

FORRESTER RESEARCH INC

Form DEF 14A

April 05, 2005

Table of Contents

SCHEDULE 14(A)
(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 (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-12

FORRESTER RESEARCH, 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

**Forrester Research, Inc.
400 Technology Square
Cambridge, Massachusetts 02139**

**George F. Colony
Chairman of the Board
and Chief Executive Officer**

April 5, 2005

To Our Stockholders:

You are cordially invited to attend the 2005 Annual Meeting of Stockholders of Forrester Research, Inc., which will be held on Tuesday, May 10, 2005, at the offices of Ropes & Gray LLP, One International Place, Boston, Massachusetts at 10:00 a.m. (local time).

On the following pages, you will find the formal notice of the Annual Meeting and our proxy statement. When you have finished reading the proxy statement, please promptly mark, sign, date and return the enclosed proxy card to ensure that your shares will be represented.

We hope that many of you will be able to attend in person. I look forward to seeing you there.

Sincerely yours,

George F. Colony
*Chairman of the Board
and Chief Executive Officer*

TABLE OF CONTENTS

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS MAY 10, 2005
PROXY STATEMENT

Table of Contents

Forrester Research, Inc.
NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
MAY 10, 2005

Notice is hereby given that the 2005 Annual Meeting of Stockholders of Forrester Research, Inc. will be held at the offices of Ropes & Gray LLP, One International Place, Boston, Massachusetts at 10:00 a.m. (local time) on Tuesday, May 10, 2005 for the following purposes:

1. To elect two Class I directors to serve until the 2008 Annual Meeting of Stockholders;
2. To transact such other business as may properly come before the meeting and any adjournments thereof.

The foregoing items of business are more fully described in the proxy statement accompanying this notice.

Stockholders of record at the close of business on April 1, 2005 are entitled to notice of and to vote at the meeting. A list of stockholders entitled to vote at the meeting will be open to examination by stockholders at the meeting and during normal business hours from April 30, 2005 to the date of the meeting at our offices, located at 400 Technology Square, Cambridge, Massachusetts 02139.

If you are unable to be present personally, please sign and date the enclosed proxy and return it promptly in the enclosed envelope.

By Order of the Board of Directors

Gail S. Mann, Esq.
Secretary

Cambridge, Massachusetts
April 5, 2005

**IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE MEETING. PLEASE
SIGN AND RETURN THE ENCLOSED PROXY AS PROMPTLY AS POSSIBLE WHETHER OR
NOT YOU PLAN TO ATTEND THE MEETING IN PERSON.**

Table of Contents

**FORRESTER RESEARCH, INC.
Annual Meeting of Stockholders
May 10, 2005
PROXY STATEMENT**

The Board of Directors of Forrester Research, Inc., a Delaware corporation, is soliciting the enclosed proxy card from our stockholders. The proxy will be used at our 2005 Annual Meeting of Stockholders and at any adjournments thereof. You are invited to attend the meeting to be held at 10:00 a.m. (local time) on Tuesday, May 10, 2005 at the offices of Ropes & Gray LLP, One International Place, Boston, Massachusetts. This proxy statement was first mailed to stockholders on or about April 6, 2005.

This proxy statement contains important information regarding our annual meeting. Specifically, it identifies the proposal upon which you are being asked to vote, provides information that you may find useful in determining how to vote and describes voting procedures.

We use several abbreviations in this proxy statement. We call our Board of Directors the Board and refer to our fiscal year which began on January 1, 2004 and ended on December 31, 2004 as fiscal 2004.

Who May Attend and Vote?

Stockholders who owned our common stock at the close of business on April 1, 2005 are entitled to notice of and to vote at the annual meeting. We refer to this date in this proxy statement as the record date. As of the record date, we had 21,374,360 shares of common stock issued and outstanding. Each share of common stock is entitled to one vote on each matter to come before the meeting.

How Do I Vote?

If you are a stockholder of record of our common stock, you may vote:

In person. If you attend the meeting, you may deliver your completed proxy card in person or fill out and return a ballot that will be supplied to you at the meeting.

