revenue to CNT than the data services that will be sold once CNT is certificated as a competitive telecommunications carrier. This fact, coupled with the fact that customers will enter contracts delineating the services that they will purchase from CNT, ensures that there is no likelihood of either slamming or cramming becoming an issue with respect to CNT customers.

14. Please explain the processes that CNT has in place to ensure that customer inquiries and complaints are promptly addressed.

CNT currently has a customer service infrastructure in place to handle all customer inquiries and address any complaints that may arise with respect to the products and services that it sells to its customers. CNT's data communications services customers will be serviced by the same infrastructure. That infrastructure is accessed 24 hours a day, seven days a week, 365 days a year, by dialing 800-752-8061. This number will be included in the customer's bill for data communications services, ensuring that they always have access to prompt, courteous customer care when they need it.

15. Please provide an estimate of when CNT will begin to offer service in the state.

CNT intends to begin offering services to customers as soon as the Commission approves its application, and any tariffs and interconnection agreements that are required in order to offer service.

16. Please explain CNT's plan for addressing 911 emergency calling issues.

CNT is only providing non-switched, dedicated private line data communications services to its customers. These services link computers at the customer's premises with computers at CNT's premises, for redundancy and security purposes. CNT's customers have existing relationships with other carriers for switched voice grade services, and will not rely upon CNT for those offerings. Since CNT is not providing any voice services to its customers, it will never be necessary for it to interconnect to the emergency 911 network in providing services. As such, CNT should not be required to participate in the emergency 911 program within this state.

If necessary, CNT will provide notice to that effect to any and all emergency 911 coordinators. In the event that CNT alters in any way its business model to include switched voice grade services, it will fulfill any and all requirements related to the provision of emergency 911 services, including the assessment and remittance of 911 taxes, surcharges and other fees.

17. Please explain CNT's plan for addressing state and federal Universal Service issues.

CNT will comply with any and all state and federal requirements related to the advancement of universal telephone services that apply to data-only carriers of like character to themselves.

18. Please describe briefly the service territories that CNT will be operating in.

CNT will seek to serve its existing customer base, which is located in large and small urban areas throughout the state. CNT is unaware of any customers that are located in rural areas of the state.

____
Signature

Gregory Barnum
Typed or Printed Name

SWORN TO AND SUBSCRIBED before me on the 22^ND day of October, 2003

____
Notary Public In and For the
State of Minnesota

My commission expires: 1/31/05

STEVAN J. EIDE
NOTARY PUBLIC-MINNESOTA
MY COMMISSION EXPIRES 1-31-2005

EXHIBIT A
Organizational Chart of Corporate Structure

Computer Network Technology Corporation
Subsidiaries of the Registrant

Articulent Inc.
- Incorporated under the laws of the State of Delaware

Articulent LLC
- Organized under the laws of the State of Minnesota

Business Impact Technology Solutions Limited
- Incorporated under the English Companies Act
- d/b/a CNT BI-TECH

Business Impact Technology Solutions Sweden AB
- Incorporated under the laws of Sweden
- d/b/a BI-TECH Sweden

CNT International Ltd.
- Incorporated under the English Companies Act
- d/b/a CNT International Ltd. and CNTI

CNT France S.A.
- Incorporated under French law
- d/b/a CNT France S.A. and CNTF

Computer Network Technology GmbH
- Incorporated under German law

CNTFS Corporation
- Incorporated under Barbados law

CNT Deutschland GmbH
- Incorporated under German law

Computer Network Technology (Asia Pacific) Pty. Ltd.
- Incorporated under Australian law
- d/b/a CNT A/P

CNT Japan K.K.
- Incorporated under Japanese law

CNT Acquisition I Corporation (formerly known as RealLegacy.com, Inc. and also formerly known as Propelis Software, Inc.)
- Incorporated under Minnesota law

Computer Network Technology do Brasil Ltda.
- Incorporated under Brazillian law

CNT Telecom Services, Inc
- Incorporated under Minnesota law

Basketball Corporation
- Incorporated under Delaware law

EXHIBIT B
Articles of Incorporation

31, 1123

Y 50, 472

STATE OF MINNESOTA

DEPARTMENT OF STATE

To All To Whom These Presents Shall Come, Greeting:

Whereas, Articles of Incorporation, duly signed and acknowledged under oath, have been filed for record in the office of the Secretary of State, on the 11th day of July A.D. 19 79 for the incorporation of

Treats-Etc., Inc.

under and in accordance with the provisions of the Minnesota Business Corporation Act, Minnesota Statutes, Chapter 301;

Now, Therefore, by virtue of the powers and duties vested in me by law as Secretary of State of the State of Minnesota, I do hereby certify that the said

Treats-Etc., Inc.

is a legally organized Corporation under the laws of this State.

Witness my official signature hereunto subscribed and the Great Seal of the State of Minnesota hereunto affixed this eleventh day of July in the year of our Lord one thousand nine hundred and seventy-nine

Joan Anderson Growe
Secretary of State.

Y-50,473

ARTICLES OF INCORPORATION
OF
TREATS-ETC., INC.
-o0o-

The undersigned, being a natural person of full age, for the purpose of forming a corporation under and pursuant to the provisions of the Minnesota Business Corporation Act, being Chapter 301, Minnesota Statutes Annotated, does hereby adopt the following Articles of Incorporation.

ARTICLE I.

The name of this corporation shall be:

TREATS-ETC., INC.

ARTICLE II.

The purposes and powers of this corporation shall be:

(a) General business purposes.

(b) To perform all acts and things necessary to operate a confectionery.

(c) To acquire, hold, mortgage, pledge or dispose of the shares, bonds, securities and other evidences of indebtedness of any domestic or foreign corporation.

(d) To take, lease, purchase or otherwise acquire, and to own, use, hold, sell, convey, exchange, lease, mortgage, work, improve, develop, divide and otherwise handle, deal in and dispose of real estate, real property, and any interest or right therein. To erect, construct, maintain, improve, rebuild, enlarge, alter, manage and control, directly or through ownership of stock in any corporation, any and all kinds of buildings, houses, stores, offices, shops, warehouses, factories, mills, machinery and plants, and any and all other structures and erections which may at any time be necessary, useful or advantageous, for the purposes of the corporation, and which lawfully may be done under the laws of the State of Minnesota.

(e) To make, enter into, perform and carry out contracts for constructing, building, altering, improving, repairing, decorating, maintaining, furnishing and fitting up buildings, tenements and structures of every description, and to advance money to and enter into agreements of all kinds with builders, contractors, property owners and others for said purpose.

(f) To purchase or otherwise acquire, own, mortgage, pledge, sell, assign and transfer, or otherwise dispose of, to invest, trade, deal in and deal

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with goods, wares, and merchandise and personal property, of every class and description; to acquire and pay for in cash, stocks or bonds of this corporation, or otherwise, the good will, rights, assets and property, and to undertake or assume the whole or any part of the obligations or liabilities of any person, firm, association or corporation; to acquire, hold, use, sell, assign, lease, grant licenses in respect of, mortgage or otherwise dispose of letters patent of the United States or any foreign country, patent rights, licenses and privileges, inventions, improvements and processes, copyrights, trademarks and trade names, relating to or useful in connection with any business of this corporation.

(g) To enter into, make and perform contracts of every kind and description with any person, firm, association, corporation, municipality, county, state, body politic or government or colony or dependency thereof, to borrow money for any of the purposes of the corporation, from time to time, to draw, make, accept, endorse, execute and issue promissory notes, drafts, bills of exchange, warrants, bonds, debentures and other negotiable or non-negotiable instruments and evidences of indebtedness, and to secure the payment of any thereof and of the interest thereon by mortgage upon or pledge, conveyance or assignment in trust of the whole or any part of the property of the corporation, whether at the time owned or thereafter acquired, and to sell, pledge, or otherwise dispose of such bonds or other obligations of the corporation, for its corporate purposes.

(h) To purchase, hold, sell and transfer the shares of its own capital stock.

(i) To have one or more offices, within or without the State of Minnesota, to carry on all or any of its operations and business and, without restriction or limit as to amount, to purchase or otherwise acquire, hold, own, mortgage, sell, convey or otherwise dispose of real property of every class and description in any of the states, districts, territories or colonies of the United States, and in any and all foreign countries, subject to the laws of such state, district, territory, colony or country; and, in general, to exercise and to have such other powers and purposes as may be reasonably incidental to or necessary for the exercise of any of the powers hereinabove specified.

(j) To do each and all of the things aforesaid for itself, or as agent, nominee, broker, factor, consignee, associate, joint venturer, or partner of or with other persons, firms, partnerships, general or limited, associations, or corporations; and to do the same as fully and to the same extent as natural persons might or could do, including the formation or entering into joint ventures or general or limited partnerships or associations to do any of the things aforesaid and becoming and acting as a joint venturer, general or limited partner, or associate or member therein.

(k) The objects and purposes specified in the foregoing paragraphs shall, except where otherwise expressed, be in nowise limited or restricted by reference to, or inference from the terms of any other clause in these Articles of Incorporation, but the objects and purposes specified in each of the foregoing clauses of this Article shall be regarded as independent objects and purposes and shall be in addition to any other powers of corporations having general business purposes under the Minnesota Business Corporation Act.

ARTICLE III.

The location and post office address of its registered office within the State of Minnesota shall be 1800 Midwest Plaza Building, Minneapolis, Minnesota, 55402.

ARTICLE IV.

The time for the commencement of this corporation shall be the date upon which these Articles of Incorporation are filed in the office of the Secretary of State of Minnesota, and its duration shall be perpetual.

ARTICLE V.

(a) The capital stock of this corporation shall consist of two thousand, five hundred (2,500) shares of no par value common stock.

(b) No holder of stock of this corporation shall be entitled to any cumulative voting rights.

(c) The capital stock of this corporation shall be issued in the manner, at the times, in such amounts, and for such consideration in money or property or both, as the Board of Directors may, from time to time, determine. The Board of Directors shall have the authority to fix the terms, provisions and conditions of, and authorize the issuance of options, warrants, or rights to purchase or subscribe for shares of its common stock, including the price or prices at which shares may be purchased or subscribed for.

(d) No holder of stock of this corporation shall have any preferential, pre-emptive or other rights of subscription to any shares of any class of stock of this corporation allotted or sold or to be allotted or sold and now or hereafter authorized, or to any obligations or securities convertible into any class of stock of this corporation, nor any right of subscription to any part thereof.

ARTICLE VI.

The corporation shall indemnify its officers, directors, employees and agents to the full extent permitted by the laws of the State of Minnesota, as now in effect or as the same may hereafter be amended.

Y-50,476

ARTICLE VII.

The amount of stated capital with which this corporation shall begin business shall be the sum of One Thousand Dollars ($1,000.00)

ARTICLE VIII.

The name and post office address of the incorporator forming this corporation is:

Harvey F. Kaplan
1800 Midwest Plaza
Minneapolis, Minnesota 55402

ARTICLE IX.

(a) The management of the corporation shall be vested in a Board of Directors whose number shall be determined in accordance with the Bylaws of this corporation. The first Board of Directors of the corporation, who shall hold office until the next annual meeting of shareholders and until their successors are elected shall consist of:

Laurence S. Zipkin
8910 Westmoreland Lane
Minneapolis, Minnesota 55426

Lyle Berman
433 Bushaway Road
Wayzata, Minnesota 55391

Joel Waller
7445 Knoll Avenue
Minneapolis, Minnesota 55427

(b) The Board of Directors shall have the authority to change or repeal such Bylaws.

IN WITNESS WHEREOF, the undersigned has hereunto set his hand this 10th day of July, 1979.

In the Presence of:

______________________ Harvey F. Kaplan

____

State of Minnesota)
)ss.
County of Hennepin)

On this 10th day of July, 1979, before me, a notary public within and for said county, personally appeared Harvey F. Kaplan, to me known to be the person named in and who executed the foregoing Articles of Incorporation, and he acknowledged that he executed the same as his free act and deed and for the uses and purposes therein expressed.

Y-50, 477

STATE OF MINNESOTA
DEPARTMENT OF STATE
I hereby certify that the within instrument was filed for record in this office on the 11 day of July A.D. 19 77, at 1:30 o'clock P M., and was duly recorded in Book Y-50 of Incorporations, on page 472

Joan Anderson Growe

Secretary of State

36-1123

U-56

ELECTION TO BECOME GOVERNED BY CHAPTER 302A

AND

CERTIFICATE OF RESTATED ARTICLES OF INCORPORATION

TREATS ETC., INC.

We, the undersigned officers of Treats Etc., Inc., a corporation subject to the provisions of Chapter 301, Minnesota Statutes, do hereby certify that resolutions as hereinafter set forth were adopted by unanimous written authorization pursuant to Section 301.26, Subd. 11, Minnesota Statutes, effective February 22, 1982:

RESOLVED that Treats Etc., Inc. elects to be governed by the provisions of Minnesota Statutes 302A and accepts all of the duties and responsibilities set forth therein. Further, that the following resolution(s) shall eliminate all corporate articles currently in effect that are prohibited by or inconsistent with Minnesota Statutes 302A and enact new corporate articles that are required or allowed under Minnesota Statutes 302A, and further

RESOLVED that the following articles of incorporation of Treats Etc., Inc. shall supercede and take the place of the existing Articles of Incorporation and be, and the same hereby are amended and restated to read as follows:

ARTICLE I

The name of this corporation is "Cancom, Inc."

ARTICLE II

REGISTERED OFFICE

The registered office of this corporation within the State of Minnesota is located at 1300 Midwest Plaza, Minneapolis, Minnesota 55402.

ARTICLE III

CAPITAL

This corporation is authorized to issue an aggregate of [illegible] shares of stock, with par value of one cent ($.01) per share.

ARTICLE IV

ORIGINAL INCORPORATOR

The name and address of the original incorporator of the corporation is Harvey [illegible] Kaplan, 1300 Midwest Plaza, Minneapolis, Minnesota [illegible].

ARTICLE V

BOARD OF DIRECTORS

The names and addresses of the directors presently serving on the Board of Directors are:

Laurence S. Zipkin	8910 Westmoreland Lane St. Louis Park, Minnesota
Joel N. Waller	7445 Knoll Street Golden Valley, Minnesota
Lyle A. Berman	433 Bushaway Road Wayzata, Minnesota

ARTICLE VI

CUMULATIVE VOTING AND PREEMPTIVE RIGHTS

No holder of stock of this corporation shall be entitled to any cumulative voting rights. No holder of stock of this corporation shall have any preemptive rights.

ARTICLE VII

WRITTEN ACTION WITHOUT MEETING

Any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting by written action signed by a majority of the Board of Directors then in office, except as to those matters which require shareholder approval, in which case the written action shall be signed by all members of the Board of Directors then in office.

U-56,[illegible]

ARTICLE VIII

CLASSES AND SERIES OF STOCK

In addition to, and not by way of limitation of, the powers granted to the Board of Directors by Minnesota Statutes, Chapter 302A, the Board of Directors may, from time to time, establish by resolution different classes or series of shares and may fix the rights and preferences of said shares in any class or series. The Board of Directors shall further have the authority to issue shares of a class or series to holders of shares of another class or series to effectuate share dividends, splits or conversion of its outstanding shares.

IN WITNESS WHEREOF, we have subscribed our names this [illegible] day of [illegible], 1982.

Laurence Zipkin, President

Lyle Berman, Secretary

STATE OF MINNESOTA)
)
COUNTY OF HENNEPIN)

On this 22nd day of February, 1982, before me, a Notary Public, within and for said County, personally appeared Laurence Zipkin and Lyle Berman, to me personally known who being each by me duly sworn did say that they are respectively the president and secretary of the corporation named in the foregoing instrument and that the seal affixed to said instrument is the corporate seal of the corporation and that said instrument was signed and sealed in behalf of an on the authority of the shareholders of the corporation and said president and secretary acknowledged said instrument to be the free act and deed of said corporation.

MICHAEL L. S[illegible]OW
NOTARY PUBLIC - MINNESOTA
HENNEPIN COUNTY
My Commission Expires Mar. 8, 1984

Notary Public

U-56, 123

STATE OF MINNESOTA
DEPARTMENT OF STATE
I hereby certify that the within instrument was filed for record in this office on the ____ day of ____ A. D. 19____, at ____ o'clock ____ M., and was duly recorded in Book U-56 of Incorporations, on page 123

Joan Anderson Growe
Secretary of State

1-(5) 102

CERTIFICATE OF AMENDMENT
TO THE
ARTICLES OF INCORPORATION
OF
CANCOM, INC.

We, the undersigned, Laurence S. Zipkin and Lyle A. Berman, respectively, the President and Secretary of Cancom, Inc., a corporation subject to the provisions of Chapter 302A, Minnesota Revised Statutes, do hereby certify that at a meeting of the shareholders of this corporation, duly held in accordance with Section 302A.431, Minnesota Revised Statutes, the following resolutions were duly adopted:

RESOLVED: That Article I of the Articles of Incorporation of Cancom, Inc. be, and the same hereby is, amended to read as follows:

"ARTICLE I

The name of this corporation is 'Computer Network Technology Corporation'."

RESOLVED FURTHER: That the President and Secretary of this corporation be, and they each hereby are, authorized, empowered and directed to make, execute and acknowledge a Certificate of this corporation embracing the foregoing resolution of amendment to the Articles of Incorporation and to cause the Certificate to be filed for record in the manner required by law.

IN WITNESS WHEREOF, we have subscribed our names this ___ day of ___________, 1983.

IN THE PRESENCE OF:

_______________________ Laurence S. Zipkin
President

_______________________ Lyle A. Berman
Secretary

STATE OF MINNESOTA)
) ss
COUNTY OF HENNEPIN)

BE IT KNOWN, that on the 30th day of November, 1983, before me a notary public, personally appeared Laurence S. Zipkin and Lyle A. Berman, to me known to be the persons named and described as the President and Secretary of Cancom, Inc. and who executed the foregoing Certificate of Amendment to the Articles of Incorporation, and having been first duly sworn and under oath, did acknowledge and say that they executed the foregoing Certificate as their free act and deed and the free act and deed of said corporation for the uses and purposes therein expressed.

Notary Public

JANET SCHROEDER SMITH
NOTARY PUBLIC - MINNESOTA
ANOKA COUNTY
My Commission Expires Mar. 12, 1986

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CERTIFICATE
OF
CHANGE OF REGISTERED OFFICE
OF
COMPUTER NETWORK TECHNOLOGY CORPORATION

3-1183

We, the undersigned, Ronald A. Whitehouse and Eugene D. Misukanis, respectively the President and Secretary of Computer Network Technology Corporation, a corporation subject to the provisions of Chapter 302A, Minnesota Revised Statutes, do hereby certify that pursuant to a writing signed by all of the directors of said corporation in accordance with Section 302A.239, Subd. 1, Minnesota Revised Statutes, the following resolutions were duly adopted:

"NOW, THEREFORE, BE IT RESOLVED: That the location and post office address of the registered office of this corporation in the State of Minnesota shall be changed from:

1800 Midwest Plaza, City of Minneapolis,
County of Hennepin, State of Minnesota 55402,

to

9440 Science Center Drive, City of New Hope,
County of Hennepin, State of Minnesota 55428,

effective immediately.

RESOLVED FURTHER: That the President and Secretary of this corporation shall be, and they each hereby are, authorized, empowered and directed to make, execute and acknowledge a certificate embracing the foregoing resolution changing the registered office of this corporation, and to cause such certificate to be filed for record in the manner required by law."

IN WITNESS WHEREOF, we have subscribed our names this 15 day of December, 1983.

IN THE PRESENCE OF:

Ronald A. Whitehouse, President

Eugene D. Misukanis, Secretary

O-61, 131

STATE OF MINNESOTA)
) SS
COUNTY OF HENNEPIN)

BE IT KNOWN, that on the 15th day of December, 1983, before me, a notary public, personally appeared Ronald A. Whitehouse and Eugene D. Misukanis, to me known to be the persons named and described as the President and Secretary of Computer Network Technology Corporation and who executed the foregoing Certificate of Change of Registered Office, and having been first duly sworn and under oath, did acknowledge and say that they executed the foregoing Certificate as their free act and deed and the free act and deed of said corporation for the uses and purposes therein expressed.

Pamela J. Oehme

Notary Public

PAMELA J. OEHME
NOTARY PUBLIC - MINNESOTA
ANOKA COUNTY
My Commission Expires Nov. 23, 1990

STATE OF MINNESOTA
DEPARTMENT OF STATE
I hereby certify that the within instrument was filed for record in this office on the ___ day of ___ A. D. 19___ at ___ o'clock ___ M., and was duly recorded in Book D-61 of Incorporations, on page 430

Secretary of State

to time by the Board of Directors. Such shares shall be designated as the "Preferred Stock, Series ______." The shares of Preferred Stock of any series authorized for issuance by the Board of Directors shall be senior to the Common Stock with respect to any distribution (as such term is defined in Section 302A.011, Subd. 10, Minnesota Statutes) if so designated by the Board of Directors upon issuance of the shares of that series. The Board of Directors is hereby granted the express authority to fix by resolution any other designations, powers, preferences, voting and other rights, qualifications, limitations or restrictions with respect to any particular series of Preferred Stock prior to issuance thereof.

3.03 Except as otherwise required by law, and except as may be otherwise provided pursuant to Section 3.02 hereof, the holders of the shares of Common Stock shall have the sole voting rights of this corporation.

3.04 There shall be no cumulative voting by the holders of the Common Stock.

3.05 The shareholders shall take action by the affirmative vote of the holders of a majority of the voting power of the shares represented and voting at a duly held meeting, except where the affirmative vote of a greater number or the affirmative vote of a majority of the voting power of all voting shares is required by statute and except where the holders of a class or series are entitled by statute to vote as a class or series whether or not such holders are otherwise entitled to vote.

3.06 The shareholders of this corporation shall have no preemptive rights to subscribe for or otherwise acquire any new or additional shares of stock of this corporation of any class whether now authorized or authorized hereafter, or any options or warrants to purchase, subscribe for or otherwise acquire any such new or additional shares of any class or any shares, bonds, notes, debentures, or other securities convertible into or carrying options or warrants to purchase, subscribe for or otherwise acquire any such new or additional shares of any class.

ARTICLE IV

In addition to, and not by way of limitation of, the powers granted to the Board of Directors by the Chapter 302A, Minnesota Statutes, the Board of Directors of this corporation shall have the following powers and authority:

4.01 To fix by resolution any designation, power, preference, right, qualification, limitation or restriction with respect to the issuance of any series of the Preferred Stock of this corporation authorized by these Articles of Incorporation.

4.02 To issue shares of a class or series to holders of shares of another class or series to effectuate share dividends, splits, or conversion of its outstanding shares.

4.03 To fix the terms, provisions and conditions of and to authorize the issuance, sale, pledge or exchange of bonds, debentures, notes, or other evidences of indebtedness of this corporation.

4.04 To adopt, amend or repeal all or any of the Bylaws of this corporation by the vote of a majority of its members present at a duly held meeting, subject to the power of the shareholders to adopt, amend or repeal such Bylaws, and subject to any limitation of such power and authority contained in the Bylaws.

4.05 As to any member of the Board, to give advance written consent or opposition to a resolution stating an action to be taken by the Board. If such member is not present at the meeting at which action is taken upon such resolution, such consent or opposition does not constitute presence for purposes of determining the existence of a quorum, but shall be counted as a vote in favor of or against the resolution and shall be entered in the minutes or other record of action taken by the Board at the meeting if the resolution acted upon by the Board at the meeting is substantially the same or has substantially the same effect as the resolution to which the member of the Board has consented or objected.

4.06 To adopt an indemnity plan and to purchase and maintain insurance for officers, directors, employees and agents against liability asserted against them and incurred in any such capacity or arising out of their status as such to the fullest extent permissible under the provisions of Chapter 302A, Minnesota Statutes.

ARTICLE V

Section 302A.671, Minnesota Statutes, shall apply to a control share acquisition of the capital stock of this corporation.

IN WITNESS WHEREOF, we have set our signatures on this 25 day of Oct., 1985.

IN THE PRESENCE OF:

____

____

Richard A. McRae
Richard A. McRae, President

Eugene D. Misukanis
Eugene D. Misukanis, Secretary

Subscribed and sworn to before me
this 25th day of October, 1985.

Janni Severance
Notary Public

Janni Severance
NOTARY PUBLIC — MINNESOTA
RAMSEY COUNTY
My commission expires Sept. 18, 1990

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this 25th day of October, 1985 by Richard A. McRae and Eugene D. Misukanis, known to me to be the president and secretary, respectively, of Computer Network Technology Corporation, on their own behalf and on behalf of said corporation.

Janni Severance
Notary Public

Janni Severance
NOTARY PUBLIC — MINNESOTA
RAMSEY COUNTY
My commission expires Sept. 18, 1990

STATE OF MINNESOTA
DEPARTMENT OF STATE
I hereby certify that the within Instrument was filed for record in this office on the 30th day of Oct A. D. 19 85 at 4:30 o'clock P M, and was duly recorded in Book N-65 of Incorporations, on page 211

Joan Anderson Growe
TH
Secretary of State

B 66 801

3L-1123

CERTIFICATION BY SECRETARY OF COMPUTER NETWORK TECHNOLOGY CORPORATION AND CNT, INC.

The undersigned, the Secretary of Computer Network Technology Corporation and CNT, Inc., hereby certifies that the attached Merger Agreement By and Between Computer Network Technology Corporation and CNT, Inc. was unanimously adopted in writing by the Boards of Directors of the respective corporations and that since the date of such adoption there has been no resolution by either such Board of Directors amending, modifying, or rescinding such adoption.

Eugene D. Misukanis

Eugene D. Misukanis
Secretary of Computer Network Technology
Corporation and CNT, Inc.

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MERGER AGREEMENT BY AND BETWEEN COMPUTER NETWORK TECHNOLOGY CORPORATION AND CNT, INC.

This Agreement is made this 7th day of January, 1986 by and between Computer Network Technology Corporation, a Minnesota corporation, and CNT, Inc., a Minnesota corporation, which is wholly owned by Computer Network Technology Corporation.

RECITALS

A. Computer Network Technology Corporation (the "Parent") was incorporated in Minnesota in 1979 under the name "Treats Etc., Inc." In February 1982, the Parent changed its name to Cancom, Inc. and elected to be governed by Minnesota Statutes Chapter 302A. On November 29, 1983, the shareholders of the Parent approved the acquisition by the corpor ·ion of Computer Network Technology Corporation (now CNT, Inc.) (the "Subsidiary") by exchange of 3,150,000 shares of the common stock of the Parent for all of the issued and outstanding common stock of the Subsidiary. Following such acquisition, the name of the Parent was changed to Computer Network Technology Corporation and the name of the Subsidiary was changed to CNT, Inc.

B. The Subsidiary was incorporated in April 1983 under the name Computer Network Technology Corporation. In November 1983, in connection with acquisition of the Subsidiary by the Parent, the name of the Subsidiary was changed to CNT, Inc.

C. The Parent is authorized to issue 15,000,000 shares of Common Stock, par value $.01 per share and 1,000,000 shares of preferred stock.

D. The Subsidiary is authorized to issue 10,000,000 shares of Common Stock, $.01 par value per share, and 1,000,000 shares of Preferred Stock. There are currently issued and outstanding 3,637,500 shares of Common Stock, all of which are held of record by the Parent.

E. The Boards of Directors of the Parent and the Subsidiary, consisting of the same persons, unanimously deem it to be desirable and in the best interests of such corporations and their shareholders that the Subsidiary be merged into the Parent in accordance

B 66 80

with the provisions of Minnesota Statutes Section 302A.621 and that the transaction qualify as a tax-free reorganization under the Internal Revenue Code of 1954, as amended.

F. The Subsidiary is wholly-owned by the Parent and, accordingly, there are no shareholders of the Subsidiary, other than the Parent, entitled to receive notice of this Agreement pursuant to Minnesota Statutes, Section 302A.621, Subd. 2.

In consideration of the mutual covenants herein contained, and subject to the terms and conditions hereinafter set forth, the Parent and the Subsidiary agree as follows:

SECTION 1
The Parent to be the Surviving Corporation

Upon the date of filing of this Agreement with the Secretary of State of the State of Minnesota (the "Effective Date"), the Subsidiary shall be merged into the Parent. The corporate existence of the Subsidiary shall cease and the corporate existence of the Parent shall continue under the name of Computer Network Technology Corporation. On the Effective Date, the separate existence of the Subsidiary shall cease and the Parent shall succeed to all of the rights, privileges, immunities, and franchises and all the property, real, personal, and mixed, of the Subsidiary without the necessity for any separate transfer. The Parent shall thereafter be responsible and liable for all liabilites and obligations of the Subsidiary and neither the rights of creditors or any liens on the property of the Subsidiary shall be impaired by the merger.

SECTION 2
Principal Office

The principal office of the Parent shall remain at 9440 Science Center Drive, New Hope, Minnesota 55428 following this merger.

SECTION 3
Articles of Incorporation

The Articles of Incorporation of the Parent shall not be amended but shall remain in the form presently filed with the Secretary of State of Minnesota.

SECTION 4
Bylaws

The Bylaws of the Parent shall not be amended but shall remain as set forth in the corporate minute book.

*Richard A. McRae, 10 Flandrau Place, St. Paul, MN 55106 B66 804
John P. Cullinane, 650 Fifth Avenue, New York, NY 10019
Roger P. Williams, 650 Fifth Avenue, New York, NY 10019

SECTION 5

Names and Addresses of Directors

The persons who constitute the board of directors of the Parent shall continue to hold office until the first annual meeting of the shareholders of the Parent following Effective Date. The names and addresses of the persons who constitute the board of directors of the Parent on the date hereof are as follows:

Eugene D. Misukanis, 2404 Reidmond Avenue, Little Canada, MN 55117
Lyle A. Berman, 433 Bushaway Road, Wayzata, MN 55391
Robert A. Lutnicki, 121 Washington Avenue South, Minneapolis, MN 55401
*

SECTION 6

Capital Stock

The capital stock of the Subsidiary shall be cancelled in whole on the Effective ✓ Date. The capital stock of the Parent shall not be affected by this Merger.

IN WITNESS WHEREOF, the undersigned, constituting all of the members of the Boards of Directors of the Parent and the Subsidiary, have executed this Agreement on the date set forth below.

Dated: January 7, 1986.

Members of the Board of Directors of CNT, Inc. (the "Subsidiary")

Eugene D. Misukanis

Robert A. Lutnicki

Lyle A. Berman

Members of the Board of Directors of Computer Network Technology Corporation (the "Parent")

Eugene D. Misukanis

Robert A. Lutnicki

Lyle A. Berman

Richard A. McRae

John R. Cullinane

Roger P. Williams

STATE OF MINNESOTA)
) ss
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this 13th day of December, 1985 by Eugene D. Misukanis.

Janna Severance
NOTARY PUBLIC – MINNESOTA
RAMSEY COUNTY
My commission expires Sept. 18, 1990

Janna Severance
NOTARY PUBLIC

STATE OF MINNESOTA)
) ss
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this 13th day of December, 1985 by Robert A. Lutnicki.

Janna Severance
NOTARY PUBLIC – MINNESOTA
RAMSEY COUNTY
My commission expires Sept. 18, 1990

Janna Severance
NOTARY PUBLIC

STATE OF MINNESOTA)
)
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this 7th day of January, ~~1985~~ 6 by Lyle A. Berman.

Janna Severance
NOTARY PUBLIC

STATE OF MINNESOTA)
) ss
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this 13th day of December, 1985 by Richard A. McRae.

Janna Severance
NOTARY PUBLIC – MINNESOTA
RAMSEY COUNTY
My commission expires Sept. 18, 1990

Janna Severance
NOTARY PUBLIC

STATE OF MINNESOTA)
) ss
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ___ day of ________.

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1985 by John R. Cullinane.

[illegible]
Notary [illegible] New York
No. [illegible]
Qualified in Kings County
Commission Expires March 30, 19__

NOTARY PUBLIC

STATE OF MINNESOTA)
) ss
COUNTY OF HENNEPIN)

The foregoing instrument was acknowledged before me this ___ day of ________, 1985 by Roger P. Williams.

LINDA MAZEWSKI
Notary Public, State of New York
No. 4608674
Qualified in Kings County
Commission Expires March 30, 19__

NOTARY PUBLIC

STATE OF MINNESOTA
DEPARTMENT OF STATE
I hereby certify that the within instrument was filed for record in this office on the 16TH day of Jan A. D. 19 86 at 4:30 o'clock P. M., and was duly recorded in Book B-66 of Incorporations, on page 800

Joan Anderson Growe
Secretary of State

3L-1123

3962

CERTIFICATE OF AMENDMENT
TO
RESTATED ARTICLES OF INCORPORATION
OF
COMPUTER NETWORK TECHNOLOGY CORPORATION

We, the undersigned, the President and Secretary, respectively, of Computer Network Technology Corporation, a corporation subject to the provisions of Chapter 302A, Minnesota Statutes, known as the Minnesota Business Corporation Act, do hereby certify that at a meeting of the shareholders of the corporation duly held on May 19, 1987, in accordance with the provisions of Sections 302A.431 and 302A.435, Minnesota Statutes, the following resolution providing for the amendment of the Restated Articles of Incorporation of said corporation was duly adopted:

"RESOLVED: That the Restated Articles of Incorporation of this corporation dated October 25, 1985, and filed of record with the Secretary of State of Minnesota on October 30, 1985, as Document No. 3L-1123 shall be amended by the amendment and restatement of Section 4.06 thereof as follows:

4.06 To adopt an indemnity plan and to purchase and maintain insurance for officers, directors, employees and agents against liability asserted against them and incurred in any such capacity or arising out of their status as such to the fullest extent permissible under the provisions of Chapter 302A, Minnesota Statutes. Except as expressly provided in Section 302A.251, Subd. 4, Minnesota Statutes, a member of the Board of Directors of this corporation shall have no personal liability to this corporation or to the shareholders for monetary damages for breach of fiduciary duty as a member of the Board of Directors."

