

CONCORD COMMUNICATIONS INC

Form DEF 14A

March 31, 2005

Table of Contents

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
SCHEDULE 14A
(RULE 14a-101)
SCHEDULE 14A INFORMATION
Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-11(c) or §240.14a-12

Concord Communications, Inc.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if Other Than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 - Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
 - 1) Title of each class of securities to which transaction applies:
 - 2) Aggregate number of securities to which transaction applies:
 - 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (Set forth the amount on which the filing fee is calculated and state how it was determined):
 - 4) Proposed maximum aggregate value of transaction:
 - 5) Total fee paid:
 - Fee paid previously with preliminary materials.
 - Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
 - 1) Amount Previously Paid:
 - 2) Form, Schedule or Registration Statement No.:
 - 3) Filing Party:
 - 4) Date Filed:
-

TABLE OF CONTENTS

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

PROXY STATEMENT

PROPOSAL 1

ELECTION OF DIRECTORS

IDENTIFICATION OF DIRECTORS

SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

EXECUTIVE COMPENSATION

Summary Compensation Table

OPTIONS/SAR GRANTS IN LAST FISCAL YEAR

AGGREGATED OPTION EXERCISES AND FISCAL YEAR-END OPTION VALUES

COMPENSATION COMMITTEE REPORT

PERFORMANCE GRAPH

COMPARE CUMULATIVE TOTAL RETURN AMONG CONCORD COMMUNICATIONS, INC.,

NASDAQ MARKET INDEX AND RDG SOFTWARE COMPOSITE INDEX(1)

ASSUMES \$100 INVESTED ON DECEMBER 31, 1999 ASSUMES DIVIDENDS REINVESTED

THROUGH FISCAL YEAR ENDING DEC. 31, 2004

PERFORMANCE GRAPH

AUDIT COMMITTEE REPORT

FEES BILLED BY THE INDEPENDENT ACCOUNTANT

EQUITY COMPENSATION PLAN INFORMATION

STOCKHOLDER PROPOSALS

EXPENSES AND SOLICITATION

Table of Contents

**CONCORD COMMUNICATIONS, INC.
600 Nickerson Road
Marlboro, Massachusetts 01752**

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON MAY 4, 2005

TO THE STOCKHOLDERS:

The Annual Meeting of Stockholders of Concord Communications, Inc., a Massachusetts corporation (the Company), will be held on Wednesday, May 4, 2005 at 8:00 A.M., at the Company 's headquarters located at 600 Nickerson Road, Marlboro, Massachusetts 01752, to consider and act upon the following:

1. To elect two members to the Company 's Board of Directors to serve for a three-year term as Class II Directors or until respective successors are duly elected and qualified; and
2. To transact such other business as may properly come before the meeting or any postponements or adjournments thereof.

Stockholders entitled to notice of, and to vote at, the meeting shall be determined as of the close of business on March 11, 2005, the record date fixed by the Board of Directors for such purpose. All stockholders are cordially invited to attend the meeting in person. ***To ensure your representation at the meeting, however, you are urged to mark, sign, date, and return the enclosed proxy card as promptly as possible in the enclosed postage-prepaid envelope.*** You may revoke your proxy in the manner described in the accompanying Proxy Statement at any time before it has been voted at the Annual Meeting. Any stockholder attending the Annual Meeting may vote in person even if he or she has returned a proxy.

By Order of the Board of Directors,

DOUGLAS A. BATT
Executive Vice President, General Counsel and Secretary

Marlboro, Massachusetts
March 31, 2005

Table of Contents

**CONCORD COMMUNICATIONS, INC.
600 Nickerson Road
Marlboro, Massachusetts 01752**

**PROXY STATEMENT
March 31, 2005**

Proxies in the form enclosed with this proxy statement are solicited by the Board of Directors of Concord Communications, Inc. (the Company) for use at the Annual Meeting of Stockholders (the Annual Meeting) to be held on May 4, 2005 at 8:00 A.M., at the Company's headquarters located at 600 Nickerson Road, Marlboro, Massachusetts 01752 and at any postponements or adjournments thereof.

Only stockholders of record as of the close of business on March 11, 2005 (the Record Date), will be entitled to vote at the Annual Meeting and any adjournments thereof. As of the Record Date, 18,492,704 shares of common stock, par value \$.01 per share (the Common Stock), were issued and outstanding. Each share outstanding as of the Record Date will be entitled to one vote, and stockholders may vote in person or by proxy. A majority in interest of all shares issued, outstanding, and entitled to vote at the Annual Meeting shall constitute a quorum for the transaction of business, but a lesser number may adjourn any meeting from time to time without further notice. Execution of a proxy will not in any way affect a stockholder's right to attend the Annual Meeting and vote in person. Any stockholder delivering a proxy has the right to revoke it only by written notice to the Secretary delivered at any time before it is exercised, including at the Annual Meeting. The persons named as attorneys-in-fact in the proxies are officers of the Company. All properly executed proxies returned in time to be cast at the Annual Meeting will be voted.