By Mail. If you choose to vote by mail, simply mark your proxy card, date and sign it, and return it in the postage-paid envelope provided.

By signing and returning the proxy card according to the enclosed instructions, you are enabling the individuals named on the proxy card (known as proxies) to vote your shares at the meeting in the manner you indicate. We encourage you to sign and return the proxy card even if you plan to attend the meeting. In this way, your shares will be voted even if you are unable to attend the meeting. Your shares will be voted as you direct on the proxy card. If a proxy card is signed and received by our Secretary, but no instructions are indicated, then the proxy will be voted

FOR the election of the nominees for director.

What Does the Board of Directors Recommend?

The Board recommends that you vote FOR:

the election of the nominees for Class I directors identified in Proposal One.

If you submit the proxy card but do not indicate your voting instructions, the persons named as proxies on your proxy card will vote in accordance with the recommendations of the Board of Directors.

What Vote is Required for Each Proposal?

A majority of the shares entitled to be cast on a particular matter, present in person or represented by proxy, constitutes a quorum as to any proposal. The nominees for election of the Class I directors at the meeting who receive the greatest number of votes properly cast for the election of directors will be elected. As a result, shares that withhold authority as to the nominees recommended by the Board will have no effect on

Table of Contents

the outcome. Brokers who hold shares for customers will have discretion to vote their shares without instructions from the beneficial owner, and thus, there will be no broker non-votes.

How Do I Vote if My Shares Are Held in Street Name?

If you hold shares in street name (that is, through a bank, broker, or other nominee), the bank, broker, or other nominee will provide you with separate voting instructions on the form you receive from them. If you hold shares in street name and would like to attend the annual meeting and vote in person, you will need to bring an account statement or other acceptable evidence of ownership of our common stock as of the close of business on the record date. Alternatively, in order to vote, you may contact the person in whose name your shares are registered and obtain a proxy card from that person and bring it to the annual meeting.

May I Change My Vote After I Return My Proxy Card?

Yes. If you are a stockholder of record, you may revoke a proxy any time before it is voted by:

returning to us a newly signed proxy card bearing a later date;

delivering a written instrument to our Secretary revoking the proxy card; or

attending the annual meeting and voting in person.

If you hold shares in street name, you should follow the procedure in the instructions that your nominee has provided to you.

Who Will Bear the Cost of Proxy Solicitation?

We will bear the expense of soliciting proxies. Our officers and regular employees (who will receive no compensation in addition to their regular salaries) may solicit proxies. In addition to soliciting proxies through the mail, our officers and regular employees may solicit proxies personally, as well as by mail, telephone, and telegram from brokerage houses and other stockholders. We will reimburse brokers and other persons for reasonable charges and expenses incurred in forwarding soliciting materials to their clients.

How Can I Obtain an Annual Report on Form 10-K?

Our annual report is available on our website at www.forrester.com. If you would like a copy of our Annual Report on Form 10-K for the fiscal year ended December 31, 2004, we will send you one without charge. Please contact the Director, Investor Relations, Forrester Research, Inc., 400 Technology Square, Cambridge, MA 02139, Tel: (617) 613-6234.

Table of Contents

**PROPOSAL ONE:
ELECTION OF DIRECTORS**

Our Board of Directors is divided into three classes of approximately equal size. The members of each class are elected to serve a three-year term with the term of office of each class ending in successive years. George F. Colony and Michael H. Welles are the Class I directors whose terms expire at this annual meeting. The Board of Directors has nominated them to serve as Class I directors until the 2008 annual meeting.

The proxies intend to vote each share for which a proper proxy card has been returned and not revoked in favor of the Class I directors named above. If you wish to withhold the authority to vote for the election of either of the nominees, your returned proxy card must be marked to that effect.

It is expected that Messrs. Colony and Welles will be able to serve, but if either of them is unable to serve, the proxies reserve discretion to vote, or refrain from voting, for a substitute nominee or nominees.