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IN WITNESS WHEREOF, we have set our signatures hereto this 19th day of May, 1987.

IN THE PRESENCE OF:

C. McK. Lewis III

C. McKenzie Lewis III, President

Eugene D. Misukanis, Secretary

STATE OF MINNESOTA)
) ss.
COUNTY OF HENNEPIN)

On this 19th day of May, 1987, before me, a notary public, personally appeared C. McKenzie Lewis III and Eugene D. Misukanis, to me known to be the persons named and described as the President and Secretary, respectively, of Computer Network Technology Corporation, and who executed the foregoing Certificate of Amendment to the Restated Articles of Incorporation, and having been first duly sworn and under oath, did acknowledge and say that they executed the foregoing Certificate as their free act and deed and the free act and deed of said corporation for the uses and purposes therein expressed.

Notary Public

JANET SCHROEDER SMITH
NOTARY PUBLIC—MINNESOTA
ANOKA COUNTY
My Commission Expires Mar. 20, 1992

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED

MAY 22 1987

Joan Anderson Growe
Secretary of State

32-1123

3116

CERTIFICATE OF AMENDMENT
TO THE
RESTATED ARTICLES OF INCORPORATION
OF
COMPUTER NETWORK TECHNOLOGY CORPORATION

The undersigned, the President of Computer Network Corporation, a corporation subject to the provisions of the Minnesota Business Corporation Act, Chapter 302A, Minnesota Statutes, do hereby certify that at an annual meeting of the shareholders of the corporation duly held on August 30, 1988, in accordance with the Minnesota Statutes Section 302A.431 and 302A.435, the following resolution providing for the amendment of the Amended Restated Articles of Incorporation of said corporation was duly adopted:

RESOLVED: That the Amended Restated Articles of Incorporation of this corporation shall be amended by the amendment and restatement of Section 3.01 thereof as follows:

ARTICLE III

3.01 This corporation shall have the authority to issue an aggregate of 22,500,000 shares of Common Stock, each with $.01 par value. Such shares shall be designated as this corporation's "Common Stock."

IN WITNESS WHEREOF, I have subscribed my name this 14 day of Sept, 1988.

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C. McKenzie Lewis III
President

ATTEST:

Eugene D. Misukanis
Secretary

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED

SEP 19 1988

Joan Anderson Growe
Secretary of State

3C-1177

1811

State of Minnesota
Office of the Secretary of State

Notice of Change of Registered Office — Registered Agent or Both by

Name of Corporation	COMPUTER NETWORK TECHNOLOGY CORPORATION

Pursuant to Minnesota Statutes, Section 302A.123, 303.10, 317.19, 317A.123 or 308A.025 the undersigned hereby certifies that the Board of Directors of the above named Corporation has resolved to change the corporation's registered office and/or agent to:

Agent's Name	If you do not wish to designate an agent, you must list "NONE" in this box. DO NOT LIST THE CORPORATE NAME NONE			
Address (No. & Street)	(You may not list a P.O. Box, but you may list a rural route and box number.) 6655 WEDGWOOD ROAD	County HENNEPIN	MN	Zip 55369
	City MAPLE GROVE			
Mailing Address	(If different than address above — P.O. Box is acceptable)	County	MN	Zip
	City			

The new address may not be a post office box. It must be a street address, pursuant to Minnesota Statutes, Section 302A.011, Subd. 3., 303.02, Subd. 5, 317.02 Subd. 13., 317A.01 Subd. 2.

This change is effective on the day it is filed with the Secretary of State, unless you indicate another date, no later than 30 days after filing with the Secretary of State, in this box: 5-1-89

I certify that I am authorized to execute this certificate and I further certify that I understand that by signing this certificate I am subject to the penalties of perjury as set forth in section 609.48 as if I had signed this certificate under oath.

Name of Officer or Other Authorized Agent of Corporation (Please Print) JOHN R. BRINTNALL	Signature
Title or Office CHIEF FINANCIAL OFFICER	Date 3-9-90

Do not write below this line. For Secretary of State's use only.

Receipt Number	File Data
415445	STATE OF MINNESOTA DEPARTMENT OF STATE FILED MAR 09 1990 Joan Anderson Growe Secretary of State

Filing Fee: $35.00

Return to: Business Services Division
Office of the Secretary of State
180 State Office Building
St. Paul, MN 55155
(612) 296-2803

Make checks payable to: Secretary of State

SC-00014-06

3C-1123

4345

ARTICLES OF AMENDMENT
OF THE
RESTATED ARTICLES OF INCORPORATION
OF
COMPUTER NETWORK TECHNOLOGY CORPORATION

1. The name of the corporation is Computer Network Technology Corporation.

2. Subsection 3.01 of Article III, as amended, reads as follows:

   This corporation shall have the authority to issue an aggregate of thirty million (30,000,000) shares of Common Stock of par value of $.01 per share. Such shares shall be designated as this corporation's "Common Stock."

3. The amendment was adopted pursuant to Chapter 302A of the Minnesota Business Corporation Act.

IN WITNESS WHEREOF, the undersigned, the Secretary of Computer Network Technology Corporation, being duly authorized, has executed this document on May 21, 1992.

Eugene D. Misukanis, Secretary

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED
MAY 2 2 1992
Joan Anderson Growe
Secretary of State

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3L-1123

4337

SECOND RESTATED ARTICLES OF INCORPORATION
OF
COMPUTER NETWORK TECHNOLOGY CORPORATION

1. The name of the corporation is Computer Network Technology Corporation.

2. The Second Restated Articles of Incorporation of the corporation are as follows:

ARTICLE I

The name of this corporation shall be Computer Network Technology Corporation.

ARTICLE II

The registered office of this corporation in the State of Minnesota shall be 6500 Wedgwood Road, Maple Grove, Minnesota 55369.

ARTICLE III

3.01 This corporation shall have the authority to issue an aggregate of thirty million (30,000,000) shares of Common Stock of par value of $.01 per share. Such shares shall be designated as this corporation's "Common Stock."

3.02 This corporation shall have the authority to issue an aggregate of one million (1,000,000) shares of Preferred Stock, which may be issued in one or more series as determined from time to time by the Board of Directors. Such shares shall be designated as the "Preferred Stock, Series _______." The shares of Preferred Stock of any series authorized for issuance by the Board of Directors shall be senior to the Common Stock with respect to any distribution (as such term is defined in Section 302A.011, Subd. 10, Minnesota Statutes) if so designated by the Board of Directors upon issuance of the shares of that series. The Board of Directors is hereby granted the express authority to fix by resolution any other designations, powers, preferences, voting and other rights, qualifications, limitations or restrictions with respect to any particular series of Preferred Stock prior to issuance thereof.

3.03 Except as otherwise required by law, and except as may be otherwise provided pursuant to Section 3.02 hereof, the holders of the shares of Common Stock shall have the sole voting rights of this corporation.

3.04 There shall be no cumulative voting by the holders of the Common Stock.

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3.05 The shareholders shall take action by the affirmative vote of the holders of a majority of the voting power of the shares represented and voting at a duly held meeting, except where the affirmative vote of a greater number or the affirmative vote of a majority of the voting power of all voting shares is required by statute and except where the holders of a class or series are entitled by statute to vote as a class or series whether or not such holders are otherwise entitled to vote.

3.06 The shareholders of this corporation shall have no preemptive rights to subscribe for or otherwise acquire any new or additional shares of stock of this corporation of any class whether now authorized or authorized hereafter, or any options or warrants to purchase, subscribe for or otherwise acquire any such new or additional shares of any class or any shares, bonds, notes, debentures, or other securities convertible into or carrying options or warrants to purchase, subscribe for or otherwise acquire any such new or additional shares of any class.

ARTICLE IV

In addition to, and not by way of limitation of, the powers granted to the Board of Directors by the Chapter 302A, Minnesota Statutes, the Board of Directors of this corporation shall have the following powers and authority:

4.01 To fix by resolution any designation, power, preference, right, qualification, limitation or restriction with respect to the issuance of any series of the Preferred Stock of this corporation authorized by these Articles of Incorporation.

4.02 To issue shares of a class or series to holders of shares of another class or series to effectuate share dividends, splits, or conversion of its outstanding shares.

4.03 To fix the terms, provisions and conditions of and to authorize the issuance, sale, pledge or exchange of bonds, debentures, notes, or other evidences of indebtedness of this corporation.

4.04 To adopt, amend or repeal all or any of the Bylaws of this corporation by the vote of a majority of its members present at a duly held meeting, subject to the power of the shareholders to adopt, amend or repeal such Bylaws, and subject to any limitation of such power and authority contained in the Bylaws.

4.05 As to any member of the Board, to give advance written consent or opposition to a resolution stating an action to be taken by the Board. If such member is not present at the meeting at which action is taken upon such resolution, such consent or opposition does not constitute presence for purposes of determining the existence of a quorum, but shall be counted as a vote in favor of or against the resolution and shall be entered in the minutes or other record of action taken by the Board at the meeting if the resolution acted upon by the Board at the meeting is substantially the same or has substantially the same effect as the resolution to which the member of the Board has consented or objected.

4.06 To adopt an indemnity plan and to purchase and maintain insurance for officers, directors, employees and agents against liability asserted against them and incurred in any such capacity or arising out of their status as such to the fullest extent permissible under the provisions of Chapter 302A, Minnesota Statutes. Except as expressly provided in Section 302A.251, Subd. 4, Minnesota Statutes, a member of the Board of Directors of this corporation shall have no personal liability to this corporation or to the shareholders for monetary damages for breach of fiduciary duty as a member of the Board of Directors.

ARTICLE V

Section 302A.671, Minnesota Statutes, shall apply to a control share acquisition of the capital stock of this corporation.

3. The Second Restated Articles of Incorporation of the corporation correctly set forth without change the corresponding provisions of the articles as previoulsy amended, except that Article II thereof contains the new address of the corporation's registered office, which has been approved by the Board of Directors of the corporation.

4. The Second Restated Articles of Incorporation were adopted pursuant to Chapter 302A of the Minnesota Business Corporation Act.

IN WITNESS WHEREOF, the undersigned, the Secretary of Computer Network Technology Corporation, being duly authorized, has executed this document on June 19, 1992.

Eugene D. Misukanis

Eugene D. Misukanis, Secretary

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED
JUN 22 1992
Joan Anderson Growe
Secretary of State

g:\corpfile\restart.092

3L-1123

1704

State of Minnesota
Office of the Secretary of State

Notice of Change of Registered Office — Registered Agent or Both by

Name of Corporation: Computer Network Technology Corporation

Pursuant to Minnesota Statutes, Section 302A.123, 303.10, 317.19, 317A.123 or 308A.025 the undersigned hereby certifies that the Board of Directors of the above named Corporation has resolved to change the corporation's registered office and/or agent to:

Agent's Name	If you do not wish to designate an agent, you must list "NONE" in this box. DO NOT LIST THE CORPORATE NAME —			
Address (No. & Street)	(You may not list a P.O. Box, but you may list a rural route and box number) 6500 Wedgwood Road			
	City Maple Grove	County Hennepin	MN	Zip 55369
Mailing Address	(If different than address above — P.O. Box is acceptable)			
	City	County	MN	Zip

The new address may not be a post office box. It must be a street address, pursuant to Minnesota Statutes, Section 302A.011, Subd. 3., 303.02, Subd. 5, 317.02 Subd. 13., 317A.01 Subd. 2.

This change is effective on the day it is filed with the Secretary of State, unless you indicate another date, no later than 30 days after filing with the Secretary of State, in this box:

I certify that I am authorized to execute this certificate and I further certify that I understand that by signing this certificate I am subject to the penalties of perjury as set forth in section 609.48 as if I had signed this certificate under oath.

Name of Officer or Other Authorized Agent of Corporation (Please Print) X John R. Brintnall	Signature X John R Brintnall
Title or Office X Vice President of Finance	Date 8-1-1991

Do not write below this line. For Secretary of State's use only.

Receipt Number: 618044

File Date D.A.R.

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED
AUG 1 1991
Joan Anderson Growe
Secretary of State

Filing Fee: $35.00

Return to: Business Services Division
Office of the Secretary of State
180 State Office Building
St. Paul, MN 55155
(612) 296-2803

Make checks payable to: Secretary of State

32-
1123

State of Minnesota
Office of the Secretary of State

#5

3699

Notice of Change of Registered Office — Registered Agent or Both by

Name of Corporation: COMPUTER NETWORK TECHNOLOGY

Pursuant to Minnesota Statutes, Section 302A.123, 303.10, 317.19, 317A.123 or 308A.025 the undersigned hereby certifies that the Board of Directors of the above named Corporation has resolved to change the corporation's registered office and/or agent to:

Agent's Name	If you do not wish to designate an agent, you must list "NONE" in this box. DO NOT LIST THE CORPORATE NAME "NONE"			
Address (No. & Street)	(You may not list a P.O. Box, but you may list a rural route and box number.) 605 NORTH HIGHWAY 169, SUITE 800*			
	City: MINNEAPOLIS	County: HENNEPIN	MN	Zip: 55441
Mailing Address	(If different than address above — P.O. Box is acceptable) Do not list a different street address or location.			
	City	County	MN	Zip

* AS USED ON CONCURRENTLY FILED FORM M-SS1

The new address may not be a post office box. It must be a street address, pursuant to Minnesota Statutes, Section 302A.011 Subd. 3, 303.02 Subd. 5, 317.02 Subd. 13, 317A.01 Subd. 2.

This change is effective on the day it is filed with the Secretary of State, unless you indicate another date, no later than 30 days after filing with the Secretary of State, in this box:

I certify that I am authorized to execute this certificate and I further certify that I understand that by signing this certificate I am subject to the penalties of perjury as set forth in section 609.48 as if I had signed this certificate under oath.

Name of Officer or Other Authorized Agent of Corporation (Please Print): Jim Burchard	Signature: [signature]
Title or Office: VP	Date: 9/13/94

Do not write below this line. For Secretary of State's use only.

Receipt Number	File Data
	STATE OF MINNESOTA DEPARTMENT OF STATE FILED SEP 19 1994 [signature] Secretary of State M

Filing Fee: $35.00

Return to: Business Services Division
Office of the Secretary of State
180 State Office Building
St. Paul, MN 55155
(612) 296-2803

036221

Make checks payable to Secretary of State

SC 00014-05

6351

3L-1123

State of Minnesota

SECRETARY OF STATE

Certificate of Merger

I, Joan Anderson Growe, Secretary of State of Minnesota, certify that: the documents required to effectuate a merger between the entities listed below and designating the surviving entity have been filed in this office on the date noted on this certificate; and the qualification of the non-surviving entity to do business in Minnesota is terminated on the effective date of this merger.

Merger Filed Pursuant to Minnesota Statutes, Chapter: 302A

State of Formation and Names of Merging Entities:

MN: CNT/BRIXTON SYSTEMS, INC.
MN: COMPUTER NETWORK TECHNOLOGY CORPORATION

State of Formation and Name of Surviving Entity:

MN: COMPUTER NETWORK TECHNOLOGY CORPORATION

Effective Date of Merger: July 21, 1995

Name of Surviving Entity After Effective Date of Merger:

COMPUTER NETWORK TECHNOLOGY CORPORATION

This certificate has been issued on: July 21, 1995

Joan Anderson Growe
Secretary of State

6352

3C-1193

ARTICLES OF MERGER
OF
CNT/BRIXTON SYSTEMS, INC.
INTO
COMPUTER NETWORK TECHNOLOGY CORPORATION

Pursuant to Section 302A.621 of the Minnesota Business Corporation Act, the undersigned officer of Computer Network Technology Corporation, a Minnesota corporation (the "Surviving Corporation"), the owner of 100% of the outstanding capital stock of CNT/Brixton Systems, Inc., a Minnesota corporation (the "Subsidiary Corporation"), hereby executes and files these Articles of Merger:

FIRST: The Plan of Merger, in the form of resolutions duly adopted by the Board of Directors of Surviving Corporation at a meeting on July 20, 1995 is attached hereto as Exhibit A.

SECOND: The number of outstanding shares of each class and series of Subsidiary Corporation and the number of shares of each class and series owned by Surviving Corporation are as follows:

Designation of Class & Series	Number of Outstanding Shares	Number of Shares Owned by Surviving Corporation
Common Stock, par value $.01 per share	100	100

THIRD: There are no shareholders of Subsidiary Corporation other than Surviving Corporation; therefore, no mailing of the Plan of Merger is required pursuant to Section 302A.621, subd. 3(c), of the Minnesota Business Corporation Act.

FOURTH: The Plan of Merger has been duly approved by Surviving Corporation under Section 302A.621 of the Minnesota Business Corporation Act.

FIFTH: The merger shall be effective July 21, 1995.

Dated: July 20, 1995

COMPUTER NETWORK
TECHNOLOGY CORPORATION

By [signature]
Lewis Shender, Secretary

081115

EXHIBIT A

6353

WHEREAS, the Corporation owns 100% of the issued and outstanding capital stock of CNT/Brixton Systems, Inc., a Minnesota corporation (the "Subsidiary"), consisting of 100 shares of Common Stock, par value of $.01 per share; and

WHEREAS, the Corporation desires to effect the merger of Subsidiary with and into the Corporation pursuant to Section 302A.621 of the Minnesota Business Corporation Act.

NOW, THEREFORE, BE IT RESOLVED, that Subsidiary be merged with and into the Corporation pursuant to Section 302A.621 of the Minnesota Business Corporation Act, in accordance with the further resolutions set forth below (which resolutions shall constitute the Plan of Merger);

RESOLVED FURTHER, that at the effective time of the merger all of the outstanding shares of common stock of the Subsidiary shall be canceled, and no securities of the Corporation or any other corporation, or any money or other property, shall be issued to the Corporation in exchange therefor;

RESOLVED FURTHER, that the merger shall be effective the date of filing of articles of merger with the Secretary of State of the State of Minnesota in the manner required by law;

RESOLVED FURTHER, that any officer of the Corporation be and hereby is authorized and directed to make, sign, and acknowledge, for and on behalf of the Corporation, articles of merger setting forth the foregoing Plan of Merger and such other information as required by law, and to cause such articles to be filed for record with the Secretary of State of the State of Minnesota in the manner required by law; and

RESOLVED FURTHER, that the officers of the Corporation, and each of them, be and they hereby are authorized, for and on behalf of the Corporation, to take such other action as such officers, or any of them, shall deem necessary or appropriate to carry out the purpose of the foregoing resolutions.

STATE OF MINNESOTA
DEPARTMENT OF STATE
FILED
JUL 21 1995
Joan Anderson Growe
Secretary of State

r:\brx\atmerg\1

STATE OF MINNESOTA
DEPARTMENT OF STATE
I hereby certify that this is a true and complete copy of the document as filed for record in this office.
Date 11-26 1996

Secretary of State

BY G. Rudolph

Page No: 1
Invoice No: 31004515
Cust No: 53283

CNT

INVOICE

Sold To: EDS
5400 LEGACY DRIVE
H4-2C-05
PLANO TX 75024

Ship To: NEXTEL COMMUNICATIONS
5295 BROOK HOLLOW PARKWAY
SUITE 105
NORCROSS GA 30071

Tax ID:

Inv Date 3/4/2003 Customer P.O. 4-CNT DOCK

Done

Line No	Item Number	Descri	UM	Quantity	Extended Price
15 000	T1001	TELCO DS	EA	1	18,327 03
March 1 -19 - 2003					
21 000	RENT	MONTHLY	EA	1	3,814.25
March 1 -19 - 2003 CISCO ROUTER AND MAINTEN					

**Remit Payment To: CNT
SDS 12-0609, PO BO
MINNEAPOLIS MN 5**

Please Direct Inquires to Accounts Receivable (763) 268-6799 or (763) 268-6123

Total Tax:
Total Amount Due: 22,141.28 USD

Terms Net 30 days Net Due Date 4/3/2003
Order No 22030087 Type. SE F E.I N 41-1356476

DOC NO FI1540003FO

EXHIBIT C
Authority to Transact Business

Secretary of State
Division of Business Services
312 Eighth Avenue North
6th Floor, William R. Snodgrass Tower
Nashville, Tennessee 37243

ISSUANCE DATE: 08/13/2003
REQUEST NUMBER: 03225533
TELEPHONE CONTACT: (615) 741-6488

CHARTER/QUALIFICATION DATE: 10/18/2000
STATUS: ACTIVE
CORPORATE EXPIRATION DATE: PERPETUAL
CONTROL NUMBER: 0397433
JURISDICTION: MINNESOTA

TO:
PAULETTE BANNACK
486 SEQUOIA TRAIL

ROSELLE, IL 60172

REQUESTED BY:
PAULETTE BANNACK
486 SEQUOIA TRAIL

ROSELLE, IL 60172

CERTIFICATE OF AUTHORIZATION

I, RILEY C DARNELL, SECRETARY OF STATE OF THE STATE OF TENNESSEE DO HEREBY CERTIFY THAT

"COMPUTER NETWORK TECHNOLOGY CORPORATION",

A CORPORATION FORMED IN THE JURISDICTION SET FORTH ABOVE, IS AUTHORIZED TO TRANSACT BUSINESS IN THIS STATE;
THAT ALL FEES, TAXES, AND PENALTIES OWED TO THIS STATE WHICH AFFECT THE AUTHORIZATION OF THE CORPORATION HAVE BEEN PAID;
THAT THE MOST RECENT CORPORATION ANNUAL REPORT REQUIRED HAS BEEN FILED WITH THIS OFFICE; AND
THAT AN APPLICATION FOR CERTIFICATE OF WITHDRAWAL HAS NOT BEEN FILED.

FOR: REQUEST FOR CERTIFICATE

ON DATE: 08/13/03

	FEES	
RECEIVED:	$20.00	$0.00

TOTAL PAYMENT RECEIVED: $20.00

RECEIPT NUMBER: 00003344558
ACCOUNT NUMBER: 00434834

FROM:
SOURCECON LLC
7144 N HARLEM AVE

CHICAGO, IL 60631-0000

Riley C Darnell

RILEY C. DARNELL
SECRETARY OF STATE

SS-4458

Exhibit D
Principal Corporate Officers

Thomas G. Hudson – Chairman of the Board, President and Chief Executive Officer
6000 Nathan Lane
Minneapolis, MN 55442

Gregory Barnum – Vice President Finance
6000 Nathan Lane
Minneapolis, MN 55442

Gregory Barnum – Corporate Secretary, Chief Financial Officer
6000 Nathan Lane
Minneapolis, MN 55442

Jeffrey Bertelsen – Corporate Treasurer
6000 Nathan Lane
Minneapolis, MN 55442

EXHIBIT E
Management Team's Resume

Robert R. Beyer
4950 Shady Island Circle
Mound, MN 55364
Home: (612)470-6019
Office: (612)638-7104

Qualifications Profile:

Highly skilled computer executive with over fifteen years experience in engineering, sales, and customer support settings. Areas of expertise include:

- Operations Management
- Financial Management
- Program Development and Deployment
- Change Management
- Vendor Management
- Computer Service Delivery
- Personnel Management
- Strategic Planning
- Contract Negotiations
- Conflict Management
- Support Planning
- Cross Functional Management

Results oriented leader with experience in start-up, turn-around, and growth situations. Dedicated individual with strong problem solving, communication, and leadership skills. Extensive background in leading technical professionals in highly complex computer support and business critical environments. Respected and viewed as a strong leader by senior executive management.

Professional Experience:

NCR Corporation, Dayton, Ohio — 1989 to Present
Vice President, High Availability Services — 1997 to Present

- Provide strategic, tactical, and operational leadership in supporting computer service delivery operation.
- Design and execute US computer service delivery and support operations model providing best-in-class profit margins.
- Negotiate multi-year/multi-million dollar support service contracts with customers and strategic alliances.
- Provide leadership and direction in the design of the High Availability Services organization which consists of over 400 engineers, 30 district managers, and 5 region directors.
- Provide leadership and support to international partners in implementing US support and service methodologies.
- Partner with NCR leadership team formulating strategic direction for NCR's key support strategies.
- Member of key quality improvement teams.
- Provide post-sale support for two of NCR's key initiatives.
- Executive sponsor for key customers.

Achievements/Accomplishments

- Received highest associate satisfaction ratings while improving customer satisfaction and overall profitability.
- Selected as "high potential" succession candidate.
- First NCR employee to attend AT&T's Leadership Development Program.
- Exceeded revenue and profit objectives every year.
- Best-in-class revenue per associate in the industry.
- Developed and initiated support methodologies that were adopted by worldwide operation and results in profitable value-add services.
- Led cross functional team in creating new service organization and aligning support systems in less than three months.
- Selected by peers as one of the "Best of the Best."

Director, Business Critical Support Services 1993 to 1997

- Responsible for seven regional managers and over 100 support representatives in providing post-sale support for Teradata systems in the Western Region.
- Designed, Developed, and Deployed business critical support methodologies that were implemented across the world.
- Participated on numerous cross functional teams in supporting NCR's key initiatives.

Executive Account Manager 1993 to 1993

- Responsible for key Teradata customers in the Kansas City area.

District Manager 1992 to 1993

- Responsible for leading 20 field engineers in supporting key Teradata customers.

System Support Representative 1989 to 1992

- Responsible for onsite hardware and software support at Teradata's largest customer.

Additional Professional Experience:

Clear With Computers, Account Director
Powermation, Sales Engineer
South Dakota State University, Lecturer in Electrical Engineering Department
TL Systems, Sales Engineer
Hughes Aircraft, Field Engineer

Military:

United States Marine Corps 1978 to 1982

- Promoted meritoriously to Sergeant in 20 months, honorably discharged.

Education:

- South Dakota State University, BS Electrical Engineering 1986, 3.4 GPA.
- Keller Graduate School of Management, various courses.
- University of St. Thomas, Executive MBA, complete 1999.

References Available Upon Request

350 Lynthrum Lane
Medina, MN 55340

Work: 763-268-7509
Home: 763-478-8504
Ed_walsh@aol.com

Edward J. Walsh

Experience

2001 - Present CNT Minneapolis, MN

Vice President - Strategy, Marketing and Alliances

- Responsible for CNT's Strategy, Marketing, Product Management and Marketing, Alliances and Channel Sales teams.

Vice President – Storage Solutions Group

- Responsible for CNT's Storage Solutions Group for North America. This included Sales, Pre-Sales and Professional Services Delivery teams.

1988–2001 Articulent Hopkinton, MA

An $88 million systems integrator and consulting company focusing on data management solutions. Business partners include IBM, Digital Equipment, Compaq, EMC, Microsoft and ATL.

VP of Field Operations

- Responsible for all of Articulent's Sales, Pre-Sales and Professional Services teams.

District Manager

- Responsible for Articulent's Mid-Atlantic and Metro New York districts. Managed the region's Sales, Pre-Sales and Professional Services teams.

Data Management Consultant

- In order to accomplish Berkshire's goal to penetrate strategic accounts in New York's Financial District, I focused on penetrating and managing these new accounts.

District Manager / Sales Representative

- Moved to New York City to open, establish and grow Berkshire's business in the Metro New York region.

Sales Representative / Co-Founder

- Berkshire was incorporated in 1988. Berkshire was a storage OEM at this time. the second person at Berkshire my roles were many and diverse. My roles included product concept development, product launches, sales, product testing and product installation.

	Jan 1988–Dec 1988	EMC Corporation	Hopkinton, MA

Marketing

- Worked in the marketing group responsible for compatible products for Digital Equipment Corporation's Systems.

Education	1992	University of Massachusetts	Amherst, MA

- B.S. in Marketing with Minor in Computer Science.

Jeffrey A. Bertelsen, C.P.A.
12405 51st Avenue North
Plymouth, MN 55442

(Home) 559-7368
(Work) 337-9394 - Confidential

SUMMARY

A Certified Public Accountant with 10 years of progressive experience with KPMG Peat Marwick assisting companies in the manufacturing and high technology industries, including annual audits, due diligence and acquisition activities, corporate tax matters, external financial reporting and various SEC filings.

EDUCATION

University of Minnesota
Minneapolis, MN

Bachelor of Science - Accounting
Cumulative G.P.A. - 3.5/4.0
1980 to 1984

EXPERIENCE

KPMG PEAT MARWICK
Minneapolis, MN

Senior Audit Manager
1991 to present
Audit Manager
1989 to 1991
Staff Auditor
1985 to 1989

Engagement Senior Manager for a variety of companies in the manufacturing and high technology industries. Responsibilities include overall management of the audit process, billing and collection, client relations, technical research and financial reporting assistance with a variety of SEC filings, including registration statements, Forms 10-Q, 10-K and annual report. Clients were also assisted with special projects, including due diligence for acquisition targets, internal audit activities and corporate tax issues.

Jeffrey Bertelsen, C.P.A.

Representative Clients and Services Provided

- GNB Batteries Technology Inc. -

  A $700 million manufacturer of automobile and industrial batteries which is a wholly owned subsidiary of Pacific Dunlop, a $5 billion public company based in Melbourne Australia. Activities include management of the annual audit, assistance with financial reporting under both U.S. and Australian Generally Accepted Accounting Principles, internal audits, due diligence for acquisitions and special operational audit activities resulting in significant savings from consolidation of the finance function.

- Advance Machine Company -

  A $90 million manufacturer and distributor of commercial and industrial floor maintenance equipment. Activities include management of the annual audit, assistance with purchase accounting, and due diligence provided for the Danish corporation which subsequently acquired Advance Machine Company.

- Computer Network Technology Corporation -

  A $60 million manufacturer of computer networking equipment. Special services provided include assistance with two public offerings, technical accounting assistance with respect to acquisitions (purchase price allocation, purchased in-process research and development, exchange of stock options, and pro forma financial information requirements) and accounting assistance including consolidations and foreign operations.

- Grand Casinos, Inc. -

  A large casino entertainment company with operations located throughout the United States. Special services provided include assistance with four public offerings of debt and equity securities, accounting for debt with detachable warrants, equity method accounting, consolidations with minority interest and earnings per share technical issues.

Other Clients Include:

- IMI Cornelius, Inc.
- SoDak Gaming, Inc.
- Ciprico, Inc.
- Bridon Cordage, Inc.
- Dahlberg, Inc.
- Pirelli Power Transmission, Inc.
- Caribou Coffee, Inc.
- Toro, Inc. - Wheelhorse Division

GREGORY T. BARNUM

4760 Bayside Road
Orono, Minnesota 55359
(952) 472-7992 (home)
(763) 268-6110

EXPERIENCE

Computer Network Technology Corporation
Plymouth, Minnesota

Vice President of Finance, Chief Financial Officer and Secretary — **July 1997 - Present**

Responsibilities:

- **Directly responsible for Accounting, Treasury, Credit and Collections, Contracts, Facilities, Financial Reporting, Investor Relations, Information Technology, Mergers and Acquisitions, Operations Planning, Order Entry, Supply Chain Management, Taxation, and the duties of the Secretary to the Board.**

Tricord Systems, Inc.
Plymouth, Minnesota

Senior Vice President of Finance and Administration, Chief Financial Officer and Secretary — **September 1992 - July 1998**

Hired as Sr. Vice President of Finance and Administration and CFO in September 1992 after the Company had postponed its initial public offering due to serious internal control and system problems. My initial responsibility was to implement the appropriate controls and systems in order to complete the public offering. The Company's initial public offering was completed in March 1993. My primarily responsibilities then shifted towards more of an operations role, including implementation of aggressive inventory and cost reduction programs, ISO 9001 certification, materials management and the formation of operating units in the U.K., France, Germany, Canada, the Netherlands and Mexico. In February 1997, the company made a strategic decision to exit the enterprise server market and enter the storage management market, as a software developer. I participated in successfully right-sizing the Company and then resigned to pursue a more challenging opportunity.

Responsibilities:

- Directly responsible for Accounting, Treasury, Credit and Collections, Facilities, Financial Reporting, Human Resources, Investor Relations, Management Information Systems, Materials Management, Operations Planning, Order Entry, Taxation, and the duties of the Secretary to the Board.

Cray Computer Corporation
Colorado Springs, Colorado

Executive Vice President, Finance — November 1989 - September 1992
Chief Financial Officer, Treasurer and Secretary

Cray Computer Corporation (CCC) was spun-off by Cray Research, Inc. (CRI) on November 15, 1989 as a publicly held company. Previous to this CCC functioned as a division and subsidiary since 1983. In May 1988 the division was relocated to Colorado Springs from Chippewa Falls, Wisconsin. As Corporate Controller of CRI I transferred with the division with the responsibility to assist the founder, Seymour Cray, and the newly appointed President in establishing the operation. My assignment was for 2 years at the end of which I would relocate back to Minneapolis as Vice President, Finance. When CCC became a separate company in November 1989, my decision was to stay with CCC.

Responsibilities:

Directly responsible for Accounting, Financial Reporting, Operations Planning, Management Information Systems, Data Center, Human Resources, Facility Maintenance, Contracts, Investor Relations, Customer Visits, Taxation, Treasury and the duties of the Secretary to the Board.

Cray Research Inc.
Minneapolis, Minnesota

Vice President, Finance - Colorado Operations	March 1989 - November 1989
Corporate Controller	May 1983 - March 1989
Accounting Manager	August 1980 - May 1983

Responsibilities:

- Responsible for establishing Accounting, Financial Reporting, Operations Planning, International Operations, Tax (1980-1982) and Treasury (1980-1982) functions.