With respect to the election of the Class II Directors, any stockholder submitting a proxy has a right to withhold authority to vote for the nominee by writing that nominee's name in the space provided on the proxy. The proxies will be voted as stated below under Election of Directors. Where a choice has been specified on the proxy with respect to the foregoing matter, the shares represented by the proxy will be voted in accordance with the specification. If no specification is indicated, the shares represented by the proxy and not held in street name will be voted FOR on each matter submitted to stockholders.

Votes withheld from the nominee, abstentions and broker non-votes are counted as present or represented for purposes of determining the presence or absence of a quorum for the Annual Meeting. A non-vote occurs when an individual holding shares for a beneficial owner votes on one proposal, but does not vote on another proposal because the individual does not have discretionary voting power and has not received instructions from the beneficial owner. The Class II Directors will be elected by a plurality of the votes cast by stockholders entitled to vote at the Annual Meeting. Stockholders do not have cumulative voting rights with respect to the election of Directors. The proxies are authorized, in their discretion, to vote upon such other business as may properly come before the Annual Meeting or any adjournments thereof. Any other matters being submitted to stockholders will be approved by the affirmative vote of at least a majority of the shares present or represented and entitled to vote at the Annual Meeting. An automated system administered by the Company's transfer agent tabulates the votes. The vote on each matter submitted to stockholders is tabulated separately. Abstentions are included in the number of shares present or represented and voting on each separate matter. Broker non-votes are not so included.

The Board of Directors knows of no other matter to be presented at the Annual Meeting. If any other matter should be presented at the Annual Meeting upon which a vote properly may be taken, shares represented by all proxies received by the Board of Directors will be voted with respect thereto in accordance with the judgment of the persons named as attorneys-in-fact in the proxies.

This proxy statement and the accompanying proxy were first mailed to stockholders on or about March 31, 2005. A copy of the Company's Annual Report on Form 10-K containing financial statements for the fiscal year ended December 31, 2004, also accompanied this proxy statement and the proxy.

Table of Contents**PROPOSAL 1
ELECTION OF DIRECTORS**

The Board of Directors, upon recommendation of the Corporate Governance and Nominating Committee, has unanimously nominated and recommended Frederick W.W. Bolander, who has been a Director since 1995, and Jack M. Cooper, who has been a Director since 2002, for re-election as Class II Directors. If re-elected, the Class II nominees will hold office until the Annual Meeting of Stockholders to be held in 2008, or until their respective successors shall have been elected and shall have been qualified. Shares represented by all proxies received by the Board of Directors and not so marked as to withhold authority to vote for the nominee will be voted (unless the nominee is unable or unwilling to serve) for the election of the Class II nominees. The Board of Directors knows of no reason why a nominee should be unable or unwilling to serve, but if such should be the case, proxies will be voted for the election of some other person or the Board of Directors will fix the number of Directors at a lesser number. Currently, the Board of Directors may consist of up to seven members. At present, six members comprise the Board of Directors. Proxies voted in connection with the Annual Meeting cannot be voted for a greater number of persons than the number of nominees named herein.

IDENTIFICATION OF DIRECTORS

The following table and the accompanying footnotes set forth the names of the nominees for re-election as Directors at the Annual Meeting and the names of the other Directors, the year each Director was first appointed or elected to be a Director, the principal occupation of each Director during at least the past five years, and the ages of each Director.

Nominee s Or Director s Name And Year Nominee Or Director First Became Director	Principal Occupation and Business Experience During Previous Five Years	Year Current Term Will Expire By Class(1)
John A. Blaeser	President, Chief Executive Officer and Chairman of the Board(2)	2006/III
Frederick W.W. Bolander(8)	Director(3)	2005/II
Richard M. Burnes, Jr.	Director(4)	2006/III
Jack M. Cooper(8)	Director(5)	2005/II
Robert E. Donahue	Director(6)	2007/I
Robert M. Wadsworth	Director(7)	2007/I

- (1) Effective immediately prior to the Annual Meeting.
- (2) Mr. Blaeser, 63, has been President, Chief Executive Officer and Chairman of the Board since January 1996 and a Director since 1985. Mr. Blaeser is also a director of Network Engines, Inc.
- (3) Mr. Bolander, 43, has been a Director since April 1995. Mr. Bolander was a co-founder and has been a Managing Director of Gabriel Venture Partners, a venture capital firm, since January 1999.
- (4) Mr. Burnes, 63, has been a Director since December 1995 and was appointed Lead Director of the Board of Directors on February 2, 2005. Mr. Burnes has been a General Partner of Charles River Ventures, a venture capital firm, since 1970.
- (5)

Edgar Filing: CONCORD COMMUNICATIONS INC - Form DEF 14A

Mr. Cooper, 65, has been a Director since September 2002. Mr. Cooper has been President and Founder of Jack M. Cooper and Associates, an Information Technology consulting firm since December 2001. Prior to that time, Mr. Cooper was employed by Bristol-Myers Squibb Company as Vice President of Information Management and Chief Information Officer from 1995 until 2002. Bristol-Myers Squibb Company is a worldwide company whose principal business is the manufacture and sale of pharmaceuticals and health care products.

