

VERAMARK TECHNOLOGIES INC

Form DEF 14A

April 14, 2011

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
SCHEDULE 14A**

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

VERAMARK TECHNOLOGIES, 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:

- o Fee paid previously with preliminary materials.
- 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:

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

(3) Filing Party:

(4) Date Filed:

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VERAMARK TECHNOLOGIES, INC.
1565 Jefferson Road, Suite 120
Rochester, New York 14623
NOTICE OF
ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 24, 2011

To the Shareholders of
VERAMARK TECHNOLOGIES, INC.:

Notice is hereby given that the annual meeting of shareholders of Veramark Technologies, Inc. (the Company) will be held at the Company's offices at 1565 Jefferson Road, Suite 120, Rochester, New York, on May 24, 2011, beginning at 9:00 a.m. local time, for the following purposes:

- 1) To elect five directors, each to serve a term of one year;
- 2) To ratify the appointment of independent auditors for the year ending December 31, 2011;
- 3) To consider and take action upon such other matters as may properly come before the meeting or any adjournment thereof.

The Board of Directors has fixed the close of business on March 28, 2011 as the record date for the determination of shareholders entitled to notice of and to vote at the meeting.

All shareholders are invited to attend the meeting in person. **However, if you are unable to attend the meeting, it is nevertheless important that you be represented.** A proxy is enclosed for that purpose.

Your attention is directed to the proxy statement submitted with this notice.

By Order of the Board of Directors

Robert F. Mechur

Secretary

Dated: April 14, 2011

It is important that your shares be represented and voted at the Annual Meeting whether or not you plan to attend. Accordingly, please register your vote as soon as possible. You may vote by mail, telephone or Internet. Further instructions are contained on the enclosed proxy ballot card.

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VERAMARK TECHNOLOGIES, INC.
1565 Jefferson Road, Suite 120
ROCHESTER, NEW YORK 14623
PROXY STATEMENT FOR ANNUAL MEETING OF SHAREHOLDERS
TO BE HELD MAY 24, 2011

This proxy statement is furnished to shareholders in connection with the solicitation of proxies by the Board of Directors of Veramark Technologies, Inc. (the Company) in connection with the annual meeting of shareholders of the Company to be held on May 24, 2011 at 9:00 a.m., local time, at the Company's office at 1565 Jefferson Road, Suite 120, Rochester, New York (the Meeting). A copy of the Company's annual report to shareholders for the fiscal year ended December 31, 2010 accompanies this proxy statement. **A copy of the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) is available without charge upon written request to the Company's Secretary at the Company's corporate offices, or from the SEC's website at www.sec.gov.**

Additional copies of this proxy statement, the accompanying annual report to shareholders, notice of meeting, form of proxy, and directions to be able to attend the meeting and vote in person, may be obtained from the Company's Secretary, 1565 Jefferson Road, Suite 120, Rochester, New York 14623. This proxy statement, together with the accompanying annual report to shareholders and form of proxy will first be sent to Shareholders on or about April 14, 2011.

**Important Notice Regarding the Availability of Proxy Materials
for the Annual Meeting of Shareholders to be Held on May 24, 2011**

**This proxy statement, form of proxy, and the accompanying annual report to shareholders are
available at www.veramark.com/Company/InvestorRelations/
SOLICITATION AND REVOCABILITY OF PROXIES**

The enclosed proxy for the Meeting is being solicited by the directors of the Company. Shareholders of record may vote by mail, telephone, or via the Internet. The toll-free telephone number and Internet web site are listed on the enclosed proxy. If you vote by telephone or via the Internet you do not need to return your proxy card. If you choose to vote by mail, please mark, date and sign the proxy card, and then return it in the enclosed envelope (no postage is necessary if mailed within the United States). Any person giving a proxy may revoke it at any time prior to the exercise thereof by filing with the Secretary of the Company a written revocation or duly executed proxy bearing a later date. The proxy may also be revoked by a Shareholder attending the Meeting, withdrawing the proxy and voting in person.

The expense of preparing, printing and mailing the form of proxy and the material used in the solicitation thereof will be borne by the Company. In addition to solicitation by mail, proxies may be solicited by the directors, officers and regular employees of the Company (who will receive no additional compensation therefor) by means of personal interview, telephone or facsimile. It is anticipated that banks, brokerage houses and other institutions, custodians, nominees, fiduciaries or other record holders will be requested to forward the soliciting material to persons for whom they hold shares and to seek authority for the execution of proxies; in such cases, the Company will reimburse such holders for their charges and expenses.

