

CONCORD COMMUNICATIONS INC  
Form DEFM14A  
May 13, 2005

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A**

(Rule 14a-101)

**INFORMATION REQUIRED IN PROXY STATEMENT**

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934

Filed by the Registrant

Filed by a Party other than the Registrant

- 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-12

**CONCORD COMMUNICATIONS, INC.**

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(Name of Registrant as Specified in Its Charter)

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(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:  

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  - (2) Aggregate number of securities to which transaction applies:  

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(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):

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(4) Proposed maximum aggregate value of transaction:

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(5) Total fee paid:

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ý Fee paid previously with preliminary materials: \$39,328

o 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:

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(2) Form, Schedule or Registration Statement No.:

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(3) Filing Party:

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(4) Date Filed:

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**Concord Communications, Inc.  
600 Nickerson Road  
Marlboro, Massachusetts 01752**

Dear Stockholder:

You are cordially invited to attend a special meeting of stockholders of Concord Communications, Inc., which will be held at the offices of Bingham McCutchen LLP located at 150 Federal Street, Boston, Massachusetts 02110, on Thursday, June 2, 2005 at 9:00 a.m., local time.

At the meeting, you will be asked to consider and vote on a proposal to approve a merger agreement that Concord Communications has entered into with Computer Associates International, Inc. and a wholly owned subsidiary of Computer Associates. If our stockholders approve the merger agreement and the merger is subsequently completed, Concord Communications will become a wholly owned subsidiary of Computer Associates, and you will be entitled to receive \$17.00 in cash for each share of Concord Communications' common stock that you own. A copy of the merger agreement is attached as Annex A to the accompanying proxy statement, and you are encouraged to read it in its entirety.

**After careful consideration, our board of directors has unanimously approved the merger agreement and determined that the merger and the merger agreement are advisable and in the best interests of Concord Communications and its stockholders. Our board of directors recommends that you vote "FOR" the approval of the merger agreement. In reaching its determination, our board of directors considered a number of factors, including the opinion of our financial advisor, which is attached as Annex B to the accompanying proxy statement, and which you are urged to read in its entirety.**

The accompanying document provides a detailed description of the proposed merger, the merger agreement and related matters. I urge you to read these materials carefully.

**Your vote is very important.** Because approval of the merger agreement requires the affirmative vote of the holders of a majority of the outstanding shares of Concord Communications common stock entitled to vote, a failure to vote will have the same effect as a vote against the approval of the merger agreement.

**Whether or not you are able to attend the special meeting in person, please complete, sign and date the enclosed proxy card and return it in the envelope provided as soon as possible or submit a proxy through the Internet or by telephone as described in the enclosed proxy card. This action will not limit your right to vote in person if you wish to attend the special meeting and vote in person.**

Thank you for your cooperation and your continued support of Concord Communications.

Sincerely,

JOHN A. BLAESER  
*Chief Executive Officer and President*

This proxy statement is dated May 13, 2005, and is first being mailed to stockholders on or about May 16, 2005.

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**CONCORD COMMUNICATIONS, INC.**

**600 Nickerson Road  
Marlboro, Massachusetts 01752**

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**NOTICE OF SPECIAL MEETING OF STOCKHOLDERS OF CONCORD COMMUNICATIONS**

**To Be Held on June 2, 2005**

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To the Stockholders of  
CONCORD COMMUNICATIONS, INC.:

Notice is hereby given that a special meeting of stockholders of Concord Communications, Inc. will be held at the offices of Bingham McCutchen LLP located at 150 Federal Street, Boston, Massachusetts 02110, on Thursday, June 2, 2005, at 9:00 a.m., local time, for the following purposes:

1. To consider and vote on a proposal to approve the Agreement and Plan of Merger, dated as of April 7, 2005, by and among Computer Associates International, Inc., Concord Communications, Inc. and Minuteman Acquisition Corp.; and
2. To transact such other business as may properly come before the meeting or any adjournment or postponement thereof, including to consider any procedural matters incident to the conduct of the special meeting, such as adjournment or postponement of the special meeting to solicit additional proxies in favor of the proposal to approve the Agreement and Plan of Merger.

Only stockholders of record of our common stock as of the close of business on May 10, 2005 are entitled to notice of, and to vote at, the special meeting and any adjournment or postponement of the special meeting. The affirmative vote of the holders of a majority of the outstanding shares of our common stock entitled to vote is required to approve the merger agreement.

If you fail to vote by proxy or in person, it will have the same effect as a vote against the approval of the merger agreement. If you return a properly signed proxy card but do not indicate how you want to vote, your proxy will be counted as a vote "FOR" approval of the merger agreement. Holders of our common stock are entitled to appraisal rights under the Massachusetts Business Corporation Act in connection with the merger. See "Appraisal Rights" on page 41.

By Order of the Board of Directors,

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

Marlboro, Massachusetts  
May 13, 2005

**YOUR VOTE IS IMPORTANT.**

**Whether or not you plan to attend the special meeting, please sign and date the enclosed proxy card and return it promptly in the envelope provided or submit a proxy through the Internet or by telephone as described in the enclosed proxy card. Giving your proxy now will not affect your right to vote in person if you attend the meeting.**

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**QUESTIONS AND ANSWERS ABOUT THE SPECIAL MEETING AND THE MERGER**

*The following questions and answers are provided for your convenience, and briefly address some commonly asked questions about the proposed merger and the Concord Communications special meeting of stockholders. You should still carefully read this entire proxy statement, including each of the annexes.*

**The Special Meeting**

**Q. Who is soliciting my proxy?**

A. This proxy is being solicited by our board of directors.

**Q. What matters will be voted on at the special meeting?**

A. You will be asked to vote on the approval of the merger agreement that we have entered into with Computer Associates International, Inc. (which is referred to in this proxy statement as Computer Associates).

**Q. What vote is required for Concord Communications' stockholders to approve the merger agreement?**

A. In order to approve the merger agreement, holders of a majority of the outstanding shares of our common stock entitled to vote must vote "FOR" approval of the merger agreement.

**Q. Who is entitled to vote at the special meeting?**

A. Holders of record of our common stock as of the close of business on May 10, 2005, are entitled to vote at the special meeting.

**Q. What should I do now?**

A. After carefully reading and considering the information contained in this proxy statement, please vote your shares by returning the enclosed proxy or submitting a proxy through the Internet or by telephone. You can also attend the special meeting and vote in person. Do NOT enclose or return your stock certificate(s) with your proxy.

