

# SECURITIES & EXCHANGE COMMISSION EDGAR FILING

## Support.com, Inc.

**Form: 8-K**

**Date Filed: 2006-10-26**

Corporate Issuer CIK: 1104855

Symbol: SPRT

Fiscal Year End: 12/31

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

**FORM 8-K**

**CURRENT REPORT**

**Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934**

Date of Report: **October 26, 2006**  
(Date of earliest event reported)

**SUPPORTSOFT, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation)

**0-30901**  
(Commission File Number)

**94-3282005**  
(IRS Employer  
Identification No.)

**575 Broadway, Redwood City, California 94063**  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(650) 556-9440**

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240-13e-4(c))

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**Item 2.02. Results of Operations and Financial Condition**

*The information contained in this Item 2.02 and in the accompanying exhibit shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or incorporated by reference in any filing under the Exchange Act or the Securities Act of 1933, as amended (the "Securities Act"), except as shall be expressly set forth by specific reference in such filing.*

On October 26, 2006, SupportSoft, Inc. (the "Company") issued a press release announcing its results for the quarter ended September 30, 2006, and intends to present additional information during a related conference call to be held on October 26, 2006. The press release and the conference call contain forward-looking statements regarding the Company and include cautionary statements identifying important factors that could cause actual results to differ materially from those anticipated. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

#### Item 9.01. Financial Statements and Exhibits

*The information contained in the accompanying Exhibit 99.1 shall not be deemed filed for purposes of Section 18 of the Exchange Act or incorporated by reference in any filing under the Exchange Act or the Securities Act, except as shall be expressly set forth by specific reference in such filing.*

#### (d) Exhibits.

<u>Exhibit</u>	<u>Description</u>
99.1	Press Release issued by SupportSoft, Inc. dated October 26, 2006.

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#### SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: October 26, 2006

SUPPORTSOFT, INC.

By: /s/ Ken Owyang

\_\_\_\_\_  
Ken Owyang  
Chief Financial Officer and Senior Vice President of Finance  
and Administration  
(Principal Financial Officer and Chief Accounting Officer)

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#### EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release issued by SupportSoft, Inc. dated October 26, 2006.

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## SupportSoft Reports Third Quarter 2006 Results

REDWOOD CITY, Calif., October 26, 2006 — SupportSoft, Inc. (NASDAQ: SPRT) today reported financial results for its third quarter ended September 30, 2006.

Total revenue for the third quarter of 2006 was \$11.9 million, up from \$10.8 million in the second quarter of 2006. License revenue for the third quarter of 2006 was \$4.5 million, up from \$3.5 million in the second quarter of 2006. Services revenue for the third quarter of 2006 was \$7.4 million, up from \$7.3 million in the second quarter of 2006. For the third quarter of 2005, total revenue was \$13.0 million, license revenue was \$5.4 million and services revenue was \$7.6 million.

Non-GAAP net loss for the third quarter of 2006 was \$127,000, or \$(0.00) per share, compared to a non-GAAP net loss of \$1.7 million, or \$(0.04) per share, in the second quarter of 2006. For the third quarter of 2005, net loss was \$85,000, or \$(0.00) per share. Non-GAAP results exclude stock compensation expense of \$804,000, \$862,000 and \$0 and restructuring charges of \$756,000, \$0 and \$0 for the third quarter of 2006, the second quarter of 2006 and the third quarter of 2005, respectively. A reconciliation of GAAP to non-GAAP results is presented in the tables below.

On a GAAP basis, net loss for the third quarter of 2006 was \$1.7 million, or \$(0.04) per share, compared to a net loss of \$2.5 million, or \$(0.06) per share, in the second quarter of 2006. For the third quarter of 2005, net loss was \$85,000, or \$(0.00) per share.

Cash and marketable securities at September 30, 2006 was \$122.5 million, up slightly from the cash position at June 30, 2006.

"I'm pleased with the financial results we achieved in the third quarter relative to plan," said Joshua Pickus, President and CEO of SupportSoft. "Over the past 90 days, we made significant progress in strengthening our traditional corporate business and laying the foundation for our new consumer technology support business."

### Business Highlights

- Completion of agreements with first consumer partner, one of the largest PC manufacturers in the world, covering a desktop tool for consolidation of the support experience and a PC performance enhancement service
- Hiring of David Tmlak, Senior Vice President of Customer Care at Time Warner Cable, to run the Expert Center to be used in the consumer offering
- Establishment of consumer marketing team led by Anthony Rodio, who previously held marketing positions at Proctor & Gamble, Microsoft Network and Amazon.com
- Penetration of new international markets with transactions in Thailand, Slovenia and Japan
- Establishment of a selling relationship with Huawei Technologies of China
- International Engineering Consortium award at Broadband World Forum for ServiceGateway™ Solution
- Expansion of managed service provider relationships evidenced by license transaction with EDS
- Appointment of Adobe Systems veteran Jim Stephens to Board of Directors

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### Financial Outlook

For the fourth quarter of 2006, the Company currently expects total revenue of \$12 million to \$13 million and a non-GAAP net loss of \$(0.04) to \$(0.06) per share.