Peat Marwick Mitchell and Co.
St. Paul, Minnesota

Supervising Senior	June 1977 - August 1980

Responsibilities:

- In-charge responsibilities on medium to large size jobs.

- Computer Audit Specialist - involved training in computer audit techniques. One of two in the St. Paul office.

EDUCATION

Bachelor of Arts in Accounting - 1977
College of St. Thomas
St. Paul, Minnesota

Certified Public Accountant - Minnesota 1979
Certified Public Accountant - Colorado 1990

Organizations:
American Institute of Certified Public Accountants
Minnesota Society of Certified Public Accountants
Financial Executives Institute
Collaborative CFO roundtable

Managed a $28 million dollar project for hardware and delivery of several key features for the Naval Surface Weapons Center including common input/output queues, multiple level security and several other feature enhancements. The system was accepted on time and the project was on budget.

Managed a Management Information Center which supported two software development groups and other end users. This center achieved a 98%+ production availability along with a high level of efficiency and cost effectiveness.

Unit manager 1980 - 1986

Evaluated, designed and developed turn-key solutions for large customers. The solutions were derived by evaluating the customers request for proposal as well as competition from other vendors. My group developed the software features for several large systems. Provided the Interface between the marketing and development organizations for future products.

Consultant 1975 - 1980

Planned the migration of applications from the CDC NOS operating system to the NOS/VE operating system. Designed, coded and implemented an operating system on the PL10 hardware which included interrupt handling, I/O drivers and a communication interface.

Senior Programmer 1968 - 1975

Using the Control Data assembly language, designed and implemented a communication subsystem for the Master Operating System. Managed multiple project groups, mainly in the I/O and driver areas of the operating system.

System Analyst 1965 - 1968

Installed and supported the Master Operating System world-wide for Control Data Corporation. Analyzed and solved many extremely difficult problems that could not be solved by local analysts in the country.

Hardware Integration Engineer 1963 - 1965

Debugged the instructions and I/O on the CDC 3300 and installed the systems on site.

EDUCATION

Metro State University, St. Paul, Minnesota

B.A. Business Management, 1979

Control Data Corporation
attended extensive computer courses

International Business Machines
attended Chief Programmer Top Level Design course

THOMAS G. HUDSON

45 Gideons Point Road
Tonka Bay, MN 55331

Residence: 612-401-0195
Office: 612-797-6100

Summary of Qualifications

Creative, results driven, technically proficient CEO; general manager, experienced in Technology Development, Systems Integration Services and Consulting, Global Marketing and Sales, for Services, Information Content, Systems and Technology industries; have created corporate business strategies and systems implementation teams that enable technology to address customer business problems and opportunities. I believe in aggressive leadership, building results oriented teams, and getting the results.

Computer Network Technology — 1996 to Present

President and Chief Executive Officer since 7/1/96: Minneapolis based company stalled at $78 million in revenues; 500 people; high technology computer and wide area networking firm serving the large Fortune 500 companies worldwide. We are a data access and delivery company; we connect any device to any server at any distance and speed, and any user to any application and data. We provide solutions in three areas: channel networking, mainframe, server and Internet gateways; and storage area networking.

This is a turnaround situation that involves reestablishing a profitable growth model with new products, expanding the market niche and adding new technology partners. Currently at approximately $100 million in revenues. Early on we are addressing several specific priorities:

- developing and communicating a simple, clear direction and vision for the future;
- staffing a new executive management team;
- revitalizing the pipeline of new products;
- developing a new product strategy including the Internet and storage area networking;
- improving the quality of products shipped;
- introducing an expanded go-to-market strategy, including OEM and reseller channels.

The McGraw Hill Companies — 1993 to 1996

Senior Vice President - Corporate Development Responsible to CEO for developing corporate strategy, assessing investments in new businesses, acquisitions, new products and sales channels.

Senior Vice President and General Manager - general manager of F.W. Dodge, 1993. Responsible for wholly owned, fully integrated division of parent. Dodge is the leading provider of information/content to the construction industry in the US. Its $160 million revenues come from three primary businesses: reports on all new building projects in the US; plans and specifications information; and economic analysis and trends.

Dodge was in a classic turnaround situation: market dominant, growth through price increases, not customer driven, and limited in automation deployment. Revenues had stagnated for five years and profits had eroded eighty percent.

- cut costs by $5 million in the first six months through downsizing and redeployment;
- repopulated the entire executive team in sales, CFO, systems, editorial, product management, production and distribution by recruiting top talent and experience;
- established process improvement teams for re-engineering out waste and improving internal and external customer satisfaction;
- developed two new software products and created a major national marketing launch program to generate new revenues from existing and new customers;
- improved overall competitiveness of information product line by making significant tactical design adjustments to improve competitiveness;
- established the unit's first goal setting, performance management and appraisal system for over 1500 employees at all levels;
- re-built the incentive system to incite growth and reward top performers.

These actions resulted in twelve months of business growth and the first real revenue and profit improvement in six years. Profits doubled the second year based upon subscription increases and cost/productivity improvements.

IBM Corporation — 1968 to 1993

Developed worldwide strategy and implementation team for international financial services industry customers:

- managed industry hardware development: Charlotte, NC; Boeblinger, Germany; Tokyo, Japan;
- introduced new base of financial application software and architecture;
- began professional services/systems integration teams worldwide, focused on vertically integrated industry segments;
- established eight equity alliances and two new startup corporations; one has since gone public and the other has been acquired, all with substantial capital gains for IBM; a third spin off was later acquired as part of the core business.

General Manager with investment responsibility for worldwide missions:

- achieved all major measurements and objectives on time, in budget for last three years. Established quick response teams to cover two potential liability exposures;
- direct responsibility for profitable worldwide revenues in excess of $1.8 billion; developed strategy and deployment for matrix management of $12 billion in revenue;
- direct responsibility for 1300 professionals in worldwide development, services and consulting, marketing and sales;
- personally directed capital investments in new joint ventures, startups, and new equity alliances in excess of $150 million;
- managed terms and conditions for diverse marketing channels for products and services;
- chairman of internal "community" for finance industry of worldwide executive team, to determine requirements and priorities;

- measured and recognized for profit contribution, customer satisfaction, employee morale, quality, competitive ranking, market share and growth over a sustained time period;
- effective at cost cutting both before and during a business crisis: personally cut 650 staff from my division's headquarters; closed large development and manufacturing site through effective economizing and standardization. Organized rightsizing for 14,000 person division.
- quality review board executive and owner of Solution Integration Process for IBM Corporation.

Senior Executive for wide array of systems development for new products, application and systems software and services offerings, including:
- managed startup operations to large multi-site development efforts; budget exceeded $300 million annually;
- developed application software for mission critical applications in banking including: deposits, loans, trusts, trading, EFT/EDI, branch banking, telemarketing and servicing, consumer home banking, capital markets, risk and profitability management;
- developed unique products for the finance and distribution industry customer set; check/image hardware and software, branch delivery system products, and self service (ATM) machines;
- established architecture for industry applications: development of tools and models for improving productivity and quality in application design and rapid prototypes;
- developed new business line for Japan and other Asian countries for: printers, displays, POS and banking terminals, communications protocols, and application design and rapid prototypes;
- justified development of Kanjii language for all IBM system software;
- developed first OEM line of business offerings for storage products business;
- developed alliances and a subcontractor network to reduce risks and internal hiring, as well as gain required specialized skills to accomplish the objectives in a timely fashion.

Other Marketing and Sales experiences include overall responsibility for:
- worldwide services industry marketing including finance, brokerage, insurance, and distribution;
- directed applications software sales, services and consulting to large banking clients;
- US industry marketing executive for services industries;
- business area manager - marketing for all IBM products in Asia Pacific in Tokyo;
- national marketing manager for small and distributed systems;
- international large account sales manager for largest financial customer;
- sales executive for brokerage accounts in New York.

Creator of innovative partnerships in response to market needs and competitive pressures:
- established eight equity alliances and joint ventures for IBM solutions in specific application niches;
- established multiple customer joint development contracts to ensure focused development efforts and lower risk. Established multiple alternate sales and service channels via joint ventures in Japan and Far East countries.

Broad based functional and international management experience with proven results:
- recognized as a visionary leader for developing new ideas and strategies; implementation through team building and people management;
- assignments in worldwide marketing, application development, services, consulting, planning, and general business management;
- started outsourcing business for IBM in finance industry to meet customer needs and address severe competition to our core businesses. Spun this department off to another unit focused only on outsourcing: ISSC;
- generally viewed as the authority on marketing and development investments for the services sector;
- speaker at numerous industry leadership functions including: ABA, Group of Thirty, World Economic Council, MIT and Harvard, as well as many newspaper articles and a television news and commentary feature. These generally focused on "the impact of technology and leveraging technology in the finance industry."

1988 to 1993

Vice President, Services Sector Division
Responsible for worldwide systems development, services/consulting and marketing in financial services industries. $1 billion profit and loss responsibility; $300 million budget; 1300 people.

1987 to 1988

Vice President Plans and Control, General Products Division
Responsible for business plan management for worldwide revenue and profit, quality assurance for new product introduction, and marketing brand management.

1985 to 1987

General Manager, Product Development Tokyo, Japan
New product development for banking, POS, printers and communications hardware.

1984 to 1985

Group Director, Product Marketing Tokyo, Japan
Responsible for marketing, brand management and new product introduction for Asia Pacific Group.

1982 to 1984

Various Strategic Planning and Product Management Positions

1968 to 1982

A Series of IBM Systems Engineering, Sales and Marketing Management Positions in the New York Territory

EXHIBIT F
SEC Form 10K

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 January 31, 2003
Commission file number: 0-13994

COMPUTER NETWORK TECHNOLOGY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Minnesota **(State or Other Jurisdiction of Incorporation or Organization)**	**41-1356476** **(I.R.S. Employer Identification No.)**
6000 Nathan Lane North, Plymouth, Minnesota **(Address of Principal Executive Offices)**	**55442** **(Zip Code)**

(763) 268-6000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock $.01 par value

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes X No __

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity. as of the last business day of the registrant's most recently completed second fiscal quarter: $146,001,470.

As of April 1, 2003 Registrant had 26,970,165 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Computer Network Technology Corporation's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on June 25, 2003 are incorporated by reference into Part III of this Form 10-K.

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PART I

Item 1. Business

BUSINESS

Overview

We are a leading provider of end-to-end storage solutions, including hardware and software products, related consulting and integration services, and managed services in the growing storage networking market. We focus primarily on helping our customers design, develop, deploy and manage storage networks, including storage area networks, or SANs, a high speed network within a business' existing computer system that allows the business to manage its data storage needs with greater efficiency and less disruption to its overall network. We design, manufacture, market and support a wide range of solutions for critical storage networking applications such as remote data replication, or the real-time backup of data to remotely located disks, and remote tape vaulting, or the backup of data to remotely archived tapes. We also supply storage systems, Fibre Channel switches, telecommunications capacity and storage application software. Our revenues were $211.5 million, $187.0 million and $176.1 million for the years ended January 31, 2003, 2002 and 2001, respectively.

Our storage networking solutions enable businesses to cost-effectively design, implement, monitor and manage their storage requirements, connect geographically dispersed storage networks, provide continuous availability to greater amounts of data and protect increasing amounts of data more efficiently. We market our storage networking products and services directly to customers through our sales force and worldwide distributors. We also have strategic marketing and supply relationships with leading storage, telecommunications and fibre switching companies, including Brocade, EMC, Hewlett-Packard, Hitachi Data Systems, IBM, McDATA, StorageTek, Dell Computer Corporation and Veritas.

We were the first to develop, and remain a leading provider of, the following storage networking solutions:

- *Storage networking over WANs.* Our solutions for storage networking over wide area networks, or WANs, enable businesses to manage and protect data across remote locations, in real time if necessary, through applications such as remote data replication and remote tape vaulting. WANs are networks dispersed over long distances that communicate by traditional copper or fiber optic third-party telecommunication lines.

- *Fibre Channel-based storage networking over WANs.* In October 1999, we introduced our first Fibre Channel-based storage networking over WAN product. Fibre Channel is a technology that dramatically improves the speed of data input and output, or I/ O, between existing storage devices and the ability to connect additional devices to storage networks. We believe our Fibre Channel-based storage networking over WAN products offer significant growth prospects. These products uniquely address constraints in distance, connectivity and data transmission speeds inherent in the Fibre Channel standard. We believe Fibre Channel technology combined with our products and services will enable businesses to efficiently consolidate, cluster and share data from multiple storage devices on storage networks.

- *Storage networks over IP-based networks.* In February 2000, we introduced the first products to allow storage networking applications, such as remote data replication, to be deployed over private networks that are based on Internet protocol, or IP, the standard method for data transmission over the Internet. In May 2001, we announced the first implementation of data mirroring that combined Fibre Channel over IP. Our products were the first to extend the Fibre Channel, SCSI and ESCON standards to IP-based networks. SCSI and ESCON are older, widely used standards for communicating between computers and IP refers to internet protocol. These products uniquely enable businesses that use virtual private IP-based networks, or VPNs, to build storage networking over WAN applications. In October 2002, we announced the first remote tape backup/recovery solution for open systems environments to operate over thousands of miles utilizing IP networks.

Following these technological firsts, we expanded our solutions offerings with the acquisition of Articulent Inc. in April 2001, a storage solutions provider in the Northeast United States, and the acquisition of Business Impact Technology Solutions Limited (BI-Tech) in June 2002, a storage solutions provider in the United Kingdom. Our expanded solutions offerings include consulting, integration, monitoring, and management services that allow our customers to rapidly design, implement and manage complex storage environments. As a result, we are able to capture more of our customers' spending dollars on storage solutions.

Our storage networking solutions operate across most business computing environments, including open systems and mainframes. Open systems are server-based systems that are easy to scale, or expand, and use hardware and software standards not proprietary to any vendor. Mainframes are computer systems with high processing power that have historically been used by large businesses for storing and processing large amounts of data. Compared to available alternatives, we believe our storage networking products offer greater ability to connect various applications and heterogeneous environments using different interfaces, protocols and standards, and to connect and link devices in storage networks transparently, meaning with little or no alteration of other vendors' hardware or software products.

We believe our solutions that enable storage networking applications over IP-based networks will benefit existing customers and attract new customers, including mid-sized businesses. These solutions extend the "bandwidth on demand" advantages of IP-based networks to storage applications and allow customers to access telecommunications capacity only as needed through a virtual private network, or VPN, connection, as opposed to leasing expensive dedicated lines. By deploying storage networks over IP-based networks, companies can leverage their existing bandwidth, and can rely on their existing IP network knowledge. We believe that these cost savings, along with the generally expected decreasing costs of telecommunications capacity, will create high-growth opportunities for us in remote data replication, remote tape vaulting and other storage networking applications we enable.

Our storage networking products consist primarily of our UltraNet® family of products, that connect storage devices. We also market our established channel networking products, which enable mainframe computers to transmit data over unlimited distances and provide our support services. Our storage solutions sales, which includes the business we acquired from Articulent in April 2001 and BI-Tech in June 2002, helps our customers design, deploy and manage enterprise storage solutions by supplying products and expertise for implementing storage applications. The storage solutions sale includes consulting and integration services for disaster recovery, business continuance, storage infrastructure and network performance. We also offer integration services for data replication, enterprise back-up and restore, SAN implementation and network performance monitoring.

Our Market Opportunities

We believe several forces will continue to drive the demand for our storage networking products and services:

- The volume of enterprise data is expected to increase significantly due to the proliferation of Web-based content, digital media, e-mail, supply chain management, customer relations management and other data- driven business applications. As a result, the demand for storage capacity continues to grow.

- Actual and expected declines in telecommunications costs and the introduction of cost-effective technologies such as Fibre Channel switching and fiber optic transmission capabilities will make remote data replication and remote tape backup applications more financially attractive for our customers. The decrease in telecommunications costs, coupled with an overall increase in the cost of ownership, contributes to a trend of consolidating and connecting storage across many servers and many locations, which drives demand for our products and services.

- Storage networking applications over IP-based networks will further expand the type and amount of data our customers will backup and replicate to remote locations. This will also make these applications more affordable for customers with fewer storage requirements.

- The increased complexities of storage applications, such as interoperability, storage effectiveness, and business efficiency issues, results in customers requiring storage integration and implementation expertise. We believe our services permit customers to effectively solve these issues, driving demand for our products and services and increasing our revenues.

- Customers require that their business critical applications have effective disaster recovery solutions. The events of September 11, 2001 demonstrate the need for and functionality of our products and services. Our customers had 40 systems located in lower Manhattan that were significantly impacted. Because our products were routing data to remote facilities on behalf of customers located in and around the World Trade Center, we believe all products worked as designed, resulting in no material loss of data by any customer.

As a result of the foregoing and other factors, International Data Corporation, or IDC, estimates that the worldwide revenue for SAN-attached disk storage systems will grow from $5.9 billion in 2002 to $9.1 billion in 2006, a compound annual growth rate of 12%. Another indication of demand for our storage networking solutions is the growth of the Fibre Channel industry. IDC estimates the revenue for Fibre Channel hubs, switches and directors will grow from $1.5 billion in 2002 to $2.4 billion in 2007, which reflects a compound annual growth rate of 10%. IDC estimates the demand for storage consulting and support services will grow from $1.6 billion in 2002 to $2.1 billion in 2006, a compound annual growth rate of 6%. IDC estimates that North America revenue for storage services will grow from $12.6 billion in 2002 to $17.1 billion in 2006, a compound annual growth rate of 7%. It is notable however, that we are in the midst of a current economic slowdown affecting most technology sectors and communications in particular. During 2002, IDC estimates worldwide industry sales of disk storage systems declined $4.1 billion from $17.4 billion in 2001 to $13.3 billion in 2002. We are uncertain of the depth and duration of this slowdown. However, we believe the need for storage networking solutions is significant and will continue to increase over the long term. For example, Terabytes installed grew 35% in 2002, even though the pricing declined from 2001 to 2002.

Selected Recent Developments

On April 6, 2003, we entered into an agreement where our wholly owned subsidiary will acquire all of the shares of Inrange Technologies Corporation that are owned by SPX Corporation. The shares acquired will constitute approximately 91% of the issued and outstanding shares of Inrange for a purchase price of $2.3132 per share and $173 million in the aggregate. Pursuant to the agreement, immediately following the acquisition, the subsidiary will be merged into Inrange, and the remaining capital stock owned by other Inrange shareholders will be converted into the right to receive $2.3132 per share in cash, resulting in a total payment of approximately $190 million for both the stock purchase and the merger. Consummation of these transactions is subject to significant conditions, including filing and expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended. Although we believe we have adequate resources there may be certain circumstances resulting from the completion of this transaction, which could impair our liquidity. In addition, if this transaction is completed, we will be subject to increased competition and other risks. See "Liquidity and Capital Resources" on page 29, "Competition" on page 10 and risk factors within Exhibit 99.1 for further discussion regarding the Inrange transaction.

Upon completion of the acquisition, we will be one of the world's largest providers of complete storage networking products, solutions and services, with 2002 pro forma annual revenues of approximately $435 million and global leadership positions in Fibre Channel and wide area network switching, and operations worldwide. The acquisition significantly broadens and strengthens our portfolio of storage and networking products and solutions, expands our customer base, and provides us with significant scale and cost reduction opportunities.

On January 30, 2003, we announced a number of actions to streamline our business, enhance customer service, and improve future profitability. We completed the integration of our networking and solutions sales, support and service functions. The integration allows us to execute our strategy for continued growth and enhanced customer service. Over the last several years, our products have been designed and built to be extremely reliable and easy to service, resulting in improved efficiencies within our service organization, and a reduction in the number of employees needed to provide world-class support. We continue to see excellent acceptance of our Fibre Channel IP product, the UltraNet® Edge. The UltraNet® Edge provides enterprise wide access to information and helps companies manage their storage infrastructure for maximum performance and efficiency. Because of the Edge product, the need for future upgrades to our legacy products is reduced. We expect to extend our competitive lead in fiscal 2003 via the introduction of new products within the UltraNet® family, and several new joint development arrangements with other leaders in the storage networking industry. These actions allowed us to reduce our worldwide workforce by 80 people or about 10%. While difficult, the reduction in workforce was necessary to improve future efficiency and profitability.

In June 2002, we acquired all of the outstanding stock of BI-Tech, a leading provider of storage management solutions and services, for $12 million in cash, plus the assumption of approximately $3.6 million of liabilities and the acquisition of approximately $8.7 million of tangible assets. The accompanying financial statements include the results of BI-Tech since June 24, 2002. The purchase agreement requires that we pay at our option, in the form of a note payable or in our stock to the former stockholders, and in cash to the BI-Tech employees, additional consideration based on achievement of certain earnings for each of the next two years starting July 1, 2002. The portion payable to the former stockholders will be recorded as goodwill. The portion payable to BI-Tech employees will be recorded as compensation expense. Through January 31, 2003, additional consideration of $3.6 million and $744,000 was added to goodwill and compensation expense, respectively, and a corresponding liability was recorded.

In February 2002, we sold $125 million of 3% convertible subordinated notes due February 2007, raising net proceeds of $121 million. The notes are convertible into our common stock at a price of $19.17 per share. We may redeem the notes upon payment of the outstanding principal balance, accrued interest and a make whole payment, if the closing price of our common stock exceeds 175% of the conversion price for at least 20 consecutive trading days, within a period of 30 consecutive trading days, ending on the trading day prior to the date we mail the redemption notice. The make whole payment represents additional interest payments that would be made if the notes were not redeemed prior to the due date. On August 15, 2002 a registration statement for the resale of the notes and the 6.5 million shares of common stock issuable upon conversion of the notes became effective.

Storage Networking Overview

Storage Networking Industry Background

Growth in Enterprise Data

The volume of enterprise data is increasing due to the proliferation of Web-based content, digital media, e-mail, supply chain management, customer relations management and other data-driven business applications.

Limitations of Traditional Storage Products

The growth of the size and amount of data stored has presented organizations with significant data management challenges and increased storage related costs. As the volume of data stored, and the number of users that require access to the data continue to increase, storage systems and servers are burdened by an increased number of input/output, or I/ O, transactions they must perform. However, traditional storage architecture has inherent speed, distance, capacity and performance constraints. For example, depending on the standards and protocols used, the following constraints may exist:

- bandwidth, or the data transmission rate, is generally fixed at 15, 40 or 80 megabytes per second;
- distance between devices is limited to 12 to 150 meters;
- connectivity is limited to 15 storage devices;
- lack of data management capability in SCSI devices places the burden for management tasks on servers, thereby degrading network performance;
- if the server to which the data storage device is connected fails, the data cannot be accessed; and
- local area network, or LAN performance can be significantly degraded while the LAN is being used for storage backup applications.

Advent of Storage Networking Services

Storage networking is necessary for the effective use of large data-intensive applications such as enterprise resource planning, customer relationship management, and digital media. Our current and potential customers have a growing need to access and protect the business critical data created by these types of applications. As a result, we expect increased demand for the purchase and installation of storage networks, which will drive demand for our products and demand for our consulting, integration, and managed services for end-to-end storage solutions. As a result of the installation of these solutions, we expect there will also be increased demand for support services.

Complexity and interoperability issues associated with storage networks, coupled with budgetary constraints, cause customers to struggle with the effective implementation of storage networking environments. We believe this will cause many potential customers to look outside their organization for help. Thorough knowledge across a wide variety of proprietary technologies and standards, combining storage expertise and networking knowledge, is not easily found in the marketplace. We anticipate companies such as ours, with comprehensive expertise and skill sets in disaster recovery, business continuity, storage resource management, database, tuning, troubleshooting, switches, networking and storage arrays, will be able to fill in the void for these customers with consulting and integration services. We believe customers may also look to contract out the management of these storage networks as a result of outsourcing the design and implementation of these solutions.

Our Storage Networking Solutions

Our storage networking solutions, consist of products and services that address the limitations of traditional storage architecture in the following ways:

- *Storage networks over unlimited distance* — Our products and services enable organizations to create secure storage networks without any distance limitations. This allows the creation of storage networking over WAN environments in such critical applications as remote data replication, enterprise backup and recovery and remote tape vaulting.
- *Any-to-any connectivity* — Our products are protocol independent — they can connect devices that use Fibre Channel, SCSI, ESCON, and bus and tag protocols. These devices can be connected and extended over telecommunications links including T1/E1, T3/E3 and ATM (OC3, OC12), packet over sonet, or WAN protocols like IP, Fibre Channel and fiber optics. We believe our products connect with substantially all storage vendors.
- *Infrastructure options* — Our products enable the use of IP, ATM, Fibre Channel and fiber optics for expanded use of a storage network infrastructure. This supports the growing amounts of storage created by applications like e-mail and increases due to user demands to access applications in a continuous mode.

- *IP-based networking solutions* — We enable remote data replication over IP-based networks using software provided by EMC, IBM, Hitachi and Hewlett-Packard. Our solutions allow our customers to capitalize on inexpensive "bandwidth on demand" capabilities of IP-based networks and use existing IP capacity, especially at low traffic times of the day, and rely on existing IP network knowledge. We anticipate expanding storage networking application support with products from other vendors.

- *Consulting and integration services* — Our consulting and integration services help customers evaluate, analyze, design, install and manage storage networks. We strengthened our consulting, integration and managed services capacity with the acquisition of Articulent in 2001 and BI-Tech in June 2002. We believe these value-added services assist customers in designing, integrating, implementing, and managing storage networks more effectively than they could on their own. Our integration services help customers deal with the complexity of implementing a storage network that is scalable and compatible with customer resources. These services bolster sales of our high margin UltraNet® products and allow us to capture more of our customers' spending. We offer bundled telecommunications access with our products and services to provide customers a complete end-to-end operating solution.

- *Managed services* — We offer outsourced storage management services that complement our current storage networking products on a 24x7x365 basis. Our network management service helps our customers monitor their UltraNet® products, third party manufactured products, and third-party telecommunication lines and allows them to quickly respond to and resolve storage network issues. Our data migration services help our customers migrate large amounts of data from one data center or storage facility to another during consolidation or expansion of data centers. This is a turnkey service including personnel, equipment, software and support. We anticipate adding other outsourced services to monitor and manage complete end-to-end storage solutions for our customers and help drive demand for our storage networking products.

Our storage networking solutions are used for immediate, or real-time, backup and recovery, and support a technology known as remote data replication. Data replication avoids the serious threat to businesses posed by the loss of data between data system backups by simultaneously creating up-to-the-minute images of business-critical data on multiple backup storage disks. Tape back-up over long distances, or tape pipelining, using our UltraNet® Edge Storage Router dramatically improves the performance of remote tape backup, making it a viable solution for business continuity and disaster recovery. Our remote data replication technology permits the backups to be transmitted to a separate geographic location, thereby reducing the risk of natural and site-wide disasters. This technique also permits rapid recovery of data when needed.

We also enhance continuous business operations. Traditional LAN-based storage management requires manual handling and transportation of storage to an off-site location. While this ensures a physically-separated copy of valuable corporate data, it requires additional time and expense for handling and transportation. By bridging the storage network over the WAN, backups can be instantly made to remote locations on disk media, including by data replication, or on tape, known as electronic tape vaulting. This allows for more secure archiving and timely retrieval of the correct business critical data.

Our Storage Networking Strategy

We intend to build upon our position as a leading provider of storage networking solutions. Key elements of this strategy are as follows:

Extend Storage Networking Technology Leadership

We intend to extend our storage networking technology leadership by continuing to broaden our product and service offerings and by expanding our storage networking solutions into new markets. An example of this strategy is our recent introduction of our IP over Fibre Channel, IP over ATM WANs and IP tape pipelining. Currently, our IP-based network solutions enable remote data replication, in conjunction with software products from EMC, IBM, Hitachi and Hewlett-Packard and remote tape vaulting over IP-based networks. Our network management service will enable us to use our expertise to assist our customers in keeping the data stored in their storage networks performing efficiently and continuously. We intend to build market share by continuing to focus on areas that make storage networks more useful and accessible, such as WAN applications, any-to-any connectivity, IP-based network and network performance solutions. To achieve leadership, we intend to capitalize on the remote data replication, enterprise backup and recovery, remote tape vaulting and network management capabilities of our products.

Expand Our Consulting and Integration Services

Our consulting and integration services help customers evaluate, analyze, design, install and manage storage networks. We strengthened our consulting, integration and managed services capability with the acquisition of Articulent in April 2001 and BI-Tech in June 2002. We believe these value-added services assist customers in designing, integrating, implementing, and managing storage networks more effectively than they could on their own. Our integration services eliminate the complexity of implementing a storage network that is scalable and compatible with customer resources. These services bolster sales of our high margin UltraNet® products and allow us to capture more of our customers' spending. We offer bundled telecommunications access with our products and services to provide customers a complete end-to-end operating solution.

Grow Managed Services

We anticipate adding other outsourced services to monitor and manage complete end-to-end storage solutions for our customers and help drive demand for our storage networking products. An example of this is the recent introduction of our network management service that helps our customers monitor their UltraNet® products, third party manufactured products, and third-party telecommunication lines and allows them to quickly respond to and resolve storage network issues. We plan to add management of additional storage resources to the services for problem resolution on the complete storage network.

Further Strengthen Relationships with Storage Networking Industry Leaders

We have established relationships with leaders in the storage networking market, including storage vendors, telecommunications providers, storage management software providers and Fibre Channel switch manufacturers. The parties with whom we have strategic relationships include companies such as Brocade, EMC, Hewlett-Packard, Hitachi Data Systems, IBM, McDATA, StorageTek, Dell Computer Corporation and Veritas. We intend to strengthen our existing relationships and develop new relationships that enable us to offer complementary products and services. We believe our current and future strategic relationships will facilitate the integration of our products, thereby increasing our market share and reducing the length of our sales cycle.

Our Storage Networking Products

Our storage networking products include the UltraNet® family of storage products, and our channel networking product known as Channelink®.

UltraNet® Storage Director is a high performance switching product that operates at the center of the storage network. It enables storage networks to establish a direct connection between storage elements and servers and share data among diverse servers and storage systems, and networks that are local and geographically dispersed. The switch provides connectivity among SCSI, ESCON, bus and tag, Fibre Channel and WANs.

UltraNet® Edge Storage Router complements the UltraNet® Storage Director by meeting the needs of a broader market. It provides a new price and performance entry point for our core solutions, which do not require high port-density and mixed platform support offered by the UltraNet® Storage Director. The UltraNet® Edge Storage Router is designed to reduce the total cost of ownership of enterprise-wide storage networking solutions by leveraging the lower-cost bandwidth offered by IP networks and the performance improvements provided by Fibre Channel.

Channelink® offers connectivity over unlimited distances for mainframes. Applications include remote printing and imaging and data center load balancing, which permits the operation of two or more data centers from one site.

Third party manufactured storage networking products supplied by us that are designed and manufactured by others, include the following:

- storage systems;
- Fibre Channel switches;
- telecommunications capacity;
- fiber optical multiplexers;
- software; and
- servers.

Our Storage Networking Services

Our storage networking services help our clients design, deploy, monitor and manage end-to-end storage solutions. We believe these solutions allow our customers to better manage risk and reduce the cost of storage solutions in the enterprise. The acquisitions of Articulent and BI-Tech strengthened our service offerings, and provided us access to a family of integrated storage services, including consulting, integration and managed services.

Consulting Services

Our consulting services analyze a company's storage needs, determine a storage networking solution to meet those needs, and assist in the development of a business case to justify the storage networking solution. With our consulting, we assist our customers in making their existing networks more flexible and easier to manage. Our consulting expertise is focused on business continuation, disaster recovery, storage infrastructure and network performance to assist information technology managers and corporate executives responsible for planning and funding resources in making sound data management and storage decisions.

Integration Services

Our integration services help companies implement storage networking solutions. These services include project planning, analyzing, designing and documenting a detailed network, installing storage components, integrating storage components, and testing the functionality of the implemented storage solution. Our storage networking products are at the core of our storage architecture implementations, and our long-standing relationships with well-known and successful storage equipment and software manufacturers place us at the forefront of storage management solutions. Our integration services focus on data replication, enterprise back-up and restore, SAN implementation and network management.

Managed Services and Telecommunications

Our managed services include a network management service. We monitor our customers' UltraNet® products, third party manufactured products and telecommunications networks 24x7x365. We believe this service allows our customers to optimize network performance, decreases the chance of downtime and reduces recovery time after failures. Our data migration services help our customers migrate large amounts of data from one data center or storage facility to another during consolidation or expansion of data centers. We also offer telecommunications services to our customers.

Support Services

We offer standard maintenance contracts for our proprietary storage networking products. The contracts generally have a one-year term and provide for advance payment. Our products generally include a one-year limited warranty. Customers purchasing our UltraNet® Director product generally purchase maintenance contracts to supplement their one-year limited warranty. Customers are offered a variety of contracts to choose from to suit their particular needs. For instance, current options allow a customer to choose support 7 days a week, 24 hours per day, or 5 days per week, 11 hours a day. Other options offer the customer the choice to select air shipment or replacement parts, with the part being installed by the customer's staff, or on site support with spare parts and service being provided by a local parts distributor.

Strategic Storage Networking Relationships

Offering customers effective storage networking solutions requires integrating diverse components, including disk and tape storage devices, storage management software, network management products and Fibre Channel products. Our storage networking relationships include those with key storage vendors, storage management software providers and manufacturers of Fibre Channel and optical networking products. We market our storage networking products directly and through worldwide distributors. We have strategic marketing and supplier relationships with leading storage, telecommunications and fibre switching companies, including Brocade, EMC, Hewlett-Packard, Hitachi Data Systems, IBM, McDATA, StorageTek, Dell Computer Corporation and Veritas. These relationships allow us to provide complete end-to-end storage solutions for our customers. Approximately 34% of our revenues during fiscal year ended January 31, 2003 were represented by products that we supplied on behalf of the parties with whom we have strategic relationships.

