SUPPORTSOFT INC
Form 424B4
November 19, 2003
Table of Contents

Filed pursuant to Rule 424(b)(4)

Registration No. 333-109752

SupportSoft, Inc.

6,000,000 Shares

Common Stock

This is a public offering of common stock of SupportSoft, Inc. We are offering 6,000,000 shares of our common stock. Our common stock is traded on the Nasdaq National Market under the symbol SPRT. On November 18, 2003, the last reported sale price of our common stock was $12.29 per share.

Investing in our common stock involves risk. See Risk Factors beginning on page 5.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or passed upon the adequacy or accuracy of this prospectus. Any representation to the contrary is a criminal offense.

	Per Share	Total
Public offering price	$ 12.00	$ 72,000,000
Underwriting discounts and commissions	$ 0.63	$ 3,780,000
Proceeds, before expenses, to SupportSoft	$ 11.37	$ 68,220,000

We have granted the underwriters the right to purchase up to 900,000 additional shares of our common stock to cover over-allotments.

Delivery of the shares of common stock will be made on or about November 21, 2003.

Deutsche Bank Securities

Citigroup	**Lehman Brothers**
First Albany Capital	**RBC Capital Markets**

The date of this prospectus is November 18, 2003.

Table of Contents

PROSPECTUS SUMMARY

You should read the summary below together with the more detailed information regarding our company and the common stock being sold in this offering appearing elsewhere in this prospectus and in our consolidated financial statements and related notes and other documents incorporated herein by reference. Except as otherwise noted, all information in this prospectus assumes the underwriters will not exercise their over-allotment option.

SupportSoft

We are a leading provider of support and service management software designed to accelerate and automate enterprise technical support, customer service and IT infrastructure management. We refer to this as real-time service management software. Our software solutions are utilized by enterprises to service customers, partners and employees either directly or as part of an outsourced solution from managed service providers, and by consumers and businesses through digital service providers. We believe that our real-time service management software, including its self-healing and mass-healing capabilities that preemptively diagnose and resolve software problems, allows organizations to keep up with the growing complexity and cost of IT infrastructure and related support and service problems. Organizations can benefit from our software by reducing costs and improving productivity and customer satisfaction by keeping key software and technology-based services operating and accessible on devices when using the Internet, or cable, wireless and wireline networks.

Technology has become a critical and fundamental element of business operations. The proliferation of technologies throughout an organization s business network includes personal computers and mobile devices, as well as customer-, supplier- and consumer-oriented technologies such as sales kiosks and digital service and supplier networks. We believe that organizations depend on the reliability and accessibility of their information technology, or IT, infrastructure to compete successfully. Given this dependence, organizations face increasing costs and challenges related to managing these complex, distributed and diverse technology environments. Traditional approaches to resolving support and service issues and managing IT infrastructures have proven to be inefficient and difficult to scale in meeting the requirements of consumers and business users. Our software suites and component products provide organizations with automated alternatives to the technical support and service offered today through phone support or on-site visits from technical professionals, which are typically labor intensive, time-consuming and costly.

Enterprises that have purchased our products and services include: ADP, Inc., Bank of America Corporation, Cisco Systems, Inc., IBM Corporation, The Procter & Gamble Company, Siebel Systems, Inc., Sony Electronics, Inc. and Thomson Financial Inc.; managed service providers that have purchased our products to provide outsourced services to enterprises include: Accenture Limited, Affiliated Computer Services, Inc., CompuCom Systems, Inc., Computer Sciences Corporation, IBM Global Services and Perot Systems Corporation; and digital service providers incorporating our software into their service offerings include: Adelphia Communications Corporation, BellSouth Corporation, Charter Communications, Inc., Comcast Corporation, Cox Communications, Inc., SBC Communications, Inc., TeliaSonera, AB and Time Warner Cable.

1

Table of Contents

Our objective is to be the global leader of real-time service management software for enterprises and digital service providers. Key elements of our strategy include:

- extend our support and service automation leadership;
- maintain and enhance technology leadership position;
- expand international presence;
- expand relationships with managed service providers; and
- pursue strategic acquisitions.

We were incorporated in Delaware in December 1997 under the name Replicase, Inc. We changed our name to Tioga Systems, Inc. in October 1998, to Support.com, Inc. in December 1999 and to SupportSoft, Inc. in March 2002. Our principal executive offices are located at 575 Broadway, Redwood City, California 94063 and our telephone number at this address is (650) 556-9440. Our website address is www.supportsoft.com. The information on our website is not part of this prospectus.