### Conference Call

SupportSoft will host a conference call discussing the Company's third quarter 2006 results on Thursday, October 26, 2006 starting at 2:00 p.m. PDT. A live webcast of the call will be available on the Investor Relations section of the Company's web site at <http://www.supportsoft.com/investors>. For those unable to listen to the live webcast, a replay of the call will also be available on the SupportSoft website, or by dialing (617) 801-6888 and entering passcode 76404950.

### About SupportSoft

SupportSoft is a leading provider of software and services that automate the resolution of technology problems. Digital service providers benefiting from SupportSoft solutions include Belgacom, BellSouth, Bharti Airtel, Charter Communications, Comcast

Communications, Cox Communications, Time Warner, TeliaSonera, UPC and Verizon. Enterprises that have licensed SupportSoft products include ADP, Bank of America, BT, Kimberly-Clark, Sony and Symantec. Managed service providers that utilize the Company's solutions to provide outsourced services include EDS, CSC and CompuCom. For more information visit <http://www.supportsoft.com/>.

#### Safe Harbor Statement

This press release and the related conference call contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These are statements that relate to future events and include, but are not limited to, statements related to expected future revenue and earnings per share, and future plans, opportunities and expectations of the Company. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those discussed in these forward-looking statements. These risks and uncertainties include, but are not limited to, our ability to achieve broad adoption and acceptance of our offerings, the potential for a decrease in revenue caused by our reliance on a few large transactions in any period, long sales cycles, the ability of our software to operate with hardware and software platforms that are used by our customers now or in the future, our ability to compete successfully in the support automation software market and in the consumer technology support market, our limited experience in servicing consumers directly, our ability to meet consumer expectations, our dependence on channel partners for customer acquisition, our ability to manage rapid headcount growth and outsourced facilities, our ability to address market opportunities in light of the recent restructuring and leadership transitions, diversion of management attention to litigation matters or strategic matters, our ability to accurately predict performance, our ability to retain key employees, our ability to obtain sufficient patent protection, the uncertain economic conditions in the United States and in international markets as well as other risks detailed from time to time in our SEC filings, including those described in the "Risk Factors" section in our most recent Quarterly Report on Form 10-Q. Statements included in this release are based upon

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information known to SupportSoft as of the date of this release, and SupportSoft assumes no obligation to update information contained in this press release.

#### CONTACT:

##### Investors

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##### Media

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**SUPPORTSOFT, INC.**  
**NON-GAAP CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share amounts)  
(unaudited)

	Three Months Ended		
	September 30, 2006	June 30, 2006	September 30, 2005
<b>Revenue:</b>			
License fees	\$ 4,479	\$ 3,483	\$ 5,404
Services	7,379	7,281	7,582
<b>Total revenue</b>	<b>11,858</b>	<b>10,764</b>	<b>12,986</b>
<b>Costs and expenses:</b>			
Cost of license fees	119	109	123
Cost of services	3,684	3,284	3,530

Amortization of intangible assets	272	272	272
Research and development	2,144	2,219	2,700
Sales and marketing	5,456	5,659	5,304
General and administrative	2,080	2,358	2,110
<b>Total costs and expenses</b>	13,755	13,901	14,039
<b>Loss from operations</b>	(1,897)	(3,137)	(1,053)
Interest income and other, net	1,842	1,557	909
<b>Loss before income taxes</b>	(55)	(1,580)	(144)
<b>(Provision) benefit for income taxes</b>	(72)	(94)	59
<b>Net loss</b>	\$ (127)	\$ (1,674)	\$ (85)
<b>Net loss per share:</b>			
Basic	\$ (0.00)	\$ (0.04)	\$ (0.00)
Diluted	\$ (0.00)	\$ (0.04)	\$ (0.00)
<b>Shares used in computing per share amounts:</b>			
Basic	44,152	44,009	43,001
Diluted	44,152	44,009	43,001

**SUPPORTSOFT, INC.**  
**GAAP CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share amounts)  
(unaudited)

	<b>Three Months Ended</b>		
	<u>September 30, 2006</u>	<u>June 30, 2006</u>	<u>September 30, 2005</u>
<b>Revenue:</b>			
License fees	\$ 4,479	\$ 3,483	\$ 5,404
Services	7,379	7,281	7,582
<b>Total revenue</b>	11,858	10,764	12,986
<b>Costs and expenses:</b>			
Cost of license fees	119	109	123
Cost of services	3,684	3,284	3,530
Amortization of intangible assets	272	272	272
Research and development	2,144	2,219	2,700
Sales and marketing	5,456	5,659	5,304
General and administrative	2,080	2,358	2,110
Restructuring charge	756	—	—
Stock-based compensation	804	862	—
<b>Total costs and expenses</b>	15,315	14,763	14,039
<b>Loss from operations</b>	(3,457)	(3,999)	(1,053)
Interest income and other, net	1,842	1,557	909
<b>Loss before income taxes</b>	(1,615)	(2,442)	(144)
<b>(Provision) benefit for income taxes</b>	(72)	(94)	59
<b>Net loss</b>	\$ (1,687)	\$ (2,536)	\$ (85)