Sales and Marketing

We market storage networking products and services in the United States through a direct sales force. We have established representative offices in Canada, the United Kingdom, France, Germany, Australia, Japan, and the Netherlands. We also market these products and services in the United States and throughout the world through systems integrators and independent distributors. We use an exclusive independent consultant to market telecommunications services.

We maintain our own marketing staff and direct sales force. As of January 31, 2003, we had approximately 213 persons in our marketing and sales organization.

Customers

Our customers include:

Financial Services	Telecommunications	Information Outsourcing	Other
American Express	AT&T	Computer Sciences Corporation	Best Buy
Bank of America	British Telecommunications	Electronic Data Systems	Wal-Mart
Barclays	Sprint	IBM Global Services	EchoStar
JP Morgan Chase	France Telecom	Sungard	Boeing
	Verizon		Lockheed Martin
CitiGroup			Mattel
Merrill Lynch			Target
Rabobank International			Merck
Fannie Mae			
Fidelity			
AXA			
Nasdaq			

IBM and its affiliates accounted for 10% of our revenue for fiscal 2002.

Research and Development

The markets in which we operate are characterized by rapidly changing technology, new standards and changing customer requirements. Our long term success in these markets depends upon our continuing ability to develop advanced network hardware and software technologies.

To meet the future demands of our customers, we expect to:

- increase the compatibility of our products with the products made by others;

- emphasize the flexible and modular architecture of our products to permit the introduction of new and improved products within existing systems;

- continue to focus on providing sophisticated diagnostic support tools to help deliver high network availability and, in the event of failure, rapid return to service; and

- develop new products based on customer feedback and market trends.

Research and development expenses were 13% of total revenue each year during the three-year period ended January 31, 2003. We intend to continue to apply a significant portion of our resources to product enhancements and new product development for the foreseeable future. We cannot assure you that our research and development activities will be successful.

Manufacturing and Suppliers

In-house manufacturing activities for our products primarily involve quality assurance testing of subassemblies and final system assembly, integration and quality assurance testing. We became ISO 9002 certified in 1993. In fiscal 2002, we achieved certification under the ISO 2000 standard.

We manufacture our products based on forecasted orders. Forecasting orders is difficult as most shipments occur at the end of each quarter. Our customers generally place orders for immediate delivery, not in advance of need. Customers may generally cancel or reschedule orders without penalties. At January 31, 2003 we had a backlog of $13.7 million. We believe approximately $8.7 million of our backlog will be recognized as revenue during the next 12 months in fiscal 2003. At January 31, 2002 backlog was not meaningful.

We manufacture our UltraNet® and Channelink® products from subassemblies, parts and components, such as integrated circuits, printed circuit boards, power supplies and metal parts, manufactured by others. Some items manufactured by suppliers are made to our specific design criteria.

At January 31, 2003, we held $1.4 million of net inventory for parts that our vendors no longer manufacture. Products in which those parts are included accounted for $68.6 million in revenue during the year ended January 31, 2003. We expect that this inventory will be used in the ordinary course of our business over the next five years. Relevant parts will have to be redesigned after the inventory is used.

We believe that we currently have adequate supply channels. Components and subassemblies used in our products and systems are generally available from a number of different suppliers. However, certain components in our other products are purchased from a limited number of sources. We do not anticipate any difficulty in obtaining an adequate supply of such products and required components. An interruption in our existing supplier relationships or delays by some suppliers, however, could result in production delays and harm our results of operations.

Competition

Computer storage is a very large, multi billion dollar, multi-faceted, industry that has spawned the need for a diverse set of products, services and management solutions to address the needs of the large enterprise.

This market has a diverse set of needs, often dictated by the total cost of ownership, that include high availability, archive, large scale, high volume growth, flexibility, heterogeneous and interoperability requirements for a spectrum of solutions for the enterprise. Data movement and replication (mirroring)are two key applications that every customer must use a spectrum of products and services to get the job done. Customers have varying degrees of needs based upon: the peculiar requirements for various vendor and technology platforms; capacity; performance; access; back up and recovery time for the application user, for auditors and regulators; and risk and cost management for the entire enterprise. These needs have a

further communications and distance dimension in their requirement to be local (same building) to each other, on a campus, across the city, across the country or even internationally interconnected. These needs often need to be satisfied across a diverse set of communications capabilities, including low and high speed lines from T1 to OC48+, to diverse protocols from point to point, ATM and IP, to free space optics and wireless, as well as the availability of dark fiber or wave length services.

Finally, customers often use existing technologies (including multi-generations of products) and methods that must be compared and integrated for total enterprise storage management. These data movement solutions would include: manual truck and archive storage, server based software for data movement and replication, LAN, SAN, MAN and WAN fabric switching products and technologies, wave division multiplexing, or WDM, products and technologies, and services across an array of providers both in house and outsourced to the customer.

CNT believes it has positioned itself to be a leading competitor of storage networking products and services, particularly in providing customers and service providers a wide range of integrated storage networking solutions, from us and others, that address high performance, guaranteed data reliability, large scale storage handling that addresses the above requirements for the global 2000 customers. Our key assets include not only our patents, engineering technologies and products, but our 7x24 services, our professional consulting and our 20 years of diverse implementations experience in networking our clients most mission critical information.

Our products are sold in markets where other market participants have significantly greater revenues and internationally known brand names. Many of those market participants do not currently sell products identical to ours today, but address customer needs from one vantage point or another, usually evolving as they and general customer requirements mature. However, such market participants may do so in the future, and new products we develop may compete with products sold by well-known market participants. Our competitors in channel networking and storage networking include storage system vendors and others including Akara, Inrange, Nishan Systems, SAN Valley, Sanera, Maxxan and SANcastle. In addition, Cisco has acquired technology (Andiamo and NuSpeed) with functionality similar to our product offerings. Also, EMC and Network Appliance recently announced a WAN capability for storage networking that may compete with our products. IBM and others continue to push the distance, performance and price performance capabilities of channels using FICON and GDPS technologies. In addition, other fiber channel switch and director companies are all stating that they will be providing similar long distance IP based connectivity features with an integrated card. Software vendors, Veritas, Legato and Tivoli/ IBM offer data movement and replication capabilities today at lower speeds and/or shorter distances. New software start ups, such as CommVault and others offer means for storage management. Our storage solutions services have numerous competitors, including consulting and integration services offered by storage vendors, telephone companies, dense wave division multiplexor technology providers and service providers. Specialist firms have begun with large amounts of invested capital to assist large enterprises in the challenge of large scale storage management for the enterprise, including Storage Networks, Inc, Giant Loop and MSI. In addition, nearly every major storage vendor, including EMC, IBM, HP, Sun, Hitachi, provide various capabilities in full service offerings for the design, implementation and operation of storage infrastructures.

The markets in which we operate are characterized by rapidly changing technology and evolving industry standards, resulting in rapid product obsolescence and frequent product and feature introductions and improvements. We compete with several companies that have greater engineering and development resources, marketing resources, financial resources, manufacturing capability, customer support resources and name recognition. As a result, our competitors may have greater credibility with existing and potential customers. They also may be able to adopt more aggressive pricing policies and devote greater resources to the development, promotion and sale of their products than we can to ours, which would allow them to respond more quickly than we can to new or emerging technologies and changes in customer requirements. These competitive pressures may materially harm our business.

The competitive environments of markets in which our storage networking solutions are sold are continuing to develop rapidly. We are not in a position to prepare long-range plans in response to unknown competitive pressures. As these markets grow, we anticipate other companies will enter with competing products. In addition, our customers and business relationships may develop and introduce competing products. We anticipate the markets will be highly competitive.

The declining sales of channel networking products present unique competitive pressures. We anticipate pricing pressures may increase in these markets. Consolidation of competing vendors of these products could also have negative consequences.

The principal competitive factors affecting our products include total cost of ownership, customer service, flexibility, price, performance, reliability, ease of use, bundling of features and capabilities and functionality. In many situations, the potential customer has an installed base of a competitor's products, which can be difficult to dislodge. IBM, Cisco, Nortel, Lucent Microsoft and others can significantly influence customers and control technology in our markets. However, we believe our direct sales force, storage networking expert consultants and support services personnel offer us a substantial advantage over new competitors, because these newer competitors do not have the knowledge of storage networking design and support and any-to-any connectivity necessary to sell competing products and services.

On April 6, 2003 we entered into an agreement to acquire Inrange for $190 million in cash. We believe Inrange's flagship product, the FC/9000, is the most scalable SAN based director class Fibre Channel director switch available for storage area networking. The FC/9000 provides a platform from which enterprises can build storage networks that can be used in systems where reliability and continuous availability are critical,with an ability for customers to upgrade and scale to 256 ports without disrupting existing systems. While the Fibre Channel switching market has yet to develop fully, we believe that the market for the products manufactured by us upon closing of the Inrange transaction will be highly competitive, continually evolving and subject to rapid technology change. Upon consummation of the transaction, we will compete against Brocade Communications Systems, McData Corporation, Cisco Systems, Inc., and Qlogic Corporation with respect to Fibre Channel switches. As the market for storage area network products grows, the products we acquire in the Inrange transaction may face competition from traditional networking companies and other manufacturers of networking equipment who may enter the storage area network market with their own switching products as well as several privately funded start-up companies who have products currently under development.

Intellectual Property Rights

We rely on a combination of trade secret, copyright, patent and trademark laws, nondisclosure agreements and technical measures to establish and protect our intellectual property rights. That protection may not preclude competitors from developing products with features similar to our products.

We currently own 3 patents and have 10 patent applications filed or in the process of being filed in the United States with respect to our continuing operations. Our pending patent applications, however, may not be issued. We have not applied for patent protection in any foreign countries. Not all of our unique products and technology are patented. Our issued patents may not adequately protect our technology from infringement or prevent others from claiming that our technology infringes that of third parties. Failure to protect our intellectual property could materially harm our business. We believe that patent and copyright protection are less significant to our competitive position because of the rapid pace of technological change in the markets in which our products are sold and because of the effectiveness and quality of our support services, the knowledge, experience and ability of our employees and the frequency of our enhancements.

We rely upon a patent license agreement to manufacture our Channelink® and UltraNet® products that use ESCON. This license expires on December 31, 2004.

We have from time to time received, and may in the future receive, communications from third parties asserting that our products infringe on their patents. We believe that we possess or license all required proprietary rights to the technology included in our products and that our products, trademarks and other intellectual property rights do not infringe upon the proprietary rights of others. However, there can be no assurance that others will not claim a proprietary interest in all or a part of the technology we use or assert claims of infringement. Any such claim, regardless of its merits, could involve us in costly litigation and materially harm our business.

The existence of a large number of patents in the markets in which our products are sold, the rapid rate of issuance of new patents and short product development cycles means it is not economically practical to determine in advance whether a product infringes patent rights of others. We believe that, based upon industry practice, any necessary license or rights under such patents may be obtained on terms that would not materially harm our consolidated financial position or results of operations. However, there can be no assurance in this regard.

Employees

As of January 31, 2003, we had 692 full-time employees. We consider our ability to attract and retain qualified employees and to motivate such employees to be essential to our future success. Competition for highly skilled personnel is particularly intense in the computer and data communications industry, and we cannot assure that we will continue to attract and retain qualified employees.

Discontinued Operations

Our discontinued operations, which we have historically referred to as our Enterprise Integration Solutions Division, developed and sold our enterprise application integration, or EAI, software that automated the integration of computer software applications and business workflow processes, as well as our traditional server gateways and tools, which enable multiple desktop computers and mainframe terminals to communicate with one another. We changed the name of our Enterprise Integration Solutions Division to Propelis Software, Inc. During fiscal 2001, we sold substantially all of the assets of our discontinued operations in a series of transactions. These transactions included the sale of our IntelliFrame subsidiary to webMethods, and the sale of other assets of our Propelis subsidiary to Jacada Ltd. All outstanding options to purchase stock of Propelis Software, Inc. have been cancelled or have lapsed. The transactions allow us to focus all of our resources on our storage networking products and services.

Website Access to Reports

The company's website is located at *www.cnt.com*. The "Financial" link at this website provides, free of charge, access to the company's Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all related amendments as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC.

Special Note Regarding Forward-Looking Statements

This Form 10-K contains "forward-looking statements" within the meaning of the securities laws. These forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond our control. All statements other than statements of historical facts included or incorporated by reference in this Form 10-K, including the statements under "Business" and elsewhere in this Form 10-K regarding our strategy, future operations, financial position, estimated revenues, projected costs, prospects, plans and objectives of management are forward-looking statements. When used herein, the words "will," "believe," "anticipate," "plan," "intend," "estimate," "expect," "project" and similar expressions are intended to identify forward-looking statements, although not all forward-looking statements contain these identifying words. Although we believe that our plans, intentions and expectations reflected in or suggested by the forward-looking statements we make in this Form 10-K are reasonable, we can give no assurance that these plans, intentions or expectations will be achieved. Actual results may differ materially from those stated in these forward-looking statements due to a variety of factors, including those described in Exhibit 99.1 to this Form 10-K and from time to time in our filings with the U.S. SEC. All forward-looking statements speak only as of the date of this Form 10-K. We assume no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. These statements are only predictions. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. The cautionary statements qualify all forward-looking statements, whether attributable to us, or persons acting on our behalf.

Item 2. Properties

Our principal administrative, manufacturing, engineering and development functions are located in leased facilities in the Minneapolis, Minnesota suburb of Plymouth. In addition, we lease office space in England, France, Germany, Japan, and the Netherlands. We also lease space for sales offices for our direct sales staff and systems consultants in a number of locations throughout the United States and Canada. We believe our facilities are adequate to meet our current needs.

Item 3. Legal Proceedings

From time-to-time we are a party to various legal actions and receive threats of litigation. At this time, management does not believe any such litigation or threats will have a material impact on our financial position.

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

None.

Item 4A. Executive Officers of the Company

Our executive officers are as follows:

Name	Position Served	Age
Thomas G. Hudson	Chairman of the Board, President and Chief Executive Officer	57
Gregory T. Barnum	Chief Financial Officer, Vice President of Finance and Corporate Secretary	48
Jeffrey A. Bertelsen	Corporate Controller and Treasurer	40
William C. Collette	Chief Technology Officer and Vice President of Advanced Technology	59
James A. Fanella	Executive Vice-President Worldwide Sales and Services	45
Mark R. Knittel	Group Vice President of Worldwide Product Operations	48

Thomas G. Hudson has served as our President and as our Chief Executive Officer since June 1996, as a director since August 1996 and as our Chairman of the Board since May 1999. From 1993 to June 1996, Mr. Hudson served as Senior Vice President of McGraw Hill Companies, a leading information services provider, serving also as General Manager of its F.W. Dodge Division, and as Senior Vice President, Corporate Development. From 1968 to 1993, Mr. Hudson served in a number of management positions at IBM Corporation, most recently as Vice President Services Sector Division. Mr. Hudson's IBM career included varied product development, marketing and strategic responsibilities for IBM's financial services customers and extensive international and large systems experience. Mr. Hudson is a graduate of the University of Notre Dame and New York University. Mr. Hudson attended the Harvard Advanced Management Program in 1990. Mr. Hudson also serves on the board of directors of Ciprico, Inc., Lawson Software, Inc., and PLATO Learning, Inc., all of which are public companies.

Gregory T. Barnum was appointed Vice President of Finance, Chief Financial Officer and Corporate Secretary in July 1997. From September 1992 to July 1997, Mr. Barnum served as Senior Vice President of Finance and Administration, Chief Financial Officer and Corporate Secretary at Tricord Systems, Inc., a manufacturer of enterprise servers. From May 1988 to September 1992, Mr. Barnum served as the

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Executive Vice President, Finance, Chief Financial Officer, Treasurer and Corporate Secretary for Cray Computer Corporation, a development stage company engaged in the design of supercomputers. Prior to that time, Mr. Barnum served in various accounting and financial management capacities for Cray Research, Inc., a manufacturer of supercomputers. Mr. Barnum is a graduate of the University of St. Thomas.

Jeffrey A. Bertelsen was appointed Corporate Controller and Treasurer in December 1996. Mr. Bertelsen served as our Controller from March 1995 to December 1996. From 1985 to March 1995, Mr. Bertelsen was employed by KPMG LLP, a public accounting firm, most recently as a Senior Audit Manager. Mr. Bertelsen is a graduate of the University of Minnesota.

William C. Collette was appointed Chief Technology Officer in December 1998 and Vice President of Advanced Technology in October 1999. Mr. Collette served as our Vice President of Engineering from December 1995 to October 1999, and as our Director of Future Software Development and as a Software Development Manager from June 1993 to December 1995. From 1990 to 1993, Mr. Collette was employed by SuperComputer Systems, Inc. as a Senior Software Engineer, where he worked with Steve Chen to design the networking for the SS1 Supercomputer. Mr. Collette holds a bachelors degree in business management from Metro State University.

James A. Fanella was appointed Executive Vice-President Worldwide Sales and Services in February 2003. From August 2001 to November 2002, Mr. Fanella served as Senior Vice President, Yahoo! Enterprise Solutions (YES). From September 2000 to July 2001, Mr. Fanella served as Vice President, Global Services for Commerce One, a business to business e-commerce company. From November 1999 to September 2000, Mr. Fanella served as Group President and General Manager of AppNet, Inc., an e-commerce company acquired by Commerce One in September 2000. From August 1994 to October 1999, Mr. Fanella held various positions with Unisys Corporation, a large systems integration company, as Managing Principal/ Partner from September 1998 to October 1999, and Senior Principal/ Partner from August 1994 to September 1998. Mr. Fanella holds a bachelors degree in business from Western Illinois University. Mr. Fanella also serves on the board of directors of Avatech, Inc., a public company.

Mark R. Knittel was appointed Group Vice President of Worldwide Product Operations in October 1999. From May 1997 to October 1999, Mr. Knittel served as our Vice President of Marketing, and also as our Vice President of Architecture and Business Development from March 1997 to May 1997. From July 1977 to March 1997, Mr. Knittel was employed with IBM where he held several executive development positions for both hardware and software networking products, as well as multiple strategy positions. Most recently, Mr. Knittel held the position of Director of Campus Product Marketing within the Network Hardware Division of IBM. Mr. Knittel has a masters degree in philosophy from the University of Chicago.

PART II

Item 5. Market for the Registrant's Common Equity and Related Shareholder Matters

PRICE RANGE OF COMMON STOCK

Our common stock is traded on the Nasdaq National Market under the symbol "CMNT." The following table sets forth for the indicated periods the range of high and low per share sales prices for our common stock as reported on the Nasdaq National Market:

	Price Range of Common Stock	
	High	Low
Fiscal Year Ended January 31, 2001		
First Quarter	$27.00	$11.50
Second Quarter	19.88	11.56
Third Quarter	35.25	15.25
Fourth Quarter	40.00	18.69
Fiscal Year Ended January 31, 2002		
First Quarter	$29.88	$ 8.44
Second Quarter	12.59	7.80
Third Quarter	15.73	8.05
Fourth Quarter	24.90	14.10
Fiscal Year Ended January 31, 2003		
First Quarter	$21.75	$ 8.80
Second Quarter	9.70	5.41
Third Quarter	7.99	3.79
Fourth Quarter	9.88	5.91

As of April 1, 2003, there were approximately 1,000 shareholders of record. The Company estimates that approximately an additional 10,500 shareholders own stock held for their accounts at brokerage firms and financial institutions.

DIVIDEND POLICY

We have not paid any cash dividends since our inception, and we do not intend to pay any cash dividends in the future.

Item 6. Selected Consolidated Financial Data

	Years Ended January 31,			Years Ended December 31,	
	2003(6)	2002	2001	1999(1)	1998
	(in thousands, except per share data)				
Consolidated Statements of Operations Data:(8)					
Revenue:					
Product sales	$145,355	$129,276	$125,432	$ 89,248	$ 74,969
Service fees	66,160	57,747	50,674	36,741	28,052
Total revenue	211,515	187,023	176,106	125,989	103,021
Cost of revenue	127,125	111,257	83,181	56,795	45,616
Cost of revenue — special charges	195(5)	2,325(4)	—	1,414(2)	—
Total cost of revenue	127,320	113,582	83,181	58,209	45,616
Gross profit	84,195	73,441	92,925	67,780	57,405
Operating expenses:					
Sales and marketing	57,849	52,156	41,019	34,626	32,255
Engineering and development	26,872	23,452	22,572	18,456	14,236
General and administrative	10,694	9,311	8,697	6,922	6,252
Special charges	1,666(5)	996(4)	(287)(3)	1,331(2)	—
Total operating expenses	97,081	85,915	72,001	61,335	52,743
Income (loss) from operations	(12,886)	(12,474)	20,924	6,445	4,662
Loss on sale and write down of webMethods stock	—	(10,283)(4)	—	—	—
Other income, net	869(5)	5,537	3,152	110	427
Income (loss) from continuing operations before income taxes	(12,017)	(17,220)	24,076	6,555	5,089
Provision (benefit) for income taxes	16,527(5)	(5,292)	7,947	2,229	1,730
Income (loss) from continuing operations	(28,544)	(11,928)	16,129	4,326	3,359
Income (loss) from discontinued operations, net of tax	207	8,222	(4,135)	329	1,370
Net income (loss) before cumulative effect of a change in accounting	(28,337)	(3,706)	11,994	4,655	4,729
Cumulative effect of change in accounting principle	(10,068)(6)	—	—	—	—
Net income (loss)	$(38,405)	$ (3,706)	$ 11,994	$ 4,655	$ 4,729
Diluted income (loss) per share:					
Continuing operations	$ (1.02)	$ (.40)	$ .58	$ .17	$ .15
Discontinued operations	$ .01	$ .28	$ (.15)	$ .01	$ .06
Cumulative effect of change in accounting principle	$ (.36)	$ —	$ —	$ —	$ —
Net income (loss)	$ (1.37)	$ (.12)	$ .43	$ .18	$ .21

Diluted shares	28,111	29,892	27,813	25,818	22,572
Other Financial Data(7):					
Ratio of earnings to fixed charges	—	—	12.41x	5.13x	5.55x

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	As of January 31,			As of December 31,	
	2003	2002	2001	1999	1998
Consolidated Balance Sheet Data:					
Cash, cash equivalents and marketable securities	$209,484	$118,014	$150,477	$ 26,895	$12,362
Working capital	229,736	160,271	182,625	50,715	35,587
Total assets	339,169	269,738	268,623	110,654	87,596
Long-term obligations	125,000	708	1,952	1,780	1,816
Total shareholders' equity	151,631	216,643	213,102	78,472	60,558

(1) On January 12, 2000, we changed our fiscal year to end on January 31st, rather than December 31st.

(2) Includes special charges in the fourth quarter of fiscal 1999 of $1.4 million for the write-off of non-SAN-related products and $1.3 million for an abandoned facility.

(3) Includes a reversal of the unused balance of a fiscal 1999 fourth quarter accrual for an abandoned facility of $287,000.

(4) Includes special charges and other items recognized in the first quarter of fiscal 2001, including a $2.0 million write-down of inventory, a $325,000 write-off of a product, a $996,000 restructuring charge and a $10.3 million loss on the sale and write-down of webMethods common stock acquired from the disposition of a portion of our discontinued operations.

(5) Includes special charges in the fourth quarter of fiscal 2002 of $1.7 million for severance and professional fees related to canceled acquisition activity. It also includes an earn-out payable to the employees of BI-Tech of $744,000, of which $195,000 was recorded as cost of service, and $549,000 as operating expense. Other income for fiscal 2002 was reduced by a $1.0 million investment write-down. Income tax expense for fiscal 2002 includes a non-cash charge of $23.6 million for a valuation allowance related to our United States deferred tax assets.

(6) In connection with the adoption of Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets", we recorded a $10.1 million non-cash charge for impairment of goodwill associated with the acquisition of Articulent in April 2001.

(7) For fiscal years 2002 and 2001, earnings were inadequate to cover fixed charges by $12.0 million and $17.2 million, respectively. These ratios are calculated by dividing (a) income from continuing operations before income taxes and fixed charges by (b) fixed charges. Fixed charges include interest expense plus a portion of rental expense attributable to interest.

(8) See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "The Consolidated Financial Statements" included herein for a discussion of accounting changes, business combinations and dispositions of businesses affecting the comparability of the information reflected in the selected financial data.

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

The following section should be read in conjunction with Item 1: Business; Item 6: Selected Consolidated Financial Data; and Item 8: Consolidated Financial Statements and Supplementary Data.

Overview

We are a leading provider of end-to-end storage solutions, including hardware and software products, related consulting and integration services, and managed services in the growing storage networking market. We focus primarily on helping our customers design, develop, deploy and manage storage networks, including storage area networks, or SANs, a high speed network within a business' existing computer system that allows the business to manage its data storage needs with greater efficiency and less disruption to its overall network. We design, manufacture, market and support a wide range of solutions for critical storage networking applications such as remote data replication, or the real-time backup of data to remotely located disks, and remote tape vaulting, or the backup of data to remotely archived tapes. We also supply storage systems, Fibre Channel switches, telecommunications capacity and storage application software.

Our storage networking solutions enable businesses to cost-effectively design, implement, monitor and manage their storage requirements, connect geographically dispersed storage networks, provide continuous availability to greater amounts of data and protect increasing amounts of data more efficiently. We market out storage networking products and services directly to customers through our sales force and worldwide distributors. We also have strategic marketing and supply relationships with leading storage, telecommunications and fibre switching companies, including Brocade, EMC, Hewlett-Packard, Hitachi Data Systems, IBM, McDATA, StorageTek, Dell Computer Corporation and Veritas.

Integration of Networking and Storage Solutions Team

During fiscal 2002, we integrated our networking and storage solutions sales, support and service functions into a single unit. The integration allows us to execute our strategy for continued growth and enhanced customer service, while achieving improved efficiency and profitability. Our customers will now have a single point of contact for their networking and storage solutions requirements. As a result, it is no longer possible to allocate costs and prepare separate meaningful statements for what had been our networking and storage solutions segments. Our management now reviews and makes decisions utilizing financial information for the consolidated business.

Over the last several years, our products have been designed and built to be extremely reliable and easy to service, resulting in improved efficiencies within our service organization, and a reduction in the number of employees needed to provide world-class support. We continue to see excellent acceptance of our Fibre Channel IP product, the UltraNet® Edge. The UltraNet® Edge provides enterprise-wide access to information and helps companies manage their storage infrastructure for maximum performance and efficiency. Because of the Edge product, the need for future upgrades to our legacy products is reduced. We expect to extend our competitive lead in fiscal 2003 via the introduction of new products within the UltraNet® family, and several new joint development arrangements with other leaders in the storage networking industry. These actions, along with the integration of our Networking and Storage Solutions sales, support and service functions, allowed us to reduce our worldwide workforce by 80 people or about 10%. While difficult, the reduction in workforce was necessary to improve future efficiency and profitability. In the fourth quarter of fiscal 2002, we recorded a $1.7 million restructuring charge for severance resulting from the reduction in workforce and professional fees related to canceled acquisition activity. Of this amount $1.3 million was paid prior to January 31, 2003, with the balance to be paid prior to April 30, 2003. We anticipate the annual operating cost savings related to these reductions will be approximately $6.4 million, offset by any incremental costs added during fiscal 2003.

Acquisition of Inrange Corporation

On April 6, 2003, we entered into an agreement where our wholly owned subsidiary will acquire all of the shares of Inrange Technologies Corporation that are owned by SPX Corporation. The shares acquired will constitute approximately 91% of the issued and outstanding shares of Inrange for a purchase price of $2.3132 per share and $173 million in the aggregate. Pursuant to the agreement, immediately following the acquisition, the subsidiary will be merged into Inrange, and the remaining capital stock owned by other Inrange shareholders will be converted into the right to receive $2.3132 per share in cash, resulting in a total payment of approximately $190 million for both the stock purchase and the merger. Consummation of these transactions is subject to significant conditions, including filing and expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

Upon completion of the acquisition, we will be one of the world's largest providers of complete storage networking products, solutions and services, with 2002 pro forma annual revenues of approximately $435 million and global leadership positions in Fibre Channel and wide area network switching, and operations worldwide. The acquisition would significantly broaden and strengthen our portfolio of storage and networking products and solutions, expand our customer base, and provide us with significant scale and cost reduction opportunities.

Acquisition of BI-Tech Solutions, Inc.

In June 2002, we acquired all of the outstanding stock of BI-Tech, a leading provider of storage management solutions and services, for $12 million in cash, plus the assumption of approximately $3.6 million of liabilities and the acquisition of approximately $8.7 million of tangible assets. The accompanying financial statements include the results of BI-Tech since June 24, 2002. The purchase agreement requires that we pay at our option, in the form of a note payable or our stock to the former stockholders, and in cash to the BI-Tech employees, additional consideration based on achievement of certain earnings for each of the next two years starting July 1, 2002. The portion payable to the former stockholders will be recorded as goodwill. The portion payable to BI-Tech employees will be recorded as compensation expense. Through January 31, 2003, additional consideration of $3.6 million and $744,000 was recorded as goodwill and compensation expense, respectively, and a corresponding liability was recorded.

Valuation Allowance for Deferred Tax Assets

In the fourth quarter of fiscal 2002, we recorded a non-cash charge of $23.6 million to provide a valuation allowance for our United States deferred tax assets. As we generate taxable income in future periods, we do not expect to record significant income tax expense in the United States until it becomes likely that we will be able to utilize the deferred tax assets, and we reduce the valuation allowance. The establishment of the valuation allowance does not impair our ability to use the deferred tax assets upon achieving profitability. Our federal net operating loss carry-forwards and credits do not expire for the next 15-20 years.

Convertible Subordinated Debt Offering

In February 2002, we sold $125 million of 3% convertible subordinated notes due February 2007, raising net proceeds of $121 million. The notes are convertible into our common stock at a price of $19.17 per share. We may redeem the notes upon payment of the outstanding principal balance, accrued interest and a make whole payment if the closing price of our common stock exceeds 175% of the conversion price for at least 20 consecutive trading days within a period of 30 consecutive trading days ending on the trading day prior to the date we mail the redemption notice. The make whole payment represents additional interest payments that would be made if the notes were not redeemed prior to their due date. On August 15, 2002 a registration statement for the resale of the notes and the 6.5 million shares of common stock issuable upon conversion of the notes became effective.

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Special Charges in Fiscal Year 2001

Economic conditions in early 2001 caused our customers to reevaluate their capital spending plans, and to defer previously planned projects for information technology infrastructure. The reduction in demand for our products and services resulted in the following charges in the first quarter of fiscal 2001:

- $2.0 million to write-down slow moving inventory
- $325,000 for the write-off of a product; and
- $996,000 for restructuring, principally severance.

Sale and Write-down of webMethods Stock

During the first quarter of fiscal 2001, we sold 232,511 shares of webMethods stock received from the sale of IntelliFrame for approximately $6.2 million, resulting in a pre-tax loss of approximately $8.7 million. We also wrote-down the carrying value of the remaining 41,031 shares of webMethods stock that we still own, resulting in a pre-tax loss of approximately $1.5 million.

Acquisition of Articulent

On April 3, 2001 we acquired all of the outstanding stock of Articulent Inc., a privately held, leading provider of storage solutions and services for $12.4 million in cash, plus the assumption of approximately $24.4 million of liabilities and the acquisition of approximately $19.3 million of tangible assets.

Cumulative Effect of Change in Accounting Principle — Impairment Charge

Effective February 1, 2002, we adopted SFAS No. 142 "Goodwill and Other Intangible Assets." In connection with the adoption of SFAS No. 142, we engaged a third party appraisal firm to determine the fair value of one of the reporting units within our former storage solutions segment. This valuation indicated that the goodwill associated with our acquisition of Articulent in April of 2001 was impaired, resulting in a $10.1 million non-cash charge. This non-cash charge was recognized as a cumulative effect of change in accounting principle in our first quarter ended April 30, 2002.

Discontinued Operations — Divestiture of Propelis Software, Inc.

Propelis Software, Inc., formerly known as our Enterprise Integration Solutions Division, developed and sold our enterprise application integration, or EAI, software that automates the integration of computer software applications and business workflow processes. In August 2000, we determined to divest Propelis Software, Inc. and focus on our core storage networking business. As a result, Propelis Software, Inc. has been accounted for as discontinued operations in the accompanying financial statements, meaning that the division's revenues and expenses are not shown and its net income (loss) for all periods are included under the "Discontinued Operations" caption in our statement of operations. During 2001, we sold substantially all of the assets of our discontinued operations in a series of transactions. These included the sale of our IntelliFrame subsidiary to webMethods and the sale of other assets to Jacada Ltd. All outstanding options to purchase stock of Propelis Software have been cancelled or have lapsed.

On February 2, 2001 we sold all of the outstanding stock of IntelliFrame Corporation, including the technology underlying our Propelis BPm™ product, to webMethods, Inc. for $8.8 million in cash and 273,542 shares of webMethods common stock. The stock received from webMethods, Inc. was valued at $17.1 million, which reflects a discount from its publicly reported trading price due to the initial restrictions placed on our ability to freely sell the stock. In connection with this transaction, we paid $3.0 million to two employees, who were former shareholders of IntelliFrame, to satisfy all obligations to make further bonus payments under their employment agreements. The sale resulted in an after tax gain of $12.6 million in the first quarter of fiscal 2001.

In the first quarter of fiscal 2001, we accrued $9.3 million for the estimated future operating losses of Propelis Software, Inc. through the potential date of divestiture, resulting in an after tax loss of $6.2 million.