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VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The close of business on March 28, 2011 has been fixed as the record date for determination of the shareholders entitled to notice of, and to vote at, the Meeting. On that date there were outstanding and entitled to vote 10,058,037 shares of common stock, par value \$.10 per share, of the Company's common stock (the "Common Stock") each of which is entitled to one vote on each matter at the Meeting.

Pursuant to the Company's bylaws, a plurality of the votes cast at the Meeting will be required to elect directors, and a majority of the votes cast at the Meeting will be required to ratify the appointment of the independent auditors for 2011.

The presence, in person or by properly executed proxy, of the holders of shares of Common Stock entitled to cast a majority of all the votes entitled to be cast at the Meeting is necessary to constitute a quorum. Holders of shares of Common Stock represented by a properly signed, dated and returned proxy will be treated as present at the Meeting for purposes of determining a quorum. Proxies relating to "street name" shares that are voted by brokers will be counted as shares present for purposes of determining the presence of a quorum, but will not be treated as votes cast at the Meeting as to any proposal as to which the brokers do not have voting instructions and discretion. These missing votes are known as "broker non-votes."

Security Ownership of Certain Beneficial Owners and Management

The following table sets forth information as of March 28, 2011, with respect to the persons or groups (as those terms are used in Section 13(d)(3) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")), believed by the Company to be the beneficial owners of more than 5% of the outstanding Common Stock, by each named executive officer, director, nominee for director and by all directors and certain executive officers as a group.

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Name and Address	Amount and Nature of Shares of Common Stock Beneficially Owned	Percent of Class (1)
Summit Capital Management, LLC 600 University St., Suite 2304 Seattle, Washington 98101	1,540,890(2)	15.3%
Peter H. Kamin One Avery St., 17B Boston, MA 02111	834,158(3)	8.3%
David G. Mazzella 6001 Pelican Bay Blvd #402 Naples, FL 34108	830,400(4)	7.6%
Albert J. Monteverchio 20 Fairfield Drive Fairport, New York 14450	589,856(5)	5.9%
Seth J. Collins	60,000(6)	*
Charles A. Constantino	80,000(7)	*
Steve M. Dubnik	10,000(8)	*
John E. Gould	93,000(9)	*
Anthony C. Mazzullo	313,634(10)	3.1%
Ronald C. Lundy	111,283(11)	1.1%
Joshua B. Bouk	82,600(12)	*
Thomas W. McAlees	95,812(13)	*
Daren E. Moore	67,640(14)	*
All Directors and Executive Officers as a Group (9 Individuals)	913,969(15)	8.8%

* Indicates less than 1.0%.

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- (1) Based on the number of shares of Common Stock outstanding as of March 28, 2011, which was 10,058,037 shares of Common Stock, plus the number of shares of Common Stock subject to outstanding options, warrants and convertible stock, held by the person with respect to whom the percentage is reported on such date. The shares of Common Stock underlying such options, warrants, convertible stock and similar rights, are deemed outstanding for purposes of computing the percentage of the person holding such options, but are not deemed outstanding for the purpose of computing the percentage of any other person.
- (2) Based upon a Statement on Schedule 13F filed with the SEC on February 8, 2011 which indicated that as of December 31, 2010 Summit Capital Management's holdings were 1,540,890 shares of Common Stock.
- (3) Based on Schedule 13G filed with the SEC by Mr. Kamin on February 10, 2011.
- (4) Includes 800,000 shares of Common Stock Mr. Mazzella has the right to acquire pursuant to options issued under the Company's 1998 Long Term Incentive Plan.
- (5) Includes 196,856 shares of Common Stock owned by Montevecchio Associates, a limited partnership of which Albert J. Montevecchio is a general partner.
- (6) Includes 10,000 shares of Common Stock Mr. Collins has the right to acquire pursuant to options issued under the Company's 1998 Long Term Incentive Plan.
- (7) Includes 75,000 shares of Common Stock Mr. Constantino has the right to acquire pursuant to options issued under the Company's 1998 Long Term Incentive Plan.
- (8) Includes 10,000 shares of Common Stock Mr. Dubnik has the right to acquire pursuant to options issued under the Company's 1998 Long Term Incentive Plan.
- (9) Includes 85,000 shares of Common Stock Mr. Gould has the right to acquire pursuant to options issued under the Company's 1998 Long Term Incentive Plan.
- (10) Includes 138,667 shares of restricted Common Stock issued to Mr. Mazzullo and 112,000 shares of Common Stock Mr. Mazzullo has the right to acquire pursuant to options issued, under the Company's 1998 Long Term Incentive Plan.
- (11) Includes 9,000 shares of restricted Common Stock issued to Mr. Lundy and 89,000 shares of Common Stock Mr. Lundy has the right to acquire pursuant to options issued, under the Company's 1998 Long Term Incentive Plan.
- (12) Includes 75,000 shares of restricted Common Stock issued to Mr. Bouk, under the Company's 1998 Long Term Incentive Plan.
- (13) Includes 75,000 shares of restricted Common Stock issued to Mr. McAlees, under the Company's 1998 Long Term Incentive Plan.
- (14) Includes 67,640 restricted shares issued to Mr. Moore in conjunction with the acquisition of certain assets from Source Loop LLC, a firm in which Mr. Moore was a partner, prior to the acquisition.
- (15)

