

SUPPORTSOFT INC
Form DEF 14A
April 15, 2003

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

Definitive Proxy Statement

Only (as permitted by Rule 14a-6(e)(2))

Definitive Additional Materials

Soliciting Material Pursuant to Section 240.14a-11(c) or Section 240.14a-12

SUPPORTSOFT, 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:

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4. Proposed maximum aggregate value of transaction:

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1. Amount previously paid:

2. Form, Schedule or Registration Statement No.:

3. Filing Party:

4. Date Filed:

SUPPORTSOFT, INC.

575 Broadway

Redwood City, California 94063

(650) 556-9440

April 15, 2003

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of SupportSoft, Inc. that will be held on Tuesday, May 27, 2003, at 4:00 p.m., local time, at the Company's headquarters, located at 575 Broadway, Redwood City, California.

The formal notice of the Annual Meeting and the Proxy Statement have been made a part of this invitation.

After reading the Proxy Statement, please mark, date, sign and return, at an early date, the enclosed proxy in the enclosed prepaid envelope, to ensure that your shares will be represented. **YOUR SHARES CANNOT BE VOTED UNLESS YOU SIGN, DATE AND RETURN THE ENCLOSED PROXY OR ATTEND THE ANNUAL MEETING IN PERSON.**

A copy of the Company's 2002 Annual Report to Stockholders and the Company's 2002 Annual Report on Form 10-K are also enclosed.

The Board of Directors and management look forward to seeing you at the meeting.

Sincerely yours,

Radha R. Basu

Chief Executive Officer,

President and Chairman of the Board

SUPPORTSOFT, INC.

**Notice of Annual Meeting of Stockholders
to be held May 27, 2003**

To the Stockholders of SupportSoft, Inc.:

The Annual Meeting of Stockholders of SupportSoft, Inc., a Delaware corporation (the Company), will be held at the Company's headquarters, located at 575 Broadway, Redwood City, California 94063, on Tuesday, May 27, 2003, at 4:00 p.m., local time, for the following purposes:

1. To elect directors to serve until the 2004 Annual Meeting of Stockholders and thereafter until their successors are elected and qualified;
2. To ratify the appointment of Ernst & Young LLP as the Company's independent auditors for the fiscal year ending December 31, 2003; and
3. To transact such other business as may properly be brought before the Annual Meeting and any adjournment(s) of the Annual Meeting.

Stockholders of record as of the close of business on March 31, 2003 are entitled to notice of and to vote at the Annual Meeting and any adjournment thereof. A complete list of stockholders entitled to vote at the Annual Meeting will be available at the Secretary's office, 575 Broadway, Redwood City, California, for ten days before the meeting.

It is important that your shares are represented at this meeting. Even if you plan to attend the meeting, we hope that you will promptly mark, sign, date and return the enclosed proxy. This will not limit your right to attend or vote at the meeting.

By Order of the Board of Directors,

Brian M. Beattie

Executive Vice President of Finance and Administration, Chief Financial Officer and Secretary

Redwood City, California

April 15, 2003

SUPPORTSOFT, INC.

575 Broadway

Redwood City, California 94063

PROXY STATEMENT

INFORMATION CONCERNING SOLICITATION AND VOTING

General

The enclosed Proxy is solicited on behalf of the Board of Directors of SupportSoft, Inc. (which we will refer to as the Company or SupportSoft throughout this Proxy Statement) for use at the Annual Meeting of Stockholders to be held at the Company's headquarters located at 575 Broadway, Redwood City, California 94063, on Tuesday, May 27, 2003, at 4:00 p.m., local time, and at any adjournment(s) thereof, for the purposes set forth herein and in the accompanying Notice of Annual Meeting of Stockholders. The Company's principal executive offices are located at the address listed at the top of the page and the telephone number is (650) 556-9440.