- (6) Mr. Donahue, 56, has been a Director since October 2004. Mr. Donahue has been the President and Chief Executive Officer of Lightbridge, Inc., a transaction processing services company, since January 2005. Mr. Donahue was interim President and Chief Executive Officer of Lightbridge, Inc. from August

Table of Contents

2004 until January 2005. From November 2003 until June 2004, Mr. Donahue was Chief Financial Officer and consultant to KO Instruments, an electronic instruments company. From November 2002 until November 2003, Mr. Donahue was Vice President and General Manager, Americas After Market Solutions of Celestica Inc., an electronics manufacturing services provider. From January 1999 until March 2002, Mr. Donahue held numerous executive positions with Manufacturers Services Ltd., an electronics manufacturing services company, serving from January 1999 until October 2000 as President and Chief Financial Officer, and from October 2000 until March 2002 as President and Chief Operating Officer. Mr. Donahue also serves as a director of Lightbridge, Inc.

(7) Mr. Wadsworth, 44, has been a Director since April 1993. Mr. Wadsworth has been a Managing Director of HarbourVest Partners, LLC, a global private equity investment firm, since January 1997. Mr. Wadsworth is also a director of Trintech Group, PLC and Network Engines, Inc.

(8) Messrs. Bolander and Cooper are nominated for re-election to the Board of Directors.

The Board of Directors unanimously recommends a vote FOR the re-election of Messrs. Bolander and Cooper as Class II Directors.

Board of Directors Meetings and Committees

The Board of Directors is empowered to exercise all the powers of the Company except as otherwise provided by law or by the Company's Articles of Organization or the By-Laws. The Board of Directors met nine times and took action by unanimous written consent eight times during the fiscal year ended December 31, 2004. From January 1, 2004 until October 11, 2004, the Board of Directors consisted of Messrs. Blaeser, Bolander, Burnes, Cooper, and Wadsworth. On October 12, 2004, Mr. Donahue was elected to the Board of Directors and joined the aforementioned Directors comprising the Board of Directors for the remainder of the fiscal year ended December 31, 2004. On February 2, 2005, Mr. Burnes was appointed Lead Director of the Board of Directors upon the recommendation of the Corporate Governance and Nominating Committee. The Lead Director's responsibilities include: (i) presiding at all meetings of the Board of Directors at which the Chairman of the Board (the Chairman) is not present, including executive sessions of the independent Directors; (ii) serving as the liaison between the Chairman and the independent directors; (iii) setting the Board of Directors' agenda in collaboration with the Chief Executive Officer; (iv) calling meetings of the independent Directors; (v) consulting and communicating with stockholders; and (vi) approving meeting schedules to ensure that there is sufficient time for discussion of all agenda items. The independent Directors meet in executive session after each regularly scheduled meeting of the Board. The Board of Directors typically schedules a meeting in conjunction with the Company's Annual Meeting, and Directors are encouraged to attend the Annual Meeting. Messrs. Blaeser, Bolander, Burnes, Cooper, and Wadsworth attended the prior year's Annual Meeting. Mr. Donahue was not a Director on the date of the 2004 Annual Meeting and did not attend the meeting. All Directors attended at least 75% of the aggregate of: (i) the total number of meetings of the Board of Directors (held during the period for which such person is or was a Director) and (ii) the total number of meetings held by all committees of the Board of Directors on which each Director served (during the periods that such Director served) during the fiscal year ended December 31, 2004. The Board of Directors has determined that all of the Directors, other than Mr. Blaeser, are independent Directors within the meaning of the director independence standards of the Nasdaq Stock Market (Nasdaq) and the Securities and Exchange Commission (SEC).

Stockholders may contact any Director, including the Chairman, by writing to the individual Director c/o Concord Communications, Inc., attn: Board of Directors, Office of the General Counsel, 600 Nickerson Road, Marlboro, MA 01752. Complaints and general communications related to accounting matters will be referred to members of the Audit Committee. All other communications will be referred to one or more Directors as such communications are addressed by the stockholder.

In addition to meeting regularly as a Board of Directors, the Board of Directors has established the following committees: (i) an Audit Committee, (ii) a Compensation Committee, and (iii) a Corporate Governance and Nominating Committee.

Table of Contents

Audit Committee

The Audit Committee's primary function is to oversee the Company's accounting and financial reporting processes and the audits of the Company's financial statements and internal controls over financial reporting by the Company's independent public accountants. The Board of Directors has adopted a written charter for the Audit Committee, which the Audit Committee reviews and assesses annually.