**Q. If my shares are held in "street name" by my broker, will my broker vote my shares for me?**

A. Your broker will only be permitted to vote your shares if you instruct your broker how to vote. You should follow the procedures provided by your broker regarding the voting of your shares.

**Q. What if I do not vote?**

A. If you fail to vote by proxy, either by mail, through the Internet, by telephone or in person, it will have the same effect as a vote against approval of the merger agreement. If you return a properly signed proxy card but do not indicate how you want to vote, your proxy will be counted as a vote "FOR" approval of the merger agreement.

**Q.**



**When should I send in my proxy card?**

- A. You should send in your proxy card as soon as possible so that your shares will be voted at the special meeting.

**Q. May I change my vote after I have mailed my signed proxy card?**

A. Yes. You may change your vote at any time before your proxy card is voted at the special meeting. You can do this in one of three ways. First, you can send a written, dated notice to the Secretary of Concord Communications stating that you would like to revoke your proxy. Second, you can complete, date and submit a new proxy card either by mail, through the Internet or by telephone. Third, you can attend the meeting and vote in person. Your attendance alone will not revoke your proxy. If you have instructed a broker to vote your shares, you must follow the directions received from your broker to change those instructions.

**Q. May I vote in person?**

A. Yes. You may attend the special meeting of stockholders and vote your shares of common stock in person. If you hold shares in "street name" you must provide a legal proxy executed by your bank or broker in order to vote your shares at the meeting.

### **The Merger**

**Q. What is the proposed transaction?**

A. Computer Associates will acquire us by merging a subsidiary of Computer Associates into us, and we will cease to be a publicly traded company and will instead become a wholly owned subsidiary of Computer Associates.

**Q. If the merger is completed, what will I be entitled to receive for my shares of Concord Communications common stock and when will I receive it?**

A. You will be entitled to receive \$17.00 in cash, without interest and less any applicable withholding taxes, for each share of our common stock that you own.

After the merger closes, Computer Associates will arrange for a letter of transmittal to be sent to each stockholder. The merger consideration will be paid to each stockholder once that stockholder submits the letter of transmittal, properly endorsed stock certificates and any other required documentation.

**Q. Am I entitled to appraisal rights?**

A. Yes, Concord Communications has concluded that you are entitled under Massachusetts law to appraisal rights in connection with the merger provided that you comply with certain procedures. To exercise appraisal rights, you must:

before the vote on the proposal to approve the merger agreement is taken, deliver to Concord Communications written notice of your intent to demand payment for your shares of common stock;

**not** vote in favor of the proposal to approve the merger agreement; and

comply with other procedures as are required by Part 13 of Chapter 156D of the Massachusetts Business Corporations Act.

A copy of the relevant sections of Part 13 of Chapter 156D of the Massachusetts Business Corporations Act is attached to this Proxy Statement as Annex C.

**Q.**

**Why is the Concord Communications board recommending the merger?**

A.

Our board believes that the merger and the merger agreement are advisable and in the best interests of Concord Communications and its stockholders and unanimously recommends that you

approve the merger agreement. To review our board's reasons for recommending the merger, see the section entitled "Reasons for the Merger and Recommendation of the Board of Directors" on pages 16 through 17 of this proxy statement.

**Q.**

**Will the merger be a taxable transaction to me?**

**A.**

Yes. The receipt of cash for shares of Concord Communications common stock pursuant to the merger will be a taxable transaction for U.S. federal income tax purposes. In general, you will recognize gain or loss equal to the difference between the amount of cash you receive and the adjusted tax basis of your shares of our common stock. See the section entitled "Material U.S. Federal Income Tax Consequences" on pages 28 through 29 of this proxy statement for a more detailed explanation of the tax consequences of the merger. You should consult your tax advisor on how specific tax consequences of the merger apply to you.

**Q.**

**When is the merger expected to be completed?**

**A.**

We are working towards completing the merger as quickly as possible. We currently expect to complete the merger as quickly as possible after the special meeting and after all the conditions to the merger are satisfied or waived, including stockholder approval of the merger agreement at the special meeting and expiration or termination of the waiting period under U.S. antitrust law, or other applicable antitrust law. We and Computer Associates filed pre-merger notifications with the U.S. antitrust authorities pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 on May 6, 2005. We and Computer Associates filed a pre-merger notification with the German Federal Cartel Office pursuant to the German Act Against Restraints of Competition on April 21, 2005.

**Q.**

**Should I send in my Concord Communications stock certificates now?**

**A.**

No. After the merger is completed, Computer Associates will send you written instructions for exchanging your Concord Communications stock certificates. You must return your Concord Communications stock certificates as described in the instructions. You will receive your cash payment as soon as practicable after Computer Associates receives your Concord Communications stock certificates and any completed documents required in the instructions.

**PLEASE DO NOT SEND YOUR CONCORD COMMUNICATIONS STOCK CERTIFICATES NOW.**

**Q.**

**What should I do if I have questions?**

**A.**

If you have more questions about the special meeting, the merger or this proxy statement, or would like additional copies of this proxy statement or the proxy card, you should contact The Altman Group, our proxy solicitor, toll-free at (800) 361-1722.

## SUMMARY

*This summary highlights selected information from this proxy statement. It does not contain all of the information that is important to you. Accordingly, we urge you to read this entire proxy statement and the annexes to this proxy statement.*

### The Companies

#### **Concord Communications, Inc.**

600 Nickerson Road  
Marlboro, Massachusetts 01752  
(508) 460-4646

Concord Communications, Inc., a corporation organized under the laws of the Commonwealth of Massachusetts, is a global provider of Business Service Management (BSM) software that reduces IT downtime, improves capacity planning, and optimizes service level management thereby enabling customers to increase revenue and productivity. Built on more than 1,000 technology patents, Concord Communications' family of world-class solutions addresses the needs of enterprise customers across 17 vertical markets, managed service providers, and both wireless and wireline telecommunications carriers. These solutions enable organizations of all sizes to map IT services to business needs, measure the actual end-user experience, and manage voice or data applications, systems and networks. More than 7,500 customers worldwide use Concord Communications' software, including 23 of the world's largest banks, and 11 of the world's 20 largest insurance companies. Our common stock is quoted on The NASDAQ National Market under the symbol "CCRD."

#### **Computer Associates International, Inc.**

One Computer Associates Plaza  
Islandia, New York 11749  
(631) 342-6000

Computer Associates International, Inc., a corporation organized under the laws of the State of Delaware, is one of the world's largest providers of management software. Founded in 1976, Computer Associates designs, markets and licenses computer software products that allow businesses to efficiently run, manage, and automate critical aspects of their IT operations. Computer Associates operates in more than 100 countries, has a large and broad base of customers and estimates that 95% of the Fortune 500® companies currently use its products. Computer Associates' common stock is quoted on the New York Stock Exchange under the symbol "CA."

