

# SECURITIES AND EXCHANGE COMMISSION

## FORM 4

Statement of changes in beneficial ownership of securities

Filing Date: **2006-01-05** | Period of Report: **2005-12-31**

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### ISSUER

#### **VISUAL NETWORKS INC**

CIK: **1000495** | IRS No.: **521837515** | State of Incorporation: **DE** | Fiscal Year End: **1231**  
SIC: **7372** Prepackaged software

Mailing Address  
2092 GAITHER RD  
ROCKVILLE MD 20850

Business Address  
2092 GAITHER RD  
SUITE 220-I  
ROCKVILLE MD 20850  
3012962300

### REPORTING OWNER

#### **MARXE AUSTIN W & GREENHOUSE DAVID M**

CIK: **1044321**  
Type: **4** | Act: **34** | File No.: **000-23699** | Film No.: **06510448**

Mailing Address  
C/O SPECIAL SITUATIONS  
FUNDS  
527 MADISON AVENUE,  
SUITE 2600  
NEW YORK NY 10022

Business Address  
C/O SPECIAL SITUATIONS  
FUNDS  
527 MADISON AVENUE,  
SUITE 2600  
NEW YORK NY 10022  
2122076500

# FORM 4

## UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

### OMB APPROVAL

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Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

### STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

|   |         |          |  |  |  |  |  |  |
|---|---------|----------|--|--|--|--|--|--|
| 1. Name and Address of Reporting Person<br><b>MARXE AUSTIN W &amp; GREENHOUSE DAVID M</b> |         |          | 2. Issuer Name and Ticker or Trading Symbol<br><b>VISUAL NETWORKS INC [VNWK]</b> |  |  | 5. Relationship of Reporting Person(s) to Issuer<br>(Check all applicable)<br>Director _____ <input checked="" type="checkbox"/> 10% Owner<br>Officer (give title below) _____ Other (specify below) _____ |  |  |
| (Last)  | (First) | (Middle) | 3. Date of Earliest Transaction (Month/Day/Year)<br>12/31/2005                   |  |  | 6. Individual or Joint/Group Filing<br>(Check applicable line)<br><input checked="" type="checkbox"/> Form Filed by One Reporting Person<br>_____ Form Filed by More than One Reporting Person             |  |  |
| C/O SPECIAL SITUATIONS FUNDS, 527 MADISON AVENUE, SUITE 2600                              |         |          | 4. If Amendment, Date Original Filed(Month/Day/Year)                             |  |  |  |  |  |
| (Street)<br>NEW YORK, NY 10022  |         |          |  |  |  |  |  |  |
| (City) (State) (Zip)  |         |          |  |  |  |  |  |  |

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

| 1. Title of Security (Instr. 3) | 2. Transaction Date (Month/Day/Year) | 2A. Deemed Execution Date, if any (Month/Day/Year) | 3. Transaction Code (Instr. 8) |     | 4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5) |            | 5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4) | 6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4) | 7. Nature of Indirect Beneficial Ownership (Instr. 4) |           |     |   |     |                         |     |
|---------------------------------|--------------------------------------|--|--------------------------------|-----|---|------------|---|--|---|-----------|-----|---|-----|-------------------------|-----|
|                                 |                                      |  | Code                           | V   | Amount  | (A) or (D) |   |  |   | Price     |     |   |     |                         |     |
| Common Stock                    | 12/31/2005                           |  | J                              | (1) | 1,771,591   | (1)        | A   | \$ 0   | (1)   | 3,519,203 | (1) | I | (1) | By Limited Partnerships | (1) |

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

| 1. Title of Derivative Security (Instr. 3) | 2. Conversion or Exercise Price of Derivative Security | 3. Transaction Date (Month/Day/Year) | 3A. Deemed Execution Date, if any (Month/Day/Year) | 4. Transaction Code (Instr. 8) |     | 5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5) |           | 6. Date Exercisable and Expiration Date (Month/Day/Year) |                 | 7. Title and Amount of Securities Underlying Derivative Security (Instr. 3 and 4) |                            | 8. Price of Derivative Security (Instr. 5) | 9. Number of Derivative Securities Beneficially Owned Following Reported Transaction(s) (Instr. 4) | 10. Ownership Form of Derivative Security: Direct (D) or Indirect (I) (Instr. 4) | 11. Nature of Indirect Beneficial Ownership (Instr. 4) |     |           |         |     |   |     |     |                         |                         |     |
|--|--|--------------------------------------|--|--------------------------------|-----|---|-----------|--|-----------------|---|----------------------------|--|--|--|--|-----|-----------|---------|-----|---|-----|-----|-------------------------|-------------------------|-----|
|  |  |                                      |  | Code                           | V   | (A)   | (D)       | Date Exercisable   | Expiration Date | Title   | Amount or Number of Shares |  |  |  |  |     |           |         |     |   |     |     |                         |                         |     |
| Bond                                       | \$1.45   | 12/31/2005                           |  | J                              | (2) | (3)   | 3,857,060 | (2)  | (3)             | 08/09/2005  | 12/31/2007                 | Common Stock                               | 2,660,042  | \$ 0   | (2)  | (3) | 9,661,910 | (2)     | (3) | I | (2) | (3) | By Limited Partnerships | (2)                     | (3) |
| Warrants                                   | \$3.8359   | 12/31/2005                           |  | J                              | (4) |   | 157,879   | (4)  |                 | 03/25/2002  | 03/25/2006                 | Common Stock                               | 157,879  | (4)  | \$ 0   | (4) |           | 157,879 | (4) |   | I   | (4) |                         | By Limited Partnerships | (4) |