From January 1, 2004 until October 11, 2004, members of the Audit Committee were Messrs. Burnes, Cooper, and Wadsworth. On October 12, 2004, Mr. Donahue was appointed to the Audit Committee. From October 12, 2004 until February 2, 2005, members of the Audit Committee consisted of Messrs. Burnes, Cooper, Donahue, and Wadsworth. In accordance with the annual review of Board committee structures, the Corporate Governance and Nominating Committee recommended to the Board that the Audit Committee be realigned. Pursuant to that recommendation, the Audit Committee was realigned on February 2, 2005. On February 2, 2005, Mr. Burnes resigned his positions as Chairman and as a member of the Audit Committee. Mr. Burnes continues to serve as a Director. On February 2, 2005, Mr. Donahue was appointed Chairman of the Audit Committee. Presently, Messrs. Cooper, Donahue, and Wadsworth comprise the Audit Committee, each of whom the Board of Directors has determined to be independent within the meaning of the director independence standards of Nasdaq and the SEC. The Board of Directors has determined that the Audit Committee has, and will continue to have, at least one audit committee financial expert. For the 2004 fiscal year and through February 2, 2005, Mr. Burnes was the audit committee financial expert. Mr. Burnes' qualification as an audit committee financial expert stems from nearly 35 years experience as a general partner of Charles River Ventures, where he assesses the performance and financial condition of private and public companies, and his prior experience on the audit committees of two other publicly traded companies. Since February 2, 2005, Mr. Donahue has been the audit committee financial expert.

The Audit Committee met nine times during the fiscal year ended December 31, 2004 and took action by unanimous written consent two times. Each Director serving on the Audit Committee, as evaluated by the Board of Directors in its business judgment, is an independent director within the meanings of the SEC's and the Nasdaq's independence standards.

Compensation Committee

The Compensation Committee, which determines the compensation and benefits of the Company's executive officers, met four times during the fiscal year ended December 31, 2004 and took action by unanimous written consent three times. The Compensation Committee administers the Company's equity compensation plans, including: the 1995 Stock Option Plan; the 1997 Stock Plan; the 1997 Non-Employee Director Stock Option Plan; the 2000 Non-Executive Employee Equity Incentive Plan; the 2001 Non-Executive Employee Stock Purchase Plan; and the 2004 Non-Executive Employee Stock Purchase Plan. Members of the Compensation Committee are Messrs. Bolander, Burnes, and Wadsworth, all of whom are independent Directors as determined by the Board of Directors and within the meaning of the director independence standards of Nasdaq and the SEC. Mr. Wadsworth is Chairman of the Compensation Committee.

Corporate Governance and Nominating Committee

The Corporate Governance and Nominating Committee is responsible for: (i) identifying and recommending individuals qualified to become members of the Board of Directors; (ii) overseeing the function and composition of committees of the Board of Directors; and (iii) adopting, reviewing, and monitoring compliance with the Company's Code of Business Conduct and Ethics. The Corporate Governance and Nominating Committee met three times during the fiscal year ended December 31, 2004 and took action by unanimous written consent one time. From January 1, 2004 until February 2, 2005, members of the Corporate Governance and Nominating Committee were Messrs. Bolander, Cooper and Wadsworth all of whom were independent Directors as determined by the Board of Directors and within the meaning of the director independence standards of Nasdaq and the SEC. In accordance with the annual review of Board committee structures, the Corporate Governance and Nominating Committee recommended to the Board that the

Table of Contents

committee be realigned. Beginning on February 2, 2005, members of the Corporate Governance and Nominating Committee are Messrs. Bolander, Burnes, and Cooper, all of whom are independent Directors as determined by the Board of Directors and within the meaning of the director independence standards of Nasdaq and the SEC. Mr. Bolander is Chairman of the Corporate Governance and Nominating Committee. The Corporate Governance and Nominating Committee operates pursuant to a written charter, a current copy of which is available on the Company's website at www.concord.com under Investor Relations. A current copy of the Company's Code of Business Conduct and Ethics, as well as any waivers thereto granted to directors and executive officers, if any, is available on the Company's website at www.concord.com under Investor Relations.

Prospective Director nominees recommended by the Corporate Governance and Nominating Committee are selected through a process based on criteria set with the concurrence of the Board of Directors and re-evaluated periodically. The Corporate Governance and Nominating Committee annually reviews Director suitability and the continuing composition of the Board of Directors; it then recommends prospective Director nominees who are voted on by the full Board of Directors. The Corporate Governance and Nominating Committee has established processes for identifying prospective Director nominees, which may include (based upon the circumstances) one or more of the following: search agencies, third parties, and recommendations from members of the Board of Directors, management, and stockholders. The Corporate Governance and Nominating Committee believes that prospective Director nominees must have the following qualifications: (i) substantial or significant business or professional experience or an understanding of technology, finance, marketing, financial reporting, international business or other disciplines relevant to the business of the Company; (ii) a bachelor's degree or equivalent degree (at minimum) from an accredited college or university; (iii) no conflicts of interest stemming from institutional or other affiliations that would preclude, or have the appearance of precluding, such prospective Director nominee from making decisions in the best interests of the Company; (iv) economic, technical, scientific, academic, financial, accounting, legal, marketing, or other expertise applicable to the business of the Company; (v) leadership or substantial achievement in their particular fields; (vi) demonstrated ability to exercise sound business judgment; (vii) integrity and high moral and ethical character; (viii) potential to contribute to the diversity of viewpoints, backgrounds, or experiences of the Board of Directors as a whole; (ix) capacity and desire to represent the balanced best interests of the stockholders as a whole and not primarily a special interest group or constituency; (x) a high degree of interest in the business of the Company; (xi) dedication to the success of the Company; (xii) commitment to the responsibilities of a Director; and (xiii) the specific qualifications necessary to further the Company's compliance with certain legal or regulatory requirements (e.g., audit committee financial expert). The Company expects that a Director's existing and future commitments will not materially interfere with such Director's obligations to the Company.