On August 23, 2001, we sold substantially all of the remaining assets and liabilities of Propelis Software, Inc. to Jacada Ltd. for $6.0 million in cash, plus a warrant to purchase 350,000 ordinary shares of Jacada Ltd. stock at a price of $3.26 per share. The transaction resulted in an after tax gain of $1.8 million in the third quarter of fiscal 2001.

In the third quarter of fiscal 2002, we received $207,000 of royalty income, net of tax, related to the discontinued operations sold in fiscal 2001.

Change in Fiscal Year End

On January 12, 2000, we changed our fiscal year end to January 31st, from December 31st. References in this Form 10-K to fiscal 2002, 2001 and 2000 represent the twelve months ended January 31, 2003, 2002 and 2001, respectively.

Critical Accounting Policies

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management must make decisions which impact the reported amounts and the related disclosures. Such decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In reaching such decisions, management applies judgment based on its understanding and analysis of the relevant circumstances. Reported results may differ from these estimates if different assumptions or conditions were to be made. Our most critical accounting estimates include valuation of accounts receivable, which impacts bad debt expense; valuation of inventory, which impacts gross margin; recognition and measurement of current and deferred income tax assets and liabilities, which impact our tax provision; and valuation of long-lived intangible assets and goodwill, which will impact operating expense. These critical accounting estimates and other critical accounting policies are discussed further below.

Revenue Recognition

Revenue is recognized upon shipment for product sales with standard configurations and product sales with other than standard configurations, which have demonstrated performance in accordance with its customer's specifications prior to shipment provided that (a) evidence of an arrangement exists, (b) delivery has occurred, (c) the price to the customer is fixed and determinable, and (d) collectibility is assured. All other product sales are recognized when customer acceptance is received, or the passage of the customer acceptance period. We accrue for warranty costs and sales returns at the time of shipment based on experience. In transactions that include multiple products and/or services, we allocate the sales value to each of the deliverables, based on their relative fair values.

Service fees are recognized as revenue when earned, which is generally on a straight-line basis over the contracted service period or as the services are rendered. Deferred revenue primarily consists of the unearned portion of service agreements billed in advance to customers.

Valuation of Accounts Receivable

We review accounts receivable to determine which are doubtful of collection. In addition, we also make estimates of potential future product returns. In making the determination of the appropriate allowance for doubtful accounts and product returns, we consider specific accounts, changes in customer payment terms, historical write-offs and returns, changes in customer demand and relationships, concentrations of credit risk and customer credit worthiness. Changes in the credit worthiness of customers, general economic conditions and other factors may impact the level of future write-offs and product returns.

Valuation of Inventory

We review obsolescence to determine that inventory items deemed obsolete are appropriately reserved. In making the determination we consider our history of inventory write-offs, future sales of related products, and quantity of inventory at the balance sheet date assessed against our past usage rates and future expected usage rates. Changes in factors such as technology, customers demand, competitor product introductions and other matters could affect the level of inventory obsolescence in the future.

Valuation of Deferred Taxes

Significant management judgment is required in determining the provision for incomes taxes, deferred tax assets and liabilities and any valuation allowance recorded against net deferred tax assets. We are required to estimate our income taxes in each jurisdiction where we operate. This process involves estimating our actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as the depreciable life of fixed assets for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in our consolidated balance sheet. We then assess the likelihood that our deferred tax assets will be recovered from future taxable income, and to the extent we believe recovery is unlikely, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase the valuation allowance in a given period, we must increase tax expense within our statement of operations.

In the fourth quarter of fiscal 2002, we recognized a non-cash charge of $23.6 million to provide a valuation allowance for our United States deferred tax assets. Our cumulative valuation allowance recorded against our deferred tax assets at January 31, 2003 was $24.8 million. As we generate taxable income in future periods, we do not expect to record significant income tax expense in the United States until it becomes likely that we will be able to utilize the deferred tax assets, and we reduce the valuation allowance. The establishment of the valuation allowance does not impair our ability to use the deferred tax assets upon achieving profitability. Our federal net operating loss carry-forwards and credits do not expire for the next 15-20 years.

Valuation of Long-Lived and Intangible Assets and Goodwill

We assess the impairment of long-lived and intangible assets and goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors we consider important which could trigger an impairment review include significant under performance relative to expected operating results, changes in the manner of use of the acquired assets or the strategy of our overall business, negative industry or economic trends, significant decline in our stock price for a sustained period, and our market capitalization relative to our net book value.

When we determine that the carrying value of long-lived and intangibles assets and goodwill may not be recoverable based upon the existence of one or more of the above indicators of impairment, we measure any impairment based on the projected discounted cash flow method using a discount rate commensurate with the risk inherent in our current business model. We may also obtain an independent third party appraisal of the asset to help us identify and quantify any possible impairment. Net long-lived and intangible assets, and goodwill amounted to $44.4 million at January 31, 2003, and no asset impairments were identified as of that date.

Effective February 1, 2002, we adopted SFAS No. 142 which eliminates amortization of goodwill, but instead follows an impairment approach for goodwill valuation. In fiscal 2001, we recorded goodwill amortization expense of $624,000, which was not required in fiscal 2002. In lieu of amortization, we were required to perform an initial impairment review of our goodwill in fiscal 2002, and an annual impairment review thereafter. SFAS No. 142 provides a six-month transitional period from the effective date of adoption to perform an assessment of whether there is an indication of goodwill impairment. We tested our reporting units for impairment by comparing fair value to carrying value. Fair value was determined using a discounted cash flow and cost methodology. We engaged a third-party appraisal firm to determine the fair value of a reporting unit within our former Storage Solutions segment. This valuation indicated that the goodwill associated with our acquisition of Articulent in April of 2001 was impaired. The performance of this business has not met management's original expectations, primarily due to the unexpected global slow down in capital spending for information technology equipment. Accordingly, a non-cash impairment charge of $10.1 million from the adoption of SFAS No. 142 was recognized as a cumulative effect of change in accounting principle in our first quarter ended April 30, 2002. Impairment adjustments recognized after adoption, if any, generally are required to be recognized as an operating expense.

Results of Continuing Operations

The following table sets forth financial data for our continuing operations for the periods indicated as a percentage of total revenue except for gross profit, which is expressed as a percentage of the related revenue.

	Years Ended January 31,		
	2003	2002	2001
Revenue:			
Product sales	68.7%	69.1%	71 2%
Service fees	31.3	30.9	28.8
Total revenue	100.0	100.0	100 0
Gross profit:			
Product sales	38.7	41.0	57.8
Service fees	42.2	35.4	40.2
Total gross profit	39.8	39.3	52.8
Operating expenses:			
Sales and marketing	27.3	27.9	23.3
Engineering and development	12.7	12.5	12.8
General and administrative	5 1	5.0	4.9
Restructuring	0 8	0 5	(0.2)
Total operating expenses	45 9	45 9	40.9
Income (loss) from continuing operations	(6.1)%	(6.6)%	11.9%

Revenue

Years Ended January 31, 2003 and 2002

Product revenue

Sales of our networking products generated revenue of $94.6 million in fiscal 2002, an increase of $2.6 million or 3%, from $92.0 million in fiscal 2001. Storage networking related product revenue increased 16% in fiscal 2002 to $80.9 million from $69.8 million in fiscal 2001. Sales of our new UltraNet® Edge product were up over 300%, or $10 million, in fiscal 2002 to $13.2 million, from $3.2 million in fiscal 2001. Sales of channel extension product applications decreased 38% in fiscal 2002 to $13.7 million from $22.2 million in fiscal 2001. Our older channel extension products continue to be a profitable part of our business and a key application for many of our storage networking customers. We expect that revenue from our storage networking products will account for a substantial portion of our total networking product sales for the foreseeable future. Further we do not expect revenue for our channel networking products to increase significantly and it may decline in the future

Sales of our third party storage solutions products generated revenues of $50.8 million in fiscal 2002, an increase of 36%, from $37.2 million in fiscal 2001. Our acquisition of Articulent in April 2001 and BI-Tech in June 2002 significantly expanded our third party solutions offerings, and accounted for most of the increase in third party product revenue when comparing fiscal 2002 to earlier years. Our acquisition of BI-Tech in June 2002 contributed $12.1 million of product revenue in fiscal 2002.

Service revenue

Service revenue from maintenance of our networking products decreased 3% in fiscal 2002 to $43.3 million from $44.8 million in fiscal 2001 The decrease can be attributed to cancellation of maintenance related to our Channelink® products and migration of customers to our UltraNet® products

Our storage consulting fee revenues increased 77% in fiscal 2002 to $22.8 million from $12.9 million in fiscal 2001. The growth in solutions consulting fees revenue in fiscal 2002 was due to increased customer acceptance of our service offerings In addition, our sales team has become more experienced and proficient at selling solutions that include our service offerings. During fiscal 2002, BI-Tech contributed $3.0 million of storage consulting fee revenue.

Years Ended January 31, 2002 and 2001

Product revenue

Sales of our networking products generated revenue of $92.0 million in fiscal 2001, a decrease of 24%, from $121.1 million in fiscal 2000 Storage networking related product revenue decreased 16% in fiscal 2001 to $69 8 million from $83.5 million in fiscal 2000. Approximately $3 2 million of storage networking product revenue in fiscal 2001 resulted from the sale of our new UltraNet® Edge product, which started to ship in our third quarter ended October 31, 2001 Sales of channel extension product applications decreased 41% in fiscal 2001 to $22 2 million from $37.7 million in fiscal 2000.

During fiscal 2000, partner relationships with STK and Compaq generated significant product revenue. Sales of the DXE product to STK contributed $9.3 million of product revenue in fiscal 2000, compared to $1.5 million of product revenue in fiscal 2001. We discontinued the DXE/RDE product line in March 2001, and are transitioning the customer base to our UltraNet® products An OEM agreement with Compaq contributed $5.7 million of product revenue in fiscal 2000. No revenue was generated from this OEM agreement in fiscal 2001.

Sales of our third party storage solutions products generated revenues of $37.2 million in fiscal 2001, up significantly from $4.3 million in fiscal 2000. Our acquisition of Articulent in April 2001 significantly expanded our third party solution offerings and accounted for most of the increase when comparing fiscal 2001 to fiscal 2000.

Service revenue

Service revenue from maintenance of our networking products increased 6% in fiscal 2001 to $44.8 million from $42 3 million in fiscal 2000. The increase in revenue was due to the growing installed base of customers using our networking products.

Our storage consulting fee revenues increased 55% in fiscal 2001 to $12.9 million, from $8.3 million in fiscal 2000. The increase primarily relates to our acquisition of Articulent in April 2001. During fiscal 2001, Articulent contributed $2.9 million of service revenue.

General

Revenue from the sale of products and services outside the United States increased by $13.1 million or 29% in fiscal 2002 when compared to fiscal 2001, and decreased by 12% or $6.0 million in fiscal 2001 when compared to fiscal 2000. We derived 27%, 25% and 30% of our revenue outside the United States in fiscal 2002, 2001 and 2000, respectively. The increase in revenue generated outside the United States in fiscal 2002 is primarily attributable to the BI-Tech acquisition in June of 2002. BI-Tech increased our international sales in fiscal 2002 by $15.1 million. BI-Tech is based in the United Kingdom, and we expect that, it will further increase our international sales in future periods.

One customer accounted for 10% of our revenue in fiscal 2002. No single customer accounted for more than 10% of our revenue in fiscal 2001 or 2000. Price discounting for our networking products had a small impact on revenue in fiscal 2002 and 2001.

In fiscal 2002, approximately 36%, 5% and 14% of our product revenue was derived from businesses in the financial services, telecommunications and information outsourcing industries, respectively.

We primarily sell our networking and third party storage solutions products directly to end-user customers in connection with joint marketing activities with our business partners. For a new customer, the

initial sales and design cycle, from first contact through shipment, can vary from 90 days to 12 months or more. We expect that this cycle will continue.

We expect continued quarter-to-quarter fluctuations in revenue in both domestic and international markets. The timing of sizable orders, because of their relative impact on total quarterly sales, may contribute to such fluctuations. The level of product sales reported by us in any given period will continue to be affected by the receipt and fulfillment of sizable new orders in both domestic and international markets

Gross Profit Margin

Years Ended January 31, 2003 and January 31, 2002

Product margins

Gross margins from the sale of networking products were 49% in fiscal 2002, compared to 51% in fiscal 2001 Excluding the $2 0 million write-down of slow moving inventory and the $325,000 write-off of a product in the first quarter of fiscal 2001, gross profit margins from the sale of networking products were 53% in fiscal 2001. The decline in gross margin percentage was due to the continued movement in sales mix toward our UltraNet® Director products, which carry a lower margin than our older Channelink® products, and higher levels of sales discounts. We believe that margins for our networking products will trend upward as volumes increase, particularly for our new higher margin UltraNet® Edge product.

Gross margins from the sale of third party storage solutions products were 20% in fiscal 2002, compared to 17% in fiscal 2001. The increase in gross margin percentage was primarily due to a change in product mix, as certain third party storage solutions products carry higher gross margins. Historically, the third party storage solutions products offered by Articulent, BI-Tech and CNT have generated gross margins in the 15% to 25% range

Service margins

Gross service margins for our networking maintenance business decreased slightly in fiscal 2002 to 48% from 49% in fiscal 2001. The slight decrease was due to the 3% decline in maintenance revenue, resulting from the cancellation of maintenance for our older Channelink® products, and migration of customers to our newer UltraNet® products Cost of service associated with our networking maintenance business decreased slightly in fiscal 2002 to $22 7 million from $22.9 million in fiscal 2001

Gross service margins for our storage consulting fees were 32% in fiscal 2002, or 33%, excluding a $195,000 earn-out payable to the service employees of BI-Tech. The gross service margins for our storage consulting fees were a negative 12% in fiscal 2001. The improvement in gross service margin percentage in fiscal 2002 compared to fiscal 2001 was due to higher utilization of our employee consultants. Our storage consulting fees revenue increased to $22.8 million in fiscal 2002 from $12.9 million in fiscal 2001, an increase of 77%. Costs associated with our storage consulting fees were $15 5 million or $15.3 million, excluding the BI-Tech earn-out, up from $14 4 million in fiscal 2001

Years Ended January 31, 2002 and January 31, 2001

Product margins

Gross margins from the sale of our networking products were 51% in fiscal 2001. Excluding the $2.0 million write-down of slow moving inventory and the $325,000 write-off of a product in the first quarter of fiscal 2001, gross profit margins from the sale of networking products were 53% in fiscal 2001 compared to 58% in fiscal 2000 The decline in gross margin percentage was due to the continued movement in sales mix toward our UltraNet® products which carry a lower margin than our older Channelink® products, and higher levels of sales discounts.

Gross profit margins from the sale of storage solutions products were 17% in fiscal 2001 compared to 53% in fiscal 2000 The decline in gross margin percentage was primarily due to an increase in the sale of

lower margin third party products resulting from the acquisition of Articulent in April 2001. Historically, the product solutions offered by Articulent have generated gross margins in the 15% to 25% range.

Service margins

Gross service margins for our networking maintenance business improved to 49% in fiscal 2001 from 46% in fiscal 2000. The improvement was due to the steadily increasing base of customers contracting for maintenance services, actions taken in April 2001 to reduce employee costs, including a workforce reduction and wage freeze, and a change in third party maintenance and logistic suppliers that also reduced costs in fiscal 2001

Gross profit margins from storage consulting fees were a negative 12% in fiscal 2001 compared to a positive 13% in fiscal 2000 The decline in gross margin percentage and negative gross margin in fiscal 2001 is due to the fixed cost structure of the services business and low levels of service revenue in fiscal 2001. The service costs for the solutions business, mainly people, tend to be fixed in nature Gross profit margins for storage consulting fees improve as the volume of storage consulting fees revenue increases

Operating Expenses

Years Ended January 31, 2003 and 2002

Sales and marketing

Sales and marketing expense increased 11% or $5.6 million in fiscal 2002 to $57.8 million from $52 2 million in fiscal 2001. The June 2002 acquisition of BI-Tech added $1.7 million to sales and marketing expense in fiscal 2002 The remainder of the increase in sales and marketing expense was due to increases in expense for employee wages, fringe benefits, commissions, and travel, partially offset by a $1 3 million reduction in employee recruitment in fiscal 2002 compared to fiscal 2001 Recruitment costs were higher in fiscal 2001 due to a 25% increase in our sales force, and an increase in sales management.

Engineering and development

Engineering and development expense increased 15% or $3.4 million in fiscal 2002 to $26 9 million from $23 5 million in fiscal 2001 The increase in engineering and development expense for fiscal 2002 was primarily due to continued development of our UltraNet® family of products, particularly the UltraNet® Edge product, which generated $13 2 million of revenue in fiscal 2002

General and administrative

General and administrative expense increased $1 4 million or 15% in fiscal 2002 to $10.7 million from $9 3 million in fiscal 2001 The June 2002 acquisition of BI-Tech added $776,000 to general and administrative expense in fiscal 2002 The remaining increase in expense for fiscal 2002 was due to higher costs for employee wages, fringe benefits, insurance, professional fees and legal fees associated with canceled acquisition activity, partially offset by a $624,000 reduction in goodwill amortization expense Amortization of goodwill ceased effective February 1, 2002 with our adoption of SFAS No. 142, "Goodwill and Other Intangible Assets"

Years Ended January 31, 2002 and 2001

Sales and marketing

Sales and marketing expense increased $11 1 million or 27% in fiscal 2001 to $52 2 million from $41 0 million in fiscal 2000. The acquisition of Articulent in April 2001 added $6.0 million to sales and marketing expense in fiscal 2001, including wages for approximately 26 new employees, and related costs such as travel, training and facilities The remaining increase in sales and marketing expense was due to a planned expansion of our sales force During fiscal 2001, we increased our sales force by over 25%, and

added additional sales management, resulting in additional expense for employee wages, fringe benefits and recruitment.

Engineering and development

Engineering and development expense increased 4% in fiscal 2001 to $23.5 million from $22.6 million in fiscal 2000. The increase was primarily due to continued development of our UltraNet® family of products, particularly the UltraNet® Edge product, which generated over $3.0 million of revenue since its introduction in the third quarter of fiscal 2001. This increase was partially offset by cost reduction actions taken in April 2001, including a workforce reduction, wage cuts and reductions in discretionary spending

General and Administrative

General and administrative expenses increased $614,000 or 7% in fiscal 2001 to $9.3 million from $8.7 million in fiscal 2000 The increase in expense is primarily due to the acquisition of Articulent in April 2001, including $594,000 of additional expense for goodwill amortization. Total goodwill amortization expense in fiscal 2001 was $624,000, including the goodwill amortization expense associated with the acquisition of Articulent.

Other

Years Ending January 31, 2003 and 2002

Interest and other income in fiscal 2002 totaled $5.2 million, including a $1.0 write-down of an equity investment. Excluding the equity investment write-down, interest and other income totaled $6.2 million in fiscal 2002, a $400,000 increase from $5 8 million in fiscal 2001. Higher balances of cash and marketable securities available for investment in fiscal 2002 were partially offset by lower investment yields. We also had foreign exchange gains of $63,000 in fiscal 2002, compared to a foreign exchange loss of $106,000 in fiscal 2001 Interest expense increased $4.0 million in fiscal 2002 to $4 3 million from $285,000 in fiscal 2001. In February 2002, we sold $125 million of 3% convertible subordinated notes due February 2007, raising net proceeds of $121 million. Pending use of our cash and marketable securities for general corporate purposes or complementary acquisitions, the funds have been invested in investment grade, interest-bearing securities

Years Ending January 31, 2002 and 2001

Other income was an expense of $4.7 million in fiscal 2001. Excluding the $10 3 million loss from the sale and write-down of webMethods stock, other income increased by $2.4 million to $5.5 million in fiscal 2001 from $3 2 million in fiscal 2000. Interest income increased by $2.4 million in fiscal 2001. Proceeds from an October 2000 offering of common stock increased the balances of cash and marketable securities available for investment.

Income Taxes

Given our losses in fiscal 2002 and 2001, and our cautious outlook for information technology spending, we concluded that it was necessary to provide a valuation allowance for our United States deferred tax assets, resulting in a non-cash charge of $23.6 million in our fourth quarter ending January 31, 2003. As we generate taxable income in future periods, we do not expect to record significant income tax expense in the United States until it becomes likely that we will be able to utilize the deferred tax assets, and we reduce the valuation allowance. The establishment of the valuation allowance does not impair our ability to use the deferred tax assets upon achieving profitability Our federal net operating loss carry-forwards and credits do not expire for the next 15-20 years.

We recorded a provision for income taxes at an effective tax rate of 31% in fiscal 2001, and at an effective tax rate of 33% in fiscal 2000 The fluctuations in our effective tax rate were primarily due to the large special charges recorded in fiscal 2001, including the $10.3 million loss on the sale of webMethods stock, the amount of nondeductible foreign losses and fluctuations in the level of benefit from our foreign sales corporation We also recorded an $830,000 valuation allowance in fiscal 2001 for certain state and foreign tax credits and loss carry-forwards Utilization of these benefits in future periods was determined to be unlikely.

Liquidity and Capital Resources

We have historically financed our operations through the public and private sale of debt and equity securities, bank borrowings under lines of credit, capital and operating equipment leases and cash generated by operations

Cash, cash equivalents and marketable securities at January 31, 2003 totaled $209 5 million, an increase of $91 5 million since January 31, 2002. In February 2002, we sold $125 million of 3% convertible subordinated notes due February 2007, raising net proceeds of $121 6 million. Operations generated $17.5 million of cash in fiscal 2002, including $7 4 million from reduced inventories due to better inventory management, $1.7 million from lower accounts receivable, a $2 1 million increase in accounts payable, and $5.9 million from deferred revenue, resulting from receipt of cash in advance of revenue recognition. Proceeds from the exercise of stock options, and purchases of stock through our employee stock purchase plan provided cash in fiscal 2002 of $3.0 million. Uses of cash in fiscal 2002 included $7.7 million for the purchase of BI-Tech, $1 5 million for repayment of capital lease obligations, and purchases of property and equipment and field support spares totaling $12.4 million We also used $32.2 million of cash in fiscal 2002 to repurchase 4.0 million shares of our common stock

Expenditures for capital equipment and field support spares have been, and will likely continue to be, a significant capital requirement. On April 6, 2003, we entered into an agreement to acquire all of the outstanding common stock of Inrange Technologies Corporation for $190 million in cash. Upon closing of the transaction, Inrange will become our wholly owned subsidiary We anticipate that our available cash after closing for the combined entity will be approximately $50-$60 million before transaction costs. We believe that our available cash after closing, when combined with our anticipated cash flows from the combined operations of the two companies, including cash flow improvements resulting from increased scale and cost synergies, will be adequate to fund our operating plans and meet our current anticipated aggregate capital requirements, at least through fiscal 2003.

In April 2001, our board of directors authorized the repurchase of up to $50.0 million of our common stock. As of January 31, 2003, we had repurchased 4 1 million shares of our common stock for $33.0 million The board recently changed the authorization, so that the remaining balance of the $50.0 million authorized can be used for the repurchase of either debt or common stock.

In fiscal 2002, our board of directors adopted amendments to our 1999 Non-Qualified Stock Award Plan increasing the number of shares authorized for issuance from 3,230,000 to 4,730,000 In fiscal 2002, our board and shareholders also approved our 2002 Stock Award Plan providing for the issuance of 1,000,000 shares of our common stock. In February 2003, our board of directors adopted an amendment to our 1999 Non-Qualified Stock Award Plan increasing the number of shares authorized for issuance by 250,000 to 4,980,000, in connection with the hiring of our new Executive Vice President of Worldwide Sales & Services

We believe that inflation has not had a material impact on our operations or liquidity to date.

Our future contractual cash obligations at January 31, 2003, including open purchase orders incurred in the ordinary course of business, are as follows (in millions)

Cash Obligation	Total	Less Than One Year	One to Three Years	Four to Five Years	After Five Years
Capital leases	$ 7	$ .7	None	None	None
Operating leases	$ 22 6	$ 4.6	$ 8.2	$ 4 6	$ 5 2
Purchase orders	$ 13.5	$12 9	$ .6	None	None
Convertible subordinated debt, plus interest	$140 0	$ 3.8	$ 11.3	$124 9	None

On December 3, 2002 we entered into a product development agreement that requires us to purchase $10.0 million of product prior to March 15, 2005. The commitment expires if the product is not generally available by March 31, 2004. This purchase commitment has been reflected in the above table under the "Purchase Order" caption.

Our acquisition of BI-Tech requires that we pay to the former stockholders and the BI-Tech employees additional consideration based on achievement of certain earnings for each of the next two years starting July 1, 2002. The additional consideration of $4.4 million at January 31, 2003 is not reflected in the above table because terms of payment have not yet been elected. Payment may be in the form of a note payable or stock at our option, or in the case of the employees, cash.

On February 20, 2002, we sold $125 million in aggregate principal amount of 3% convertible subordinated notes due February 2007. Holders of the notes may, in whole or part, convert the notes into shares of our common stock at a conversion price of approximately $19.17 per share (aggregate of approximately 6.5 million shares) at any time prior to maturity on February 15, 2007. We may redeem the notes in whole or part at any time if the closing price of our common stock has exceeded 175% of the conversion price then in effect for at least 20 trading days within a period of 30 consecutive trading days ending on the trading day prior to the date we mail the redemption notice. We are required to pay interest on February 15 and August 15 of each year while the notes are outstanding. Debt issuance costs of $3.2 million are being amortized over a five-year term using the straight-line method, which approximates the effective interest rate method. The amortization of these debt issuance costs will accelerate upon early redemption of the notes. The net proceeds remain available for general working capital purposes and potential acquisitions. Cash obligations related to this debt include annual interest payments of $3.8 million for the next five fiscal years starting 2002 and a principal payment of $125 million due February 2007. Payment of the notes will also accelerate upon certain events of default. In addition, upon certain events which constitute a change in control of the company, we must make an offer to purchase the notes at 100% of the principal amount plus accrued interest.

Our convertible subordinated debt is subject to a fixed interest rate, and the notes are based on a fixed conversion ratio into common stock. Therefore, we are not exposed to changes in interest rates related to our long-term debt instruments. On January 31, 2003, the reported trading price of our convertible subordinated notes due 2007 was 75.50 per $100 in face amount of principal indebtedness, resulting in an aggregate fair value of approximately $94.4 million. Our common stock is quoted on the Nasdaq National Market under the symbol "CMNT". On January 31, 2003, the last reported sale price of our common stock on the Nasdaq Market was $7.49 per share.

Related Party Transactions

During fiscal 2002 and 2001, we purchased $374,000 and $491,000, respectively, of bandwidth from Dynegy Connect, an entity wholly owned by Dynegy Global Communications. At January 31, 2003 we have commitments to purchase $933,000 of additional bandwidth from Dynegy Connect through fiscal 2006. All of the bandwidth purchases were for re-sale at a profit. The bandwidth was purchased from Dynegy Connect because they offered us the best pricing. We have purchased bandwidth from competitors of Dynegy Connect when their pricing has been more attractive. Our board member, Lawrence McLernon was formerly chief executive officer of Dynegy Global Communications.

On May 3, 2002 our board of directors granted Mr. Kelen, a board member, an option to purchase 50,000 shares of our common stock at a price of $8.77 per share in consideration of his special participation on our board, and in consideration of such services to be performed in the future.

Thomas G. Hudson's son-in-law is employed by us as a regional sales manager. In fiscal 2002, he was paid $128,688 in compensation, commissions and bonuses. Erwin A. Kelen's son is employed by us as an area business development manager. In fiscal 2002, he was paid $146,896 in compensation, commissions and bonuses.

New Accounting Pronouncements

In July 2002, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards ("SFAS") No 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" and must be applied beginning January 1, 2003 SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred rather than when the exit or disposal plan is approved. The adoption of SFAS 146 did not have an effect on our consolidated financial statements.

In December 2002, the EITF reached a consensus on EITF 00-21, "Revenue Arrangements with Multiple Deliverables" This Issue addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. In some arrangements, the different revenue-generating activities (deliverables) are sufficiently separable and there exists sufficient evidence of their fair values to separately account for some or all of the deliverables (that is, there are separate units of accounting). In other arrangements, some or all of the deliverables are not independently functional, or there is not sufficient evidence of their fair values to account for them separately. This Issue addresses when and, if so, how an arrangement involving multiple deliverables should be divided into separate units of accounting. This Issue does not change otherwise applicable revenue recognition criteria. The guidance in this Issue is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. We do not expect the adoption of EITF 00-21 will have a material effect on our financial statements

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment to FASB Statement 123". SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123, "Accounting for Stock-Based Compensation", to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation. and the effect of the method used on reported results. We adopted the disclosure provisions of SFAS 148 effective January 31, 2003

In November 2002, the FASB issued FASB Interpretation (FIN) No. 45, Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others FIN No 45 requires companies to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee Guarantees in existence at December 31, 2002 are grandfathered for the purposes of recognition and would only need to be disclosed We do not expect that the adoption of FIN No. 45 will have an effect on our consolidated financial statements. We will adopt the initial recognition and measurement provisions of FIN No 45 for guarantees issued or modified after December 31, 2002

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

We have no derivative financial instruments in our cash, cash equivalents and marketable securities. We mainly invest our cash and cash equivalents in investment grade, highly liquid investments, consisting of money market instruments. bank certificates of deposits and investments in commercial paper.