**Explanation of Responses:**

- See footnote in Remarks.
- This is a joint filing by Austin W. Marx (Marxe) & David M. Greenhouse (Greenhouse). They share voting & investment control over all securities owned by Special Situations Cayman Fund, L.P. (Cayman), Special Situations Private Equity Fund, LP (PE), Special Situations Technology Fund, L.P. (Tech), Special Situations Technology II, L.P. (Tech II) and Special Situations Fund III QP, L.P. (QP), respectively. 1,277,401 Convertible Bonds convertible into 880,966 shares of Common Stock are held by Cayman, 2,135,340 Convertible Bonds convertible into 1,472,648 shares of Common Stock and 1,550,000 Convertible Bonds convertible into
- 1,068,965 shares of Common Stock are held by PE, 56,648 Convertible Bonds convertible into 39,068 shares of Common Stock and 73,643 Convertible Bonds convertible into 50,788 shares of Common Stock are held by Tech, 335,461 Convertible Bonds Convertible into 231,353 shares of Common Stock and 376,357 Convertible Bonds convertible into 259,557 share Common Stock are held by Tech II and 3,857,060 Convertible Bonds convertible into 2,660,042 shares of Common Stock are held by QP. Pursuant to that certain Exchange Tender Offer described in Schedule TO-I of Special Situations Fund III, L.P. (SSF III), as filed by SSF III with the Securities and Exchange Commission on November 17, 2005, SSF III transferred the securities included in this Form 4 to QP on December 31, 2005. The interest of each of Marxe and Greenhouse in the shares of Common Stock owned by Cayman, PE, Tech, Tech II and QP is limited to the extent of his pecuniary interest.
- This is a joint filing by Austin W. Marx (Marxe) & David M. Greenhouse (Greenhouse). They share voting & investment control over all securities owned by, Special Situations Private Equity Fund, LP (PE), Special Situations Technology Fund, L.P. (Tech) & Special Situations Technology II, L.P. (Tech II), respectively. 122,356 Warrants

are held by PE, 5,813 Warrants are held by Tech and 29,710 Warrants are held by Tech II. The interest of each of Marx and Greenhouse in the shares of Common Stock owned by PE, Tech and Tech II is limited to the extent of his pecuniary interest.

**Remarks:**

1. This is a joint filing by Austin W. Marx (Marx) and David M. Greenhouse (Greenhouse). They share voting & investment control over all securities owned by Special Situations Cayman Fund, L.P. (Cayman), Special Situations Private Equity Fund, LP (PE), Special Situations Technology Fund, L.P. (Tech), Special Situations Technology II, L.P. (Tech II) & Special Situations Fund III QP, L.P. (QP), respectively. 586,725 shares of Common Stock are held by Cayman, 980,786 shares of Common Stock are held by PE, 26,019 shares of Common Stock are held by Tech, 154,081 shares of Common Stock are held by Tech II and 1,771,591 shares of Common Stock are held by QP. Pursuant to that certain Exchange Tender Offer described in Schedule TO-I of Special Situations Fund III, L.P. (SSF III), as filed by SSF III with the Securities and Exchange Commission on November 17, 2005, SSF III transferred the securities included in this Form 4 to QP on December 31, 2005. The interest of each of Marx and Greenhouse in the shares of Common Stock owned by Cayman, PE, Tech, Tech II and QP is limited to the extent of his pecuniary interest.

**Signatures**

/s/ Austin W. Marx

01/04/2006

/s/ David M. Greenhouse

01/04/2006

\*\* Signature of Reporting Person

Date

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

\* If the form is filed by more than one reporting person, see Instruction 4 (b)(v).

\*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, see Instruction 6 for procedure.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB Number.**

Attachment to Form 4

Statement of Joint Filer

Name of Designation Filer:

Austin W. Marxe

Issuer Name and Ticker on Trading Symbol:

Visual Networks, Inc. [VNWK]

Statement for Month/Day/Year:

December 31, 2005

Name and Address of Joint Filer:

David M. Greenhouse

527 Madison Avenue, Suite 2600

New York, New York 10022