For prospective Director nominees who are incumbent Directors, the Company takes into consideration: (i) such Director's past attendance at meetings and participation in, and contributions to, the activities of the Board of Directors; (ii) term limits, if applicable; and (iii) the mandatory retirement age for Directors, if applicable. If such incumbent Director has had a significant change in status, such as an employment change, the Company will also take this event into consideration.

The Company expects that Directors should carefully consider the number of boards on which they serve so that they can give proper attention to each board responsibility. However, the Company does not set an invariant limit on the number of boards on which a Director may serve. In the event a Director wishes to join the board of another public company, it is expected that the Director will advise the Corporate Governance and Nominating Committee of such intention.

The Corporate Governance and Nominating Committee will consider Director candidates who are recommended by stockholders. Stockholders, in submitting recommendations for director candidates to the Corporate Governance and Nominating Committee, must comply with the following: the Corporate Governance and Nominating Committee must receive any such recommendation for nomination not later than the close of business on the 120th day, nor earlier than the close of business on the 150th day, prior to the first anniversary of the date the proxy statement is delivered to stockholders in connection with the preceding year's Annual Meeting. Such recommendation for nomination must be in writing and include the following: (i) the

Table of Contents

name and address of the stockholder making the recommendation, as the name appears on the Company's books and records, and of such record holder's beneficial owner; (ii) the number of shares of Common Stock that are owned beneficially and held of record by such stockholder and such beneficial owner; (iii) the name of the individual recommended for consideration as a Director candidate; (iv) all other information relating to the recommended candidate that would be required to be disclosed in solicitations of proxies for the election of directors, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934 (including the recommended Director candidate's written consent to being named in the proxy statement as a nominee and to serving as a Director if approved by the Board of Directors and elected); and (v) a written statement from the stockholder making the recommendation stating why such recommended candidate would be able to fulfill the duties of a Director. Nominations must be sent to the attention of the Secretary by U.S. Mail (including courier or expedited delivery service) c/o Concord Communications, Inc., attn: Secretary, Office of the General Counsel, 600 Nickerson Road, Marlboro, MA 01752.

The Secretary will forward any such nominations for prospective Director candidates to the Corporate Governance and Nominating Committee. Once the Corporate Governance and Nominating Committee receives a recommendation for a prospective Director candidate, the candidate will be evaluated by that committee on the same basis as a nominee of the Corporate Governance and Nominating Committee and a recommendation with respect to such candidate will be delivered to the Board of Directors.

The Company engaged Polachi & Company, Inc., a third party agency, during fiscal 2004 to assist in identifying and evaluating potential Director nominees. Polachi & Company, Inc. was paid \$40,000 for professional services that entailed: (i) developing a Director profile that met the requirements of the Board of Directors; (ii) initiating a search for potential Director nominees who satisfy the qualifications contained in the profile; and (iii) evaluating potential Director nominees for inclusion on the Board of Directors. Mr. Donahue was identified, evaluated, and subsequently appointed as a Director as a result of the professional services provided by Polachi & Company, Inc.

Director Compensation***Directors Fees***

Directors who are not employees of the Company (also referred to as "outside Directors"), who consist of Messrs. Bolander, Burnes, Cooper, Donahue and Wadsworth, are compensated for their services as outside Directors. Mr. Blaeser, President, Chief Executive Officer and Chairman of the Board, is not compensated for participating in meetings of the Board of Directors. For meetings of the Board of Directors, the outside Directors were compensated as follows: (i) for Board of Directors meetings between January 1, 2004 and August 20, 2004, each outside Director received \$2,000 for each meeting in which he participated; and (ii) for Board of Directors meetings taking place after August 20, 2004, each outside Director received \$2,500 for each meeting in which he participated.

In addition to compensation received for participating in each meeting of the Board of Directors, outside Directors were paid for meetings of committees of the Board of Directors in which they participated as follows: (i)(a) from January 1, 2004 until August 20, 2004, each outside Director received \$1,000 for each Audit Committee meeting and (i)(b) beginning August 21, 2004, each outside Director received \$2,000 for each Audit Committee meeting; (ii)(a) from January 1, 2004 until August 20, 2004, each outside Director received \$500 for each Compensation Committee meeting and (ii)(b) beginning August 21, 2004, each outside Director received \$1,000 for each Compensation Committee meeting; and (iii)(a) from January 1, 2004 until August 20, 2004, each outside Director received \$500 for each Corporate Governance and Nominating Committee meeting and (iii)(b) beginning August 21, 2004, each outside Director received \$1,000 for each Corporate Governance and Nominating Committee meeting.