At January 31, 2003, our marketable securities include a $149,000 investment in a Standard & Poors 500 stock price index fund and a $259,000 investment in a NASDAQ 100 index tracking stock. These investments were purchased to directly offset any investment gains or losses owed to participants under our executive deferred compensation plan, which has been established for selected key employees

We are exposed to market risks related to fluctuations in foreign exchange rates because some sales transactions, and the assets and liabilities of our foreign subsidiaries, are denominated in foreign currencies, primarily the euro and British pounds sterling As of January 31, 2003, we had no open forward exchange contracts

Item 8. Consolidated Financial Statements and Supplementary Data

COMPUTER NETWORK TECHNOLOGY CORPORATION

CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)

	January 31, 2003	January 31, 2002
Assets		
Current assets:		
Cash and cash equivalents	$ 98,341	$ 34,402
Marketable securities	111,143	83,612
Receivables, net	56,040	53,962
Inventories	24,091	31,410
Deferred tax asset	—	5,134
Other current assets	2,118	4,138
Total current assets	291,733	212,658
Property and equipment, net	22,566	25,604
Field support spares, net	6,009	4,562
Deferred tax asset	—	11,048
Goodwill, net	14,113	14,070
Other intangibles, net	1,669	463
Other assets	3,079	1,333
	$339,169	$269,738
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	$ 16,889	$ 17,240
Accrued liabilities	25,060	20,158
Deferred revenue	19,340	13,466
Current installments of obligations under capital lease	708	1,523
Total current liabilities	61,997	52,387
Convertible subordinated debt	125,000	—
Deferred tax liability	541	—
Obligations under capital lease, less current installments	—	708
Total liabilities	187,538	53,095
Shareholders' equity:		
Undesignated preferred stock, authorized 965 shares; none issued and outstanding	—	—
Series A junior participating preferred stock, authorized 40 shares, none issued and outstanding	—	—
Common stock, $.01 par value, authorized 100,000 shares; issued and outstanding 26,921 at January 31, 2003, and 30,383 at January 31, 2002.	269	304
Additional paid-in capital	173,955	202,996
Unearned compensation	(675)	(1,232)
Retained earnings (accumulated deficit)	(22,946)	15,459
Accumulated other comprehensive income (loss)	1,028	(884)
Total shareholders' equity	151,631	216,643
	$339,169	$269,738

See accompanying notes to consolidated financial statements

COMPUTER NETWORK TECHNOLOGY CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Years Ended January 31,		
	2003	2002	2001
Revenue:			
Product sales	$145,355	$129,276	$125,432
Service fees	66,160	57,747	50,674
Total revenue	211,515	187,023	176,106
Cost of revenue:			
Cost of product sales	89,110	76,254	52,873
Cost of service fees	38,210	37,328	30,308
Total cost of revenue	127,320	113,582	83,181
Gross profit	84,195	73,441	92,925
Operating expenses:			
Sales and marketing	57,849	52,156	41,019
Engineering and development	26,872	23,452	22,572
General and administrative	10,694	9,311	8,697
Abandoned facility	—	—	(287)
Restructuring charge	1,666	996	—
Total operating expenses	97,081	85,915	72,001
Income (loss) from operations	(12,886)	(12,474)	20,924
Other income (expense):			
Write-down of investment	(1,000)	—	—
Loss on sale and write-down of webMethods stock	—	(10,283)	—
Interest income	6,183	6,166	3,802
Interest expense	(4,326)	(285)	(338)
Other, net	12	(344)	(312)
Other income (expense), net	869	(4,746)	3,152
Income (loss) from continuing operations before income taxes	(12,017)	(17,220)	24,076
Provision (benefit) for income taxes	16,527	(5,292)	7,947
Income (loss) from continuing operations	(28,544)	(11,928)	16,129
Discontinued operations:			
Gain on disposition of discontinued operations, net of tax	—	8,222	—
Income (loss) from discontinued operations, net of tax	207	—	(4,135)
	207	8,222	(4,135)
Net income (loss) before cumulative effect of change in accounting principle	(28,337)	(3,706)	11,994
Cumulative effect of change in accounting principle	(10,068)	—	—
Net income (loss)	$ (38,405)	$ (3,706)	$ 11,994
Basic income (loss) per share:			

Continuing operations	$ (1.02)	$ (.40)	$ .64
Discontinued operations	$ .01	$ .28	$ (.16)
Cumulative effect of change in accounting principle	$ (.36)	$ —	$ —
Net income (loss)	$ (1.37)	$ (.12)	$ .47
Shares	28,111	29,892	25,383
Diluted income (loss) per share:			
Continuing operations	$ (1.02)	$ (.40)	$ .58
Discontinued operations	$ 01	$ .28	$ (.15)
Cumulative effect of change in accounting principle	$ (.36)	$ —	$ —
Net income (loss)	$ (1.37)	$ (.12)	$ 43
Shares	28,111	29,892	27,813

See accompanying notes to consolidated financial statements

COMPUTER NETWORK TECHNOLOGY CORPORATION

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands)

	Common Stock		Additional Paid-in Capital	Unearned Compensation	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount					
Balance, January 31, 2000	23,841	$238	$ 69,434	$(1,130)	$ 7,171	$ (602)	$ 75,111
Shares issued pursuant to the employee stock purchase plan, restricted stock plan and exercise of stock options	1,215	13	8,181	(675)	—	—	7,519
Shares issued pursuant to a secondary stock offering, net of offering costs	4,600	46	110,189	—	—	—	110,235
Tax benefits from employee stock transactions	—	—	8,106	—	—	—	8,106
Compensation expense	—	—	—	501	—	—	501
Comprehensive income							
Net income					11,994		11,994
Translation adjustment, net of tax effect of $0						(364)	(364)
Total comprehensive income	—	—	—	—	—	—	11,630
Balance, January 31, 2001	29,656	$297	$195,910	$(1,304)	$ 19,165	$ (966)	$213,102
Shares issued pursuant to the employee stock purchase plan, restricted stock plan and exercise of stock options	817	8	6,894	(496)	—	—	6,406
Tax benefits from employee stock transactions	—	—	978	—	—	—	978
Repurchase of common stock	(90)	(1)	(786)	—	—	—	(787)
Compensation expense	—	—	—	568	—	—	568
Comprehensive income							
Net loss	—	—	—	—	(3,706)	—	(3,706)
Unrealized gain on marketable securities, net of tax effect of $299	—	—	—	—	—	510	510
Translation adjustment, net of tax effect of $0						(428)	(428)
Total comprehensive loss	—	—	—	—	—	—	(3,624)
Balance, January 31, 2002	30,383	$304	$202,996	$(1,232)	$ 15,459	$ (884)	$216,643
Shares issued pursuant to the employee stock purchase plan, restricted stock plan and exercise of stock options	583	5	3,124	(165)	—	—	2,964
Repurchase of common stock	(4,045)	(40)	(32,165)	—	—	—	(32,205)
Compensation expense	—	—	—	722	—	—	722
Comprehensive income							
Net loss	—	—	—	—	(38,405)	—	(38,405)
Unrealized gain on marketable securities, net of tax effect of $266	—	—	—	—	—	393	393
Translation adjustment, net of tax effect of $0						1,519	1,519
Total comprehensive loss	—	—	—	—	—	—	(36,493)
Balance, January 31, 2003	26,921	$269	$173,955	$ (675)	$(22,946)	$1,028	$151,631

See accompanying notes to consolidated financial statements

COMPUTER NETWORK TECHNOLOGY CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Years Ended January 31, 2003	2002	2001
Operating Activities:			
Net income (loss)	$ (38,405)	$ (3,706)	$ 11,994
Cumulative effect of change in accounting principle	10,068	—	—
Discontinued operations	(207)	(8,222)	4,135
Depreciation and amortization	15,868	15,127	11,812
Compensation expense	722	568	346
Loss on sale and write-down of webMethods stock	—	10,283	—
Write-down of investment	1,000	—	—
Change in deferred taxes	16,077	(1,268)	(5,344)
Changes in operating assets and liabilities, net of acquisitions:			
Receivables	1,714	(40)	(14,833)
Inventories	7,370	(4,517)	(3,717)
Other current assets	2,020	(1,575)	(445)
Accounts payable	(2,110)	(21,879)	11,036
Accrued liabilities	(2,670)	(7,606)	17,754
Deferred revenue	5,875	(2,091)	5,569
Net cash provided by (used in) continuing operations	17,322	(24,926)	38,307
Net cash provided by (used in) discontinued operations	207	(8,830)	(1,490)
Cash provided by (used in) operating activities	17,529	(33,756)	36,817
Investing Activities:			
Additions to property and equipment	(6,878)	(8,198)	(14,329)
Additions to field support spares	(5,486)	(2,770)	(2,520)
Additions to purchased technology	—	—	(375)
Acquisition of Articulent, net of cash acquired	—	(11,145)	—
Acquisition of BI-Tech, net of cash acquired	(7,723)	—	—
Net proceeds from sale of discontinued operations	—	11,800	—
Proceeds from the sale of webMethods stock	—	6,281	—
Purchase of marketable securities	(163,860)	(87,786)	(148,389)
Proceeds from redemption of marketable securities	136,988	115,717	45,998
Other assets	695	876	(1,967)
Discontinued operations — additions to long-term assets	—	—	(158)
Cash provided by (used in) investing activities	(46,264)	24,775	(121,740)
Financing Activities:			
Net proceeds from issuance of convertible subordinated debt	121,559	—	—
Payments for repurchases of common stock	(32,205)	(787)	—
Proceeds from issuance of common stock	2,964	6,406	117,754
Repayments of obligations under capital leases	(1,523)	(1,421)	(1,187)
Cash provided by financing activities	90,795	4,198	116,567
Effects of exchange rate changes	1,879	(259)	(174)
Net increase (decrease) in cash and cash equivalents	63,939	(5,042)	31,470
Cash and cash equivalents — beginning of year	34,402	39,444	7,974
Cash and cash equivalents — end of year	$ 98,341	$ 34,402	$ 39,444

See accompanying notes to consolidated financial statements

COMPUTER NETWORK TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
January 31, 2003, 2002 and 2001
(tabular amounts in thousands except per share data)

(1) Summary of Significant Accounting Policies

Description Of Business

Computer Network Technology Corporation is a leading provider of end-to-end storage solutions, related consulting and integration services, and managed services in the high-performance storage networking market.

Discontinued Operations

In 2001, the Company divested Propelis Software, Inc. formerly known as the Enterprise Integration Solutions Division. Accordingly, Propelis Software, Inc. has been accounted for as discontinued operation in the accompanying consolidated financial statements.

Fiscal Year End

References in these footnotes to fiscal 2002, 2001 and 2000 represent the twelve months ended January 31, 2003, 2002 and 2001, respectively.

Principles Of Consolidation

The accompanying consolidated financial statements include the accounts of Computer Network Technology Corporation and its subsidiaries (together, the Company). All significant intercompany balances and transactions are eliminated in consolidation.

Revenue Recognition

Revenue is recognized upon shipment for product sales with standard configurations and product sales with other than standard configurations which have demonstrated performance in accordance with customer specifications prior to shipment provided that (a) evidence of an arrangement exists, (b) delivery has occurred, (c) the price to the customer is fixed and determinable, and (d) collectibility is assured. All other product sales are recognized as revenue when customer acceptance is received or upon passage of the customer acceptance period. Warranty costs and sales returns are accrued at the time of shipment based on experience. In transactions that include multiple products and/or services, the sales value is allocated among each of the deliverables based on their relative fair values.

Service fees are recognized as revenue when earned, which is generally on a straight-line basis over the contracted service period or as the services are rendered. Deferred revenue primarily consists of the unearned portion of service agreements billed in advance to customers, including amounts both collected and uncollected.

Valuation of Accounts Receivable

Accounts receivable are reviewed to determine which are doubtful of collection. Estimates are also made of potential future product returns. In making the determination of the appropriate allowance for doubtful accounts and product returns, the Company considers specific accounts, changes in customer payment terms, historical write-offs and returns, changes in customer demand and relationships, concentrations of credit risk and customer credit worthiness. The provision for doubtful accounts and product returns was $1,388,000, $898,000 and $1,600,000 in 2002, 2001 and 2000, respectively. The accounts receivable balances at January 31, 2003 and 2002 were $56,040,000 and $53,962,000, respectively, net of an allowance for doubtful accounts and sales returns of $2,416,000 and $1,848,000, respectively.

COMPUTER NETWORK TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Valuation of Inventory

Inventories are stated at the lower of cost (determined on a first in, first out basis) or market. The Company reviews obsolescence to determine that inventory items deemed obsolete are appropriately reserved. In making the determination, consideration is given to the history of inventory write-offs, future sales of related products, and quantity of inventory at the balance sheet date, assessed against past usage rates and future expected usage rates.

Valuation of Deferred Taxes

Significant management judgment is required in determining the provision for incomes taxes, deferred tax assets and liabilities and any valuation allowance recorded against net deferred tax assets. The Company is required to estimate income taxes in each jurisdiction where it operates. This process involves estimating actual current tax exposure together with assessing temporary differences resulting from differing treatment of items, such as the depreciable life of fixed assets for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included in the consolidated balance sheet. The Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income and to the extent recovery is believed unlikely, establishes a valuation allowance. The Company has increased tax expense within its statements of operations when a valuation allowance is established or increased in a given period.

In the fourth quarter of fiscal 2002, the Company recorded a non-cash charge of $23,568,000 to provide a valuation allowance for its United States deferred tax assets. The Company's cumulative valuation allowance recorded against its deferred tax assets at January 31, 2003 was $24,808,000. As the Company generates taxable income in future periods, it does not expect to record significant income tax expense in the United States until it becomes likely that the Company will be able to utilize the deferred tax assets, and reduce its valuation allowance. The establishment of the valuation allowance does not impair the Company's ability to use the deferred tax assets upon achieving profitability. The Company's federal net operating loss carry-forwards and credits do not expire for the next 15-20 years.

Goodwill and Other Intangible Assets

Goodwill represents the excess of the purchase price over the fair value of net assets. Upon adoption of Statement of Financial Accounting Standard (SFAS) No. 142, "Goodwill and Other Intangible Assets," in the first quarter of fiscal 2002, the Company no longer amortized goodwill. See Note 4 for the effects of adopting this standard. Other intangible assets are related to the acquisitions of Articulent and BI-Tech and are amortized on a straight-line basis over periods ranging from two to ten years.

Impairment of Long-lived and Intangible Assets

The Company accounts for long-lived assets in accordance with the provisions of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This Statement requires that long-lived and intangible assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized by the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

The Company reviews goodwill for impairment annually or more frequently if changes in circumstances or the occurrence of events suggest the remaining value may not be recoverable. An asset is

COMPUTER NETWORK TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

deemed impaired and written down to its fair value if estimated related net undiscounted future cash flows are less than its carrying value in accordance to the provisions of SFAS No. 142. In connection with SFAS No. 142's transitional goodwill impairment evaluation, the Statement requires the Company to perform an assessment of whether there is an indication that goodwill is impaired as of the date of adoption. Impairment adjustments recognized after adoption, if any, generally are required to be recognized as operating expenses, captioned in general and administrative expenses.

Cash Equivalents

The Company considers investments in highly liquid debt securities having an initial maturity of three months or less to be cash equivalents.

Marketable Securities

Unrealized gains and losses on available-for-sale securities are excluded from earnings and are reflected as a separate component of shareholders' equity. Unrealized gains and losses on trading securities are included in earnings.

Property And Equipment

Property and equipment owned by the Company is carried at cost and depreciated using the straight-line method over three to eight years. Leasehold improvements are amortized using the straight-line method over the terms of the respective leases. Expenditures for repairs and maintenance are charged to expense as incurred. Capital lease equipment is amortized over the life of the lease.

The carrying value of long-lived assets is reviewed whenever events or changes in circumstances such as market value, asset utilization, physical change, legal factors or other matters indicate that the carrying value may not be recoverable. When the review indicates that the carrying value of the asset or group of assets representing the lowest level of identifiable cash flows exceeds the sum of the expected future cash flows (undiscounted and without interest charges), an impairment loss is recognized. The amount of the impairment loss is the amount by which the carrying value exceeds the fair value of the impaired asset or group of assets.

Field Support Spares

Field support spares are carried at cost and depreciated using the straight-line method over three years.

Engineering And Development

The Company has expensed all engineering and development costs to date.

Foreign Currency

The financial statements of the Company's international subsidiaries have been translated into U.S. dollars. Assets and liabilities are translated into U.S. dollars at year-end exchange rates, while equity accounts are translated at historical rates. Income and expenses are translated at the average exchange rates during the year. The resulting translation adjustments are recorded as a separate component of shareholders' equity.

The Company is exposed to market risks related to fluctuations in foreign exchange rates because some sales transactions, and the assets and liabilities of its foreign subsidiaries, are denominated in foreign currencies. The Company had no outstanding forward exchange contracts as of January 31, 2003. Gains

COMPUTER NETWORK TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

and losses from transactions denominated in foreign currencies and forward exchange contracts are included in net income (loss).

Stock Compensation Plans

The Company accounts for its stock based compensation awards in accordance with Accounting Principles Board Opinion No. 25 "Accounting for Stock Issued to Employees" (APB No. 25) and provides the footnote disclosures required by Statement of Financial Accounting Standards No. 123 "Accounting for Stock Based Compensation" (SFAS No. 123).

The Company has elected to continue to account for its plans in accordance with APB No. 25. Accordingly, no compensation cost associated with the fair value of stock option grants or shares sold to employees under the Employee Stock Purchase Plan has been recognized in the Company's financial statements. Had compensation cost for the Company's stock-based compensation plans been recognized consistent with the fair value method of SFAS No. 123, the Company's net income (loss) and net income (loss) per basic and diluted share would have been reduced to the pro forma amounts indicated below:

	Years Ended January 31,		
	2003	2002	2001
Net income (loss), as reported	$(38,405)	$ (3,706)	$11,994
Deduct: Total stock-based employee compensation expense under fair value based method of all awards, net of tax effects	(12,301)	(7,109)	(6,368)
Pro forma net income (loss)	$(50,706)	$(10,815)	$ 5,626
As reported			
Basic	$ (1.37)	$ (.12)	$ .47
Diluted	$ (1.37)	$ (.12)	$ .43
Pro forma			
Basic	$ (1.80)	$ (.36)	$ .22
Diluted	$ (1.80)	$ (.36)	$ .20

In determining the compensation cost of stock option grants and shares sold to employees under the employee stock purchase plan, as specified by SFAS No. 123, the fair value of each award has been estimated on the date of grant using the Black-Scholes option pricing model. The weighted average assumptions used in these calculations are summarized below:

	Years Ended January 31,		
	2003	2002	2001
Risk free interest rate	3.71%	4.51%	5.90%
Expected life	5.68	5.73	5.33
Expected volatility	87.29%	86.88%	85.06%

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the

COMPUTER NETWORK TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Estimates that could significantly affect the results of operations or financial condition of the Company include the determination of the valuation of the deferred tax asset, recoverability of goodwill, valuation of accounts receivable and valuation of inventory. Further discussion on these estimates can be found in related disclosures elsewhere in these notes to the consolidated financial statements.

Net Income (Loss) Per Share

Basic net income (loss) per share is computed based on the weighted average number of common shares outstanding, while diluted net income per share is computed based on the weighted average number of common shares outstanding plus potential dilutive shares of common stock. Potential dilutive shares of common stock include stock options which have been granted to employees and directors, awards under the employee stock purchase plan and common shares issuable upon conversion of the Company's outstanding convertible subordinated debt. Net loss per basic and diluted share is based on the weighted average number of common shares outstanding. Potential dilutive shares of common stock have been excluded from the computation of net loss per share due to their anti-dilutive effect.

Comprehensive Income (loss)

Comprehensive income (loss) consists of the Company's net income (loss), foreign currency translation adjustment and unrealized gains and losses from available-for-sale securities and is presented in the consolidated statement of shareholders' equity.

New Accounting Pronouncements

In July 2002, the Financial Accounting Standards Board ("FASB") issued Statements of Financial Accounting Standards ("SFAS") No. 146, "Accounting for Costs Associated with Exit or Disposal Activities." SFAS 146 addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies Emerging Issues Task Force ("EITF") Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)" and must be applied beginning January 1, 2003. SFAS 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred rather than when the exit or disposal plan is approved. The adoption of SFAS 146 did not have an effect on the Company's consolidated financial statements.

In December 2002, the EITF reached a consensus on EITF 00-21, "Revenue Arrangements with Multiple Deliverables". This Issue addresses certain aspects of the accounting by a vendor for arrangements under which it will perform multiple revenue-generating activities. In some arrangements, the different revenue-generating activities (deliverables) are sufficiently separable and there exists sufficient evidence of their fair values to separately account for some or all of the deliverables (that is, there are separate units of accounting). In other arrangements, some or all of the deliverables are not independently functional, or there is not sufficient evidence of their fair values to account for them separately. This Issue addresses when and, if so, how an arrangement involving multiple deliverables should be divided into separate units of accounting. This Issue does not change otherwise applicable revenue recognition criteria. The guidance in this Issue is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company does not expect the adoption of EITF 00-21 to have a material effect on its financial statements.

COMPUTER NETWORK TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In December 2002, the FASB issued SFAS 148, "Accounting for Stock-Based Compensation-Transition and Disclosure, an amendment to FASB Statement 123". SFAS 148 provides alternative methods of transition for a voluntary change to the fair value based method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123, "Accounting for Stock-Based Compensation", to require prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company adopted the disclosure provisions of SFAS 148 effective January 31, 2003.

In November 2002, the FASB issued FASB Interpretation ("FIN") No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others." FIN 45 requires companies to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. Guarantees in existence at December 31, 2002 are grandfathered for the purposes of recognition and would only need to be disclosed. The Company does not expect that the adoption of FIN 45 will have an effect on its consolidated financial statements. The Company will adopt the initial recognition and measurement provisions of FIN 45 for guarantees issued or modified after December 31, 2002.

COMPUTER NETWORK TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(2) Components of Selected Balance Sheet Accounts

	January 31, 2003	January 31, 2002
Inventories:		
Components and subassemblies	$16,918	$22,391
Work in process	306	3,834
Finished goods	6,867	5,185
	$24,091	$31,410
Property and equipment:		
Land	$ 1,226	$ 1,186
Machinery and equipment	47,841	43,161
Office and data processing equipment	23,574	21,388
Furniture and fixtures	4,299	3,895
Leasehold improvements	2,849	2,183
	79,789	71,813
Less accumulated depreciation and amortization	57,223	46,209
	$22,566	$25,604
Field support spares:		
Field support spares	$28,191	$22,704
Less accumulated depreciation	22,182	18,142
	$ 6,009	$ 4,562
Accrued liabilities:		
Compensation	$10,817	$10,323
Income taxes	1,697	3,084
Interest	1,731	—
Product warranty	1,521	1,935
BI-Tech earn-out	4,380	—
Other	4,914	4,816
	$25,060	$20,158

(3) Cumulative Effect of Change in Accounting Principle

In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 141 requires use of the purchase method of accounting for all business combinations initiated after June 30, 2001. SFAS No. 141 also provides new criteria in the determination of intangible assets, including goodwill acquired in a business combination, and expands financial disclosure concerning business combinations consummated after June 30, 2001. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized but instead be tested for impairment at least annually using a two-step impairment test. The application of SFAS No. 141 did not affect previously reported amounts included in goodwill and other intangible assets.

COMPUTER NETWORK TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Effective February 1, 2002, the Company adopted SFAS No. 142. SFAS No. 142 provides a six-month transitional period from the effective date of adoption for the Company to perform an assessment of whether there is an indication of goodwill impairment. The Company tested its reporting units for impairment by comparing fair value to carrying value. Fair value was determined using a discounted cash flow and cost methodology. The Company engaged a third-party appraisal firm to determine the fair value of a reporting unit within its former Storage Solutions segment. This valuation indicated that the goodwill associated with the acquisition of Articulent in April of 2001 was impaired. The performance of this business has not met management's original expectations, primarily due to the unexpected global slow down in capital spending for information technology equipment. Accordingly, a non-cash impairment charge of $10,068,000 from the adoption of SFAS No. 142 was recognized as a cumulative effect of change in accounting principle in the first quarter ended April 30, 2002. Impairment adjustments recognized after adoption, if any, generally are required to be recognized as an operating expense.

(4) Goodwill and Intangible Assets

As described previously, the Company adopted SFAS No. 142 as of February 1, 2002. The following table reflects the consolidated results adjusted as if the adoption of SFAS No. 142 occurred as of the beginning of the year ended January 31, 2001:

	Years Ended January 31,		
	2003	2002	2001
Net income (loss), as reported	$(38,405)	$(3,706)	$11,994
Add back amortization of goodwill	—	624	29
Net income (loss), as adjusted	$(38,405)	$(3,082)	$12,023
Basic income (loss), per share, as reported	$ (1.37)	$ (.12)	$ .47
Add back amortization of goodwill	—	.02	—
Basic income (loss) per share, as adjusted	$ (1.37)	$ (.10)	$ .47
Diluted income (loss), per share, as reported	$ (1.37)	$ (.12)	$ .43
Add back amortization of goodwill	—	.02	—
Diluted income (loss) per share, as adjusted	$ (1.37)	$ (.10)	$ .43

The change in the net carrying amount of goodwill for the years ended January 31, 2003 and 2002 was as follows:

	Years Ended January 31,	
	2003	2002
Beginning of year	$ 14,070	$ 500
Acquisition of Articulent	—	13,558
Acquisition of BI-Tech	10,177	—
Translation adjustment	(66)	12
Impairment charge	(10,068)	—
End of year	$ 14,113	$14,070

COMPUTER NETWORK TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The components of other amortizable intangible assets as of January 31, 2003 and 2002 were as follows:

	January 31, 2003		January 31, 2002	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Customer lists	$1,630	$(161)	$505	$(42)
Non-compete agreements	250	(50)	—	—
Total	$1,880	$(211)	$505	$(42)
Total other intangible assets, net	$1,669		$463	

Amortization expense for intangible assets for the year ended January 31, 2003 was $169,000. Amortization expense is estimated to be $288,000 in fiscal 2003, $238,000 in fiscal 2004 and $163,000 in fiscal 2005 through 2007.

(5) Marketable Securities

The Company's investments in marketable securities are summarized as follows:

	January 31,	
	2003	2002
Available-for-Sale:		
Bank certificates of deposit	$ —	$35,096
U.S. government and agency securities	40,868	10,362
Corporate debt securities	68,816	36,538
Corporate equity securities	1,051	1,068
	110,735	83,064
Trading:		
Standard & Poors 500 stock price index fund	149	258
NASDAQ 100 tracking stock	259	290
	$111,143	$83,612

The amount of gross unrealized gains with respect to investments in available-for-sale securities at January 31, 2003 and 2002 was $1,468,000 and $809,000, respectively. The amount of gross unrealized losses with respect to investments in available-for-sale securities at January 31, 2003 and 2002 was not significant. The Company realized a loss of $8,747,000 in 2001 from the sale of 232,511 shares of webMethods stock received in connection with the sale of IntelliFrame in 2001 (see note 7 to the consolidated financial statements). Proceeds from the sale of available-for-sale securities in fiscal 2002, 2001 and 2000 were $34,373,000, $47,723,000 and $1,204,000, respectively. At January 31, 2003, investments in available-for-sale securities with contractual maturities of less than twelve months and one to five years totaled $32,334,000 and $77,350,000, respectively.

An additional loss of $1,536,000 was realized in fiscal 2001 when the remaining 41,031 shares of webMethods stock received in connection with the sale of IntelliFrame experienced a decline in value that was determined to be other than temporary, resulting in a write-down of the shares. The Company realized no other significant gains or losses with respect to available-for-sale securities during the three-year period ended January 31, 2003.

COMPUTER NETWORK TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company's trading securities consist of a mutual fund investment that seeks to provide a return corresponding to the Standard & Poors 500 stock price index and a NASDAQ 100 tracking stock. The Company intends to use any gain or loss from these investments to fund the investment gains or losses allocated to participants under the Company's executive deferred compensation plan. The amount of unrealized holding losses with respect to trading securities included in net income (loss) for fiscal 2002, 2001 and 2000 was $132,000, $266,000 and $168,000, respectively.

(6) Acquisitions

On June 24, 2002, the Company acquired all the outstanding stock of BI-Tech, a leading provider of storage management solutions and services, for $12 million in cash plus the assumption of approximately $3.6 million of liabilities and the acquisition of approximately $8.7 million of tangible assets. The Company has allocated $6.5 million, $1.1 million and $250,000 of the purchase price to goodwill, customer list and non-compete agreements, respectively. The customer list and non-compete agreements are currently being amortized over periods of ten and two years, respectively. The accompanying financial statements include the results of BI-Tech since June 24, 2002.

The following table presents the unaudited pro forma consolidated results of operations of the Company for the years ended January 31, 2003 and 2002 as if the acquisition of BI-Tech took place on February 1, 2002 and 2001, respectively:

	Pro Forma Years Ended January 31,	
	2003	2002
Total revenue	$223,470	$216,626
Net loss	$(36,010)	$ (2,601)
Net loss per share	$ (1.28)	$ (.09)

The pro-forma results include amortization of the customer list and non-compete agreement presented above. The unaudited pro-forma results are for comparative purposes only and do not necessarily reflect the results that would have been recorded had the acquisition occurred at the beginning of the period presented or the results which might occur in the future.

The purchase agreement requires payment of additional consideration to the former stockholders and the BI-Tech employees based on achievement of certain earnings for each of the next two years starting July 1, 2002. The purchase agreement requires the Company to pay this additional consideration at its option, in the form of a note payable or the Company's stock to the former stockholders, and in cash to the BI-Tech employees. The portion payable to the former stockholders will be recorded as goodwill. The portion payable to BI-Tech employees will be recorded as compensation expense. During fiscal 2002 and based on BI-Tech's operations since July 1, 2002, an additional $3.6 million was recorded to goodwill and $744,000 was recorded as compensation expense, and a corresponding liability was recorded.

On April 3, 2001 the Company acquired all of the outstanding stock of Articulent Inc., a privately held, leading provider of storage solutions and services for $12,360,000 in cash, plus the assumption of approximately $24,394,000 of liabilities and the acquisition of approximately $19,333,000 of tangible assets. The acquisition was accounted for as a purchase and the consolidated financial statements of the Company

COMPUTER NETWORK TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

include the results of Articulent since April 3, 2001. The purchase price was allocated to the fair value of the assets and liabilities acquired as follows:

Purchase Price:	
Cash paid	$ 12,360
Fair Value of Assets Acquired and Liabilities Assumed:	
Cash	$ 624
Accounts receivable	10,287
Inventory	4,446
Fixed assets	3,393
Customer list	505
Goodwill	13,809
Deferred taxes	3,107
Other assets	583
Accounts payable	(18,302)
Accrued expenses	(2,324)
Note payable	(3,768)
Total purchase consideration	$ 12,360

The following table presents the unaudited pro forma consolidated results of operations of the Company for the years ended January 31, 2002 and 2001 as if the acquisition of Articulent took place on February 1, 2001 and 2000, respectively:

	Pro Forma Years Ended January 31,	
	2002	2001
Total revenue	$194,740	$245,030
Net income (loss)	$ (5,772)	$ 2,454
Net income (loss) per share	$ (.19)	$ .09

The pro-forma results include amortization of the customer list and goodwill presented above. The unaudited pro-forma results are for comparative purposes only and do not necessarily reflect the results that would have been recorded had the acquisition occurred at the beginning of the period presented or the results which might occur in the future.

(7) Discontinued Operations

Propelis Software, Inc. formerly known as the Enterprise Integration Solutions Division, including IntelliFrame, developed and sold EAI software that automates the integration of computer software applications, and business workflow processes. In August 2000, the Company determined to divest Propelis Software, Inc. and focus on its core storage networking business. As a result, Propelis Software, Inc. has been accounted for as a discontinued operation in the accompanying financial statements.

In February 2001, the Company sold all of the outstanding stock of IntelliFrame Corporation, including the technology underlying the Propelis BPm™ product, to webMethods, Inc. for $8,800,000 in cash and 273,542 shares of webMethods common stock. The stock received from webMethods, Inc. was valued at $17,058,000, which reflects a discount from its publicly reported trading price due to the initial restrictions placed on the Company's ability to freely sell the stock. In connection with this transaction, the Company paid $3,000,000 to two employees, who were former shareholders of IntelliFrame, to satisfy all

COMPUTER NETWORK TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

obligations to make further bonus payments under their employment agreements. The sale resulted in an after tax gain of $12,620,000 in the first quarter of fiscal 2001.

In the first quarter of fiscal 2001, the Company accrued $9,250,000 for the estimated future operating losses of Propelis Software, Inc. through the potential date of divestiture, resulting in an after tax loss of $6,197,000.

In August 2001, the Company sold substantially all of the remaining assets and liabilities of Propelis Software, Inc to Jacada Ltd. for $6,000,000 in cash, plus a warrant to purchase 350,000 ordinary shares of Jacada Ltd. stock at a price of $3.26 per share. The final sales price was subject to adjustment based on the closing balance sheet of Propelis. The transaction resulted in an after tax gain of $1,799,000 in the third quarter of fiscal 2001.

In the third quarter of fiscal 2002, the Company received $207,000 of royalty income, net of tax, related to the discontinued operations sold in fiscal 2001.

(8) Leases

The Company leases all office and manufacturing space and certain equipment under noncancelable capital and operating leases. At January 31, 2003 and 2002, leased capital assets included in property and equipment were as follows:

	January 31, 2003	January 31, 2002
Property and equipment:		
Office and data processing equipment	$3,345	$4,836
Less accumulated amortization	2,304	2,605
	$1,041	$2,231

Future minimum lease payments, excluding executory costs such as real estate taxes, insurance and maintenance expense, by year and in the aggregate are as follows:

	Minimum Lease Commitments	
	Capital	Operating
Year Ending January 31,		
2004	$742	$ 4,550
2005	—	3,334
2006	—	2,544
2007	—	2,344
2008	—	2,337
Thereafter	—	7,476
Total minimum lease payments	742	$22,585
Less amounts representing interest at rates ranging from 9.57% to 11.29%	34	
Present value of minimum capital lease payments	708	
Less current installments	708	
Obligations under capital lease, less current installments	$ —	

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Rent expense under noncancelable operating leases, exclusive of executory costs, for fiscal 2002, 2001 and 2000 was $6,244,000, $5,857,000, and $5,315,000, respectively. During the year ended January 31, 2001, the Company reversed $287,000 representing the unused portion of an accrual for an abandoned facility.

(9) Convertible Subordinated Debt Offering

In February 2002, the Company sold $125 million of 3% convertible subordinated notes due February 15, 2007, raising net proceeds of $121.6 million. The notes are convertible into the Company's common stock at a price of $19.17 per share. The Company may redeem the notes upon payment of the outstanding principal balance, accrued interest and a make whole payment if the closing price of its common stock exceeds 175% of the conversion price for at least 20 consecutive trading days within a period of 30 consecutive trading days ending on the trading day prior to the date the redemption notice is mailed. The make whole payment represents additional interest payments that would be made if the notes were not redeemed prior to the due date.

(10) Shareholders' Equity

Common Stock Repurchase

In April 2001, the Company's board of directors authorized the repurchase of up to $50,000,000 of the Company's common stock. During fiscal 2002 and 2001, pursuant to this authorization, the Company repurchased 4,045,000 and 90,000 shares of its common stock for $32,205,000 and $787,000, respectively.

Rights Plan

On July 24, 1998 the Company's board of directors adopted a shareholders rights plan pursuant to which rights were distributed as a dividend at the rate of one preferred share purchase right for each outstanding share of common stock of the Company. The rights will expire on July 23, 2008 unless extended, earlier redeemed or exchanged by the Company.

Stock Options And Restricted Stock

The Company maintains stock option and restricted stock plans (the Plans) which provide for the grant of stock options, restricted stock and stock based awards to officers, other employees, consultants, and independent contractors as determined by the compensation committee of the board of directors. A maximum of 14,280,000 shares of common stock were issuable under the terms of the Plans as of January 31, 2003, of which no more than 6,330,000 shares may be issued as restricted stock or other stock based awards. As of January 31, 2003, there were 2,868,465 shares of common stock available for future grants under these plans.

Restricted stock issued under the Plans is recorded at fair market value on the date of grant and generally vests over a two to four year period. Vesting for some grants may be accelerated if certain performance criteria are achieved. Compensation expense is recognized over the applicable vesting period. During fiscal 2002, 2001 and 2000, the Company issued 5,000, 106,000, and 61,100 restricted shares, respectively, having an aggregate weighted fair market value per share of $14.15, $10.63, and $17.43, respectively. Compensation expense recognized for restricted shares in fiscal 2002, 2001 and 2000 was $722,000, $568,000 and $346,000, respectively.

All stock options granted under the Plans have an exercise price equal to fair market value on the date of grant, vest and become exercisable over individually defined periods, generally four years, and expire ten years from the date of grant.