NOMINEES FOR CLASS I DIRECTORS TERM EXPIRING 2008

George F. Colony, age 51, a Class I director, is the founder of Forrester and since 1983, he has served as Chairman of the Board and Chief Executive Officer. He also has served as Forrester's President since September 2001, and he previously was Forrester's President from 1983 to 2000.

Michael H. Welles, age 50, a Class I director, became a director of Forrester in November 1996. Mr. Welles is chief operating officer and a founder of S2 Security Corporation, an IP-based facility security systems start-up. Prior to 2003, he served as vice president and general manager of the platforms business with NMS Communications, an OEM infrastructure supplier to the telecom industry, from 2000 to 2002.

**OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE ELECTION OF
THE NOMINEES NAMED ABOVE.**

CLASS II DIRECTORS CONTINUING IN OFFICE UNTIL 2007

Henk W. Broeders, age 52, a Class II director, became a director of Forrester in May 1998. Since October 2003, Mr. Broeders has been a member of the Executive Committee of Cap Gemini S.A., a global management consulting firm headquartered in Paris, France operating under the name Cap Gemini Ernst & Young. From 1998 to 2003, Mr. Broeders served as Chairman of the Executive Board of Cap Gemini N.V., a subsidiary of Cap Gemini S.A. located in the Netherlands. Mr. Broeders is also a director of B.Wise B.V., a software company in the Netherlands focusing on Sarbanes-Oxley compliance software, and of Jaarbeurs (Holding) B.V., a Dutch company in the business of managing a large exhibition and trade fair center.

George R. Hornig, age 50, a Class II director, became a director of Forrester in November 1996. Mr. Hornig has been a managing director and chief operating officer of the Alternative Capital Division at Credit Suisse First Boston, an investment banking firm, since 1999. He is also a director of Unity Mutual Life Insurance Company, Pacific Fiber Company, L.P., Office Tiger LLC, and Ascent Assurance, Inc.

CLASS III DIRECTOR CONTINUING IN OFFICE UNTIL 2006

Robert M. Galford, age 52, a Class III director, became a director of Forrester in November 1996. Mr. Galford has been a managing partner of the Center for Executive Development, an executive education provider, in Boston, since April 2001. From 1999 to 2001, he was the executive vice president and chief people officer at Digitas, Inc., a technology and marketing services firm.

Corporate Governance

We believe that good corporate governance is important to ensure that Forrester is managed for the long-term benefit of its stockholders. Based on our continuing review of the provisions of the Sarbanes-Oxley Act of 2002, rules of the Securities and Exchange Commission and the listing standards of The NASDAQ Stock Market, Inc., our Board of Directors has adopted Corporate Governance Guidelines, an amended and restated charter for the Audit Committee of the Board of Directors, and a charter for the Compensation and

Table of Contents

Nominating Committee of the Board. We also have a written code of business conduct and ethics that applies to all of our officers, directors and employees, including our principal executive officer, principal financial officer, principal accounting officer, and persons performing similar functions. You can access our Code of Business Conduct and Ethics, Corporate Governance Guidelines and our current committee charters on our website, at www.forrester.com.

Information With Respect to Board of Directors

Board Meetings and Committees

Our Board of Directors has determined that each of the directors, with the exception of Mr. Colony, our Chairman and Chief Executive Officer, is independent under applicable NASDAQ standards as currently in effect.

Our Board of Directors held seven meetings during fiscal 2004. Each director attended at least 75 percent of the aggregate of the meetings of the Board of Directors and of each committee of which he is a member. Forrester does not require directors to attend the annual meeting of stockholders, but all directors are encouraged to do so. Other than Mr. Colony, who presided at the meeting, and Mr. Galford, our directors did not attend the 2004 annual meeting of stockholders. The Board of Directors currently has two standing committees, the Audit Committee and the Compensation and Nominating Committee, whose members consist solely of independent directors.