In addition to the compensation stated above, outside Directors also receive compensation as follows: (i) each Director receives an annual retainer in the amount of \$15,000; (ii) the Lead Director receives an additional annual retainer in the amount of \$15,000; (iii) the Chair of the Audit Committee receives an additional annual retainer in the amount of \$15,000; (iv) the Chair of the Compensation Committee receives an additional annual retainer in the amount of \$5,000; and (v) the Chair of the Corporate Governance and

Table of Contents

Nominating Committee receives an additional annual retainer in the amount of \$5,000. Annual retainers are paid in four quarterly installments and are paid only to current Directors. Outside Directors are reimbursed for reasonable out-of-pocket expenses incurred in attending Board and committee meetings.

Equity Compensation

Outside Directors are eligible for participation in the Company's 1997 Non-Employee Director Stock Option Plan.

1997 Non-Employee Director Stock Option Plan

The 1997 Non-Employee Director Stock Option Plan (the "Non-Employee Director Plan"), providing for automatic grant of options to purchase shares of Common Stock to outside Directors, was adopted by the Board of Directors in July 1997 and approved by the stockholders on September 9, 1997. Following approval by the stockholders at the 2002 Annual Meeting, the aggregate number of shares reserved for issuance under the Non-Employee Director Plan was increased by 200,000 shares to 330,000 shares.

As of March 11, 2005, 113,345 options to purchase up to an aggregate of 113,345 shares of Common Stock were held by outside Directors under the Non-Employee Director Plan, at a weighted average exercise price of \$19.12 per share. In accordance with the Non-Employee Director Plan, each outside Director, on the day such person is first elected to the Board of Directors, automatically is granted an option to purchase 25,000 shares of Common Stock. In addition, outside Directors are automatically granted options to purchase 10,000 shares of Common Stock immediately following the final adjournment of each Annual Meeting of Stockholders. The class of participants eligible to participate in the Non-Employee Director Plan is currently five members, who are all outside Directors.

The exercise price of options granted under the Non-Employee Director Plan is 100% of the fair market value per share of the Common Stock on the date the option is granted. Options granted to each outside Director under the Non-Employee Director Plan become exercisable over a four-year period, 25% on the first anniversary of the grant date and 6.25% per quarter thereafter. Under their respective stock option agreements, each outside Director's options will expire on the eighth anniversary of the grant date. If an optionee ceases to be an outside Director, each option which is not then exercisable will terminate, and any portion of his or her options that are vested, but not exercised, may be exercised within 60 days of the date such outside Director ceased to be an outside Director. Any vested options not exercised within 60 days of such date automatically terminate. In the event of a merger, consolidation, or similar corporate transaction, the vesting of all outstanding options under the Non-Employee Director Plan will be accelerated so that all outstanding options are vested and exercisable in full prior to the consummation of such transaction. If such options are not exercised prior to the consummation of such transaction, and are not assumed or replaced by the successor entity, such options will terminate.

Table of Contents**SECURITIES OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth as of March 11, 2005, information relating to the beneficial ownership of Common Stock by each Director, each executive officer named in the Summary Compensation Table on page 10 and by all Directors and executive officers as a group.

Name and Address(1)	Amount and Nature of Ownership(2)(3)	Percent of Class
John A. Blaeser	586,856	3.17%
Douglas A. Batt	50,874	*
Melissa H. Cruz	96,561	*
Ferdinand R. Engel	220,507	1.19%
Dayton Semerjian	45,218	*
Daniel J. Sheahan	54,351	*
Frederick W.W. Bolander	76,986	*
Richard M. Burnes, Jr.	112,250	*
Jack M. Cooper	53,125	*
Robert E. Donahue	0	*
Robert M. Wadsworth	81,350	*
All executive officers and directors as a group (13 people)(4)	1,378,078	7.45%

* less than 1%

- (1) The address for each named person is c/o Concord Communications, Inc., 600 Nickerson Road, Marlboro, MA 01752.
- (2) All named persons possess sole voting and sole dispositive power with respect to the shares, except for Mr. Bolander, who has disclaimed beneficial ownership of 200 shares of Common Stock, which shares are beneficially owned by his wife.
- (3) Includes shares of Common Stock which have not been issued, but which are subject to options that either are presently exercisable or will become exercisable within 60 days of March 11, 2005, as follows: Mr. Blaeser, 421,561 shares; Mr. Batt, 50,874 shares; Ms. Cruz, 96,561 shares; Mr. Engel, 177,187 shares; Mr. Semerjian, 45,218 shares; Mr. Sheahan, 54,351 shares; Mr. Bolander, 33,750 shares; Mr. Burnes, 41,250 shares; Mr. Cooper, 18,125 shares; Mr. Donahue, 0 shares; and Mr. Wadsworth, 33,750 shares.
- (4) The group is composed of Directors and executive officers of the Company as of March 11, 2005. The total includes 902,627 shares of Common Stock that the Directors and executive officers as a group have the right to acquire, either presently or within 60 days of the record date, by exercise of stock options granted under the Company's stock plans and 70,000 restricted shares of Common Stock issued to Mr. Fabiaschi, Executive Vice President and General Manager, SPECTRUM Business Unit, which vest over four years from the date of grant with 25% of the grant vesting each year on the anniversary of the grant date.