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Includes 381,000 shares of Common Stock the directors and named executives have the right to acquire pursuant to options issued under the Company's 1998 Long Term Incentive Plan, and 297,667 shares of restricted Common Stock issued to named executives.

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At the Meeting, five directors, comprising the entire membership of the Board of Directors, are to be elected. Each elected director will serve until the Company's next annual meeting of shareholders and until a successor is elected and qualified. Nominees Seth J. Collins, Charles A. Constantino, John E. Gould, and Anthony C. Mazzullo, were elected at the Company's 2009 annual meeting of shareholders. Nominee Steve M. Dubnik was elected at the Company's 2010 annual meeting of shareholders.

The Board of Directors recommends a vote **FOR** the five nominees listed below. Except where authority to do so has been withheld, the shares of Common Stock represented by the enclosed Proxy will be voted **FOR** the election as director of the five nominees named below.

All nominees are willing to serve on the Board of Directors, if elected. However, if any nominee becomes unwilling or unavailable to stand for reelection or to serve for any reason or if a vacancy on the Board of Directors occurs before the election, the holders of the proxy may vote for such other person in accordance with their judgment. The Company's Board of Directors has determined that all of the nominees, with the exception of Mr. Mazzullo, are independent as defined by the SEC.

Name and Age of Nominee	Principal Occupation For Past Five Years	Qualifications That Led the Board to Conclude This Person Should Serve as a Director
Seth J. Collins	President of Stone Mountain Capital, since 2005.	For 20 years, Mr. Collins has been involved with technology companies, including various aspects of corporate management, mergers and acquisitions, sales channel development, consulting, and business strategy.
44	President and a board member of Manchester Technologies, 1998-2005. Mr. Collins has been a Director of Veramark since 2008.	Mr. Collins is a cofounder of Stone Mountain Capital, a capital fund that invests in technology companies and manages real estate holdings. His seven years as President of Manchester Technologies provided him with significant leadership exposure in the technology field. Manchester Technologies specialized in display technology and custom networking. Mr. Collins holds a BS in Finance and Computer Science from Rensselaer Polytechnic Institute (RPI).