COMPUTER NETWORK TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

A summary of the status of the Company's outstanding stock options and related changes for fiscal 2002, 2001 and 2000 is presented below:

	January 31,					
	2003		2002		2001	
Options	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price	Shares	Weighted-Average Exercise Price
Outstanding at beginning of year	5,753	$11.99	4,655	$13.45	4,798	$10.02
Granted	2,970	8.52	2,666	9.71	1,552	18.77
Exercised	(231)	5.26	(549)	7.61	(1,123)	5.93
Canceled	(975)	11.59	(1,019)	15.30	(572)	13.92
Outstanding at end of year	7,517	$10.87	5,753	$11.99	4,655	$13.45
Exercisable at end of year	3,028	$11.80	2,107	$11.01	1,633	$ 8.08
Weighted-average fair value of grants during the year		$ 6.25		$ 7.26		$13 56

The following table summarizes information about stock options outstanding at January 31, 2003:

	Options Outstanding			Options Exercisable	
Range of Exercise Prices	Number Outstanding	Weighted-Average Remaining Contractual Life (in years)	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
$ 3.50 — $ 4.99	1,033	7.6	$ 4.46	404	$ 4.37
$ 5.00 — $ 7.99	1,368	7.1	$ 6.45	571	$ 6.06
$ 8.00 — $14.99	3,611	8.0	$10.40	1,181	$10.49
$15.00 — $19.99	644	7.2	$17.55	295	$17.56
$20.00 — $32.75	861	6.5	$22.55	577	$22.38
	7,517			3,028	

Employee Stock Purchase Plan

The 1992 Employee Stock Purchase Plan (the Purchase Plan) allows eligible employees an opportunity to purchase an aggregate of 1,500,000 shares of the Company's common stock at a price per share equal to 85% of the lesser of the fair market value of the Company's common stock at the beginning or the end of each six-month purchase period. Under the terms of the Purchase Plan, no participant may acquire more than 5,000 shares of the Company's common stock or more than $5,000 in aggregate fair market value of common stock (as defined) during any six-month purchase period. Common shares sold to employees under the Purchase Plan in fiscal 2002, 2001 and 2000 were 346,982, 163,705 and 102,920, respectively.

The weighted-average fair value of each purchase right granted in fiscal 2002, 2001 and 2000 was $4.41, $7.34 and $3.72, respectively.

COMPUTER NETWORK TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(11) Net Income (Loss) Per Share

The components of net income (loss) per basic and diluted share are as follows:

	Net Income (loss)	Weighted Average Shares Outstanding	Per Share Amount
Years Ended January 31,			
2003:			
Basic	$(38,405)	28,111	$(1.37)
Dilutive effect of employee stock purchase awards and options and shares issuable upon the conversion of convertible subordinated debt	—	—	—
Diluted	$(38,405)	28,111	$(1.37)
2002:			
Basic	$ (3,706)	29,892	$ (.12)
Dilutive effect of employee stock purchase awards and options	—	—	—
Diluted	$ (3,706)	29,892	$ (.12)
2001:			
Basic	$ 11,994	25,383	$ .47
Dilutive effect of employee stock purchase awards and options	—	2,430	(.04)
Diluted	$ 11,994	27,813	$ .43

The total weighted average number of common stock equivalents excluded from the calculation of net loss per share due to their anti-dilutive effect for fiscal 2002 and 2001 was 567,761 and 1,292,016, respectively. The company also excluded 6,521,900 shares of common stock issuable upon conversion of the Company's convertible subordinated debt from the calculation of net loss per share in fiscal 2002 due to the anti-dilutive effect of the assumed conversion.

COMPUTER NETWORK TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(12) Income Taxes

The components of income from continuing operations before income taxes and income tax expense (benefit) for each of the years in the three-year period ended January 31, 2003 consists of the following:

	Years Ended January 31,		
	2003	2002	2001
Income (loss) from continuing operations before income taxes:			
U.S	$(12,657)	$(17,756)	$19,595
Foreign	640	536	4,481
Total	$(12,017)	$(17,220)	$24,076
Income tax provision:			
Current:			
U.S	$ —	$ —	$ 5,180
Foreign	533	284	1,348
State	—	—	1,027
Total current	533	284	7,555
Deferred:			
U.S	15,361	(5,198)	458
Foreign	—	—	—
State	633	(378)	(66)
Total deferred	15,994	(5,576)	392
Total income tax expense (benefit)	$ 16,527	$ (5,292)	$ 7,947

The reconciliation of the statutory federal tax rate and the effective tax rate for each of the years in the three-year period ended January 31, 2003 is as follows:

	Years Ended January 31,		
	2003	2002	2001
Statutory tax rate	(34.0)%	(34.0)%	34.0%
Increase (decrease) in taxes resulting from:			
State taxes, net of federal tax benefit	(3.5)	(3.3)	2.6
Extraterritorial income and foreign sales corporation	(.8)	(.5)	(1.9)
Meals and entertainment	.6	.6	.4
Valuation allowance	177.5	4.8	—
Other	(2.3)	1.7	(2.1)
Total	137.5%	(30.7)%	33.0%

COMPUTER NETWORK TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The tax effects of temporary differences that give rise to significant portions of the Company's deferred tax assets and (liabilities) as of January 31, 2003 and 2002 were as follows:

	Years Ended January 31,	
	2003	2002
Deferred tax assets:		
Inventory	$ 4,099	$ 4,658
Accrued compensation	1,111	1,145
Reserves for bad debts and sales returns	867	636
Foreign net operating loss carryforwards	—	410
Tax credits	3,655	1,265
Net operating loss carryforwards	14,596	7,895
Write down of webMethods stock	1,133	1,071
Other	590	900
Total gross deferred tax assets	26,051	17,980
Valuation allowance	(24,808)	(1,240)
Net deferred tax assets	1,243	16,740
Deferred tax liabilities:		
Property and equipment	(166)	(109)
Unrealized gains on marketable securities	(565)	(299)
Other	(1,053)	(150)
Total gross deferred tax liabilities	(1,784)	(558)
Net deferred tax assets (liabilities)	$ (541)	$16,182

The valuation allowance for deferred tax assets as of January 31, 2003 and 2002 was $24,808,000 and $1,240,000, respectively. The net change in the total valuation allowance for the years ended January 31, 2003 and 2002 was an increase of $23,568,000 and $830,000, respectively.

Significant management judgment is required in determining the valuation allowance recorded against net deferred tax assets. The Company assesses the likelihood that its deferred tax assets will be recovered from future taxable income and to the extent recovery is believed unlikely, establishes a valuation allowance. The Company must increase tax expense within its statements of operations when a valuation allowance is established or increased in a given period.

In the fourth quarter of fiscal 2002, the Company recorded a non-cash charge of $23,568,000 to provide a valuation allowance for its United States deferred tax assets. As the Company generates taxable income in future periods, it does not expect to record significant income tax expense in the United States until it becomes more likely than not that the Company will be able to utilize the deferred tax assets, and therefore reduce its valuation allowance. The establishment of the valuation allowance does not impair the Company's ability to use the deferred tax assets upon achieving profitability. The deferred tax liability that still exists is attributable to foreign operations.

As of January 31, 2003, the Company has federal net operating loss and credit carry-forwards available to reduce income taxes payable in future years of approximately $39,000,000 and $3,655,000, respectively. If not used, these federal net operating loss and credit carry-forwards will expire between the years 2019 and 2023. The utilization of a portion of the Company's federal net operating loss and credit carry-forwards is subject to annual limitations under Internal Revenue Code Section 382. Subsequent

COMPUTER NETWORK TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

equity changes could further limit the utilization of these federal net operating loss and credit carry-forwards.

In future years, the recognized tax benefits relating to the reversal of the valuation allowance for deferred tax assets as of January 31, 2003 will be recorded as follows:

	Total
Income tax benefit from continuing operations	$24,519
Additional paid in capital	289
Total	$24,808

(13) Annual Bonus Plan

The Company's Annual Bonus Plan provides a formula for determination of cash bonus payments to eligible employees based on a defined percentage of a participant's qualifying base compensation multiplied by the Company's annual bonus plan factor. The annual bonus plan factor is based on a chart outlining payout percentages for achievement of defined levels of operating profit.

There was no annual bonus for fiscal 2002. The annual bonus expense for fiscal 2001 and 2000 was $1,134,000 and $2,035,000, respectively.

(14) 401(k) and Deferred Compensation Plans

The Company has a 401(k) salary savings plan which covers substantially all of its employees. The Company matches 100% of a participant's annual plan contributions up to an annual maximum per participant of $2,500 which vests over a four-year period from the participant's date of hire.

The Company has also established an executive deferred compensation plan for selected key employees which allows participants to defer a substantial portion of their compensation each year. The Company matches 20% of a participant's annual plan contributions up to an annual maximum per participant of $10,000. Matching contributions vest over a four-year period from the later of July 1, 1997 or the participant's date of hire. In addition, the Company provides participants with an annual earnings credit based on the investment indexes selected by the participant prior to the start of each plan year.

The Company's expense under the 401(k) and deferred compensation plans for fiscal 2002, 2001 and 2000 was $1,674,000, $1,969,000 and $1,132,000, respectively.

(15) Segment Information

During fiscal 2002, the Company consolidated its storage solutions and networking sales, support and service functions into a single unit. As a result, it is no longer possible to allocate costs and prepare separate meaningful statements for what had been its networking and storage solutions segments. The

COMPUTER NETWORK TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Company's management now reviews and makes decisions utilizing financial information for the consolidated business

	Years Ending January 31,		
	2003	2002	2001
Foreign Operations Information:			
Revenue:			
United States	$153,235	$140,667	$123,717
United Kingdom	26,412	17,245	16,554
France	6,072	6,327	5,213
Other	25,796	22,784	30,622
Total	$211,515	$187,023	$176,106
Long-lived assets (end of period):			
United States	$ 30,554	$ 43,897	$ 29,678
United Kingdom	13,709	693	856
Other	94	109	327
Total	$ 44,357	$ 44,699	$ 30,861

Revenue has been attributed to the country where the end-user customer is located.

One customer accounted for 10% of the Company's revenue in fiscal 2002. No single customer accounted for more than 10% of the Company's revenue in fiscal 2001 or 2000.

(16) Product Warranty

The following is a roll forward of the Company's product warranty accrual for each of the years in the three-year period ended January 31, 2003:

Years Ended January 31,	Balance at beginning of year	Charged to cost of product	Revisions to estimates	Cost of warranty	Balance at end of year
2003	$1,935	2,429	—	(2,843)	$1,521
2002	$1,629	2,836	—	(2,530)	$1,935
2001	$ 904	3,290	—	(2,565)	$1,629

(17) Restructuring Charge

In the fourth quarter of fiscal 2002, the Company recorded a $1.7 million restructuring charge for severance resulting from a reduction in workforce and professional fees related to canceled acquisition activity. Of this amount $1.3 million was paid prior to January 31, 2003, with the balance to be paid prior to April 30, 2003.

(18) Noncash Financing and Investing Activities and Supplemental Cash Flow Information

Cash payments for interest expense in fiscal 2002, 2001, 2000 were $1,946,000, $285,000 and $338,000, respectively.

Cash payments for income taxes, net of refunds received, in fiscal 2002, 2001 and 2000 were $3,535,000, $17,000 and $3,286,000, respectively.

COMPUTER NETWORK TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The Company did not enter into any capital leases during fiscal 2002. During fiscal 2001 and 2000, the Company entered into capital lease obligations for equipment valued at $279,000 and $1,849,000, respectively.

During fiscal 2001 and 2000, deferred tax assets increased by $994,000 and $5,736,000, respectively, as a result of the tax benefit from employee stock transactions that could not be currently utilized.

(19) Disclosures about Fair Value of Financial Instruments

The carrying amount for cash and cash equivalents, accounts receivable and capital lease obligations approximates fair value because of the short maturity of those instruments. Marketable securities are recorded at market value at January 31, 2003.

At January 31, 2003, the Company's 3% convertible subordinated notes due February 15, 2007 in the amount of $125,000,000 had a fair value of $94,375,000, based on a reported trading price of $75.50 per $100 in face amount of principal indebtedness.

(20) Related Party Transactions

During fiscal 2002 and 2001, the Company purchased $374,000 and $491,000, respectively, of bandwidth from Dynegy Connect, an entity wholly owned by Dynegy Global Communications. At January 31, 2003 the Company had commitments to purchase $933,000 of additional bandwidth from Dynegy Connect through fiscal 2006. All of the bandwidth purchases were for re-sale at a profit. The bandwidth was purchased from Dynegy Connect because they offered the best pricing. The Company has purchased bandwidth from competitors of Dynegy Connect when their pricing was more attractive. The Company's board member, Lawrence McLernon, was formerly chief executive officer of Dynegy Global Communications.

On May 3, 2002 the Company's board granted Mr. Kelen, a board member, an option to purchase 50,000 shares of the Company's common stock at a price of $8.77 per share in consideration of Mr. Kelen's special participation on the Company's board, and in consideration of such services to be performed in the future.

Thomas G. Hudson's son-in-law is employed by the Company as a regional sales manager. In fiscal 2002, he was paid $128,688 in compensation, commissions and bonuses. Erwin A. Kelen's son is employed by the Company as an area business development manager. In fiscal 2002, he was paid $146,896 in compensation, commissions and bonuses.

(21) Subsequent Event

On April 6, 2003, the Company entered into an agreement where a wholly owned subsidiary of the Company will acquire all of the shares of Inrange Technologies Corporation that are owned by SPX Corporation. The shares acquired will constitute approximately 91% of the issued and outstanding shares of Inrange for a purchase price of $2.3132 per share and $172,954,108 in the aggregate. Pursuant to the agreement, immediately following the acquisition, the subsidiary will be merged into Inrange, and the remaining capital stock owned by other Inrange shareholders will be converted into the right to receive $2.3132 per share in cash, resulting in a total payment of approximately $190,000,000 for both the stock purchase and the merger. Consummation of these transactions is subject to significant conditions, including filing and expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended.

COMPUTER NETWORK TECHNOLOGY CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents the unaudited pro forma consolidated results of operations of the Company for the years ended January 31, 2003 and 2002 as if the acquisition of Inrange took place on February 1, 2002 and 2001, respectively:

	Pro Forma Years Ended January 31,	
	2003	2002
Total revenue	$435,099	$447,874
Net loss	$ (70,199)	$ (37,355)
Net loss per share	$ (2.50)	$ (1.25)

The unaudited pro forma results are for comparative purposes only and do not necessarily reflect the results that would have been recorded had the acquisition occurred at the beginning of the period presented or the results which might occur in the future. The allocation of the purchase to the acquired assets and liabilities of Inrange Technologies Corporation is subject to adjustment pending completion of a purchase price allocation study and will likely result in changes to the proforma net loss amounts.

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INDEPENDENT AUDITORS' REPORT

The Board of Directors and Shareholders
Computer Network Technology Corporation:

We have audited the accompanying consolidated balance sheets of Computer Network Technology Corporation and subsidiaries as of January 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three year period ended January 31, 2003. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Computer Network Technology Corporation and subsidiaries as of January 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three year period ended January 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

As discussed in notes 1, 3 and 4 to the consolidated financial statements, the company adopted the provisions of Statement of Financial Accounting Standard No. 142, "Goodwill and Other Intangible Assets", on February 1, 2002.

/s/ KPMG LLP

Minneapolis, Minnesota
February 17, 2003, except as to note 21,
which is as of April 6, 2003

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QUARTERLY FINANCIAL DATA
(unaudited)

	Years Ended January 31, 2003 and 2002			
	First Quarter(2)	Second Quarter(3)	Third Quarter(4)	Fourth Quarter(5)
	(in thousands, except per share data)			
2002				
Revenue	$ 45,212	$48,866	$55,903	$ 61,534
Gross profit	18,084	19,946	21,550	24,615
Income (loss) from operations	(6,674)	(3,547)	(1,823)	(842)
Income from discontinued operations, net of tax	—	—	207	—
Net income (loss)	(13,765)	(2,106)	(864)	(21,670)
Net income (loss) per share:				
Basic	(.48)	(.07)	(.03)	(.81)
Diluted	(.48)	(.07)	(.03)	(.81)
2001(1)				
Revenue	$ 29,413	$41,583	$55,362	$ 60,665
Gross profit	10,465	16,560	22,027	24,389
Income (loss) from operations	(10,478)	(2,597)	(326)	927
Income from discontinued operations, net of tax	6,423	—	1,799	—
Net income (loss)	(6,555)	(821)	2,398	1,272
Net income (loss) per share:				
Basic	(.22)	(.03)	.08	.04
Diluted	(.22)	(.03)	.08	.04

(1) In fiscal 2001, we divested Propelis Software, Inc. formerly known as our Enterprise Integration Solutions Division to focus all of our resources on our core storage networking business. Accordingly, the financial information for Propelis Software, Inc. has been accounted for as discontinued operations.

(2) Continuing operations for the first quarter of 2002 includes a $10.1 million cumulative effect of change in accounting principle related to the implementation of SFAS No. 142. Continuing operations for the first quarter of fiscal 2001 includes a $2.0 million write down of inventory, a $325,000 write-off of a product and a $1.0 million restructuring charge. Continuing operations also includes a loss on the sale and write-down of webMethods stock of $10.3 million. Discontinued operations for the first quarter of fiscal 2001 includes a provision of $6.2 million, net of tax, to accrue for the estimated future operating losses of Propelis Software, Inc. through the expected date of divestiture. Discontinued operations for the first quarter of 2001 includes an after tax gain of $12.6 million resulting from the sale of IntelliFrame.

(3) Continuing operations for the second quarter of fiscal 2002 includes an $89,000 earn-out payable to the employees of BI-Tech.

(4) Continuing operations for the third quarter of fiscal 2002 includes a $537,000 earn-out payable to the employees of BI-Tech. Discontinued operations for the third quarter of fiscal 2001 includes an after tax gain of $1.8 million from the sale of substantially all of the remaining assets and liabilities of Propelis Software, Inc. to Jacada Ltd.

(5) Continuing operations for the fourth quarter of fiscal 2002 includes a $1.7 million restructuring charge, a $1.0 million investment write-down, and a $23.6 million valuation allowance for our United States deferred tax assets. Continuing operations also includes $118,000 related to the earn-out payable to the employees of BI-Tech.

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

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information set forth under the captions “Election of Directors” and “Section 16(a) Beneficial Ownership Reporting Compliance” in the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on June 25, 2003, to be filed with the Securities and Exchange Commission (the “Commission”) on or before May 26, 2003, is incorporated herein by reference. For information concerning the executives officers, see Item 4A of this Annual Report on Form 10-K.

Item 11. Executive Compensation

The information set forth under the captions “Summary Compensation Table,” “Option Tables,” “Employment Agreements,” “Election of Directors — Compensation of Directors,” “Internal Revenue Code Section 162(m)” and “Comparative Stock Price Performance” in the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on June 25, 2003, to be filed with the Commission on or before May 26, 2003, is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management

The information set forth under the caption “Security Ownership of Certain Beneficial Owners and Management” in the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on June 25, 2003, to be filed with the Commission on or before May 26, 2003, is incorporated herein by reference.

The information set forth under the caption “Equity Compensation Plan Information as of January 31, 2003” in the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on June 25, 2003, to be filed with the Commission on or before May 26, 2003, is incorporated herein by reference.

Item 13. Certain Relationships and Related Transactions

During 2002 and 2001, we purchased \$374,000 and \$491,000, respectively, of bandwidth from Dynegy Connect, an entity wholly owned by Dynegy Global Communications. At January 31, 2003 we have commitments to purchase \$933,000 of additional bandwidth from Dynegy Connect through fiscal 2006. All of the bandwidth purchases were for re-sale at a profit. The bandwidth was purchased from Dynegy Connect because they offered us the best pricing. We have purchased bandwidth from competitors of Dynegy Connect when their pricing has been more attractive. Our board member, Lawrence McLernon, was formerly chief executive officer of Dynegy Global Communications.

On May 3, 2002 our board granted Mr. Erwin Kelen, a board member, an option to purchase 50,000 shares of our common stock at a price of \$8.77 per share in consideration of his special participation on our board, and in consideration of such services to be performed in the future.

Thomas G. Hudson’s son-in-law is employed by us as a regional sales manager. In fiscal 2002, he was paid \$128,688 in compensation, commissions and bonuses. Erwin A. Kelen’s son is employed by us as an area business development manager. In fiscal 2002, he was paid \$146,896 in compensation, commissions and bonuses.

Item 14. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

The Company reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c) and 15d-14(c)) as of a date within 90 days of the filing date of this annual report on Form 10-K (the “Evaluation Date”). This review and evaluation was done under the supervision and with the participation of management, including our Chief

Executive Officer ("CEO") and Chief Financial Officer ("CFO"). Based on their review and evaluation, the CEO and CFO have concluded that, as of the Evaluation Date, our disclosure controls and procedures were adequate and effective to ensure that material information relating to us and our consolidated subsidiaries has been made known to them in a timely manner, particularly during the period in which this annual report on Form 10-K was being prepared, and that no changes are required at this time.

The company's management, including the CEO and CFO, does not expect that our disclosure controls or our internal controls will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the control. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, control may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control systém, misstatements due to error or fraud may occur and not be detected.

(b) Change in Internal Controls

There have been no significant changes in our internal controls or in other factors that could significantly affect our internal controls subsequent to the Evaluation Date, or any significant deficiencies or material weaknesses in such internal controls requiring corrective actions. As a result, no corrective actions have been taken.

PART IV

Item 15. Exhibits, Consolidated Financial Statement Schedules, and Reports on Form 8-K.

(a) 1. Consolidated Financial Statements and Schedules of Registrant

Consolidated Statements of Operations for the Years Ended January 31, 2003, 2002 and 2001.

Consolidated Balance Sheets as of January 31, 2003 and 2002.

Consolidated Statements of Shareholders' Equity for the Years Ended January 31, 2003, 2002 and 2001.

Consolidated Statements of Cash Flows for the Years Ended January 31, 2003, 2002 and 2001.

Notes to Consolidated Financial Statements

Independent Auditors' Report

(a) 2. Consolidated Financial Statement Schedule of Registrant

Independent Auditors' Report on Consolidated Financial Statement Schedule

Schedule II: Valuation and Qualifying Accounts for the Years Ended January 31, 2003, 2002 and 2001.

All other schedules are omitted as the required information is inapplicable or is presented in the consolidated financial statements or related notes thereto.

Schedule II

COMPUTER NETWORK TECHNOLOGY CORPORATION

Valuation and Qualifying Accounts

Years ended January 31, 2003, 2002 and 2001
(in thousands)

Description	Balance at beginning of year	Additions: Charged to costs & expenses	Additions: Charged to other account	Deductions	Balance at end of year
Year ended January 31, 2003					
Allowance for doubtful accounts and sales returns	$1,848	1,388	—	(820)	$2,416
Year ended January 31, 2002					
Allowance for doubtful accounts and sales returns	$2,383	898	—	(1,433)	$1,848
Year ended January 31, 2001					
Allowance for doubtful accounts and sales returns	$1,128	1,600	—	(345)	$2,383

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENT SCHEDULE

The Board of Directors and Shareholders
Computer Network Technology Corporation.

Under the date of February 17, 2003, except as to note 21, which is as of April 6, 2003, we reported on the consolidated balance sheets of Computer Network Technology Corporation and subsidiaries as of January 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the years in the three year period ended January 31, 2003 as contained in the fiscal 2002 annual report on Form 10-K. These consolidated financial statements and our report thereon are included in the annual report on Form 10-K for fiscal 2002. In connection with our audits of the aforementioned consolidated financial statements, we also have audited the related financial statement schedule as listed in the accompanying index. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Minneapolis, Minnesota
February 17, 2003

(a) 3. Exhibits

The Company undertakes to furnish to any shareholder so requesting a copy of any of the following exhibits upon payment to the Company of the reasonable costs incurred by the Company in furnishing any such exhibit.

Exhibit	Description
2.	Purchase Agreement as of April 3, 2001 between Computer Network Technology Corporation and Ernest J. Parsons (Articulent, Inc.). (Incorporated by reference to Exhibit 2 Form 10-K for the year ended January 31, 2002 and Exhibit 99.1 to Form 8-K dated April 3, 2001.)
2.1	Purchase Agreement dated June 24, 2002 between Computer Network Technology Corporation, Greg Scorziello, Paul John Foskett and Owen George Smith and agreed form of registration rights agreement set forth in Annex I thereto. (Incorporated by reference to Exhibit 2.2 Registration Statement No. 333-87376.)
2.2	Agreement as of April 6, 2003 among SPX Corporation, Computer Network Technology and Basketball Corporation (Incorporated by reference to Exhibit 99.2 to current report on Form 8-K dated April 8, 2003.)
3.1	Second Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibits 3(i)-1 and 3(i)-2 to current report on Form 8-K dated May 25, 1999.)
3.2	Articles of Amendment of the Second Restated Articles of the Company. (Incorporated by reference to Exhibit 3(i)-1 to current report on Form 8-K dated May 25, 1999.)
3.3	By-laws of the Company. (Incorporated by reference to Exhibit 3(ii)-1 to current report on Form 8-K dated May 25, 1999.)
4.1	Rights Agreement between the Company and Chase Mellon Shareholder Services, L.L.C., as Rights Agent including the form of Rights Certificate and the Summary of Rights to Purchase Preferred Shares. (Incorporated by reference to Exhibit 1 to Form 8-A dated July 29, 1998 and Exhibit 1 to Form 8-A/ A dated November 27, 2000.)
4.2	First Amendment of Rights Agreement dated November 21, 2000. (Incorporated by Reference to Exhibit 1 to Form 8-A/ A dated November 27, 2000.)
4.3	First Amendment of Certificate of Designations, Preferences and Rights of Series A Junior Participating Preferred Stock. ($.01 Par Value Per Share) of Computer Network Technology Corporation (Incorporated by reference to Exhibit 2 to Form 8-A/ A dated November 27, 2000.)
4.4	Form of Common Stock Certificate. (Incorporated by reference to Exhibit 4.2 to Form S-3 Registration Statement No. 333-80841.)
4.5	Registration Rights Agreement, dated as of February 20, 2002, among Bear, Sterns & Co. Inc., SG Cowan Securities Corporation and Soundview Technology Corporation. (Incorporated by reference to Exhibit 4.5 Form 10-K for the year ended January 31, 2002.)
4.6	Indenture, dated as of February 20, 2002, between the Company and U.S. Bank National Association, as Trustee. (Incorporated by reference to Exhibit 4.6 Form 10-K for the year ended January 31, 2002.)
4.7	Form of Note (included in Exhibit 4.6) (Incorporated by reference to Exhibit 4.7 Form 10-K for the year ended January 31, 2002.)
10.0	Building Lease by and between Opus Northwest, L.L.C., and Computer Network Technology Corporation. (Incorporated by reference to Exhibit 10A Form 10-Q for the quarterly period ended September 30, 1998.)
10.1A	Amended and Restated 1992 Stock Award Plan. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on August 5, 2002.)(1)
10.1B	Form of Non-Qualified Stock Option Award Agreement for employees to be used in conjunction with the Amended and Restated 1992 Stock Award Plan. (Incorporated by reference to Exhibit 10.2 to Form 8-K filed on August 5, 2002.)(1)
10.1C	Form of Non-Qualified Stock Option Award Agreement for directors to be used in conjunction with the Amended and Restated 1992 Stock Award Plan. (Incorporated by reference to Exhibit 10.3A to Form 8-K filed on August 5, 2002.)(1)

Exhibit	Description
10.1D	Form of Restricted Stock Agreement to be used in conjunction with the Amended and Restated 1992 Stock Award Plan. (Incorporated by reference to Exhibit 10.3B to Form 8-K filed on August 5, 2002.)(1)
10.2A	Amended and Restated 1999 Non-Qualified Stock Award Plan.(1)(2)
10.2B	Form of Restricted Stock Agreement to be used in conjunction with the Amended and Restated 1999 Non-Qualified Stock Award Plan. (Incorporated by reference to Exhibit 10.4B to Form 8-K filed on August 5, 2002.)(1)
10.2C	Form of Non-Qualified Stock Option Award Agreement for employees to be used in conjunction with the Amended and Restated 1999 Non-Qualified Stock Award Plan. (Incorporated by reference to Exhibit 10.4C to Form 8-K filed on August 5, 2002.)(1)
10.3	1997 Restricted Stock Plan. (Incorporated by reference to Exhibit 10.11 to Form 10-K filed on April 26, 2002.)(1)
10.4	Amended and Restated 1992 Employee Stock Purchase Plan.(1)(2)
10.5A	Amended and Restated 2002 Stock Award Plan. (Incorporated by reference to Exhibit 10.14 to Form 8-K filed on August 5, 2002.)(1)
10.5B	Form of Incentive Stock Option Award Agreement for employees to be used in conjunction with the Amended and Restated 2002 Stock Award Plan. (Incorporated by reference to Exhibit 10.15 to Form 8-K filed on August 5, 2002.)(1)
10.5C	Form of Non-Qualified Stock Option Award Agreement for employees to be used in conjunction with the Amended and Restated 2002 Stock Award Plan. (Incorporated by reference to Exhibit 10.16 to Form 8-K filed on August 5, 2002.)(1)
10.5D	Form of Non-Qualified Stock Option Award Agreement for directors to be used in conjunction with the Amended and Restated 2002 Stock Award Plan. (Incorporated by reference to Exhibit 10.17 to Form 8-K filed on August 5, 2002.)(1)
10.5E	Form of Restricted Stock Agreement in conjunction with the Amended and Restated 2002 Stock Award Plan. (Incorporated by reference to Exhibit 10.18 to Form 8-K filed on August 5, 2002.)(1)
10.6	Amended and Restated 401(k) Salary Savings Plan. (Incorporated by reference to Exhibit 10.19 to Form 8-K filed on August 5, 2002.)(1)
10.7	CNT 2002 Annual Bonus Plan. (Incorporated by reference to Exhibit 10.7 on Form 10-K for the year ended January 31, 2002.)(1)
10.8A	Amended and Restated Executive Deferred Compensation Plan. (Incorporated by reference to Exhibit 10P on Form 10-K for the year ended December 31, 1998.)(1)
10.8B	Amendment to Amended and Restated Executive Deferred Compensation Plan. (Incorporated by reference to Exhibit 10I on Form 10-K for the year ended January 31, 2001.)(1)
10.9	Amended and Restated Employment Agreement dated as of March 5, 2003, between Computer Network Technology Corporation and Thomas G. Hudson. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on March 19, 2003.)(1)
10.10	Employment Agreement dated as of March 5, 2003, between Computer Network Technology Corporation and Gregory T. Barnum. (Incorporated by reference to Exhibit 10.2 to Form 8-K filed on March 19, 2003.)(1)
10.11	Employment Agreement effective February 18, 2003, between Computer Network Technology Corporation and James A. Fanella. (Incorporated by reference to Exhibit 10.3 to Form 8-K filed on March 19, 2003.)(1)
10.12	Employment Agreement by and between the Company and Mark Knittel. (Incorporated by reference to Exhibit 10AA on Form 10-K for the year ended December 31, 1997.)(1)
12.	Ratio of Earnings to Fixed Charges.(2)
21.	Subsidiaries of the Registrant.(2)
23.	Independent Auditors' Consent.(2)

Exhibit	Description
99.1	Cautionary Statements.(2)
99.2	Computer Network Technology Corporation Certification of Chief Executive officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).(2)

(1) Management contracts or compensatory plans or arrangements with the Company.

(2) Filed herewith.