Table of Contents

The following table sets forth as of March 11, 2005, certain persons who, to the knowledge of the Company own beneficially more than five percent of Common Stock outstanding at such date.

Name and Address of Beneficial Holder	Amount and Nature of Ownership	Percent of Class
Brown Capital Management, Inc. 1201 N. Calvert Street Baltimore, MD 21202	2,827,250(1)	15.44%
FMR Corp. 82 Devonshire Street Boston, MA 02109	2,571,128(2)	13.73%
T. Rowe Price Associates, Inc. 100 E. Pratt Street Baltimore, MD 21202	1,688,500(3)	9.2%
Hotchkis and Wiley Capital Management, LLC 725 South Figueroa Street, 39th Floor Los Angeles, CA 90017-5439	1,606,200(4)	8.8%
Firsthand Capital Management, Inc., Firsthand Funds, and Kevin M. Landis 125 South Market Street, Suite 1200 San Jose, CA 95113	1,089,300(5)	5.95%

- (1) According to a Schedule 13G filed on February 9, 2005, Brown Capital Management, Inc. has sole voting power with respect to 1,366,350 shares of Common Stock and sole power to dispose of 2,827,250 shares of Common Stock.
- (2) According to a Schedule 13G filed on February 14, 2005, FMR Corp. does not have sole voting power with respect to any shares of Common Stock and has sole power to dispose of 2,571,128 shares of Common Stock.
- (3) According to a Schedule 13G filed on February 16, 2005, T. Rowe Price Associates, Inc. has sole voting power with respect to 178,400 shares of Common Stock and sole power to dispose of 1,688,500 shares of Common Stock. These securities are owned by various individuals and institutional investors for which T. Rowe Price Associates, Inc. serves as investment adviser with power to direct investments and/or sole power to vote the securities. For purposes of the reporting requirements of the Securities Exchange Act of 1934, T. Rowe Price Associates, Inc. is deemed to be a beneficial owner of such securities; however, T. Rowe Price Associates, Inc. expressly disclaims that it is, in fact, the beneficial owner of such securities.
- (4) According to a Schedule 13G filed on February 14, 2005, Hotchkis and Wiley Capital Management, LLC has sole voting power with respect to 1,120,900 shares of Common Stock and sole power to dispose of 1,606,200 shares of Common Stock.
- (5) According to a Schedule 13G filed on January 26, 2005, Firsthand Capital Management, Inc., Firsthand Funds, and Kevin M. Landis have sole voting power with respect to 1,089,300 shares of Common Stock and sole power to dispose of 1,089,300 shares of Common Stock.

Section 16(a) Beneficial Ownership Reporting Compliance

Edgar Filing: CONCORD COMMUNICATIONS INC - Form DEF 14A

Based on a review of the Forms 3, 4, and 5 received by the Company, the Company believes that, with respect to the fiscal year ended December 31, 2004, each person who was at any time during the same period a Director or executive officer, and any other person subject to the reporting requirements of Section 16 of the Securities Exchange Act of 1934, except as set forth in the following sentence, complied with all applicable Section 16 filing requirements on a timely basis. Mr. Semerjian filed a late Form 4 for one transaction during the fiscal year ended December 31, 2004.

Table of Contents**EXECUTIVE COMPENSATION**

The following Summary Compensation Table sets forth the compensation received by the Chief Executive Officer and the five other most highly compensated executive officers of the Company (the Named Executive Officers) for the three most recent fiscal years.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long-Term Compensation(3)	All Other Compensation
		Salary(1)	Bonus(2)	Securities Underlying Options	
John A. Blaeser President, Chief Executive Officer and Chairman of the Board	2004	\$ 380,015			\$ 801,300(7)
	2003	367,514	\$ 196,231	80,000	
	2002	345,013	120,000	100,000	
Douglas A. Batt Executive Vice President, General Counsel and Secretary	2004	\$ 235,009	\$ 50,000		\$ 34,000(7)
	2003	209,779	66,150	50,000	
	2002	189,007	22,444	40,000	
Melissa H. Cruz Executive Vice President, Business Services and Chief Financial Officer	2004	\$ 265,010	\$ 50,000		\$ 297,420(7)
	2003	237,509	75,594	50,000	
	2002	212,508	56,250	30,000	
Ferdinand R. Engel Executive Vice President, Engineering and Customer Services and Chief Technology Officer	2004	\$ 345,013	\$ 50,000		\$ 584,660(7)
	2003	315,012	100,163	60,000	
	2002	282,511	75,000	40,000	
Dayton Semerjian Executive Vice President, Marketing and Strategic Alliances	2004	\$ 190,689(4)	\$ 50,000	160,000	
	2003	95,196(5)	5,087	12,200	
	2002				
Daniel J. Sheahan Vice President of Sales, Asia Pacific	2004	\$ 231,677(6)			\$ 68,250(7)(8)
	2003	200,008	\$ 63,000	60,000	
	2002	162,506	71,416	40,000	