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Name and Age of Nominee	Principal Occupation For Past Five Years	Qualifications That Led the Board to Conclude This Person Should Serve as a Director
Charles A. Constantino 71	<p>Director and Executive Vice President of PAR Technology Corporation (NYSE:PTC), since 1973. He currently serves as Vice-Chairman of the Board at Par Technology Corporation.</p> <p>Mr. Constantino has been a Director of Veramark since 2002.</p>	<p>Mr. Constantino has extensive experience in the technology and software fields. His position as Executive Vice President of PAR Technology Corporation has provided him with full vertical exposure to the technology industry, including design of software, manufacturing, marketing, and servicing in the business to business market. While at PAR Technology Corporation, Mr. Constantino has also gained significant experience in the government sector at both the state and federal level, including the Department of Defense.</p> <p>Mr. Constantino is also a Director and Past Chairman of the Board of Trustees of St. John Fisher College, and a Director of Adirondack Bank.</p> <p>Mr. Constantino holds a BS in Math from St. John Fisher College, and a Master's Degree in Computer Science from the University of Rochester.</p>
John E. Gould 66	<p>Executive Vice President and General Counsel of CH Energy Group, Inc. (NYSE: CHG), since October 2009.</p> <p>Partner in the law firm Thompson Hine, LLP, 2002 – 2009.</p> <p>Mr. Gould has been a Director of Veramark since 1997.</p>	<p>As Executive Vice President and General Counsel of CH Energy Group, Inc, a publicly held corporation, Mr. Gould has significant first hand experience to the continuously changing regulatory issues that face a publicly held company, and considerable knowledge of corporate governance matters with respect to compliance with regulatory matters.</p> <p>Mr. Gould was a Partner in Gould & Wilkie LLP, a general practice law firm located in New York City. In 2002, Gould & Wilkie LLP combined with Thompson Hine LLP, a larger general practice law firm with headquarters in Cleveland, Ohio. Mr. Gould resigned as a partner of Thompson Hine effective September, 2009.</p> <p>Mr. Gould is also Chairman of the American Geographical Society and a Director of the Gerber Life Insurance Company.</p> <p>Mr. Gould holds a BS degree in Psychology from Fordham College, and a JD degree from Harvard Law School.</p>

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Name and Age of Nominee	Principal Occupation For Past Five Years	Qualifications That Led the Board to Conclude This Person Should Serve as a Director
Anthony C. Mazzullo 53	<p>President and Chief Executive Officer of Veramark Technologies, Inc., since January 2008.</p> <p>Senior Vice President of ePlus Systems, Inc., 2004 – 2007.</p> <p>President – Software and Consulting Operations of Manchester Technologies, 2001 – 2004.</p> <p>Mr. Mazzullo has been a Director of Veramark since 2008.</p>	<p>As President and CEO of the Company, Mr. Mazzullo’s membership on the Board of Directors assists in establishing transparent communication between the board and management of the Company.</p> <p>Mr. Mazzullo has widespread experience in the software and consulting industry.</p> <p>From 2004 – 2007, Mr. Mazzullo was Senior Vice President of ePlus Systems, Inc., a wholly owned subsidiary of ePlus, Inc., a publicly held software and professional services company.</p> <p>Prior to joining ePlus Systems, Inc., Mr. Mazzullo founded and served as President and Chief Executive Officer of eTrack Solutions, a professional services company that assisted organizations in streamlining their operations and optimally applying software applications to their business. eTrack Solutions was sold to Manchester Technologies in 2001. Mr. Mazzullo served as Manchester Technologies President of Software and Consulting Operations until 2004.</p> <p>Mr. Mazzullo is currently serves on the board of directors of the Volunteers of America of Western New York.</p> <p>Mr. Mazzullo holds a BS in Electrical Engineering from Cornell University, and an MBA in Finance from the Simon School of Business at the University of Rochester.</p>

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Name and Age of Nominee	Principal Occupation For Past Five Years	Qualifications That Led the Board to Conclude This Person Should Serve as a Director
Steve M. Dubnik 48	<p>Chairman, Cincinnati Communications, LLC since 2010, Chairman and CEO, Nysys Wireless, LLC since 2010, and Chairman, OnCell Systems, Inc since 2006.</p> <p>Co-Chief Executive Officer of Ariston Global LLC, 2006-2010</p> <p>Chairman, Chief Executive Officer, and President of Choice One Communications, 1998 – 2006.</p> <p>Mr. Dubnik has been a Director of Veramark since 2010.</p>	<p>Mr. Dubnik currently holds executive positions with three different companies that he has helped fund and continues to oversee. OnCell Systems, Inc provides interactive mobile tours to art and educational institutions, Cincinnati Communications provides fiber based communication services in Cincinnati, OH and Nysys Wireless provides fixed wireless broadband in Rochester, NY.</p> <p>Previously, Mr. Dubnik co-founded Ariston Global LLC in 2006 for the purpose of acquiring, developing, and managing companies that provide software products and services to communication service providers in the global marketplace. Ariston Global LLC has completed five acquisitions since 2006, and now provides services to over 100 companies worldwide, giving Mr. Dubnik extensive experience in the area of mergers and acquisitions</p> <p>Mr. Dubnik founded Choice One Communications in 1998. Under his leadership, Choice One, through a combination of internal growth and acquisitions, grew into a \$350 million enterprise providing integrated voice and data services to over 100,000 small and medium-sized businesses.</p> <p>Prior to 1998, Mr. Dubnik held various executive positions in several telecom industry companies, including ACC Corp, RCI Long Distance, and Rochester Telephone Corporation.</p> <p>Mr. Dubnik also serves on the boards of Strong-National Museum of Play and Nazareth College</p> <p>Mr. Dubnik holds a BA in Mechanical Engineering from the Massachusetts Institute of Technology, and an MBA from the Simon School of Business at the University of Rochester.</p>