Table of Contents

The Offering

Common stock offered by SupportSoft.	6,000,000 shares
Common stock to be outstanding after this offering	40,518,635 shares
Use of proceeds	For working capital and general corporate purposes, including expansion of our sales efforts and international operations. We may use a portion of the net proceeds for acquisitions of complementary businesses, products or technologies. We currently have no agreements or commitments with respect to any acquisitions. See Use of Proceeds.
Nasdaq National Market symbol	SPRT

Unless otherwise indicated, the number of shares of our common stock outstanding after this offering is based on shares outstanding as of September 30, 2003 and assumes no exercise of the underwriters over-allotment option. This number does not include:

- 8,015,854 shares of common stock issuable upon exercise of stock options outstanding under our stock option plans as of September 30, 2003 at a weighted average exercise price of $5.43 per share;
- 3,765,750 shares of common stock reserved and available for future issuance under our stock option plans as of September 30, 2003; and
- 2,411,208 shares of common stock reserved and available for future issuance under our employee stock purchase plan as of September 30, 2003.

Table of Contents

Summary Consolidated Financial Data

(in thousands, except share and per share data)

	Period From Incorporation on December 3, 1997 to December 31,	Year Ended December 31,				Nine Months Ended September 30,	
	1998	1999	2000	2001	2002	2002	2003
						(Unaudited)	
Consolidated Statement of Operations Data:							
Total revenue	$ 18	$ 3,211	$ 18,666	$ 30,430	$ 41,160	$ 29,344	$ 38,137
Income (loss) from operations	(2,804)	(13,684)	(38,586)	(29,758)	(4,105)	(5,104)	6,075
Net income (loss)	(2,750)	(13,514)	(36,868)	(28,180)	(3,642)	(4,591)	6,055
Net income (loss) attributable to common stockholders	(2,964)	(14,586)	(37,753)	(28,180)	(3,642)	(4,591)	6,055
Net income (loss) per share:							
Basic	(0.57)	(2.20)	(2.09)	(0.91)	(0.11)	(0.14)	0.18
Diluted	(0.57)	(2.20)	(2.09)	(0.91)	(0.11)	(0.14)	0.17
Weighted average shares:							
Basic	5,227	6,643	18,102	31,078	32,486	32,290	33,705
Diluted	5,227	6,643	18,102	31,078	32,486	32,290	36,404

	September 30, 2003	
	Actual	Pro Forma as Adjusted
	(Unaudited)	
Consolidated Balance Sheet Data:		
Cash, cash equivalents and short-term investments	$ 37,406	$ 104,826
Working capital	32,839	100,259
Total assets	55,382	122,802
Total stockholders equity	31,926	99,346

The statement of operations for the year ended December 31, 1998 is presented for the period from our incorporation on December 3, 1997. Operating expenses totaled approximately $9,000 for the period from our incorporation on December 3, 1997 to December 31, 1997.

Please see note 1 of the notes to the financial statements for an explanation of the determination of the number of shares used in computing per share data.

The pro forma as adjusted balance sheet data assumes the sale of the 6,000,000 shares of common stock that we are offering under this prospectus at a public offering price of $12.00 per share and the deduction of the underwriting discounts and commissions and estimated offering expenses payable by us.

Table of Contents

RISK FACTORS

You should read carefully this entire prospectus, as well as the documents incorporated by reference in this prospectus, before making an investment decision. You should carefully consider the risk factors described below, as well as the factors listed in Forward-Looking Statements.

Risks Related to Our Business

Our quarterly results are difficult to predict and may fluctuate, which may cause our stock price to decline.

Our quarterly revenue and operating results are difficult to predict and may fluctuate from quarter to quarter. As a result, we believe that quarter-to-quarter and year-to-year comparisons of our revenue and operating results are not necessarily meaningful, and that these comparisons may not be accurate indicators of future performance. Our operating results in some quarters may fall below our guidance or the expectations of securities analysts or investors, which would likely cause the market price of our common stock to decline.

Several factors that have contributed or may in the future contribute to fluctuations in our operating results include:

- demand for our support and service automation software;
- size and timing of customer orders and our ability to receive payment and recognize revenue in a given quarter;
- the mix of license revenue from perpetual arrangements with up-front recognition versus license revenue from ratable arrangements;
- the price and mix of products and services we or our competitors offer;
- our ability to attract and retain customers;
- the amount and timing of operating costs and capital expenditures relating to expansion of our business, infrastructure and marketing activities;
- general economic conditions and their affect on our operations; and
- the effects of external events such as terrorist acts and any related conflicts or similar events worldwide.