Our Audit Committee consists of three members: George R. Hornig, Chairman, Henk W. Broeders, and Michael H. Welles. The Board has determined that Mr. Hornig is an audit committee financial expert under applicable rules of the Securities and Exchange Commission, and all of the members of the Audit Committee satisfy the financial literacy standards of NASDAQ. The Audit Committee held seven meetings during fiscal 2004. The responsibilities of our Audit Committee and its activities during fiscal 2004 are described in the committee's amended and restated charter and in the Report of the Audit Committee contained in this proxy statement at page 12.

Our Compensation and Nominating Committee consists of two members: Robert M. Galford and Michael H. Welles. The Compensation and Nominating Committee held four meetings during fiscal 2004. The Compensation and Nominating Committee has authority, as specified in the committee's charter, to, among other things, evaluate, and approve the compensation of, our Chief Executive Officer, review and approve the compensation of our other executive officers, administer our stock plans, and oversee the development of executive succession plans for the CEO and other executive officers. The committee also has the authority to identify and recommend to the Board qualified candidates for director. See the Report of the Compensation and Nominating Committee of the Board of Directors on page 10 for more information about the committee's activities with respect to executive compensation.

Director Candidates

As noted above, the Compensation and Nominating Committee has responsibility for recommending nominees for election as directors of Forrester. Our stockholders may recommend individuals for this committee to consider as potential director candidates by submitting their names and background to the Forrester Research Compensation and Nominating Committee, c/o Chief Legal Officer and Secretary, 400 Technology Square, Cambridge, MA 02139. The Compensation and Nominating Committee will consider a recommended candidate for the next annual meeting of stockholders only if biographical information and background material is provided no later than the date specified below under Stockholder Proposals for receipt of stockholder proposals.

The process that the Compensation and Nominating Committee will follow to identify and evaluate candidates includes requests to Board members and others for recommendations, meetings from time to time to evaluate biographical information and background material relating to potential candidates, and interviews of selected candidates by members of the Compensation and Nominating Committee. Assuming that biographical and background material is provided for candidates recommended by the stockholders, the

Table of Contents

Compensation and Nominating Committee will evaluate those candidates by following substantially the same process, and applying substantially the same criteria, as for candidates submitted by Board members.

In considering whether to recommend any candidate for inclusion in the Board's slate of recommended director nominees, including candidates recommended by stockholders, the Compensation and Nominating Committee will apply the criteria set forth in the committee's charter and in the Corporate Governance Guidelines. These criteria include, among others, the candidate's integrity, age, experience, commitment, diligence, conflicts of interest and the ability to act in the interests of all stockholders. The Compensation and Nominating Committee does not assign specific weights to particular criteria and no particular criterion is necessarily applicable to all prospective nominees. We believe that the backgrounds and qualifications of the directors, considered as a group, should provide a composite mix of experience, knowledge and abilities that will allow the Board to fulfill its responsibilities.

In addition, our bylaws permit stockholders to nominate directors for election at an annual meeting of stockholders. To nominate a director, in addition to providing certain information about the nominee and the nominating stockholder, the stockholder must give timely notice to Forrester, which, in general, requires that the notice be received by us no less than 60 nor more than 90 days prior to the applicable annual meeting of stockholders. In accordance with our by-laws, the 2006 Annual Meeting will be held on May 9, 2006.

Communications from Stockholders

The Board will give appropriate attention to communications on issues that are submitted by stockholders, and will respond if and as appropriate. Absent unusual circumstances or as contemplated by committee charters, the Compensation and Nominating Committee, with the assistance of the Chief Legal Officer, will be primarily responsible for monitoring communications from stockholders and will provide copies of summaries of such communications to the other directors as he or she considers appropriate.

Stockholders who wish to send communications on any topic to the Board should address such communications to the Forrester Research Compensation and Nominating Committee, c/o Chief Legal Officer and Secretary, Forrester Research, Inc., 400 Technology Square, Cambridge, MA 02139.

Compensation Committee Interlocks and Insider Participation

The Compensation and Nominating Committee consists of Messrs. Galford and Welles, neither of whom is or has been an executive officer or employee of Forrester. None of our executive officers serves as a member of the compensation committee (or of any committee performing an equivalent function, or if none, the board of directors), of any entity in which any of our directors serves as an executive officer.