#### **Minuteman Acquisition Corp.**

c/o Computer Associates International, Inc.  
One Computer Associates Plaza  
Islandia, New York 11749  
(631) 342-6000

Minuteman Acquisition Corp., a corporation organized under the laws of the State of Delaware (which we refer to as Merger Sub), is a direct wholly owned subsidiary of Computer Associates. Minuteman Acquisition Corp. was formed exclusively for the purpose of effecting the merger. This is the only business of Minuteman Acquisition Corp.

### The Special Meeting

#### *Date, Time and Place (page 11)*

The special meeting will be held on Thursday, June 2, 2005, at 9:00 a.m., local time at the offices of Bingham McCutchen LLP, located at 150 Federal Street, Boston, Massachusetts 02110.

***Matters to be Considered (page 11)***

You will be asked to consider and vote upon a proposal to approve the merger agreement that we have entered into with Computer Associates and to consider any other matters that may properly come before the meeting, including any procedural matters in connection with the special meeting.

***Record Date (page 12)***

If you owned shares of our common stock at the close of business on May 10, 2005, the record date for the special meeting, you are entitled to notice of and to vote at the special meeting. You have one vote for each share of our common stock that you own on the record date. As of the close of business on May 10, 2005, there were approximately 18,858,849 shares of our common stock outstanding and entitled to be voted at the special meeting.

***Required Vote (page 12)***

Approval of the merger agreement requires the affirmative vote of the holders of a majority of our outstanding shares of common stock entitled to vote at the special meeting. Failure to vote by proxy, either by mail, through the Internet, by telephone or in person, will have the same effect as a vote "AGAINST" approval of the merger agreement.

***Voting by Proxy (page 12)***

You may vote by proxy through the Internet, by telephone or by returning the enclosed proxy. If you hold your shares through a broker or other nominee, you should follow the procedures provided by your broker or nominee, which may include submitting a proxy through the Internet or by telephone.

***Revocability of Proxy (page 13)***

You may revoke your proxy at any time before it is voted. If you have not submitted a proxy through your broker or nominee, you may revoke your proxy by:

submitting another properly completed proxy bearing a later date;

giving written notice of revocation to any of the persons named as proxies or to the Secretary of Concord Communications;

if you submitted a proxy through the Internet or by telephone, submitting a proxy again through the Internet or by telephone prior to the close of the Internet voting facility or the telephone voting facility; or

voting in person at the special meeting.

Simply attending the special meeting will not constitute revocation of your proxy. If your shares are held in "street name," you should follow the instructions of your broker or nominee regarding revocation of proxies. If your broker or nominee allows you to submit a proxy by telephone or through the Internet, you may be able to change your vote by submitting a proxy again by telephone or through the Internet.

***Our Board's Recommendation to Our Stockholders Regarding the Merger (page 16)***

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Our board has approved the merger agreement, and determined that the merger and the merger agreement are advisable, and in the best interests of Concord Communications and its stockholders. Our board unanimously recommends that our stockholders vote "FOR" approval of the merger agreement at the special meeting.

## **The Merger**

### ***Structure of the Merger (page 30)***

Upon the terms and subject to the conditions of the merger agreement, Merger Sub, a wholly owned subsidiary of Computer Associates, will be merged with and into us. As a result of the merger, we will cease to be a publicly traded company and will become a wholly owned subsidiary of Computer Associates. The merger agreement is attached as Annex A to this proxy statement. Please read it carefully.

### ***What You Will Receive in the Merger (page 31)***

Each holder of shares of our common stock will be entitled to receive \$17.00 in cash for each share of our common stock held immediately prior to the merger.

### ***Recommendation to Stockholders (page 17)***

Our board of directors has determined that the merger agreement and the merger are advisable and in the best interests of Concord Communications and its stockholders. Accordingly, our board of directors has unanimously approved the merger agreement and the merger and recommends that you vote for "FOR" the approval of the merger agreement.

### ***Opinion of Financial Advisor to the Board of Directors of Concord Communications (page 17)***

Bear, Stearns & Co. Inc. delivered its oral opinion to our board, which opinion was subsequently confirmed in writing, to the effect that, as of April 7, 2005 and based upon the qualifications, assumptions, limitations and other matters set forth in its written opinion, the merger consideration of \$17.00 in cash to be received by the holders of shares of our common stock pursuant to the merger was fair, from a financial point of view, to such holders.

The full text of the written opinion of Bear Stearns, dated April 7, 2005, which sets forth the assumptions made, matters considered and qualifications and limitations on the review undertaken by Bear Stearns in connection with its opinion, is attached as Annex B to this proxy statement. The opinion was provided to our board for its benefit and use in connection with its consideration as to whether the merger consideration of \$17.00 in cash for each share of Concord common stock was fair, from a financial point of view, to our stockholders. The opinion did not constitute a recommendation to the Concord board of directors or any holder of shares of our common stock as to how to vote in connection with the merger.

### ***Conditions to the Merger (page 38)***

We and Computer Associates will not complete the merger unless a number of conditions are satisfied or waived. These conditions include:

our stockholders must have approved the merger agreement;

the applicable waiting period under the HSR Act must have expired or been terminated; and

the absence of court or governmental prohibitions on the consummation of the merger.

In addition, our obligation to effect the merger is subject to the satisfaction or waiver of the following conditions:



the accuracy of the representations and warranties of Computer Associates; and

the performance by each of Computer Associates and Merger Sub of their obligations under the merger agreement.

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In addition, the obligation of Computer Associates to effect the merger is subject to the satisfaction or waiver of the following conditions:

the accuracy of our representations and warranties;

the performance by us of our obligations under the merger agreement;

the absence of any suit, action or proceeding in which a governmental entity is challenging or seeking to restrain or prohibit the consummation of the merger, or seeking to (i) prohibit or materially impair Computer Associates' ability to own or operate any of our material businesses and assets or (ii) prohibit or limit in any material respect Computer Associates' ability to vote, transfer, receive dividends with respect to or otherwise exercise ownership rights with respect to the stock of Concord Communications;

the absence of any order, stay, judgment, injunction, statute, rule or regulation, which is referred herein as an "order," imposing any restraint, prohibition, impairment or limitation described in clauses (i) of (ii) of the bullet point above;

all governmental and other filings, consents and approvals required of both Computer Associates and us and specified in the merger agreement shall have been made or obtained;

all other approvals and consents of applicable governmental and regulatory agencies shall have been obtained or made, other than those failures to obtain, individually or in the aggregate, that would not be reasonably likely (i) to have a material adverse effect on Concord Communications or on Computer Associates (but with materiality measured at the Concord Communications level) or (ii) to provide a reasonable basis to conclude that the companies or any of their affiliates would be subject to the risk of criminal sanctions or any of their representatives would be subject to the risk of criminal or civil sanctions; and

there must not have occurred any change, event, circumstance or development since April 7, 2005 that has had, or is reasonably likely to have, a material adverse effect on us.