We license our support and service automation software under perpetual and term licenses. Perpetual licenses typically result in our immediate recognition of a larger amount of revenue in the particular quarter or period in which we grant the license and deliver the product as compared with term licenses. Revenue from a term license is recognized ratably on a monthly basis over the agreement term, which is typically three years. In addition, we typically derive a significant portion of our revenue each quarter from a number of orders received in the last month of a quarter. If we fail to close orders expected to be completed toward the end of a quarter, particularly if these orders are for perpetual licenses, which are representing an increasing percentage of our revenue, or if there is any cancellation of or delay in the closing of orders, particularly any large customer orders, our quarterly results would suffer.

Table of Contents

Because a small number of customers have historically accounted for and may in future periods account for substantial portions of our revenue, our revenue could decline because of delays of customer orders.

A small number of customers have historically accounted for, and may in future periods account for, substantial portions of our revenue in any given quarter. For example, two, one and three customers accounted for 56%, 49% and 40% of our total revenue in the three months ended September 30, 2003, June 30, 2003 and March 31, 2003, respectively. One customer accounted for 19% of our total revenue and another customer accounted for 12% of our total revenue for the nine months ended September 30, 2003. Because a small number of customers are likely to continue to account for a significant portion of our revenue in any given quarter, our revenue could decline because of the loss or delay of a single customer order or the failure of an existing customer to renew its term license. We may not obtain additional customers. The failure to obtain additional customers, particularly customers that purchase perpetual licenses, the loss or delay of customer orders and the failure of existing customers to renew licenses or pay fees due would harm our operating results.

We have a history of losses and only recently became profitable on a quarterly basis and may not maintain profitability.

We incurred net losses of approximately $78.9 million for the period from December 3, 1997 through September 30, 2003 and have only been profitable on a quarterly basis since the third quarter of 2002. If we fail to sustain or increase profitability, we may not be able to increase our number of employees in sales, marketing and research and development programs or increase our investments in capital equipment or otherwise execute our business plan.

Our sales cycle can be lengthy and if revenue forecasted for a particular quarter is not realized in that quarter, significant expenses incurred may not be offset by corresponding sales.

Our sales cycle for our support and service automation software typically ranges from three to nine months or more and may vary substantially from customer to customer. The purchase of our products and services generally involves a significant commitment of capital and other resources by a customer. This commitment often requires significant technical review, assessment of competitive products and approval at a number of management levels within a customer s organization. While our customers are evaluating our products and services, we may incur substantial sales and marketing expenses and spend significant management effort to complete these sales. Any delay in completing sales in a particular quarter could cause our operating results to be below expectations.

We must achieve broad adoption and acceptance of our support and service automation products and services or we will not increase our market share or expand our business.

We must achieve broad market acceptance and adoption of our products and services or our business and operating results will suffer. Specifically, we must encourage our customers to transition from using traditional support and service methods to our support and service automation solutions. To accomplish this, we must:

- continually improve the performance, features and reliability of our products and services to address changing industry standards and customer needs; and develop integration with other support-related technologies.

Table of Contents

If we fail to manage growth in our business effectively, then our infrastructure, management and resources might be strained and our ability to manage our business could be diminished.

If we experience rapid growth in the future, it will likely place a significant strain on our resources. For example, we are currently planning to hire additional sales, marketing and development personnel. Competition for the hiring of qualified employees in these areas is intense, and we may be unable to attract and retain the required personnel to meet our business objectives. In addition, if we experience significant and rapid growth, we may need to expand and otherwise improve our internal systems, including our management information systems, customer relationship and support systems, and operating, administrative and financial systems and controls. This effort may cause us to make significant capital expenditures or incur significant expenses, and divert the attention of management, sales, support and finance personnel from our core business operations, which may adversely affect our financial performance in one or more quarters. Moreover, our growth has resulted, and any future growth will result, in increased responsibilities of management personnel. Managing this growth will require substantial resources that we may not have or otherwise be able to obtain.

We are expanding our international operations and if our revenue from this effort does not exceed the expense of establishing and maintaining international operations, our business could suffer.

We are expanding the sales and marketing of our products and services and our operations into international markets, including in Europe and Asia. For example, we have recently opened a new office in India to conduct research and development. We have incurred and expect to incur costs and expend resources associated with commencing operations in a foreign country. We have limited experience in international operations and may not be able to compete effectively in international markets. If we do not generate enough revenue from international operations to offset the expense of these operations, our business and our ability to increase revenue and enhance our operating results could suffer. Risks we face in conducting business internationally include:

- difficulties and costs of staffing and managing international operations;
- differing technology standards and legal considerations;
- longer sales cycles and collection periods;
- dependence on local vendors;
- difficulties in staffing and managing international operations, including the difficulty in managing a geographically dispersed workforce in compliance with diverse local laws and custom;
- potential adverse tax consequences;
- changes in currency exchange rates and controls;
- restrictions on repatriation of earnings from our international operations; and

the effects of external events such as terrorist acts and any related conflicts or similar events worldwide.