Other Directorships and Trusteeships

Mr. Constantino serves as a member of the Board of Directors of PAR Technology Corporation (NYSE:PTC). None of the other Directors and nominees to the Company's Board of Directors serves on the Board of Directors or the Board of Trustees of any other publicly held company.

Committees and Meeting Data

During 2010, the full Board of Directors held seven meetings. The Company's Board of Directors has established a process whereby shareholders may send communications to the board. That process is set forth in the Policy for Shareholder Communications with Board Members, a copy of which is attached as Exhibit A.

The Audit Committee of the board currently consists of Messrs. Constantino, Gould, and Dubnik, all of whom are independent as defined under SEC rules. The Audit Committee, which met four times

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during the year, appoints and oversees the work of the Company's independent auditors, overseeing the establishment and maintenance by the Corporation of reliable accounting policies, financial reporting and disclosure, and performing such other duties as are set forth in its Charter, a copy of which is attached as Exhibit B. The board has determined that the Company does not have an Audit Committee Financial Expert, as that term is defined by SEC rules, serving on the Audit Committee. However, the members of the board have reviewed the criteria necessary to be named an Audit Committee Financial Expert, and believe that the Audit Committee members collectively possess such attributes. Furthermore, the board has determined that each member of the Audit Committee possesses the financial expertise necessary to review and analyze the Company's financial statements and to fulfill his other duties in accordance with the terms of the Audit Committee Charter.

The Compensation Committee of the board currently consists of Messrs. Collins, Constantino, and Dubnik, all of whom are independent as defined by SEC rules. The Compensation Committee, which met nine times during the year, reviews and sets compensation for the Chief Executive Officer (CEO), all other executive officers of the Company and members of the Company's Board of Directors, establishes compensation, incentive and benefit plans for the CEO and all other executive officers and directors of the Company and approves payments under such incentive plans. The Charter of the Compensation Committee is attached as Exhibit C. The Compensation Committee has broad authority to review management's performance, assess market competition and set guidelines for compensation of our directors and executive officers. The Committee does not delegate its authority regarding compensation, but does periodically seek input from our chief executive officer. The Committee does periodically seek the advice of outside consultants regarding executive compensation.

The Nominating Committee consists of all members of the board who are independent as defined by SEC rules. Currently, those individuals are Messrs. Collins, Constantino, Gould, and Dubnik. The Nominating Committee identifies the slate of director nominees for election to the Company's board, recommends candidates to fill vacancies occurring between annual shareholder meetings, and otherwise establishes and oversees the process for nominations for election to the Company's Board, in accordance with applicable laws, rules, and its charter. The Nominating Committee officially met twice separately from regular Board meetings. In addition, when circumstances necessitated, matters pertaining to nominees and vacancies were reviewed and discussed as part of scheduled Board meetings. The Charter of the Nominating Committee is attached as Exhibit D.

The Nominating Committee will consider candidates recommended by shareholders and determine the procedures to be followed by shareholders in submitting such recommendations. The Nominating Committee continually seeks to identify qualified candidates for nomination to the Company's board; however, it has not established any formal procedure in that regard. All candidates identified as potential nominees for election to the board, whether identified by a shareholder or otherwise, are evaluated in the same manner. Although neither the board nor the Nominating Committee has established any minimum qualifications for director nominees, any potential nominee must have sufficient experience, knowledge, ability and time to fulfill the obligations of a member of the Company's board. The current practice has resulted in a broad range of experience and qualifications among the Company's Board of Directors.

The Company encourages all directors to attend annual meetings, but has not established any formal policy with respect to such attendance. All members of the Company's board attended last year's annual meeting.