The Company's 2002 Annual Report on Form 10-K, containing financial statements and financial statement schedules required to be filed for the year ended December 31, 2002, is being mailed together with these proxy solicitation materials to all stockholders entitled to vote. This Proxy Statement, the accompanying Proxy and the Company's Annual Report will first be mailed on or about April 23, 2003 to all stockholders entitled to vote at the meeting.

The Company will provide copies of exhibits to the Annual Report on Form 10-K to any requesting stockholder upon the payment of a reasonable fee and upon the request of the stockholder made in writing to SupportSoft, Inc., 575 Broadway, Redwood City, California 94063, Attn: Investor Relations. The request must include a representation by the stockholder that, as of March 31, 2003, the stockholder was entitled to vote at the Annual Meeting.

Record Date and Share Ownership

Stockholders of record at the close of business on March 31, 2003 (which we will refer to as the Record Date throughout this Proxy Statement) are entitled to notice of and to vote at the meeting and at any adjournment(s) thereof. The Company has one series of Common Stock issued and outstanding, designated as Common Stock, \$0.0001 par value per share. As of the Record Date, approximately 33,826,053 shares of the Company's Common Stock were issued and outstanding and entitled to vote.

How You Can Vote

Stockholders of record may vote their shares at the Annual Meeting either in person or by proxy. To vote by proxy, stockholders should mark, date, sign and mail the enclosed proxy form in the prepaid envelope. Returning a proxy form will not affect a stockholder's right to vote if the stockholder attends the Annual Meeting and wants to vote in person.

Stockholders holding shares through a bank or broker should follow the voting instructions on the proxy form received.

Revocability of Proxies

Any proxy given pursuant to this solicitation may be revoked by the person giving it at any time before its use at the meeting by (a) delivering to the Company at its principal offices (Attention: Investor Relations) (i) a

written notice of revocation or (ii) a duly executed proxy bearing a later date or (b) attending the meeting and voting in person.

Voting

On all matters, each share has one vote. Directors are elected by a plurality vote. The nominees for the seven director seats who receive the most affirmative votes of shares present in person or represented by proxy and entitled to vote on this proposal at the meeting will be elected to serve as directors. Each of the other proposals submitted for stockholder approval at the Annual Meeting will be decided by the affirmative vote of the majority of the shares present in person or represented by proxy at the meeting entitled to vote on such proposal.

Solicitation of Proxies

The cost of soliciting proxies will be borne by the Company. The Company may reimburse brokerage firms and other persons representing beneficial owners of shares for their expenses in forwarding solicitation material to such beneficial owners. Proxies may also be solicited by certain of the Company's directors, officers and regular employees, without additional compensation, personally or by telephone or facsimile.

Quorum; Abstentions; Broker Non-Votes

Votes cast by proxy or in person at the Annual Meeting (Votes Cast) will be tabulated by the Inspector of Elections (the Inspector), with the assistance of the Company's transfer agent. The Inspector will also determine whether or not a quorum is present. Except in certain specific circumstances, the affirmative vote of a majority of shares present in person or represented by proxy at a duly held meeting at which a quorum is present is required under Delaware law for approval of proposals presented to stockholders. In general, Delaware law provides that a quorum consists of a majority of shares entitled to vote and present or represented by proxy at the meeting.

The Inspector will treat shares that are voted WITHHELD or ABSTAIN as being present and entitled to vote for purposes of determining the presence of a quorum but will not be treated as votes in favor of approving any matter submitted to the stockholders for a vote. When proxies are properly dated, executed and returned, the shares represented by such proxies will be voted at the Annual Meeting in accordance with the instructions of the stockholder. If no specific instructions are given, the shares will be voted (i) for the election of the nominees for directors set forth herein; (ii) for the ratification of Ernst & Young LLP, as independent public accountants of the Company for the fiscal year ending December 31, 2003; and (iii) upon such other business as may properly come before the Annual Meeting or any adjournment thereof in accordance with the discretion of the proxyholder but will not be voted in the election of directors. Proxies that are not returned will not be counted in determining the presence of a quorum and will not be counted toward any vote.