### ***Termination of the Merger Agreement (page 39)***

We and Computer Associates may agree in writing to terminate the merger agreement at any time prior to completing the merger, even after our stockholders have approved the merger agreement. The merger agreement may also be terminated at any time prior to completion of the merger under certain circumstances, including:

by either party, if the merger is not completed by September 30, 2005 (other than because of the failure to fulfill an obligation under the merger agreement by the party seeking termination);

by either party, if any order permanently restraining, enjoining or otherwise prohibiting the merger shall become final and nonappealable;

by either party, if our stockholders fail to approve the merger agreement at the special meeting (other than because of the failure to fulfill an obligation under the merger agreement by the party seeking termination);

by Computer Associates, if our board (i) fails to recommend, or withholds, withdraws, qualifies or modifies its recommendation that our stockholders adopt the merger agreement in a manner adverse to Computer Associates or takes a neutral position or no position with respect to an acquisition proposal beyond the time permitted under the merger agreement, (ii) fails to reconfirm its recommendation as promptly as practicable (but in any event within five business days) after Computer Associates requests it to do so, (iii) approves, recommends or adopts an acquisition proposal (or publicly announces an intention to do so); or (iv) if a tender offer or exchange offer is made for our common stock and our board

either recommends that our stockholders accept a tender offer or exchange offer for our common stock or, within ten

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business days after commencement of a tender offer or exchange offer, fails to recommend against acceptance of the offer;

by us, if our board approves a superior proposal or recommends a superior proposal to our stockholders, provided, that prior to any such termination:

we inform Computer Associates of our intent to effect such termination;

we disclose the material terms and conditions (and provide copies of the documentation) regarding the superior proposal to Computer Associates;

Computer Associates does not make within three business days an offer that our board determines in good faith (after consultation with our financial advisor) is at least as favorable from a financial point of view to our stockholders as the superior proposal; and

we pay Computer Associates a termination fee and reimburse Computer Associates for its expenses; and

by either party, if the other party to the merger agreement breaches or fails to perform any of its representations or agreements in the merger agreement, which breach or failure to perform (i) would cause the non-breaching party's conditions to closing not to be satisfied and (ii) shall not have been cured within 20 days of written notice of the breach or failure to perform.

### *Termination Fee (page 40)*

We will be required to pay Computer Associates a termination fee of \$11.5 million, plus up to \$0.5 million of Computer Associates' expenses relating to the transactions contemplated by the merger agreement, if any of the following occur:

the merger agreement is terminated by either party because:

the merger has not been completed by September 30, 2005, and (i) between the date of the merger agreement and the date of the special meeting of stockholders an acquisition proposal was made or publicly disclosed and not publicly withdrawn in good faith and without qualification prior to the date of such termination, and (ii) within 12 months after the termination of the merger agreement we enter into a definitive agreement to consummate, or consummate, or shall have approved or recommended to our stockholders or otherwise not opposed, any acquisition proposal; or

our stockholders did not approve the merger agreement at the special meeting, and (i) between the date of the merger agreement and the date the special meeting of stockholders an acquisition proposal was made or publicly disclosed and not publicly withdrawn in good faith and without qualification prior to the seventh business day prior to the date of the special meeting, and (ii) within 12 months after the termination of the merger agreement we enter into a definitive agreement to consummate, or consummate, or shall have approved or recommended to our stockholders or otherwise not opposed, any acquisition proposal; or

the merger agreement is terminated by us because:

our stockholders have not approved the merger agreement at a meeting, and, prior to the date of the meeting, our board (i) shall have failed to recommend that our stockholders approve the merger agreement, or shall have withheld, withdrawn, qualified or modified its recommendation that our stockholders approve the merger agreement in a manner adverse to Computer Associates or shall have taken a neutral position or no position with respect to an acquisition proposal beyond the time permitted under the merger agreement, (ii) shall have failed to

reaffirm its recommendation as promptly as practicable (but in any event within five business days) after Computer Associates requests it to do so, (iii) shall have

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approved, recommended or adopted an acquisition proposal (or publicly announced its intention to do so), (iv) recommended that our stockholders accept a publicly disclosed tender offer or exchange offer for our common stock or, (v) within ten business days after commencement of a tender offer or exchange offer, failed to recommend against acceptance of the offer; or

our board has approved or recommended to our stockholders a superior proposal; or

the merger agreement is terminated by Computer Associates because:

our board fails to recommend that our stockholders approve the merger agreement, or withholds, withdraws, qualifies or modifies its recommendation that our stockholders approve the merger agreement in a manner adverse to Computer Associates;

our board takes a neutral position or no position with respect to an acquisition proposal beyond the time permitted under the merger agreement, or fails to reaffirm its recommendation as promptly as practicable (but in any event within five business days) after Computer Associates requests it to do so; or

our board approves, recommends or adopts an acquisition proposal (or publicly announces its intention to do so);

our board recommends that our stockholders accept a publicly disclosed tender offer or exchange offer for our common stock or, within ten business days after commencement of a tender offer or exchange offer, fails to recommend against acceptance of the offer.

### *Regulatory Matters (page 27)*

Under the provisions of the HSR Act, we and Computer Associates may not complete the merger until we have made certain filings with the Federal Trade Commission and the United States Department of Justice and the applicable waiting period has expired or been terminated. We and Computer Associates filed pre-merger notifications with the U.S. antitrust authorities pursuant to the Hart-Scott-Rodino Antitrust Improvements Act of 1976 on May 6, 2005. We and Computer Associates filed a pre-merger notification with the German Federal Cartel Office pursuant to the German Act Against Restraints of Competition on April 21, 2005. We cannot assure you that a challenge to the merger on antitrust grounds will not be made or, if a challenge is made, of the result.