**Net loss per share:**

Basic	\$ (0.04)	\$ (0.06)	\$ (0.00)
Diluted	\$ (0.04)	\$ (0.06)	\$ (0.00)

**Shares used in computing per share amounts:**

Basic	44,152	44,009	43,001
Diluted	44,152	44,009	43,001

**Allocation of restructuring charges:**

Cost of services	\$ 184	\$ —	\$ —
Research and development	40	—	—
Sales and marketing	338	—	—
General and administrative	194	—	—
<b>Total restructuring charges</b>	<b>\$ 756</b>	<b>\$ —</b>	<b>\$ —</b>

**Allocation of stock-based compensation:**

Cost of services	\$ 87	\$ 60	\$ —
Research and development	83	113	—
Sales and marketing	219	188	—
General and administrative	415	501	—
<b>Total stock-based compensation</b>	<b>\$ 804</b>	<b>\$ 862</b>	<b>\$ —</b>

**SUPPORTSOFT, INC.**  
**RECONCILIATION OF GAAP TO NON-GAAP**  
**NET LOSS AND NET LOSS PER SHARE**  
(in thousands, except per share amounts)  
(unaudited)

	Three Months Ended		
	September 30, 2006	June 30, 2006	September 30, 2005
<b>GAAP net loss</b>	\$ (1,687)	\$ (2,536)	\$ (85)
Restructuring charge	756	—	—
Stock-based compensation expense under SFAS123R	804	862	—
<b>Non-GAAP net loss</b>	<b>\$ (127)</b>	<b>\$ (1,674)</b>	<b>\$ (85)</b>
<b>Non-GAAP net loss per share:</b>			
Basic	\$ (0.00)	\$ (0.04)	\$ (0.00)
Diluted	\$ (0.00)	\$ (0.04)	\$ (0.00)
<b>Shares used in computing per share amounts:</b>			
Basic	44,152	44,009	43,001
Diluted	44,152	44,009	43,001

These adjustments reconcile the Company's GAAP statements of operations to the reported non-GAAP statements of operations. The Company believes that presentation of net loss and net loss per share excluding the restructuring charge and non-cash stock-based compensation expense provides meaningful supplemental information to investors, as well as management, that is indicative of the Company's core operating results and facilitates comparison of operating results across reporting periods. The Company uses these non-GAAP measures when evaluating its financial results, as well as for internal planning and budgeting purposes. These non-GAAP measures should not be viewed as a substitute for the Company's GAAP results, and may be different from non-GAAP measures used by other companies.

**SUPPORTSOFT, INC.**  
**GAAP CONDENSED CONSOLIDATED BALANCE SHEETS**  
(in thousands)

	September 30, 2006 <u>(unaudited)</u>	June 30, 2006 <u>(unaudited)</u>	December 31, 2005 <u></u>
<b>Assets</b>			
Current assets:			
Cash and marketable securities	\$ 122,484	\$ 122,454	\$ 120,663
Accounts receivable, net	7,163	6,605	17,437
Prepays and other current assets	2,644	2,535	2,451
Property and equipment, net	928	1,000	1,211
Goodwill	9,792	9,792	9,792
Intangible assets, net	3,177	3,450	3,994
Other assets	441	509	701
<b>Total assets</b>	<b>\$ 146,629</b>	<b>\$ 146,345</b>	<b>\$ 156,249</b>
<b>Liabilities and Stockholders' Equity</b>			
Liabilities:			
Accounts payable and accrued compensation	\$ 1,890	\$ 1,984	\$ 3,699
Other accrued liabilities	3,382	2,627	2,985
Deferred revenue	10,715	10,917	15,029
Other long term liabilities	173	172	142
Total liabilities	16,160	15,700	21,855
Stockholders' equity:			
Common stock	4	4	4
Treasury stock	(922)	(922)	(922)
Additional paid-in-capital	201,172	199,780	196,912
Other comprehensive loss	(675)	(794)	(645)
Accumulated deficit	(69,110)	(67,423)	(60,955)
Total stockholders' equity	130,469	130,645	134,394
<b>Total liabilities and stockholders' equity</b>	<b>\$ 146,629</b>	<b>\$ 146,345</b>	<b>\$ 156,249</b>