If a broker indicates on the enclosed proxy or its substitute that such broker does not have discretionary authority as to certain shares to vote on a particular matter (broker non-votes), those shares will not be considered as present with respect to that matter. The Company believes that the tabulation procedures to be followed by the Inspector are consistent with the general statutory requirements in Delaware concerning voting of shares and determination of a quorum.

In a 1988 Delaware case, *Berlin v. Emerald Partners*, the Delaware Supreme Court held that while broker non-votes may be counted for purposes of determining the presence or absence of a quorum for the transaction of business, broker non-votes should not be counted for purposes of determining the number of votes cast with respect to the particular proposal on which the broker has expressly not voted. Broker

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non-votes with respect to proposals set forth in this Proxy Statement will therefore not be considered "Votes Cast" and, accordingly, will not affect the determination as to whether the requisite majority of Votes Cast has been obtained with respect to a particular matter.

Deadline for Receipt of Stockholder Proposals

Proposals of stockholders of the Company that are intended to be presented by such stockholders at the Company's 2004 Annual Meeting must be received by the Secretary of the Company no later than January 1, 2004 in order that they may be included in the Company's proxy statement and form of proxy relating to that meeting.

A stockholder proposal not included in the Company's proxy statement for the 2004 Annual Meeting will be ineligible for presentation at the meeting unless the stockholder gives timely notice of the proposal in writing to the Secretary of the Company at the principal executive offices of the Company and otherwise complies with the provisions of the Company's Bylaws. To be timely, the Company's Bylaws provide that the Company must have received the stockholder's notice not less than 50 days nor more than 75 days prior to the scheduled date of such meeting. However, if notice or prior public disclosure of the date of the annual meeting is given or made to stockholders less than 65 days prior to the meeting date, the Company must receive the stockholder's notice by the earlier of (i) the close of business on the 1st day after the earlier of the day the Company mailed notice of the annual meeting date or provided such public disclosure of the meeting date and (ii) two days prior to the scheduled date of the annual meeting.

IMPORTANT

PLEASE MARK, SIGN AND DATE THE ENCLOSED PROXY CARD AND RETURN IT AT YOUR EARLIEST CONVENIENCE IN THE ENCLOSED POSTAGE-PREPAID RETURN ENVELOPE SO THAT, WHETHER YOU INTEND TO BE PRESENT AT THE ANNUAL MEETING OR NOT, YOUR SHARES CAN BE VOTED. THIS WILL NOT LIMIT YOUR RIGHTS TO ATTEND OR VOTE AT THE ANNUAL MEETING.

PROPOSAL 1**ELECTION OF DIRECTORS****Nominees**

The Board of Directors proposes the election of seven (7) directors of the Company to serve until the next annual meeting of stockholders and thereafter until their successors are elected and qualified. If any nominee is unable or declines to serve as director at the time of the Annual Meeting, an event not now anticipated, proxies will be voted for any nominee designated by the Board of Directors to fill the vacancy.

Names of the nominees and certain biographical information about them as of March 15, 2003 are set forth below:

<u>Name</u>	<u>Age</u>	<u>Business Experience and Education</u>
Radha R. Basu	52	Ms. Basu has served as president, chief executive officer and as a director of SupportSoft since July 1999. Ms. Basu has served as chairman since January 2001. Ms. Basu worked at Hewlett-Packard Company, a computing and imaging solutions provider company, from November 1978 to January 1999, and held various general management positions, most recently the general manager of the electronic business software organization. Ms. Basu also serves on the board of directors of Seec, Inc., an eBusiness solutions company. Ms. Basu holds a B.S. in engineering from the University of Madras, a masters degree in electrical engineering and computer science from the University of Southern California and is a graduate of the Stanford University executive management program.
Manuel F. Diaz	68	Mr. Diaz has served as a director of SupportSoft since April 2000. From February 1999 until present, Mr. Diaz has served on boards and provided consulting services to privately-held as well as publicly-traded companies. Mr. Diaz worked at Hewlett-Packard Company, a computing and imaging solutions provider company, from November 1982 to February 1999, and held various general management positions, most recently the vice president for customer advocacy. Mr. Diaz holds a B.S. in electrical engineering from the University of Havana, a masters degree in solid-state physics from the University of Cincinnati and is a graduate of the Stanford University executive management program.
Kevin C. Eichler	43	Mr. Eichler has served as a director of SupportSoft since February 2003. Since May 1998, Mr. Eichler has served as vice president, chief financial officer and treasurer of MIPS Technologies, Inc., a provider of processor architectures and cores for digital consumer and business applications. From June 1996 until May 1998, Mr. Eichler has served as vice president, finance, chief financial officer, treasurer and secretary of Visigenic Software Inc., an independent provider of software tools for distributed object technologies for the Internet, intranet and enterprise computing environments. Mr. Eichler holds a B.S. in accounting from St. John's University.