If our existing customers do not renew term licenses or maintenance services or purchase additional products, our operating results could suffer.

Historically, we have derived, and expect to continue to derive, a significant portion of our total revenue from existing customers who purchase additional products and renew term

Table of Contents

licenses and maintenance services. A significant portion of our customers license our products under term licenses, which typically cover a period of three years. Our customers may not renew term licenses or maintenance services, purchase additional products and may not expand their use of our products. In addition, as we deploy new versions of our products or introduce new products, our current customers may not require or desire the functionality of our new products and may not ultimately purchase these products. If our customers do not renew term licenses or maintenance services or do not purchase additional products, our revenue levels and operating results could suffer.

Our product innovations may not achieve the market penetration necessary for us to expand our market share.

If we fail to develop new or enhanced versions of our support and service automation software in a timely manner or to provide new products and services that achieve rapid and broad market acceptance, we may not maintain or expand our market share. We may fail to identify new product and service opportunities for our current market or new markets that we enter into in the future. For example, in the near term, we intend to expand our business with managed service providers. In addition, our existing products will become obsolete if we fail to introduce new products or product enhancements that meet new customer demands, support new standards or integrate with new or upgraded versions of packaged applications. We have limited control over factors that affect market acceptance of our product and services, including:

- the willingness of enterprises, including management service providers, to transition to support and service automation solutions; and
- acceptance of competitors support and service automation solutions or other similar technologies.

Our software may not operate with the hardware and software platforms that are used by our customers now or in the future, and as a result our business and operating results may suffer.

We currently serve a customer base with a wide variety of constantly changing hardware, packaged software applications and networking platforms. Our applications are based on the Microsoft, Linux and Unix operating systems, and if we fail to release versions of our support and service automation software that are compatible with other operating systems, software applications or hardware devices used by our customers, our business and operating results would suffer. Our future success also depends on:

- the ability of our product to inter-operate with multiple platforms and to modify our product as new versions of packaged applications are introduced and used by our customer base; and
- our management of software being developed by third parties for our customers or for use with our products.

We may engage in investments or acquisitions that could divert management attention and prove difficult to integrate with our business and technology.

We may engage in investments in, or acquisitions of, complementary companies, products or technologies. If we fail to integrate successfully any future acquisitions, or the technologies associated with such acquisitions, into our company, the revenue and operating results of the combined company could decline. The process of integrating an acquired business, technology, service or product into our business and operations may result in unforeseen operating

Table of Contents

difficulties and expenditures. Acquisitions involve a number of other potential risks to our business, including the following:

- potential adverse effects on our operating results, including unanticipated costs and liabilities, unforeseen accounting charges or fluctuations resulting from failure to accurately forecast the financial impact of an acquisition;
- failure to integrate acquired products or technologies with our existing products, technologies and business model;
- failure to integrate management information systems, personnel, research and development and marketing, sales and support operations;
- potential loss of key employees from the acquired company;
- diversion of management s attention from other business concerns and disruption of our ongoing business;
- difficulty in maintaining controls and procedures;
- potential loss of the acquired company s customers;
- uncertainty on the part of our existing customers about our ability to operate on a combined basis;
- failure to realize the potential financial or strategic benefits of the acquisition; and
- failure to successfully further develop the acquired company s technology, resulting in the impairment of amounts capitalized as intangible assets.

We rely on third-party technologies and our inability to use or integrate third-party technologies could delay product or service development.

We intend to continue to license technologies from third parties, including applications used in our research and development activities and technologies such as third-party search engine technology, which are integrated into our products and services. Our inability to obtain or integrate any of these technologies with our own products could delay product and service development until equivalent technology can be identified, licensed and integrated. These technologies may not continue to be available to us on commercially reasonable terms or at all. We may fail to successfully integrate any licensed technology into our products or services, which would harm our business and operating results. Third-party licenses also expose us to increased risks that include:

- risks of product malfunction after new technology is integrated;

the diversion of resources from the development of our own proprietary technology; and

our inability to generate revenue from new technology sufficient to offset associated acquisition and maintenance costs.

Our failure to establish and expand third-party alliances would harm our ability to sell our support and service automation software.