(1) The amounts in the Salary column represent the earned annual salary for each of the Named Executive Officers, which is paid semi-monthly.

(2) The amounts in the Bonus column represent bonuses earned in the year during which services were rendered.

(3) The Company did not make any restricted stock awards, grant any stock appreciation rights, nor make any long-term incentive payouts during the fiscal year ended December 31, 2004 to its Named Executive Officers.

(4)

Mr. Semerjian was promoted to Executive Vice President, Marketing and Strategic Alliances on May 5, 2004 with an annualized salary of \$250,009.

- (5) Mr. Semerjian was hired by the Company on April 17, 2003 as Director, Strategic Alliances.
- (6) Until November 30, 2004, Mr. Sheahan was employed as Executive Vice President, Worldwide Sales based in the United States. On December 1, 2004, Mr. Sheahan transitioned to Vice President of Sales, Asia Pacific based in Australia. Mr. Sheahan's salary earned during the fiscal year ended December 31, 2004 was as follows: (i) from January 1, 2004 through November 30, 2004, Mr. Sheahan earned \$215,425 and (ii) from December 1, 2004 through December 31, 2004, Mr. Sheahan earned A\$20,833 (Australian currency). The total salary earned in the fiscal year ended December 31, 2004 listed in the Summary Compensation Table is calculated by adding Mr. Sheahan's United States salary and his Australian salary converted into United States dollars using a conversion rate as of the close of business of December 31, 2004 from Oanda.com, which was .78010 Australian dollars for each United States dollar.

Table of Contents

Mr. Sheahan's December salary converted to United States dollars is \$16,252; therefore his total salary in United States dollars is \$231,677.

- (7) The amounts in the "All Other Compensation" column paid to the Named Executive Officers represent the amount received by each Named Executive Officer who sold stock options to the Company as part of the Company's offer to repurchase outstanding options granted under the Company's 1997 Stock Plan. The offer to purchase outstanding options was available to all eligible employees of the Company who held options with an exercise price of \$25.00 per share or more. To be eligible to participate, an employee must: (i) have been employed by the Company or one of its subsidiaries on September 27, 2004; (ii) have been employed by the Company through the expiration of the offer, which was 5:00 p.m. Boston, MA time, on October 26, 2004; and (iii) have held at least one (1) eligible option as of the expiration of the offer. The Named Executive Officers were paid the following amounts by the Company as consideration for the repurchase of their options: Mr. Blaeser, \$801,300; Mr. Batt, \$34,000; Ms. Cruz, \$297,420; Mr. Engel, \$584,660; and Mr. Sheahan, \$22,120.
- (8) In addition to the \$22,120 Mr. Sheahan received from participation in the offer by the Company to repurchase stock options as stated in Note 7 above, Mr. Sheahan also received \$46,130 in other compensation in connection with his relocation to Australia following his appointment as Vice President, Asia Pacific Sales, which included both airfare and associated relocation costs. The \$46,130 included A\$25,657 (Australian currency), which is \$20,015 when converted into United States dollars using the conversion rate set forth in Note 6 above.
- (9) Mr. Sheahan's other compensation in fiscal year 2002 reflects the amount of taxable benefit received by Mr. Sheahan as part of his agreement with the Company to relocate from Australia to the United States. In connection with his employment with the Company in the United States, the Company agreed to pay the expenses incurred by Mr. Sheahan and his family during a visit to Australia.

Table of Contents

The following table provides information with respect to stock option grants by the Company to the Named Executive Officers in the fiscal year ended December 31, 2004. The Company did not grant any stock appreciation rights in the fiscal year ended December 31, 2004.

OPTIONS/ SAR GRANTS IN LAST FISCAL YEAR

Name	Number of Securities Underlying Options Granted(1)	Percentage of Total Options Granted to Employees in Fiscal Year	Exercise Price (\$/share)	Expiration Date	Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for Option Term(2)	
					5%	10%
John A. Blaeser						
Douglas A. Batt						
Melissa H. Cruz						
Ferdinand R. Engel						
Dayton Semerjian	60,000(3)	9.62%	\$ 12.24	4/5/12	\$ 350,643.28	\$ 839,851.62
	100,000(3)	16.04%	9.23	4/5/12	394,463.08	926,629.70
Daniel J. Sheahan						