### *Appraisal Rights (page 41)*

Concord Communications has concluded that Concord Communications stockholders are entitled under Massachusetts law to appraisal rights in connection with the merger provided that they comply with certain procedures. To exercise appraisal rights, a Concord Communications stockholder must:

before the vote on the proposal to approve the merger agreement is taken, deliver to Concord Communications written notice of such stockholder's intent to demand payment for his or her shares of common stock;

vote in favor of the proposal to approve the merger agreement; and

comply with other procedures as are required by Part 13 of Chapter 156D of the Massachusetts Business Corporations Act.

A copy of the relevant sections of Part 13 of Chapter 156D of the Massachusetts Business Corporations Act is attached to this Proxy Statement as Annex C.



***Concord Communications Stock Options (page 31)***

In general, at the completion of the merger, each option to purchase shares of our common stock, including those options held by our executive officers, will be assumed by Computer Associates and become an option to purchase Computer Associates common stock with the number of shares of common stock and the exercise price of the option being adjusted in accordance with a conversion ratio equal to \$17.00 divided by the average closing sales price of a share of Computer Associates common stock for the five trading days prior to the closing of the merger. The vesting of the options held by our non-employee directors will accelerate in full at the effective time of the merger. Each of these options will terminate at the effective time of the merger in exchange for a payment equal to the number of shares of our common stock subject to such option multiplied by the amount, if any, by which the cash consideration per share to be paid in the merger exceeds the exercise price of the option.

***Interests of Certain Persons in the Merger (page 25)***

Our directors and executive officers have interests in the merger that may be in addition to, or different from, the interests of our stockholders. For example, if the merger is completed, certain indemnification arrangements for directors and officers of Concord Communications will be continued and all of the options held by our non-employee directors will be accelerated and become fully vested at the effective time of the merger. In addition, our executive officers are entitled to acceleration of the vesting of their options, severance payments and continuation of benefits in connection with the merger.

***No Solicitation (page 35)***

We have agreed that we will not, until the effective time of the merger or the earlier termination of the merger agreement, initiate, solicit or knowingly encourage any inquiries or the making of any proposal or offer that constitutes, or could reasonably be expected to lead to, any acquisition proposal, or otherwise participate in any discussions regarding, or furnish confidential information, for the purpose of encouraging any acquisition proposal.

However, prior to the adoption of the merger agreement by our stockholders, we may provide information in response to a request by a third party who has made an unsolicited bona fide written acquisition proposal to enter into a merger, tender or exchange offer, business combination or similar transaction involving us or to acquire over 50% of our equity securities or all or substantially all of our consolidated total assets, so long as such proposal did not result from any breach by us of our obligations, we have notified Computer Associates regarding the acquisition proposal as required under the terms of the merger agreement, the third party enters into a customary confidentiality agreement with us and our board determines in good faith after consultation with outside legal counsel that failure to take such action would be inconsistent with the board's fiduciary obligations under applicable law. We may also participate in discussions or negotiations with a third party who has made such an acquisition proposal, if our board determines in good faith, after consultation, that (a) the failure to so act would be inconsistent with its fiduciary obligations, and (b) such discussions or negotiations are reasonably likely to result in a superior proposal.

Prior to the effective time of the merger or the earlier termination of the merger agreement, our board will not withhold, withdraw, qualify or modify (or publicly propose to take any such action), in a manner adverse to Computer Associates, its approval of the merger agreement or its recommendation that stockholders vote to approve the merger agreement (including publicly taking a neutral position or no position with respect to an acquisition proposal); cause or permit us to enter into any letter of intent, merger agreement or similar agreement regarding any acquisition proposal (other than a confidentiality agreement as discussed above); or approve, recommend or adopt any acquisition proposal (or propose, publicly or otherwise, to take any such action). However, prior to the adoption of the merger agreement by our stockholders, our board may withhold, withdraw, qualify or modify its



recommendation with respect to the merger agreement or approve or recommend any superior proposal made after the date of the merger agreement and not solicited, initiated or knowingly encouraged in breach of the merger agreement if our board determines in good faith, after consultation, that failure to do so would be inconsistent with its fiduciary obligations. We must provide Computer Associates with two business days prior notice if our board intends to take any of these actions, and our board must take into account any changes to the terms of the merger agreement proposed by Computer Associates in determining whether the acquisition proposal still constitutes a superior proposal. Notwithstanding any change in recommendation, we are required to convene a special meeting of our stockholders to vote on the merger agreement, unless we terminate the merger agreement.

#### **SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This proxy statement contains forward-looking statements about our plans, objectives, expectations and intentions. You can identify these statements by words such as "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," "may," "will" and "continue" or similar words. You should read statements that contain these words carefully. They discuss our future expectations or state other forward-looking information, and may involve known and unknown risks over which we have no control, including, without limitation:

the requirement that our stockholders approve the merger agreement with Computer Associates;

receipt of necessary approvals under applicable antitrust laws and other relevant regulatory authorities;

failure by us to satisfy other conditions to the merger; and

the effect of the announcement of the merger on our customer relationships, operating results and business generally, including the ability to retain key employees;

and other risks detailed in our current filings with the Securities and Exchange Commission (which we refer to as the SEC), including our most recent filings on Forms 10-Q and 10-K. See "Where You Can Find More Information" on page 48. You should not place undue reliance on forward-looking statements. We cannot guarantee any future results, levels of activity, performance or achievements. The statements made in this proxy statement represent our views as of the date of this proxy statement, and it should not be assumed that the statements made herein remain accurate as of any future date. Moreover, we assume no obligation to update forward-looking statements or update the reasons actual results could differ materially from those anticipated in forward-looking statements, except as required by law.

#### **THE SPECIAL MEETING OF CONCORD COMMUNICATIONS STOCKHOLDERS**

We are furnishing this proxy statement to you, as a stockholder of Concord Communications, as part of the solicitation of proxies by our board for use at the special meeting of stockholders.

#### **Date, Time, Place and Purpose of the Special Meeting**

The special meeting will be held at the offices of Bingham McCutchen LLP, located at 150 Federal Street, Boston, Massachusetts 02110, on Thursday, June 2, 2005, at 9:00 a.m., local time. The purpose of the special meeting is:

to consider and vote on the proposal to approve the Agreement and Plan of Merger, dated as of April 7, 2005, by and among Computer Associates, Concord Communications and Merger Sub; and

to transact such other business as may properly come before the meeting or any adjournment or postponement thereof, including to consider any procedural matters incident to the conduct of the special meeting, such as adjournment or postponement of the special meeting to solicit additional proxies in favor of the proposal to approve the Agreement and Plan of Merger.