<u>Name</u>	<u>Age</u>	<u>Business Experience and Education</u>
Claude M. Leglise	47	Mr. Leglise has served as a director of SupportSoft since January 2001. He has held various general management positions at Intel Corporation, a semiconductor company, since 1982. Mr. Leglise is currently vice president of Intel Capital. He has also served as vice president and general manager of the home products group of Intel Corporation, vice president of the content group, director of worldwide developer relations, director of marketing in the microprocessor division and general manager of the supercomputer components operation. Mr. Leglise holds a bachelor degree in electrical engineering from ENSAM, in Paris, France, a masters degree in electrical engineering from ENSAM and an MBA from Stanford University.
Edward S. Russell	42	Mr. Russell has served as a director of SupportSoft since June 1998. Since October 1996, Mr. Russell has served as a general partner at Mobius Venture Capital (formerly SOFTBANK Technology Ventures, Inc.), a venture capital firm. Mr. Russell received his B.S. in computer science from Carnegie Mellon University.
James Thanos	54	Mr. Thanos has served as a director of SupportSoft since February 2003. From June 2002 until the present, Mr. Thanos has served on advisory boards and provided consulting services to privately-held as well as publicly-traded companies. From June 2000 to June 2002, Mr. Thanos served as executive vice president, worldwide field operations of BroadVision, Inc., and enterprise software company. From March 1998 to June 2000, Mr. Thanos was the vice president and general manager of the Americas of BroadVision, Inc. Mr. Thanos also serves on the board of directors of the company ClickSoftware, Inc., a provider of service optimization solutions. Mr. Thanos holds a B.A. in behavioral sciences from The Johns Hopkins University.
Dick Williams	59	Mr. Williams has served as a director of SupportSoft since June 2002. Mr. Williams has served as the president and chief executive officer of Wily Technology, an enterprise software company, since 2001. In 1997, Mr. Williams co-founded Quokka Sports, Inc., an internet sports media company, and held various positions at Quokka Sports, including the chairman from 1998 until October 2000 and vice-chairman from October 2000 to April 2001. Mr. Williams holds a B.S. in mathematics from the University of North Dakota.

Bruce Golden has informed the Company's Board of Directors of his desire to resign from the Board of Directors, effective immediately prior to the Annual Meeting. The Company's Board of Directors has approved a resolution automatically decreasing the authorized number of directors of the Company's Board of Directors to seven immediately following the effectiveness of Mr. Golden's resignation. Accordingly, only seven directors may be elected at the Annual Meeting.

Required Vote

The nominees for the seven director seats who receive the most affirmative votes of shares present in person or represented by proxy and entitled to vote on this proposal at the meeting will be elected to serve as directors. Unless marked to the contrary, proxies received will be voted FOR the nominees.

The Board of Directors recommends a vote FOR election as director of the nominees set forth above.

Board Meetings and Committees

The Board of Directors held 9 board meetings during 2002. All directors attended at least 75% of the aggregate number of meetings of the Board of Directors and of the committees on which such directors serve, except Edward S. Russell. Mr. Russell attended 6 of the 9 board meetings and attended all of the Audit Committee meetings on which he serves.