Director Compensation

Cash Compensation

Our non-employee directors receive an annual retainer of \$10,000, payable quarterly in arrears, and members of the Audit Committee receive \$1,500 for each meeting they attend, with the Chairman of the Audit Committee receiving an additional \$5,000 per year. Members of our Board of Directors are reimbursed for their expenses incurred in connection with attending any meeting.

Amended and Restated 1996 Stock Option Plan for Non-Employee Directors

Under the Amended and Restated 1996 Stock Option Plan for Non-Employee Directors, following each annual meeting of stockholders, each non-employee director receives an option to purchase 12,500 shares of our common stock at an exercise price equal to the fair market value on that date. These options vest in four equal annual installments. After last year's annual meeting, our four non-employee directors each received an option to purchase 12,500 shares of our common stock at an exercise price of \$17.60 per share. Each newly elected, non-employee director will receive an option to purchase 6,000 shares of our common stock at an exercise price equal to the fair market value on the date he or she is first elected as a director. These options also vest in four equal annual installments.

Table of Contents

The Compensation and Nominating Committee of the Board of Directors also has the authority under the plan to grant stock options to non-employee directors in such amounts and on such terms as it shall determine at the time of grant. No such awards have been made.

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

The following table and notes provide information about the beneficial ownership of our outstanding common stock as of March 16, 2005 by:

- (i) each person who we know beneficially owns more than 5% of our common stock;
- (ii) each of the executive officers named below in the Summary Compensation Table;
- (iii) each member of our Board of Directors; and
- (iv) our directors and executive officers as a group.

Except as otherwise indicated, each of the stockholders named in the table below has sole voting and investment power with respect to the shares of our common stock beneficially owned.

Common Stock Beneficially Owned(1)

| Name of Beneficial Owner | Shares Owned | Shares Subject to Exercisable Options(1) | Percentage of Outstanding Shares |
|--|--------------|--|----------------------------------|
| George F. Colony, c/o Forrester Research, Inc., 400 Technology Square, Cambridge, MA, 02139(2) | 7,985,876 | | 37.4% |
| Royce & Associates, LLC(3) 1414 Avenue of the Americas New York, N.Y. 10019 | 2,062,600 | | 9.4% |
| Cramer Rosenthal McGlynn, LLC(4) 520 Madison Avenue New York, N.Y. 10022 | 1,170,950 | | 5.4% |
| Neil Bradford | 61,666 | 120,916 | * |
| Robert W. Davidson | | 62,000 | * |
| Brian E. Kardon | 1,310 | 28,500 | * |
| Timothy M. Riley | | 82,890 | * |
| Henk W. Broeders | | 49,084 | * |
| Robert M. Galford(5) | 2,400 | 55,250 | * |
| George R. Hornig | | 46,417 | * |
| Michael H. Welles | | 75,750 | * |
| Directors and executive officers as a group (14 persons) | 8,056,273 | 588,142 | 39.4% |

- (1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission and includes voting or investment power with respect to the shares. Shares subject to exercisable options include options that are currently exercisable or exercisable within 60 days of March 16, 2005.
- (2) Includes (a) 1,580 shares held by Mr. Colony's wife as to which Mr. Colony disclaims beneficial ownership, and (b) 70,500 shares that are subject to options Mr. Colony granted to one employee.

- (3) Beneficial ownership as of December 31, 2004, as reported in a Schedule 13G filed with the Securities and Exchange Commission on January 27, 2005.
 - (4) Beneficial ownership as of December 31, 2004, as reported in a Schedule 13G filed with the Securities and Exchange Commission on February 11, 2005. The beneficial owner has sole voting power with respect to 522,500 shares and shared voting power with respect to 596,100 shares, and sole dispositive power with respect to 563,250 shares and shared dispositive power with respect to 607,700 shares.
 - (5) The 2,400 shares are held in trust for Mr. Galford's children, and Mr. Galford disclaims beneficial ownership of these shares.
- * Less than 1%.