During 2010, all directors nominated for reelection attended no less than 75% of the total number of meetings of the Board of Directors and any board committee on which he served.

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The Board's Leadership Structure

The leadership responsibilities of the Board are shared among the Chairs of the Board's three standing Committees and our Chairman of the Board. The current Board is comprised of four independent Directors and a single management Director. The single management Director is Anthony C. Mazzullo, who serves as President, Chief Executive Officer, and Chairman of the Board.

Our governance processes and the decisions of our Board are managed and controlled by our independent Directors. All members of the three standing Committees of the Board are independent Directors, and all members sit on at least two committees. Mr. Mazzullo may be invited to attend Committee meetings, but he does not have a vote on any Committee matter.

Our Board believes this governance structure is well suited to our Company. Our classification as a smaller reporting company, and our focused target market, favors having a governance structure that is nimble and overlapping, thus encouraging the transfer of information, rather than a complex governance structure that can be overbearing, particularly for a company that is attempting to move beyond its current target market.

We believe the Company benefits from combining the position of Chief Executive Officer and Chairman of the Board. As the only member of the Company's management on the Board, it provides the Chief Executive Officer with a status and visibility that we believe enhances his ability to communicate the concerns, opinions, and recommendations of management to the various Board members.

The Board's Role in the Oversight of Risk

The Board recognizes that the Company is subject to various strategic, operational, and financial risks that can affect the Company's performance, including its ability to provide value to its shareholders. While the Audit Committee is primarily responsible for overseeing the policies of the Company, with respect to risk assessment, the Board as a whole takes a role in assessing the strategic and operational risks of the Company.

The Board reviews strategic and operational plans in great length, not only during the budget process, but during the course of the year, as they review corporate performance each quarter. Those reviews include not only an assessment of the potential opportunities afforded the Company, but also include discussion of the potential risks and hazards the Company may face.

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Audit Committee Report.

The Audit Committee of the Board of Directors is responsible for providing independent, objective oversight of the Company's accounting functions and policies, internal controls, and the selection and oversight of the Company's independent accountants, and overseeing that the Company has established and maintained processes for assuring that the Company has complied with applicable laws, regulations, policies, and established processes, relating to the Company's accounting and reporting practices and relating to the quality and integrity of the Company's financial reports. The Audit Committee is currently composed of three directors, Constantino, Dubnik, and Gould, each of whom is independent as defined in the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated hereunder. The Audit Committee operates under a written charter approved by the Board of Directors, a copy of which is attached as Exhibit B.

Management is responsible for the Company's financial reporting process including its system of internal control, and for the preparation of financial statements in accordance with accounting principles generally accepted in the United States (GAAP). The Company's independent auditors are responsible for auditing those financial statements. The Committee's responsibility is to monitor and review these processes. It does not have the duty or responsibility to conduct auditing or accounting reviews or procedures. Members of the Committee are not employees of the Company and may not be, nor may they represent themselves to be or to serve as, accountants or auditors by profession or experts in the fields of accounting or auditing. Therefore, the Committee has relied, without independent verification, on management's representation that the financial statements have been prepared with integrity and objectivity and in conformity with GAAP and on the representations of the independent auditors included in their report on the Company's financial statements. The Committee's oversight does not provide it with an independent basis to determine that management has maintained appropriate accounting and financial reporting principles or policies, or appropriate internal controls and procedures designed to assure compliance with GAAP and applicable laws and regulations. Furthermore, its considerations and discussions with management and the independent auditors do not assure that the Company's financial statements are presented in accordance with GAAP, that the audit of the Company's financial statements has been carried out in accordance with generally accepted auditing standards or that the Company's independent accountants are in fact independent.

In this context, the Audit Committee reviewed and discussed with management the Company's audited financial statements as of and for the year ended December 31, 2010. The Audit Committee also met with representatives of the Company's auditors to discuss and review the results of the independent auditors' examination of the financial statements for the year ended December 31, 2010 and the matters required to be discussed by Statement on Auditing Standards No. 61, Communications With The Audit Committee, as amended. In addition, the Audit Committee reviewed with management and representatives of the Company's auditors, each Quarterly Report on Report 10-Q prior to its filing with the SEC.