The Board of Directors has a standing Compensation Committee, an Audit Committee and a Non-section 16 Option Plan Committee (the Option Committee).

In 2002, the members of the Compensation Committee were Bruce Golden and Roger J. Sippl. Dick Williams was appointed to the Compensation Committee in December 2002. James Thanos was appointed to the Compensation Committee in March 2003. Accordingly, the current members of the Compensation Committee are Mr. Golden, Mr. Williams and Mr. Thanos. The Compensation Committee held one meeting during 2002. The Compensation Committee's primary functions are to review the performance and establish the compensation of the Company's executive officers, to recommend guidelines for the review of the performance and the establishment of compensation and benefit policies for all other employees and to administer the Company's compensation plans and programs.

In 2002, the members of the Audit Committee were three non-employee directors, Edward S. Russell, Bruce Golden and Manuel Diaz, each of whom has been determined to be independent as defined by the Nasdaq Marketplace Rules. Kevin J. Eichler, also deemed independent as defined by the Nasdaq Marketplace Rules, was appointed as chairman of the Audit Committee in March 2003. Accordingly, the current members of the Audit Committee are Mr. Eichler, Mr. Russell, Mr. Golden and Mr. Diaz. The Audit Committee held four meetings during 2002. The Audit Committee's primary functions are to review the scope of the annual audit, appoint, compensate and oversee the work of the independent auditor, meet and consult with the independent auditor, advise and assist the Board of Directors in evaluating the independent auditor's examination, supervise the Company's financial and accounting organization and financial reporting, and nominate, for approval of the Board of Directors, a firm of certified public accountants whose duty it is to audit the financial records of the Company for the fiscal year for which it is appointed.

The member of the Option Committee is Radha R. Basu. The Option Committee's primary function is to determine stock-based compensation awards for the Company's non-section 16 reporting employees. The Option Committee took action on 25 occasions during 2002.

Compensation of Directors

Directors who are employees of the Company do not receive any fees for service on the Board of Directors. We reimburse each member of the Board of Directors who is not an employee of the Company for out-of-pocket expenses incurred in connection with attending board meetings. Pursuant to the Company's 2000 Omnibus Equity Incentive Plan (the 2000 Incentive Plan), non-employee directors of the Company are automatically granted options to purchase shares of the Company's Common Stock. Under the 2000 Incentive Plan, each non-employee director will be granted an option to purchase Common Stock as determined by the full Board of Directors on the date on which he or she first becomes a non-employee director. Thereafter, following the conclusion of each regular annual meeting of the Company's stockholders, each non-employee director shall be automatically granted an additional option to purchase 8,000 shares of Common Stock (a Subsequent Option) if, on such date, he or she will continue to serve on the Company's Board of Directors. Each Subsequent Option shall be immediately exercisable on the date of grant. Options granted under the 2000 Incentive Plan have an exercise price equal to the fair market value of the Company's Common Stock on the date of grant and a term of ten (10) years.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

In January 2000, under two separate promissory notes, the Company loaned \$100,000 and \$572,075.60 to Radha Basu, the Company's President, Chief Executive Officer and Chairman of the Board of Directors. The loans had an interest rate of 5.86% and fifty percent of the principal and interest was due and payable on July 18, 2001, with the remaining principal and interest due and payable on July 18, 2002. In June 2001, the promissory note for \$100,000 was repaid and the terms of the second note were amended whereby the loan had an interest rate of 6.5% per annum with all principal and interest due and payable July 18, 2002. The principal and interest have been repaid in full.

In July 2000, the Company loaned \$540,000 to Manuel Diaz, a member of the Board of Directors. The loan had an interest rate of 5.86% per annum and all principal and interest was due and payable on July 18, 2001. The terms of the loan were amended in June of 2001. As amended, the loan had an interest rate of 6.5% per annum and all principal and interest was due and payable on July 18, 2002. The principal and interest have been repaid in full.