Table of Contents**EXECUTIVE COMPENSATION****Compensation of Executive Officers**

The following table shows the compensation paid or awarded for the three fiscal years ended December 31, 2004, 2003, and 2002 to our Chief Executive Officer and each of our four most highly compensated executives as of December 31, 2004. We refer to these officers as the named executive officers .

Summary Compensation Table

| Name and Principal Position | Year | Annual Compensation(1) | | Long-Term Compensation | |
|--|------|------------------------|------------|-------------------------------|---------------------------|
| | | Salary | Bonus | Securities Underlying Options | All Other Compensation(3) |
| George F. Colony Chairman of the Board and Chief Executive Officer | 2004 | \$ 287,500 | \$ 90,000 | | \$ 4,060 |
| | 2003 | \$ 250,000 | \$ 160,333 | | \$ 2,600 |
| | 2002 | \$ 241,667 | \$ 82,614 | | \$ 2,437 |
| Neil Bradford President, Americas | 2004 | \$ 242,500 | \$ 85,295 | 30,000 | \$ 6,500 |
| | 2003 | \$ 208,333 | \$ 111,291 | 58,000 | \$ 2,836 |
| | 2002 | \$ 200,000 | \$ 40,850 | 25,000 | \$ 1,754 |
| Robert W. Davidson, President EMEA(2) | 2004 | \$ 246,345 | \$ 84,133 | 30,000 | \$ 35,909 |
| | 2003 | \$ 224,845 | \$ 93,970 | 27,000 | \$ 12,863 |
| | 2002 | \$ 212,389 | \$ 32,553 | 25,000 | \$ 11,945 |
| Brian E. Kardon Chief Marketing and Strategy Officer | 2004 | \$ 208,500 | \$ 61,222 | 20,000 | \$ 6,500 |
| | 2003 | \$ 202,000 | \$ 112,970 | 41,000 | \$ 6,000 |
| | 2002 | N/A | N/A | N/A | N/A |
| Timothy M. Riley Chief People Officer | 2004 | \$ 218,400 | \$ 50,560 | 15,000 | \$ 6,500 |
| | 2003 | \$ 212,100 | \$ 105,164 | 26,000 | \$ 6,000 |
| | 2002 | \$ 206,500 | \$ 46,784 | 20,000 | \$ 5,500 |

- (1) No named executive officer received perquisites or other personal benefits in excess of the lesser of \$50,000 or 10% of his salary and bonus.
- (2) Foreign currencies are translated into U.S. dollars based on the average exchange rates during the reported fiscal period.
- (3) With the exception of Mr. Davidson, includes our contributions to each of the named executive officer's 401(K) plans. For Mr. Davidson, includes our contributions to pension plans maintained outside of the United States.

Table of Contents**Options Granted and Options Exercised in the Last Fiscal Year**

The following tables set forth certain information about stock options granted to, exercised by, and held by the named executive officers during fiscal 2004.

Option Grants in Last Fiscal Year

| Name | Number of Securities Underlying Options Granted (#) | % of Total Options Granted to Employees in Fiscal Year | Exercise Price (\$/Share)(1) | Expiration Date | Potential Realizable Value at Annual Rates of Stock Price Appreciation for Option Term(2) | |
|--------------------|---|--|------------------------------|-----------------|---|------------|
| | | | | | 5% (\$) | 10% (\$) |
| George F. Colony | | | | | | |
| Neil Bradford | 30,000 | 2.5% | \$ 18.42 | 03/30/14 | \$ 347,163 | \$ 879,939 |
| Robert W. Davidson | 30,000 | 2.5% | \$ 18.42 | 03/30/14 | \$ 347,163 | \$ 879,939 |
| Brian E. Kardon | 20,000 | 1.6% | \$ 18.42 | 03/30/14 | \$ 231,442 | \$ 586,626 |
| Timothy M. Riley | 15,000 | 1.2% | \$ 18.42 | 03/30/14 | \$ 173,581 | \$ 439,969 |

- (1) The exercise price of the options granted is equal to the fair market value of our common stock on the date of grant. The option becomes exercisable in four equal installments on the first, second, third, and fourth anniversaries from the date of grant, and becomes exercisable in full upon a change of control.
- (2) The amounts shown on this table represent hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. These gains are based on assumed rates of stock appreciation of 5% and 10%, compounded annually from the date the respective options were granted to their expiration date. The gains shown are net of the option exercise price, but do not include deductions for taxes or other expenses associated with the exercise. Actual gains, if any, on stock option exercises will depend on the future performance of our common stock, the holder's continued employment through the option period, and the date on which the options are exercised.