The Audit Committee has also received from the Company's auditors the written disclosures required pursuant to the Independence Standards Board Standard No. 1 (Independent Discussions with Audit Committees) addressing all relationships between the auditors and the Company that might bear on the auditors' independence and has discussed the same with representatives of the Company's auditors.

Based upon the Audit Committee's discussions with management and the independent auditors, and the Audit Committee's review of the representations of management and the report of the independent auditors to the Audit Committee, the Audit Committee recommended that the Board of Directors include the audited financial statements in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, for filing with the SEC.

The Audit Committee

Steve M. Dubnik, Interim Chair

Charles A. Constantino

John E. Gould

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Based upon reports filed by the Company with the SEC, and copies of filed reports received by the Company, the Company believes all reports of ownership and changes in ownership of the Common Stock required to be filed with the SEC during 2010 by the Company's directors, officers and more than 10 percent shareholders, were filed in compliance with Section 16(a) of the Exchange Act, with the following exceptions:

Filer	Form Type	Date of Transaction	Filing Requirement	Actual Filing Date
Charles Constantino	4	09/21/2010	2 days	03/02/2011
John Gould	4	09/21/2010	2 days	03/02/2011

Executive Officers

The following is a list of the Company's executive officers:

Name	Age	Principal Occupation For Past Five Years
Anthony C. Mazzullo	53	President and Chief Executive Officer of Veramark Technologies, Inc. since January 1, 2008. Senior Vice President of ePlus Systems Inc. from 2004 - 2007. President of Software Consulting Operations of Manchester Technologies from 2001 - 2004.
Ronald C. Lundy	59	Vice President of Finance and Chief Financial Officer of Veramark Technologies, Inc. since 2007. Treasurer from 1993 - 2006.
Joshua B. Bouk	37	Senior Vice President of Global Services of Veramark Technologies, Inc. since February 2010. Vice President of Customer Services of Veramark Technologies, Inc. from March 2008 - January 2010. Chief Operating Officer of Connected Energy Corporation from June 2007 to March 2008. VP of Marketing for Pervasive Solutions from November 2006 to June 2007. VP of eLearning Services for Netsmartz, LLC from February 2006 to November 2006. Managing Director of ePlus Consulting, a division of ePlus Systems, Inc. from June 2004 - February 2006.
Thomas W. McAlees	43	Senior Vice President of Engineering and Operations of Veramark Technologies, Inc. since February 2010. Vice President of Engineering and Operations of Veramark Technologies, Inc. since March 2008. Vice President of Engineering and Consulting of ePlus Systems, Inc. from June 2004 - March 2008. Chief Technical Officer of Manchester Technologies (acquired by ePlus Systems, Inc.) from 2003 - 2004.
Daren E. Moore	45	Senior Vice President of TEM Services of Veramark Technologies, Inc. since June 2010. Managing Director and a founding partner of Source Loop, LLC from October 2005 - June 2010.

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There are no family relationships between any of the directors or executive officers of the Company. The Company has adopted a Code of Business Conduct and Ethics for all principal executive officers, directors, and employees of the Company, a copy of which is attached as Exhibit E.

Retirement Benefits

The named executives listed below are participants in the Company's Supplemental Executive Retirement Plan (SERP). The amount of the retirement benefit varies depending upon length of service, retirement age and average salary.

The following table indicates the projected retirement benefit for each of the Named Executives who are eligible under the Company's retirement plan.

Mr. Lundy's projected benefit was frozen in October 2008, as disclosed on Form 8-K filed with the SEC on October 17, 2008. Any future increases in Mr. Lundy's salary, or additional years of service, will not increase the value of Mr. Lundy's future payouts.

Name	Current Age	Plan Name	Number of Years Credited	Present Value of Accumulated Benefits	Payments During Last Fiscal Year	Annual Benefit
			Service at December 31, 2010			at Retirement Age
Ronald C. Lundy	59	1991 SERP	27	\$ 347,417	0	\$ 43,680

Table of Contents**Summary Compensation Table**

The following table summarizes, for the fiscal years ended December 31, 2010 and 2009, the compensation paid or accrued to the Company's Chief Executive Officer, Principal Financial Officer, and three other executive officers, (as defined by Rule 3b-7), whose cash compensation exceeded \$100,000 during 2010 (the Named Executives).