(b) Reports on Form 8-K

The registrant furnished a Form 8-K on December 13, 2002 with the certifications required under Section 906 of the Sarbanes-Oxley Act of 2002 that accompanied its Form 10-Q for the period ended October 31, 2002.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMPUTER NETWORK TECHNOLOGY CORPORATION

Dated: April 17, 2003

By: /s/ THOMAS G. HUDSON

Thomas G. Hudson, President and
Chief Executive Officer
(Principal Executive Officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ THOMAS G. HUDSON Thomas G. Hudson	President and Chief Executive Officer (Principal Executive Officer) and Director	April 17, 2003
/s/ GREGORY T. BARNUM Gregory T. Barnum	Vice President of Finance, Chief Financial Officer and Secretary (Principal Financial Officer)	April 17, 2003
/s/ JEFFREY A. BERTELSEN Jeffrey A. Bertelsen	Corporate Controller and Treasurer (Principal Accounting Officer)	April 17, 2003
/s/ PATRICK W. GROSS Patrick W. Gross	Director	April 17, 2003
/s/ ERWIN A. KELEN Erwin A. Kelen	Director	April 17, 2003
/s/ LAWRENCE MCLERNON Lawrence McLernon	Director	April 17, 2003
/s/ JOHN A. ROLLWAGEN John A. Rollwagen	Director	April 17, 2003

CERTIFICATIONS

I, Thomas G. Hudson, certify that:

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

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 17, 2003

By: /s/ Thomas G. Hudson

Thomas G. Hudson
Chief Executive Officer

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CERTIFICATIONS

I, Gregory T. Barnum, certify that:

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

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

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

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 17, 2003

By: /s/ Gregory T. Barnum

Gregory T. Barnum
Chief Financial Officer

INDEX TO EXHIBITS

Exhibit	Description
2.	Purchase Agreement as of April 3, 2001 between Computer Network Technology Corporation and Ernest J. Parsons (Articulent, Inc.). (Incorporated by reference to Exhibit 2 Form 10-K for the year ended January 31, 2002 and Exhibit 99.1 to Form 8-K dated April 3, 2001.)
2.1	Purchase Agreement dated June 24, 2002 between Computer Network Technology Corporation, Greg Scorziello, Paul John Foskett and Owen George Smith and agreed form of registration rights agreement set forth in Annex I thereto. (Incorporated by reference to Exhibit 2.2 Registration Statement No. 333-87376.)
2.2	Agreement as of April 6, 2003 among SPX Corporation, Computer Network Technology and Basketball Corporation (Incorporated by reference to Exhibit 99.2 to current report on Form 8-K dated April 8, 2003.)
3.1	Second Restated Articles of Incorporation of the Company. (Incorporated by reference to Exhibits 3(i)-1 and 3(i)-2 to current report on Form 8-K dated May 25, 1999.)
3.2	Articles of Amendment of the Second Restated Articles of the Company. (Incorporated by reference to Exhibit 3(i)-1 to current report on Form 8-K dated May 25, 1999.)
3.3	By-laws of the Company. (Incorporated by reference to Exhibit 3(ii)-1 to current report on Form 8-K dated May 25, 1999.)
4.1	Rights Agreement between the Company and Chase Mellon Shareholder Services, L.L.C., as Rights Agent including the form of Rights Certificate and the Summary of Rights to Purchase Preferred Shares. (Incorporated by reference to Exhibit 1 to Form 8-A dated July 29, 1998 and Exhibit 1 to Form 8-A/ A dated November 27, 2000.)
4.2	First Amendment of Rights Agreement dated November 21, 2000. (Incorporated by Reference to Exhibit 1 to Form 8-A/ A dated November 27, 2000.)
4.3	First Amendment of Certificate of Designations, Preferences and Rights of Series A Junior Participating Preferred Stock. ($.01 Par Value Per Share) of Computer Network Technology Corporation (Incorporated by reference to Exhibit 2 to Form 8-A/ A dated November 27, 2000.)
4.4	Form of Common Stock Certificate. (Incorporated by reference to Exhibit 4.2 to Form S-3 Registration Statement No. 333-80841.)
4.5	Registration Rights Agreement, dated as of February 20, 2002, among Bear, Sterns & Co. Inc., SG Cowan Securities Corporation and Soundview Technology Corporation. (Incorporated by reference to Exhibit 4.5 Form 10-K for the year ended January 31, 2002.)
4.6	Indenture, dated as of February 20, 2002, between the Company and U.S. Bank National Association, as Trustee. (Incorporated by reference to Exhibit 4.6 Form 10-K for the year ended January 31, 2002.)
4.7	Form of Note (included in Exhibit 4.6) (Incorporated by reference to Exhibit 4.7 Form 10-K for the year ended January 31, 2002.)
10.0	Building Lease by and between Opus Northwest, L.L.C., and Computer Network Technology Corporation. (Incorporated by reference to Exhibit 10A Form 10-Q for the quarterly period ended September 30, 1998.)
10.1A	Amended and Restated 1992 Stock Award Plan. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on August 5, 2002.)(1)
10.1B	Form of Non-Qualified Stock Option Award Agreement for employees to be used in conjunction with the Amended and Restated 1992 Stock Award Plan. (Incorporated by reference to Exhibit 10.2 to Form 8-K filed on August 5, 2002.)(1)
10.1C	Form of Non-Qualified Stock Option Award Agreement for directors to be used in conjunction with the Amended and Restated 1992 Stock Award Plan. (Incorporated by reference to Exhibit 10.3A to Form 8-K filed on August 5, 2002.)(1)
10.1D	Form of Restricted Stock Agreement to be used in conjunction with the Amended and Restated 1992 Stock Award Plan. (Incorporated by reference to Exhibit 10.3B to Form 8-K filed on August 5, 2002.)(1)

Exhibit	Description
10.2A	Amended and Restated 1999 Non-Qualified Stock Award Plan.(1)(2)
10.2B	Form of Restricted Stock Agreement to be used in conjunction with the Amended and Restated 1999 Non-Qualified Stock Award Plan. *(Incorporated by reference to Exhibit 10.4B to Form 8-K filed on* August 5, 2002.)(1)
10.2C	Form of Non-Qualified Stock Option Award Agreement for employees to be used in conjunction with the Amended and Restated 1999 Non-Qualified Stock Award Plan. (Incorporated by reference to Exhibit 10.4C to Form 8-K filed on August 5, 2002.)(1)
10.3	1997 Restricted Stock Plan. (Incorporated by reference to Exhibit 10.11 to Form 10-K filed on April 26, 2002.)(1)
10.4	Amended and Restated 1992 Employee Stock Purchase Plan.(1)(2)
10.5A	Amended and Restated 2002 Stock Award Plan. (Incorporated by reference to Exhibit 10.14 to Form 8-K filed on August 5, 2002.)(1)
10.5B	Form of Incentive Stock Option Award Agreement for employees to be used in conjunction with the Amended and Restated 2002 Stock Award Plan. (Incorporated by reference to Exhibit 10.15 to Form 8-K filed on August 5, 2002.)(1)
10.5C	Form of Non-Qualified Stock Option Award Agreement for employees to be used in conjunction with the Amended and Restated 2002 Stock Award Plan. (Incorporated by reference to Exhibit 10.16 to Form 8-K filed on August 5, 2002.)(1)
10.5D	Form of Non-Qualified Stock Option Award Agreement for directors to be used in conjunction with the Amended and Restated 2002 Stock Award Plan. (Incorporated by reference to Exhibit 10.17 to Form 8-K filed on August 5, 2002.)(1)
10.5E	Form of Restricted Stock Agreement in conjunction with the Amended and Restated 2002 Stock Award Plan. (Incorporated by reference to Exhibit 10.18 to Form 8-K filed on August 5, 2002.)(1)
10.6	Amended and Restated 401(k) Salary Savings Plan. (Incorporated by reference to Exhibit 10.19 to *Form 8-K filed on August 5, 2002.)(1)*
10.7	CNT 2002 Annual Bonus Plan. (Incorporated by reference to Exhibit 10.7 on Form 10-K for the year ended January 31, 2002.)(1)
10.8A	Amended and Restated Executive Deferred Compensation Plan. (Incorporated by reference to Exhibit 10P on Form 10-K for the year ended December 31, 1998.)(1)
10.8B	Amendment to Amended and Restated Executive Deferred Compensation Plan. (Incorporated by reference to Exhibit 10I on Form 10-K for the year ended January 31, 2001.)(1)
10.9	Amended and Restated Employment Agreement dated as of March 5, 2003, between Computer Network Technology Corporation and Thomas G. Hudson. (Incorporated by reference to Exhibit 10.1 to Form 8-K filed on March 19, 2003.)(1)
10.10	Employment Agreement dated as of March 5, 2003, between Computer Network Technology Corporation and Gregory T. Barnum. (Incorporated by reference to Exhibit 10.2 to Form 8-K filed on March 19, 2003.)(1)
10.11	Employment Agreement effective February 18, 2003, between Computer Network Technology Corporation and James A. Fanella. (Incorporated by reference to Exhibit 10.3 to Form 8-K filed on March 19, 2003.)(1)
10.12	Employment Agreement by and between the Company and Mark Knittel. (Incorporated by reference to Exhibit 10AA on Form 10-K for the year ended December 31, 1997.)(1)
12.	Ratio of Earnings to Fixed Charges.(2)

Exhibit	Description
21.	Subsidiaries of the Registrant.(2)
23.	Independent Auditors' Consent.(2)
99.1	Cautionary Statements.(2)
99.2	Computer Network Technology Corporation Certification of Chief Executive officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350).(2)

(1) Management contracts or compensatory plans or arrangements with the Company.

(2) Filed herewith.

CNT Annual Report

2001

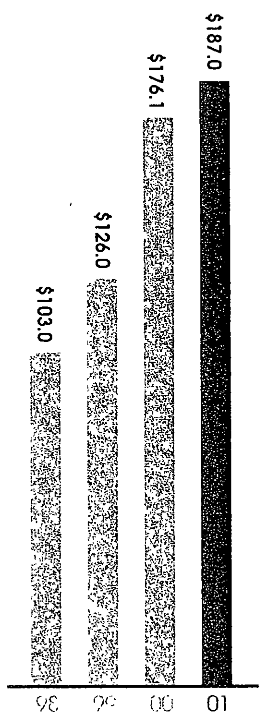
Information access. Always on with CNT.

CNT is the global specialist in storage networking solutions. For nearly 20 years, businesses around the world have depended on us to improve the way they protect, move, share and manage their business-critical information assets.

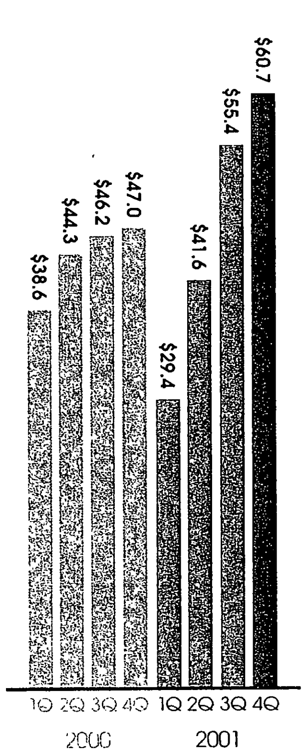
We help our clients—from Fortune 500 corporations to Global 2000 businesses—realize a quicker return on their storage network investments through solutions that help speed deployment and technology that lets them leverage existing skills and architecture to implement new storage applications

A global company based in Minneapolis, Minnesota, CNT has more than 750 employees, four international operating subsidiaries, over 20 international distributors, and customers in 30 countries. CNT is listed on the Nasdaq National Market System under the symbol CMNT.

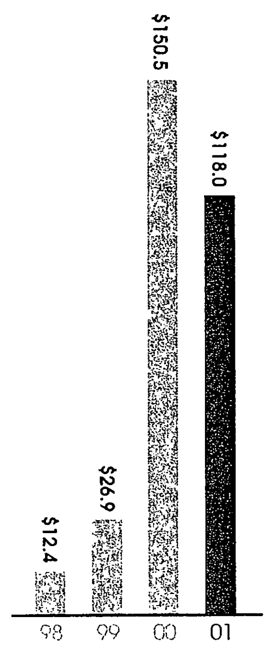
CNT Revenue
(in millions)



Revenue by Quarter
(in millions)



Cash and Marketable Securities
(in millions)



CNT Strategic Partners

EMC	Hewlett-Packard
IBM/Tivoli	Compaq
Brocade	McData
Veritas	StorageTek
Hitachi Data Systems	

Select CNT Customers

AXA Financial
Barclays
Best Buy
Cap Gemini
IBM
The Los Angeles Department of Water and Power
Nasdaq
Ohio Savings Bank
U.S. Bancorp
The U.S. Department of Defense
Verizon
Wal-Mart

(in thousands, except per share data)	2001	2000	1999	1998
Total revenue	**$187,023**	$176,106	$125,989	$103,021
Earnings (loss) from continuing operations	**(11,928)**	16,129	4,326	3,359
Diluted earnings (loss) per share from continuing operations	**($0.40)**	$0.58	$0.17	$0.15
Total assets	**269,738**	268,623	110,654	87,596
Shareholders' equity	**216,643**	213,102	78,472	60,558
Operating margin	**-6.7%**	11.9%	5.1%	4.5%

To Our Shareholders:

2001 was a year unlike any other. Economic and world events altered our lives, our nation and the collective business climate. From a business perspective, we were reminded of one thing. prepare for the unexpected

For corporations, that means ensuring that information is available anywhere, at anytime, under any circumstance. At CNT, that has been our mission for more than 20 years. We understand that in addition to people, a company's most important asset is its information. Without accurate, timely, complete and accessible information that is secure and available, you don't have a business.

Our focus is to provide information access, always on. We do this by designing, implementing and managing networking solutions that give our

Cost-effective business continuance, disaster recovery and storage architecture solutions are CNT's areas of expertise. Our ability to serve as a resource for disaster recovery and business continuance solutions took on special importance following the tragic events of September 11th. In the wake of the attacks and subsequent loss of power, CNT solutions continued to operate uninterrupted, routing data to remote facilities on behalf of customers located in and around the World Trade Center

CNT was affected early in 2001 by the economic downturn. However, while many companies continue to be hurt by the business slowdown, our immediate actions and clear focus on our core business ensured that we were well positioned to make the most of the heightened interest in storage, and we finished the year strong We

More important, CNT delivered on three important financial fronts in 2001: revenue growth, return to profitability and positive cash flow by year end.

Additionally, we achieved a number of highlights in fiscal 2001. We:

- Established an industry leadership position in IP storage networking
- Enhanced our storage services offering by acquiring Articulent
- Unveiled our new UltraNet Edge Storage Router product, which drove significant fiscal third and fourth quarter revenue growth
- Implemented a number of large-scale storage solutions for key customers
- Recently completed a convertible note offering to fund future growth initiatives
- Fully divested our non-storage

Financial Performance

For fiscal 2001, CNT achieved record revenues of $187 million, an increase of 6 percent from $176.1 million in fiscal 2000. Excluding special charges, the company reported a net loss from continuing operations of $2.5 million, or $.08 per diluted share, versus net income from continuing operations of $15.9 million, or $.57 per share, for the prior-year period. Results for the year include Articulent revenue and expenses since its acquisition in April 2001.

CNT's storage networking products and support services generated revenues of $136.9 million in fiscal 2001, down from $163.5 million in the year-ago period. The company's storage solutions group, consisting of third-party product reselling, consulting, integration and managed services businesses, generated $50.2 million in revenue for the year, up 297 percent from $12.6 million in the year-ago period.

The sale of Propelis Software Inc., a discontinued operation, to WebMethods and Jacada Ltd. in Feburary and August 2001, respectively, yielded $31.9 million in proceeds.

In February 2002, CNT raised more than $121 million through a private placement of convertible subordinated notes. These proceeds will allow CNT to fund future growth initiatives and pursue complementary product and business acquisitions. As of February 20, 2002, CNT had more than $239 million in cash and marketable securities.

Storage Networking Solutions Highlights

Every day, corporations are faced with the challenge of storing and retrieving massive amounts of information in large-scale storage devices. Increasingly, firms are realizing that fast, secure and reliable access to information and the ability to efficiently and cost-effectively manage that information are as important as the storage itself. In 2001, CNT unveiled the UltraNet Edge Storage Router product, which provides enterprise-wide access to information and helps companies manage their storage infrastructure for maximum performance and efficiency.

We designed the UltraNet Edge Storage Router to help reduce the total cost of ownership of storage networking by leveraging the lower-cost bandwidth offered by IP networks and the performance improvements provided by Fibre Channel. IP networks can lower communications costs by 50 to 90 percent; Fibre Channel speed can deliver information five to 10 times faster than older methods. As a component of CNT's storage solutions, the UltraNet Edge Storage Router supports today's high-speed networking architectures. The leading storage vendors including Brocade, Compaq, EMC and Hewlett-Packard, have certified the UltraNet Edge Storage Router.

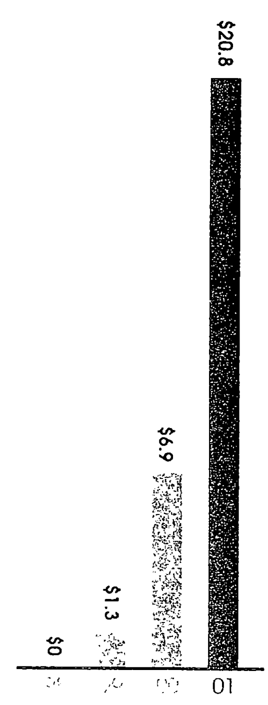
The UltraNet Edge Storage Router joins CNT's UltraNet Storage Director as part of our UltraNet family of products that support cost-effective IP storage architectures. The UltraNet Storage Director works at the core of storage infrastructures to create a high-performance, scalable solution that integrates legacy technology with high-speed network technology.

On the consulting and integration side of our business, we successfully implemented many end-to-end storage solutions including one for consumer electronics giant Best Buy Co. The solution, which included a large-scale storage area network (SAN), prepared Best Buy's IT infrastructure for a planned expansion and the relocation of the firm's headquarters. It improved efficiencies by reducing daily backup times by more than 75 percent.

In addition, we implemented a storage networking and disaster recovery solution for Ohio Savings Bank (OSB), one of the nation's 20 largest mortgage lenders, to support its business-critical operations database. OSB needed a fast, reliable connection to send data between its downtown Cleveland headquarters and data center located in Wickliffe, Ohio. With our UltraNet Edge Storage Router, we

CNT IP Sales

Subset of Storage Networking Business (in millions)



connected OSB's Fibre Channel networks together, creating a cost-effective and highly reliable disaster recovery solution

We also completed a cost-effective disaster recovery solution for the City of Los Angeles Department of Water and Power. The CNT solution improved data integrity, increased system efficiency and decreased the time employees spent maintaining backup tapes.

Company Milestones

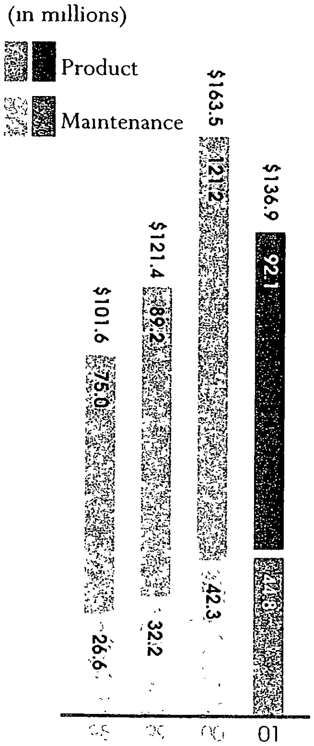
With the sale of Propelis, CNT completed its transition to a company exclusively focused on information networking. Developing storage solutions requires the fusion of leading hardware and software with premier networking services. In April 2001, we enhanced our offering by acquiring Articulent, a privately held, leading provider of storage services based in Hopkinton, Massachusetts The acquisition further strengthens CNT's storage services organization, which now has 300 sales and services professionals in the field, and provides companies with the expertise to manage information enterprise-wide.

We also made significant enhancements to our support services. Unlike the myriad of start-up companies attempting to enter the storage networking market, CNT boasts a renowned support infrastructure. This enables our customers to get not only fail-safe network designs but faster problem diagnosis and resolution worldwide With CNT, customer resources are freed up for other critical initiatives, and the reliability and availability of their networks are maximized

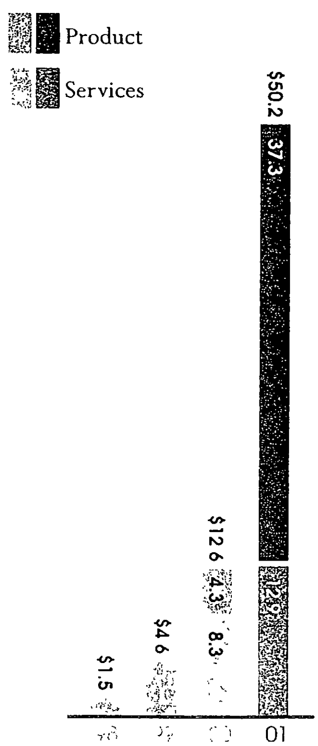
Even with a challenging economic environment, CNT continued to expand revenues during the year. We have grown from $82.1 million in revenue in 1996 to $187 million in revenue in fiscal 2001. In recognition of our continued growth, Fortune Small Business magazine named CNT one of "America's 100 Fastest-Growing Small Companies."

In addition, CNT, listed on the Nasdaq National Market System, was selected to open the Nasdaq market in January 2002 CNT was founded in 1983, and since that time, we have grown to over $187 million in revenues, employing more than 750 people globally.

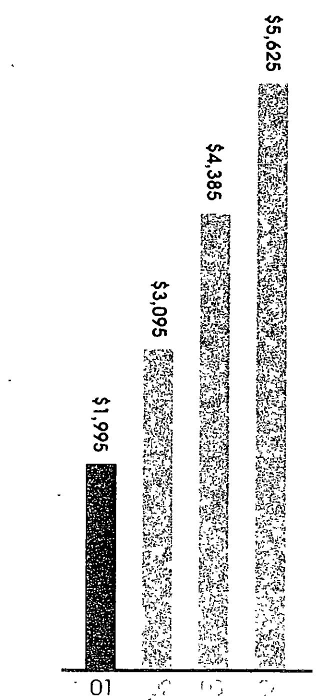
CNT Storage Networking Business
(in millions)



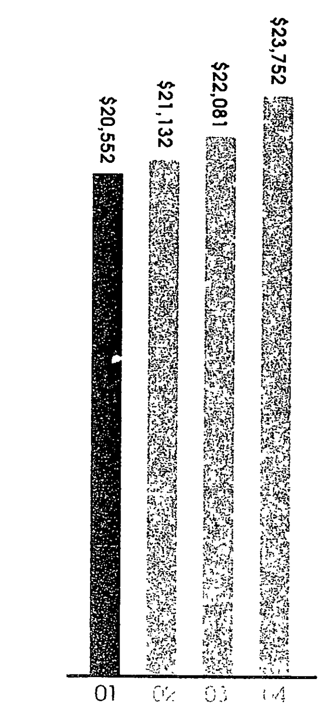
CNT Solutions Business
(in millions)



Storage Networking Industry Forecast*
(in millions)



Storage Services Industry Forecast*
(in millions)



*IDC 2001 *Worldwide DiskStorage Systems Forecast and Analysis*

Outlook

Without doubt, the volume of electronic information is rapidly increasing. Even in a down economy, storage area network (SAN) revenues have been the fastest growing segment of the overall storage market. Demand for information storage solutions will continue to mount as organizations create more data and increase the use of data-intensive applications such as data warehousing, continuous net settlement of financial transactions, e-mail, enterprise resource planning and customer relationship management Analysts predict that total storage spending will increase more than 60 percent by 2004*. CNT offers proven information storage solutions that help businesses cost-effectively manage and leverage their information, and maximize their existing resources and IT investments.

Our goals in 2002 are to·

- Continue to lead the storage networking architecture and infrastructure market with new products, services and comprehensive solutions
- Further enhance our business continuance and disaster recovery expertise as we explore areas of opportunity such as Network Managed Services
- Explore acquisition opportunities with companies focused on networking products, services and information management to further expand the portfolio of our solutions
- Uphold our passion for service by delivering quality information networking solutions that drive superior business results

Our sector of IT has shown signs of improving. Although we have not yet returned to robust levels of growth, our pipeline of opportunities is strong, and our goal is to continue to grow CNT by 25 percent year-over-year. We have a strong balance sheet and cash position that will enable us to fund future growth initiatives. While there remains some economic uncertainty and continued technology change, we are confident in the strength of the storage networking solutions and CNT's innovation and expertise.

At CNT, we are the information networking experts. We have the knowledge, experience, products and relationships with leading storage vendors and communications carriers to deliver significant long-term growth.

We are more focused now than ever. We have repositioned the company in a market segment that is easily 10-times larger and faster growing As a trusted business partner, we are positioned to seek more of our customers' spending in information networking. CNT is indeed stepping out and providing the world with information access.

I would like to thank our shareholders and customers for their continuing support, and our strong management team and employees for their continuing dedication and hard work.

Sincerely,

Thomas G Hudson

Thomas G Hudson
President, Chief Executive Officer
and Chairman of the Board

April 16, 2002

Team CNT — On the Go and Stepping Out!

Kevin Hansen Senior Director of Human Resources

Julie Quintal VP of Quality and Business Process

Paul Martin VP of Engineering Operations

Jeff Bertelsen Corporate Controller and Treasurer

David Barton VP of Northeast Field Operations

Rob Beyer VP of Global Services

Ernie Parsons VP Strategy and Business Development Solutions

Bill Collette CIO and VP of Advanced Technology

Jim Morin VP of Strategic Planning

Nick Ganio Group VP of Worldwide Sales, Marketing and Services

Tom Hudson President, CEO and Chairman of the Board

Greg Barnum CFO, VP of Finance and Corporate Secretary

Mark Knittel Group VP of Worldwide Product Operations

Barbara Schmit CIO

*Aberdeen group, February 2002

Corporate Headquarters

Minneapolis, MN

Subsidiaries

Caringbah, Australia
Paris, France
Dietzenbach, Germany
Langley, UK

Integration Solution Center

Minneapolis, MN
Hopkinton, MA

24x7 Call Centers

Minneapolis, MN
Hopkinton, MA
Langley, UK

Branch Offices

Los Angeles, CA
San Franscisco, CA
Meridan, CT
Denver, CO
Chicago, IL
Atlanta, GA
Hopkinton, MA
Rockville, MD
Berkeley Heights, NJ
New York, NY
Dallas, TX

Distributors

Buenos Aires, Argentina
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Prague, Czech Republic
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Milan, Italy
Tokyo, Japan
Mexico City, Mexico
Oslo, Norway
Warsaw, Poland
Lisbon, Portugal
Hato Rey, Puerto Rico
Moscow, Russia
Johannesburg, South Africa
Seoul, South Korea
Barcelona, Spain
Madrid, Spain
Stockholm, Sweden
Versoix, Switzerland
Taipei, Taiwan R.O C
Bangkok, Thailand
Istanbul, Turkey
Dubai, United Arab Emirates
Caracas, Venezuela

Principal Outside Counsel

Leonard, Street and Deinard
Professional Association
Minneapolis Minnesota

Independent Auditors

KPMG LLP
Minneapolis, Minnesota

Transfer Agent

Shareholder inquiries relating to shareholder records, stock transfer, change of ownership or change of address should be directed to the company's transfer agent

Mellon Investor Services LLC
85 Challenger Road
Ridgefield Park, NJ 07660
(888) 213-0965
www.mellon-investor.com

Form 10-K

A copy of our annual report on Form 10-K, filed with the Securities and Exchange Commission, will be furnished free of charge to any CNT shareholder upon request to.

Investor Relations
CNT
6000 Nathan Lane North
Minneapolis, MN 55442
USA

(763) 268-6111
investor_relations@cnt.com

View at www cnt.com

Investor Inquiries

Shareholders, securities analysts, portfolio managers and others in the investment community seeking information about CNT should contact Investor Relations at (763) 268-6111 or by e-mail at.
investor_relations@cnt.com

Annual Meeting

Shareholders, employees and friends are invited to attend·

CNT's annual meeting on Tuesday, June 25, 2002, at 10 00 a.m at CNT's Corporate Headquarters in the Minneapolis suburb of Plymouth, Minnesota.

Corporate Location

CNT
6000 Nathan Lane North
Minneapolis, Minnesota, 55442
USA
Tel· 763-268-6000
Fax: 763-268-6800

Board of Directors

Thomas G. Hudson
Chairman of the Board

Patrick W. Gross
Founder and Chairman, Executive Committee American Management Systems, Inc

Erwin A. Kelen
Investor/Business Advisor Quatris Fund

Lawrence A. McLernon
Executive Vice President of Dynegy Inc. and Chairman and CEO of Dynegy Global Communications

John A. Rollwagen
Investor/Business Advisor Quatris Fund

Management

Thomas G. Hudson
President, Chief Executive Officer and Chairman of the Board

Gregory T. Barnum
Chief Financial Officer, Vice President of Finance and Corporate Secretary

David B. Barton
Vice President of Northeast Field Operations

Jeffrey A. Bertelsen
Corporate Controller and Treasurer

Robert R. Beyer
Vice President of Global Services

William C. Collette
Chief Technology Officer and Vice President of Advanced Technology

Nick V. Ganio
Group Vice President of Worldwide Sales, Marketing and Services

Kevin J. Hansen
Senior Director of Human Resources

Mark R. Knittel
Group Vice President of Worldwide Product Operations

Paul J. Martin
Vice President of Engineering Operations

James I. Morin
Vice President of Strategic Planning

Ernest J. Parsons
Vice President Strategy and Business Development Solutions

Julie C. Quintal
Vice President of Quality and Business Process

Barbara L. Schmit
Chief Information Officer

CNT® www.cnt.com

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 January 31, 2002
Commission file number: 0-13994

COMPUTER NETWORK TECHNOLOGY CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Minnesota (State or Other Jurisdiction of Incorporation or Organization)	**41-1356476** (I.R.S. Employer Identification No.)
6000 Nathan Lane North, Plymouth, Minnesota (Address of Principal Executive Offices)	**55442** (Zip Code)

(763) 268-6000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Stock $.01 par value

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

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

The aggregate market value of Common Stock held by non-affiliates of the Registrant as of April 1, 2002 was approximately $425,701,000 based on a closing price of $14.15 per share as reported by the Nasdaq National Market on such date.

As of April 1, 2002 Registrant had 30,439,243 shares of Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of Computer Network Technology Corporation's definitive Proxy Statement for the Annual Meeting of Shareholders to be held on June 25, 2002 are incorporated by reference into Part III of this Form 10-K.

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PART IV

PART I

Item 1. Business

BUSINESS

Overview

We are a leading provider of end-to-end storage solutions, including hardware and software products, related consulting and integration services, and managed services in the growing storage networking market. We focus primarily on helping our customers design, develop, deploy and manage storage networks, including storage area networks, or SANs, a high speed network within a business' existing computer system that allows the business to manage its data storage needs with greater efficiency and less disruption to its overall network. We design, manufacture, market and support a wide range of solutions for critical storage networking applications such as remote data replication, or the real-time backup of data to remotely located disks, and remote tape vaulting, or the backup of data to remotely archived tapes. We also supply storage systems, Fibre Channel switches, telecommunications capacity and storage application software. Our revenues were $187.0 million, $176.1 million and $126.0 million for the years ended January 31, 2002 and 2001 and December 31, 1999, respectively.

Our storage networking solutions enable businesses to cost-effectively design, implement, monitor and manage their storage requirements, connect geographically dispersed storage networks, provide continuous availability to greater amounts of data and protect increasing amounts of data more efficiently. We market our storage networking products and services directly to customers through our sales force and worldwide distributors. We also have strategic marketing and supply relationships with leading storage, telecommunications and fibre switching companies, including Brocade, Compaq, Dynegy Connect, EMC, Hewlett-Packard, Hitachi Data Systems, IBM, McDATA, StorageTek and Veritas.

We were the first to develop, and remain a leading provider of, the following storage networking solutions:

- *Storage networking over WANs.* Our solutions for storage networking over wide area networks, or WANs, enable businesses to manage and protect data across remote locations, in real time if necessary, through applications such as remote data replication and remote tape vaulting. WANs are networks dispersed over long distances that communicate by traditional copper or fiber optic third-party telecommunication lines.

- *Fibre Channel-based storage networking over WANs.* In October 1999, we introduced our first Fibre Channel-based storage networking over WAN product. Fibre Channel is a recently developed technology that dramatically improves the speed of data input and output, or I/O, between existing storage devices and the ability to connect additional devices to storage networks. We believe our Fibre Channel-based storage networking over WAN products offer significant growth prospects. These products uniquely address constraints in distance, connectivity and data transmission speeds inherent in the Fibre Channel standard. We believe Fibre Channel technology combined with our products and services will enable businesses to efficiently consolidate, cluster and share data from multiple storage devices on storage networks.

- *Storage networks over IP-based networks.* In February 2000, we introduced the first products to allow storage networking applications, such as remote data replication, to be deployed over private networks that are based on Internet protocol, or IP, the standard method for data transmission over the Internet. In May 2001, we announced the first implementation of data mirroring that combined Fibre Channel over IP. Our products were the first to extend the Fibre Channel, SCSI and ESCON standards to IP-based networks. SCSI and ESCON are older, widely used standards for communicating between computers. These products uniquely enable businesses that use virtual private IP-based networks, or VPNs, to build storage networking over WAN applications.

Following these technological firsts, we expanded our solutions offering with the acquisition of Articulent Inc., a storage solutions provider in the Northeast United States. Our expanded solutions offering includes consulting, integration, monitoring and management services that allow our customers to rapidly design, implement and manage complex storage environments. As a result, we are able to capture more of our customers' spending dollars on storage solutions.

Our storage networking solutions operate across most business computing environments, including open systems and mainframes. Open systems are server-based systems that are easy to scale, or expand, and that use hardware and software standards not proprietary to any vendor. Mainframes are computer systems with high processing power that have historically been used by large businesses for storing and processing large amounts of data. Compared to available alternatives, we believe our storage networking products offer greater ability to connect various applications and heterogeneous environments using different interfaces, protocols and standards, and to connect and link devices in storage networks transparently, meaning with little or no alteration of other vendors' hardware or software products.

We believe our solutions that enable storage networking applications over IP-based networks will benefit existing customers and attract new customers, including mid-sized businesses. These solutions extend the "bandwidth on demand" advantages of IP-based networks to storage applications and allow customers to access telecommunications capacity only as needed through a VPN connection, as opposed to leasing expensive dedicated lines. By deploying storage networks over IP-based networks, companies can leverage their existing bandwidth, and can rely on their existing IP network knowledge. We believe that these cost savings, along with the generally expected decreasing costs of telecommunications capacity, will create high-growth opportunities for us in remote data replication, remote tape vaulting and other storage networking applications we enable.

We currently operate through two divisions, the Networking Solutions Division and the Storage Solutions Division. We market our storage networking product solutions through our Networking Solutions Division. Our storage networking products consist primarily of our UltraNet® family of products, that connect storage devices. Our Networking Solutions Division also markets our established channel networking products, which enable mainframe computers to transmit data over unlimited distances and provides our support services. Our Storage Solutions Division, which includes the business we acquired from Articulent in April 2001, helps our customers design, deploy and manage enterprise storage solutions by supplying products and expertise for implementing storage applications. The Storage Solutions Division includes consulting and integration services for disaster recovery, business continuance, storage infrastructure and network performance. We also offer integration services for data replication, enterprise back-up and restore, SAN implementation and network performance monitoring.

Our Market Opportunities

We believe several forces will continue to drive the demand for our storage networking products and services:

- The volume of enterprise data is increasing significantly due to the proliferation of Web-based content, digital media, e-mail, supply chain management, customer relations management and other data-driven business applications. As a result, the demand for storage capacity continues to grow.
- Actual and expected declines in telecommunications costs and the introduction of cost-effective technologies such as Fibre Channel switching and fiber optic transmission capabilities will make remote data replication and remote tape backup applications more financially attractive for our customers. We also believe the total cost of ownership for storage may be increasing, due to labor, management and other costs required to implement shared storage across the enterprise. The decrease in telecommunications costs, coupled with an overall increase in the cost of ownership, contributes to a trend of consolidating and connecting storage across many servers and many locations, which drives demand for our products and services.
- Storage networking applications over IP-based networks will further expand the type and amount of data our customers will backup and replicate to remote locations. This will also make these applications more affordable for customers with fewer storage requirements.