In January 2000, the Company loaned \$504,000 to Brian Beattie, the Company's Executive Vice President of Finance and Administration and Chief Financial Officer. The loan had an interest rate of 5.86% per annum and all principal and interest was due and payable on July 18, 2001. The terms of the loan were amended in June of 2001. As amended, the loan had an interest rate of 6.5% per annum and all principal and interest was due and payable on July 18, 2002. The principal and interest have been repaid in full.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth certain information as of April 10, 2003 as to shares of the Common Stock beneficially owned by: (i) each person who is known by the Company to own beneficially more than 5% of the Common Stock, (ii) each of the Company's named executive officers, (iii) each of the Company's directors, and (iv) all directors and executive officers of the Company as a group. Ownership information is based upon information furnished by the respective individuals or entities, as the case may be.

Name and Address of Beneficial Owner (1)	Shares Beneficially Owned (2)	Percentage Beneficially Owned (2)
5% Stockholders:		
Entities affiliated with RS Investment Management Co. LLC (3)	8,015,200	23.7%
388 Market Street, Suite 1700		
San Francisco, CA 94111		
Entities affiliated with SOFTBANK Technology Ventures IV L.P. (4)	3,161,839	9.3
200 West Evelyn Avenue, Suite 200		
Mountain View, California 94043		
Entities affiliated with Accel VI L.P. (5)	2,944,097	8.7
c/o Accel Partners		
428 University Avenue		
Palo Alto, California 94301		
Austin W. Marxe (6)		
David M. Greenhouse (6)	1,907,200	5.6
153 East 53rd Street, 55th Floor		
New York, NY 10022		
Executive Officers and Directors:		
Radha R. Basu (7)	1,808,588	5.3
Brian M. Beattie (8)	480,832	1.4
Scott Dale (9)	1,715,571	5.0
Lucille Hoger (10)	171,616	*
Cadir Lee (11)	1,728,571	5.1
Bruce Mowery (12)	111,852	*
Manuel F. Diaz (13)	121,000	*
Kevin C. Eichler (14)	3,750	*
Bruce Golden (15)	116,000	*
Claude M. Leglise (16)	65,000	*

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Edward S. Russell (4)(17)	3,177,839	9.4
James Thanos (18)	3,750	*
Dick Williams (19)	13,750	*
All directors and executive officers as a group (13 persons) (20)	9,518,119	27

* Represents less than 1% of the outstanding shares of Common Stock.

(1) Unless otherwise indicated, the address of each officer, director or 5% stockholder is c/o SupportSoft, Inc., Attention: Investors Relations, 575 Broadway, Redwood City, California 94063.