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	Excess Deferred Compensation Earnings	All Other Annual Compensation (\$)	Total \$
Anthony C. Mazzullo President, Chief Executive Officer, and Chairman of the Board	2010	249,995	89,500	(37,866)	0	n/a	11,850(1)	313,479
	2009	248,557	25,000	(5,680)	5,160	n/a	8,895(1)	281,932
Ronald C. Lundy Senior Vice President of Finance, and Chief Financial Officer	2010	140,005	13,000	0	0	0	9,151(2)	162,156
	2009	140,192	0	4,500	0	0	5,332(2)	150,024
Joshua B. Bouk Senior Vice President - Global Services	2010	142,311	25,500	0	0	n/a	1,755(3)	169,566
	2009	140,193	0	7,500	0	n/a	1,713(3)	149,406
Thomas W. McAlees Senior Vice President of Engineering and Operations	2010	142,311	15,500	0	0	n/a	1,785(4)	159,596
	2009	140,193	0	7,500	0	n/a	1,739(4)	149,432
Daren E. Moore	2010*	100,654	32,750	0	0	n/a	297	133,701

* Mr. Moore became an employee of Veramark upon the acquisition of certain assets of Source Loop, LLC, in June 2010. Therefore his 2010 salary does not reflect a full year.

- (1) For the FYE 2010, Mr. Mazzullo forfeited 53,333 shares of restricted stock for failure to meet certain vesting requirements. For FYE 2009, Mr. Mazzullo forfeited 8,000 shares of restricted stock for failure to meet certain vesting requirements. In 2009, Mr. Mazzullo was granted options to purchase 12,000 shares of Company stock.
- (2) On April 9, 2009, Mr. Lundy was awarded 9,000 shares of restricted stock, subject to certain performance criteria.
- (3) On April 9, 2009, Mr. Bouk was awarded 15,000 shares of restricted stock, subject to certain performance criteria.
- (4) On April 9, 2009, Mr. McAlees was awarded 15,000 shares of restricted stock, subject to certain performance criteria.

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Employment Agreements

The Company has an employment agreement with Anthony C. Mazzullo to serve as President and Chief Executive Officer of the Company. The term of that employment agreement ends on December 31, 2012. After December 31, 2012, the agreement will automatically renew for successive one-year periods unless written notice is provided by either party, at least 90 days prior to the expiration of the initial or any renewal term. The agreement provides for a minimum gross salary of \$275,000 per year and an annual bonus to be determined each year by the Board of Directors in its sole discretion. It also provides Mr. Mazzullo with 100,000 options to purchase shares of the Company's common stock, which will vest 50% at the end of each year of the initial term of the contract, upon meeting certain performance criteria. The agreement also requires the Board to nominate Mr. Mazzullo as a director each year during the term of the agreement.

The Company has an employment agreement with Joshua B. Bouk to serve as Vice President of the Company. The term of that employment agreement ended on March 3, 2011. After March 3, 2011, the agreement will automatically renew for successive one-year periods unless written notice is provided by either party, at least 30 days prior to the expiration of the initial or any renewal term. The agreement provides for a minimum gross salary of \$130,000 per year. The agreement also provides that Mr. Bouk shall be a participant in the management performance bonus each year. Finally, the agreement granted Mr. Bouk 60,000 shares of restricted stock, which will vest ratably upon meeting certain performance criteria.

The Company has an employment agreement with Thomas W. McAlees to serve as Vice President of the Company. The term of that employment agreement ended on March 3, 2011. After March 3, 2011, the agreement will automatically renew for successive one-year periods unless written notice is provided by either party, at least 30 days prior to the expiration of the initial or any renewal term. The agreement provides for a minimum gross salary of \$130,000 per year. The agreement also provides that Mr. McAlees shall be a participant in the management performance bonus each year. Finally, the agreement granted Mr. McAlees 60,000 shares of restricted stock, which will vest ratably upon meeting certain performance criteria.

Table of Contents**Equity Compensation Plan Information**

At December 31, 2010, the Company had the following securities authorized for issuance under equity compensation plans.

Plan Category	Number of securities to be issued upon exercise of outstanding options (a)	Weighted-average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in Column (a)) (c)
Equity compensation plans approved by security holders	1,431,893	\$ 0.63	1,369,772
Equity compensation plans not approved by security holders	0	0	0
Total	1,431,893	\$ 0.63	1,369,772