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Our board has, by unanimous vote, determined that the merger agreement and the merger are advisable and in the best interests of Concord Communications and its stockholders, and has approved the merger agreement and the merger. Our board unanimously recommends that our stockholders vote "FOR" approval of the merger agreement.

### **Record Date; Stock Entitled to Vote; Quorum**

The holders of record of shares of our common stock as of the close of business on May 10, 2005, which is the record date for the special meeting, are entitled to receive notice of and to vote at the special meeting.

On the record date, there were approximately 18,858,849 shares of our common stock outstanding held by approximately 267 stockholders of record. Holders of a majority of the shares of our common stock issued and outstanding as of the record date and entitled to vote at the special meeting must be present in person or represented by proxy at the special meeting to constitute a quorum to transact business at the special meeting. Both abstentions and broker "non-votes" will be counted as present for purposes of determining the existence of a quorum. In the event that a quorum is not present at the special meeting, we currently expect that we will adjourn or postpone the meeting to solicit additional proxies.

### **Vote Required**

Approval of the merger agreement requires the affirmative vote of the holders of a majority of the shares of our common stock outstanding on the record date and entitled to vote.

Each holder of a share of our common stock is entitled to one vote per share. Failure to vote your proxy (either through the Internet, by telephone or by returning a properly executed proxy card) or to vote in person will have the same effect as a vote "AGAINST" approval of the merger agreement.

Brokers or other nominees who hold shares of our common stock in "street name" for customers who are the beneficial owners of such shares may not give a proxy to vote those customers' shares in the absence of specific instructions from those customers. These non-voted shares of our common stock will not be counted as votes cast or shares voting and will have the same effect as votes "AGAINST" approval of the merger agreement.

### **Voting**

Stockholders may vote their shares by attending the special meeting and voting their shares of our common stock in person, or by completing the enclosed proxy card, signing and dating it and mailing it in the enclosed postage-prepaid envelope. All shares of our common stock represented by properly executed proxies received in time for the special meeting will be voted at the special meeting in the manner specified by the holder. If a proxy card is signed by a stockholder and returned without instructions, the shares of our common stock represented by the proxy will be voted "FOR" approval of the merger agreement.

In addition, stockholders may submit a proxy through the Internet or by telephone by following the instructions included with the enclosed proxy card. If you submit a proxy through the Internet or by telephone, please do not return the proxy card. You should be aware that in submitting a proxy through the Internet, you may incur costs such as telephone and Internet access charges for which you will be responsible. The Internet voting facility and the telephone voting facility for stockholders of record will close at 11:59 p.m., Eastern Standard Time, on June 1, 2005.

Stockholders who have questions or requests for assistance in completing and submitting proxy cards should contact The Altman Group, our proxy solicitor, toll-free at (800) 361-1722.

Stockholders who hold their shares of Concord Communications common stock in "street name," meaning in the name of a bank, broker or other person who is the record holder, must either direct the record holder of their shares of our common stock how to vote their shares or obtain a proxy from the record holder to vote their shares at the special meeting.

### **Revocability of Proxies**

If you are a registered holder of our common stock, you can revoke your proxy at any time before it is voted at the special meeting by:

submitting another properly completed proxy bearing a later date;

giving written notice of revocation to any of the persons named as proxies or to the Secretary of Concord Communications;

if you submitted a proxy through the Internet or by telephone, submitting a proxy again through the Internet or by telephone prior to the close of the Internet voting facility or the telephone voting facility; or

voting in person at the special meeting.

If your shares of our common stock are held in the name of a bank, broker, trustee or other holder of record, you must follow the instructions of your broker or other holder of record to revoke a previously given proxy. If your broker or nominee allows you to submit a proxy by telephone or through the Internet, you may be able to change your vote by submitting a proxy again by telephone or through the Internet.

### **Solicitation of Proxies**

In addition to solicitation by mail, our directors, officers and employees may solicit proxies by telephone, other electronic means or in person. These people will not receive any additional compensation for their services, but we will reimburse them for their out-of-pocket expenses. We will reimburse banks, brokers, nominees, custodians and fiduciaries for their reasonable expenses in forwarding copies of this proxy statement to the beneficial owners of shares of our common stock and in obtaining voting instructions from those owners. We will share equally with Computer Associates all expenses of filing, printing and mailing this proxy statement.

We have retained The Altman Group to assist in the solicitation of proxies by mail, telephone or other electronic means, or in person, for a fee of approximately \$11,000 plus reasonable out-of-pocket expenses relating to the solicitation.

### **Other Business**

We are not currently aware of any business to be acted upon at the special meeting other than the matters discussed in this proxy statement. Under our bylaws, business transacted at the special meeting is limited to matters relating to the purposes stated in the notice of special meeting, which is provided at the beginning of this proxy statement, unless otherwise properly brought by our board or a stockholder. If other matters do properly come before the special meeting, or at any adjournment or postponement of the special meeting, we intend that shares of our common stock represented by properly submitted proxies will be voted by and at the discretion of the persons named as proxies on the proxy card. In addition, the grant of a proxy will confer discretionary authority on the persons named as proxies on the proxy card to vote in accordance with their best judgment on procedural matters incident to the conduct of the special meeting, such as a motion to adjourn in the absence of a quorum or a motion to adjourn for other reasons, including to solicit additional votes in favor of approval of the merger agreement.

## THE MERGER

*This discussion of the merger is qualified by reference to the merger agreement, which is attached to this proxy statement as Annex A. You should read the entire merger agreement carefully as it is the legal document that governs the merger.*

### Background of the Merger

On February 4, 2005, Jeff Clarke (Chief Operating Officer of Computer Associates) telephoned John Blaeser (our President and Chief Executive Officer) to express Computer Associates' interest in a possible acquisition of our company.

On February 7, 2005, Mr. Clarke visited our Marlboro, Massachusetts headquarters and met with Mr. Blaeser and Ferdinand Engel (our Chief Technology Officer) to discuss the prospects for and benefits of such a transaction.

On February 13, 2005, Mr. Clarke telephoned Mr. Blaeser to reaffirm Computer Associates' interest in acquiring our company, to express his preliminary view on the valuation of our company and to express his desire to enter into negotiations concerning a sale of our company to Computer Associates. After consultation with our board of directors, Mr. Blaeser informed Mr. Clarke on February 17, 2005 that we were not prepared at that time to enter into negotiations for the sale of our company and that Computer Associates' valuation of our company was not consistent with our board's views on valuation.