- (2) To the Company's knowledge, the persons named in the table have sole voting and dispositive power with respect to all shares of Common Stock shown as beneficially owned by them, subject to community property laws where applicable and the information contained in the notes to this table. Beneficial ownership is determined in accordance with the rules and regulations of the Securities and Exchange Commission. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of Common Stock subject to options held by that person that are currently exercisable or exercisable within 60 days of April 10, 2003 are deemed outstanding. These shares, however, are not deemed outstanding for the purposes of computing ownership of any other person. Applicable percentage ownership is based on 33,826,053 shares of common stock outstanding as of April 10, 2003.
- (3) Based solely on information reported on a Schedule 13D/Amendment No. 4 filed with the Securities and Exchange Commission on April 8, 2003. RS Investment Management Co. LLC (RIMC LLC), RS Investment Management, L.P. (RIM, L.P.) and G. Randall Hecht (Hecht) may be deemed to share voting and dispositive power of these shares. RS Diversified Growth Fund (RDGF) may be deemed to share voting and dispositive power of 5,532,100 of these shares. RIM, L.P. is the investment adviser to RDGF. RIMC LLC is the general partner of RIM, L.P. Hecht is a control person of RIMC LLC and RIM, L.P.
- (4) Based solely on information provided on a Schedule 13G/Amendment No. 1 filed with the Securities and Exchange Commission on February 14, 2002. Includes 3,099,271 shares held by SOFTBANK Technology Ventures IV L.P. STV IV L.L.C., the general partner of SOFTBANK Technology Ventures IV L.P., may be deemed to have sole voting and dispositive power of the shares. Includes 62,568 shares held by SOFTBANK Technology Advisors Fund L.P. STV IV L.L.C., the general partner of SOFTBANK Technology Advisors Fund L.P., may be deemed to have sole voting and dispositive power of the shares.
- (5) Based solely on information provided on a Schedule 13G/Amendment No. 2 filed with the Securities and Exchange Commission on February 14, 2003. Includes 2,396,493 shares held directly by Accel VI L.P. Accel VI Associates L.L.C., the general partner of Accel VI L.P., may be deemed to have sole voting and dispositive power of these shares. Includes 306,187 shares held by Accel Internet Fund II L.P. Accel Internet Fund II Associates L.L.C., the general partner of Accel Internet Fund II L.P., may be deemed to have sole voting and dispositive power of these shares. Includes 38,273 shares held by Accel Keiretsu VI L.P. Accel Keiretsu VI Associates L.L.C., the general partner of Accel Keiretsu VI L.P., may be deemed to have sole voting and dispositive power of these shares. Includes 203,144 shares held by Accel Investors '98 L.P. James W. Breyer, Arthur C. Patterson, G. Carter Sednaoui, James R. Swartz and J. Peter Wagner, the general partners of Accel Investors '98 L.P., may be deemed to have sole voting and dispositive power of these shares.
- (6) Based solely on information provided on a Schedule 13G filed with the Securities and Exchange Commission on February 13, 2003. Austin W. Marx (Marx) and David M. Greenhouse (Greenhouse) share voting and dispositive power of these shares. Marx and Greenhouse are the controlling principals of AWM Investment Company (AWM), the general partner of and investment adviser to Special Situations Cayman Fund, L.P., which holds 416,700 of these shares. AWM also serves as the general partner of MGP Advisers Limited Partnership, the general partner of and investment adviser to Special Situations Fund III, L.P., which holds 1,275,900 of these shares. Marx and Greenhouse are also members of SST Advisers L.L.C., the general partner of and investment adviser to Special Situations Technology Fund, L.P., which holds 214,600 of these shares.
- (7) Includes 1,150,589 shares held by Anudip Limited Partnership. Ms. Basu and Dipak Basu are the general partners of Anudip Limited Partnership and share voting and dispositive power. Includes 105,012 shares subject to the Company's right of repurchase, which lapses over time. Includes 407,999 shares subject to options that are exercisable within 60 days of April 10, 2003.
- (8) Includes 70,000 shares held by the Beattie 1999 Living Trust. Mr. Beattie and Barbara Beattie, the trustees of the trust, have shared voting and dispositive power of these 70,000 shares. Includes 260,000 shares held

by The Beattie Limited Partnership. Mr. Beattie and Barbara Beattie are the general partners of the Beattie Limited Partnership and share voting and dispositive power. Includes 50 shares held by Mr. Beattie's daughter, all of which Mr. Beattie disclaims beneficial ownership. Includes 70,000 shares subject to the Company's right of repurchase, which lapses over time. Includes 145,782 shares subject to options which are exercisable within 60 days of April 10, 2003.