Aggregated Option Exercises in 2004 and Fiscal Year-end Option Values**Fiscal Year-End Option Values**

| Name | Shares Acquired on Exercise | Value Realized(2) | Number of Securities Underlying Unexercised Options at Fiscal Year-End (#): | | Value of Unexercised In-the-Money Options at Fiscal Year-End \$(1): | |
|------|-----------------------------|-------------------|---|---------------|---|---------------|
| | | | Exercisable | Unexercisable | Exercisable | Unexercisable |
| | | | | | | |

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| | | | | | | |
|--------------------|-------|----------|--------|--------|------------|------------|
| George F. Colony | 1,446 | \$ 8,553 | 0 | 300 | | 0 |
| Neil Bradford | 0 | 0 | 99,666 | 80,300 | \$ 91,825 | \$ 137,975 |
| Robert W. Davidson | 0 | 0 | 43,230 | 63,750 | \$ 64,800 | \$ 68,900 |
| Brian E. Kardon | 0 | 0 | 14,750 | 46,250 | \$ 45,000 | \$ 63,000 |
| Timothy M. Riley | 0 | 0 | 69,140 | 50,800 | \$ 326,986 | \$ 127,250 |

- (1) Based upon the market price of \$17.94 per share, which was the closing price per share of our common stock on the Nasdaq National Market on the last trading day of fiscal 2004, less the option exercise price per share.
- (2) Represents the difference between the fair market value of the shares on the date of exercise and the exercise price.

Table of Contents**Equity Compensation Plan Information**

The following table provides information as of December 31, 2004, the last day of fiscal 2004, about our equity compensation plans that were in effect during fiscal 2004.

| Plan Category | Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights | Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights | Number of Securities Remaining Available for Future Issuance under Equity Compensation Plans (Excluding Securities Reflected in Column (a)) |
|---|--|--|--|
| | (a) | (b) | (c) |
| Equity compensation plans approved by shareholders(1) | 5,109,000 | \$ 18.98 | 2,873,891(2) |
| Total | 5,109,000 | \$ 18.98 | 2,873,891 |

(1) The approved plans are Forrester's 1996 Amended and Restated Equity Incentive Plan (the "1996 Plan"), 1996 Amended and Restated Stock Option Plan for Non-Employee Directors, and 1996 Employee Stock Purchase Plan, as amended.

(2) Of these shares available for issuance, all those available under the 1996 Plan may be issued as restricted stock. We have never awarded any shares of restricted stock under the 1996 Plan.

Report of the Compensation and Nominating Committee of the Board of Directors

The Compensation and Nominating Committee is responsible, among other things, for reviewing the compensation of Forrester's directors, the chief executive officer and other executive officers, and administering Forrester's stock plans. The members of the committee are Messrs. Galford and Welles, both of whom are independent directors under the applicable standards of the NASDAQ Stock Market, and neither of whom is or ever has been an executive officer or employee of Forrester.

Forrester's culture emphasizes certain key values including client service, quality, and creativity that it believes are critical to its continued growth. To encourage achievement of these key values, Forrester places great emphasis on individual excellence, and employees at all levels, as well as executive officers, are encouraged to take initiative and lead individual projects that enhance Forrester's effectiveness. Forrester's compensation philosophy bases cash compensation on individual achievement, teamwork, and Forrester's short-term performance. This philosophy seeks to align employees' incentives with Forrester's objective of enhancing stockholder value over the longer term through long-term incentives, which historically ha