On February 24, 2005, Mr. Clarke telephoned Mr. Blaeser to inform him that we would be receiving from Computer Associates a written indication of interest to acquire our company, which was received, later that day. The letter from Computer Associates contained a proposal to purchase our company for \$16.00 per share in cash subject to Computer Associates performing confirmatory due diligence and negotiating a mutually satisfactory definitive merger agreement.

At a telephonic meeting held on March 1, 2005, our board of directors established a transaction committee (comprised of three independent directors) to evaluate the letter received from Computer Associates.

On March 1, 2005, we engaged Bear, Stearns & Co. Inc. as financial advisors to our board of directors to assist in the evaluation of Computer Associates' written proposal, which engagement was subsequently confirmed in an engagement letter dated March 24, 2005, and instructed our outside legal advisors at Bingham McCutchen to advise the committee and our board as to its fiduciary duties in responding to the proposal.

On March 3, 2005, Rick Burnes (our Lead Director and Chairman of the transaction committee) contacted Mr. Clarke to inform him of the process our board was undertaking to evaluate Computer Associates' letter. Mr. Burnes also informed Mr. Clarke that there was a board meeting scheduled for March 22, 2005 to further consider the proposal received from Computer Associates. Bear Stearns, our financial advisors, communicated the same message to Goldman, Sachs & Co., financial advisors to Computer Associates.

On March 22, 2005, a meeting of our board was held at the Radisson Hotel in Marlboro, Massachusetts with our legal and financial advisors to consider the proposal. At the meeting, representatives of Bear Stearns reviewed with the board the financial terms of the proposal and representatives of Bingham McCutchen advised the board on their fiduciary duties in considering the proposal, among other things. Following the board meeting, Mr. Burnes telephoned Mr. Clarke to inform him that the board had conducted its meeting and was evaluating the proposal. Mr. Clarke and Mr. Burnes then scheduled a dinner meeting for March 30, 2005 to discuss further Computer Associates' interest in acquiring our company.

On March 30, 2005, there was a dinner meeting. In attendance were Mr. Burnes and Robert Donahue of our transaction committee and Yogesh Gupta (Senior vice President and Chief Technology Officer of Computer Associates) and Michael Christenson (Executive Vice President, Strategy and Business Development, of Computer Associates). At the dinner, Messrs. Gupta and Christenson explained their views of the benefits of a Computer Associates' acquisition of our company.

On March 31, 2005, there was a telephonic meeting of the transaction committee. At the meeting, our management gave a preliminary review of estimated financial results for the quarter ending March 31, 2005 and Mr. Burnes gave the committee an update on the discussions which occurred at the dinner of March 30.

On April 1, 2005, a telephonic meeting of our board was held. At the meeting, our management updated the board on their preliminary view of estimated financial results for the quarter and indicated that they expected the results to be lower than initial expectations. After discussion, the board authorized Mr. Burnes to enter into valuation discussions with Computer Associates. Following the board meeting, we entered into a confidentiality agreement with Computer Associates and Mr. Burnes had discussions with Mr. Christenson regarding the valuation of our company. In these discussions, Mr. Christenson proposed a revised price of \$17.00 per share subject to confirmatory due diligence and negotiating a mutually satisfactory definitive merger agreement.

On April 3, 2005, our board held a meeting at the offices of Bingham McCutchen. The board discussed numerous matters in connection with a possible sale of our Company to Computer Associates. Our management gave a financial presentation and after discussion our board determined to enter into negotiations with Computer Associates regarding a possible sale of our company. Mr. Burnes had additional discussions with Mr. Clarke and Mr. Christenson regarding valuation of our company later that day.

Between April 3, 2005 and April 7, 2005, representatives from Computer Associates, Sullivan & Cromwell LLP and Pillsbury Winthrop LLP, Computer Associates' outside legal advisors, and Goldman Sachs, conducted due diligence on our company in Boston. Computer Associates was provided information during the diligence process regarding our estimated financial results for the first quarter ending March 31, 2005.

On April 4, 2005, Sullivan & Cromwell LLP, on behalf of Computer Associates, delivered a draft merger agreement to us. From April 4 through April 7, 2005, our representatives and representatives of Computer Associates, together with the outside legal advisors, negotiated the terms and conditions of the merger agreement. During that period, management finalized their views on first quarter estimated results.

On April 6, 2005, a telephonic meeting of our board was held. During the meeting, representatives of Bingham McCutchen summarized the terms of the definitive merger agreement. Representatives of Bingham McCutchen also reviewed for the directors their fiduciary duties in considering the acquisition. Representatives of Bear Stearns then presented a financial analysis pertaining to the transaction and rendered to Concord Communications' board its oral opinion, which opinion was subsequently confirmed in a written opinion dated as of April 7, 2005, to the effect that, as of that date and based upon the qualifications, assumptions, limitations and other matters set forth in its written opinion, the merger consideration of \$17.00 per share in cash to be received by the holders of Concord Communications common stock pursuant to the merger was fair, from a financial point of view, to such holders. Following these presentations, the board discussed the potential acquisition. Thereafter, the board unanimously determined that the merger agreement was in the best interests of our stockholders, approved and declared the advisability of the merger agreement and related matters and unanimously recommended that our stockholders approve the merger agreement and directed that the merger agreement be submitted to the Company's stockholders for their consideration.

During the early morning of April 7, 2005, we and Computer Associates executed the merger agreement.

Prior to the opening of trading on April 7, 2005, we issued a press release announcing our preliminary first quarter results and a press release announcing the proposed merger.

#### **Reasons for the Merger and Recommendation of the Board of Directors**

In the course of reaching its decision to approve the merger agreement and the merger, our board consulted with senior management and our financial and legal advisors, and reviewed a significant amount of information and considered a number of factors, including the following:

the value of the consideration to be received by our stockholders pursuant to the merger agreement, as well as the fact that stockholders will receive the consideration in cash, which provides certainty of value to our stockholders compared to a transaction in which they would receive stock or other non-cash consideration;

the \$17.00 per share to be paid as the consideration in the merger represents a 71% premium over the closing price of our common stock on April 6, 2005 (the trading day prior to announcement of the transaction) and a 63.9% premium over the closing price of our common stock on March 7, 2005 (the four-week period prior to the announcement);

the presentation of Bear Stearns (including the assumptions and methodologies underlying the analyses in connection therewith) and the opinion of Bear Stearns to our board dated April 7, 2005, a copy of which is attached to this proxy statement as Annex B and which you should read carefully in its entirety, to the effect that, as of April 7, 2005 and based upon the qualifications, assumptions, limitations and other matters set forth in its opinion, the merger consideration of \$17.00 in cash per share to be received by our stockholders pursuant to the merger was fair to our stockholders from a financial point of view;

the then current financial market conditions, and historical market prices, volatility and trading information with respect to our common stock, including the possibility that if we remained as a publicly owned corporation, in the event of a decline in the market price of our common stock or the stock market in general, the price that might be received by holders of our common stock in the open market or in a future transaction might be less than the \$17.00 per share cash price to be paid in the merger;

historical and current information concerning our business, financial performance and condition, operations, technology, management and competitive position, and current industry, economic and market conditions, including our prospects if we were to remain an independent company;