- (9) Includes 250,000 shares issuable under immediately exercisable options, a portion of which is subject to the Company's right of repurchase, which lapses over time. Includes 48,457 shares subject to options which are exercisable within 60 days of April 10, 2003. Includes 200,000 shares held by SDK Limited Partnership. Mr. Dale and Kelly Plater Dale are the general partners of SDK Limited Partnership and share voting and dispositive power over these 200,000 shares.
- (10) Includes 62,501 shares subject to the Company's right of repurchase, which lapses over time. Includes 28,666 shares subject to options which are exercisable within 60 days of April 10, 2003.
- (11) Includes 250,000 shares issuable under immediately exercisable options, a portion of which is subject to the Company's right of repurchase, which lapses over time. Includes 48,457 shares subject to options which are exercisable within 60 days of April 10, 2003. Includes 300,000 shares held by Cadir Lee Limited Partnership. Mr. Lee is the general partner of Cadir Lee Limited Partnership and has sole voting and dispositive power over these 300,000 shares.
- (12) Includes 107,852 shares subject to options which are exercisable within 60 days of April 10, 2003.
- (13) Includes 16,250 shares subject to the Company's right of repurchase, which lapses over time. Includes 40,000 shares issuable under immediately exercisable options, a portion of which is subject to the Company's right of repurchase, which lapses over time. Includes 16,000 shares subject to options which are exercisable within 60 days of April 10, 2003.
- (14) Includes 3,750 shares subject to options which are exercisable within 60 days of April 10, 2003.
- (15) Includes 16,000 shares subject to options which are exercisable within 60 days of April 10, 2003.
- (16) Includes 51,000 shares subject to options which are exercisable within 60 days of April 10, 2003. Includes 6,000 shares held in UTMA Trusts for Mr. Leglise's sons. Mr. Leglise disclaims beneficial ownership of these shares. Mr. Leglise is the Trustee for the UTMA Trusts.
- (17) Mr. Russell is a member of STV IV L.L.C., the general partner of the owners of 3,161,839 shares. Mr. Russell disclaims beneficial ownership of these shares, except to the extent of his indirect pecuniary interest therein. Includes 16,000 shares subject to options which are exercisable within 60 days of April 10, 2003.
- (18) Includes 3,750 shares subject to options which are exercisable within 60 days of April 10, 2003.
- (19) Includes 13,750 shares subject to options which are exercisable within 60 days of April 10, 2003.
- (20) Includes 253,763 shares subject to the Company's right of repurchase, which lapses over time. Includes 540,000 shares issuable under immediately exercisable options, a portion of which is subject to the Company's right of repurchase, which lapses over time. Includes 1,447,463 shares subject to options which are exercisable within 60 days of April 10, 2003.

EXECUTIVE COMPENSATION AND RELATED INFORMATION

The following table summarizes all compensation paid to the Company's Chief Executive Officer and each of the Company's other five (5) most highly compensated executive officers whose total salary and bonus exceeded \$100,000 in 2002, for services rendered in all capacities to the Company for the fiscal years ended December 31, 2002. These individuals are referred to as the named executive officers. Other than the salary and bonus described, or otherwise noted below, the Company did not pay any named executive officer in the Summary Compensation Table any fringe benefits, perquisites or other compensation in excess of 10% of that executive officer's salary and bonus during each of 2000, 2001 and 2002.

Summary Compensation Table

Name and Principal Position	Year	Annual Compensation		Long Term Compensation
		Salary (\$)	Bonus (\$)	Securities Underlying Options (#)
Radha R. Basu	2002	300,000	99,250(1)	350,000
President, Chief Executive Officer and	2001	263,269	75,000(2)	351,000
Chairman of the Board	2000	200,000	100,000	350,000
Brian M. Beattie	2002	260,000	119,490	150,000
Executive Vice President of Finance and	2001	221,295	52,500	176,000
Administration and Chief Financial Officer	2000	180,000	72,000	100,000
Bruce Mowery (3)	2002	205,000	25,933	50,000
Vice President of Marketing	2001	197,247	29,897	176,000
Lucille Hoger (4)	2002	200,000	25,750	
Vice President of Operations	2001	175,000	21,116	76,000
	2000	146,667	18,277	300,000
Scott W. Dale	2002	200,000	23,250(5)	100,000
Chief Technology Officer and	2001	186,295	25,000	101,000
Vice President of Engineering	2000	150,000		
Cadir B. Lee	2002	200,000	23,250(5)	100,000
Chief Software Officer	2001	180,833	20,834	101,000
	2000	150,000		

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- (1) Excludes \$72,225 of bonus compensation deferred until June 30, 2003, to be paid based upon the Company's performance.
- (2) Excludes \$214,300 resulting from the following: In April 2001, the Compen