Concord Communications' estimated financial results for the quarter ending March 31, 2005;

the terms and conditions of the merger agreement, including:

the ability of the board, under certain circumstances, to furnish information to and conduct negotiations with a third party and, upon the payment to Computer Associates of a termination fee of \$11.5 million and up to \$0.5 million in expense reimbursement, to terminate the merger agreement to accept a superior proposal; and

the board's belief that the \$12 million maximum aggregate fees and expenses payable to Computer Associates was reasonable in the context of termination fees that were payable in other comparable transactions and would not be likely to preclude another party from making a competing proposal; and

the likelihood that the merger will be consummated in light of the limited conditions to Computer Associates' obligation to complete the merger, Computer Associates' financial



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capability, and the absence of any financing condition to Computer Associates' obligation to complete the merger.

In the course of its deliberations, our board also considered a variety of risks and other countervailing factors, including:

the risks and costs to us if the merger does not close, including the diversion of management and employee attention, employee attrition and the effect on business relationships;

the restrictions that the merger agreement imposes on actively soliciting competing bids, and the fact that we would be obligated to pay the \$11.5 million termination fee (and up to an additional \$0.5 million in expense reimbursement) to Computer Associates under certain circumstances;

the fact that Concord Communications will no longer exist as an independent, stand-alone company and our stockholders will no longer participate in the growth of Concord Communications or in any synergies resulting from the merger;

the fact that gains from an all-cash transaction would be taxable to our stockholders for U.S. federal income tax purposes; and

the interests of our officers and directors in the merger described under "Interests of Certain Persons in the Merger."

The foregoing discussion of the factors considered by our board is not intended to be exhaustive, but does set forth the principal factors considered by the board. Our board collectively reached the unanimous conclusion to approve the merger agreement and the merger in light of the various factors described above and other factors that each member of our board felt were appropriate. In view of the wide variety of factors considered by our board in connection with its evaluation of the merger and the complexity of these matters, our board did not consider it practical, and did not attempt, to quantify, rank or otherwise assign relative weights to the specific factors it considered in reaching its decision and did not undertake to make any specific determination as to whether any particular factor, or any aspect of any particular factor, was favorable or unfavorable to the ultimate determination of the board. Rather, our board made its recommendation based on the totality of information presented to and the investigation conducted by it. In considering the factors discussed above, individual directors may have given different weights to different factors.

After evaluating these factors and consulting with its legal counsel and its financial advisors, our board determined that the merger agreement was advisable and in the best interests of our stockholders. Accordingly, our board has unanimously approved the merger agreement and the merger. **Our board recommends that you vote "FOR" the approval of the merger agreement.**

### **Opinion of Financial Advisor to the Board of Directors of Concord Communications**

At the April 6, 2005 meeting of the Concord Communications' board of directors, Bear Stearns rendered to Concord Communications' board its oral opinion, which opinion was subsequently confirmed in a written opinion dated as of April 7, 2005, to the effect that, as of that date and based upon the qualifications, assumptions, limitations and other matters set forth in its written opinion, the merger consideration to be received by the holders of Concord Communications common stock pursuant to the merger was fair, from a financial point of view, to such holders.

The full text of Bear Stearns' written opinion, which sets forth the assumptions made, matters considered and qualifications and limitations on the review undertaken by Bear Stearns, is attached in Annex B to this proxy statement. The summary of the Bear Stearns opinion set forth below is qualified in its entirety by reference to the full text of the opinion. **Concord Communications stockholders are encouraged to read the Bear Stearns opinion in its entirety.** In reading the summary of the Bear

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Stearns opinion set forth below, Concord Communications stockholders should be aware that the opinion:

was provided to the Concord Communications board of directors for its benefit and use in connection with its consideration as to whether the merger consideration of \$17.00 in cash for each share of Concord Communications common stock, was fair, from a financial point of view, to such holders;

did not constitute a recommendation to the Concord Communications board of directors or any holder of Concord Communications common stock as to how to vote in connection with the merger;

did not address Concord Communications' underlying business decision to pursue the merger on the terms set forth in the merger agreement, the relative merits of the merger as compared to any alternative business strategies that might exist for Concord Communications or the effects of any other transaction in which Concord Communications might engage, and did not address any aspect of the merger other than the fairness, from a financial point of view, to holders of Concord Communications common stock, of the merger consideration; and

did not express any opinion as to the price or range of prices at which the shares of Concord Communications common stock might trade subsequent to the announcement of the merger agreement.

Although Bear Stearns evaluated the fairness, from a financial point of view, of the merger consideration to the holders of Concord Communications common stock, the merger consideration itself was determined at arms-length negotiations. Bear Stearns assumed no responsibility for updating or reviewing its opinion based on circumstances or events occurring after the date of such opinion.

In arriving at its opinion, Bear Stearns, among other things:

reviewed the merger agreement;

reviewed Concord Communications' Annual Reports to Shareholders and Annual Reports on Form 10-K for the years ended December 31, 2002, 2003 and 2004, its preliminary results for the quarter ended March 31, 2005 and its Current Reports on Form 8-K for the three years ended April 7, 2005;

reviewed certain operating and financial information relating to Concord Communications' business and prospects, including projections for the years ending December 31, 2005 and through 2008, which are referred to as the "Projections";

met with certain members of Concord Communications' senior management to discuss Concord Communications' business, operations, historical and projected financial results and future prospects (including the Projections);

reviewed the historical prices, trading multiples and trading volumes of the common shares of Concord Communications;

reviewed publicly available financial data, stock market performance data and trading multiples of companies which Bear Stearns deemed generally comparable to Concord Communications;

reviewed the terms of recent acquisitions of companies which Bear Stearns deemed generally comparable to Concord Communications;

performed discounted cash flow analyses based on the Projections; and

conducted such other studies, analyses, inquiries and investigations as Bear Stearns deemed appropriate.

In preparing its opinion, Bear Stearns relied upo