We have several alliances with third parties that are important to our business. Our existing relationships include those with software and hardware vendors, and relationships with companies who provide outsourced support and service capabilities to enterprise customers. If these relationships fail, we may have to devote substantially more resources to the sales and

Table of Contents

marketing of our products and services than we would otherwise, and our efforts may not be as effective. For example, companies that provide outsourced support and services often have extensive relationships with our existing and potential customers and significant input in the purchase decisions of these customers. Our failure to maintain these existing technology relationships, or to establish new technology relationships with key third parties, could significantly harm our ability to sell our products and services.

We may need additional capital and if funds are not available on acceptable terms, we may not be able to hire and retain employees, fund our expansion or compete effectively.

We believe that our existing capital resources will enable us to maintain our operations for at least the next 12 months. However, if our capital requirements vary materially from those currently planned, we may require additional financing sooner than anticipated. This financing may not be available in sufficient amounts or on terms acceptable to us and may be dilutive to existing stockholders. If adequate funds are not available or are not available on acceptable terms, our ability to hire, train or retain employees, fund our expansion, take advantage of business opportunities, develop or enhance services or products or respond to competitive pressures would be significantly limited.

We may lose the services of our key personnel, which in turn would harm the market s perception of our business and our ability to achieve our business goals.

Our success will depend on the skills, experience and performance of our senior management, engineering, sales, marketing and other key personnel. The loss of the services of any of our senior management or other key personnel, including Radha R. Basu, our president, chief executive officer and chairman, Brian Beattie, our executive vice president of finance and administration and chief financial officer, Scott W. Dale, our vice president of engineering and chief technical officer and Cadir B. Lee, our chief software officer, as well as Chris Grejtak, our senior vice president of marketing and chief marketing officer, and John Van Siclen, our senior vice president of worldwide field operations, both of whom joined us recently, could harm the market s perception of our business and our ability to achieve our business goals. In addition, if the integration of new members of our senior management team does not go as smoothly as anticipated, it could negatively affect our ability to execute our business plans.

We must compete successfully in the support and service automation market or we will lose market share and our business will suffer.

We compete in markets that are highly competitive, subject to rapid change and significantly affected by new product introductions and other market activities of industry participants. We compete with a number of companies in the market for automated delivery of support and service and other vendors who may offer products or services with features that compete with specific elements of our software suites or with our component products. In addition, our customers and potential customers have developed or may develop support and service automation software systems in-house. We expect that internally developed applications will continue to be a principal source of competition in the foreseeable future.

The markets for our products are still rapidly evolving, and we may not be able to compete successfully against current and potential competitors. Our ability to expand our business will depend on our ability to maintain our technological advantage, introduce timely enhanced products to meet the growing support needs, deliver on-going value to our customers and scale our business. Our potential competitors may have longer operating histories, significantly

10

Table of Contents

greater financial, technical and other resources or greater name recognition than we do. Competition in our markets could reduce our market share or require us to reduce the price of products and services, which could harm our business, financial condition and operating results.

Our system security is important to our customers and we may need to spend significant resources to protect against or correct problems caused by security breaches.

A fundamental requirement for online communications, transactions and support is the secure transmission of confidential information. Third parties may attempt to breach our security or that of our customers. We may be liable to our customers for any breach in security and any breach could harm our business and reputation. Also, computers are vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to interruptions, delays or loss of data. We may be required to expend significant capital and other resources to further protect against security breaches or to correct problems caused by any breach.

We may face claims of invasion of privacy or inappropriate disclosure, use or loss of our customers   information and any liability imposed could harm our reputation and cause us to lose customers.

Our software contains features which may allow us or our customers to control, monitor or collect information from computers running the software without notice to the computing users. Therefore we may face claims about invasion of privacy or inappropriate disclosure, use or loss of this information. Any imposition of liability could harm our reputation, cause us to lose customers and cause our operating results to suffer.

Any system failure that causes an interruption in our customers   ability to use our products or services or a decrease in their performance could harm our relationships with our customers and result in reduced revenue.

Our software may depend on the uninterrupted operation of our internal and outsourced communications and computer systems. These systems are vulnerable to damage or interruption from computer viruses, human error, natural disasters, electricity grid failures and intentional acts of vandalism and similar events. Our disaster recovery plan may not be adequate and business interruption insurance may not be enough to compensate us for losses that occur. These problems could interrupt our customers ability to use our support and service automation products or services, which could harm our reputation and cause us to lose customers and revenue.

We may not obtain sufficient patent protection, which could harm our competitive position, increase our expenses and harm our business.

Our success and ability to compete depend to a significant degree upon the protection of our software and other proprietary technology. It is possible that:

our pending patent applications may not be issued;

competitors may independently develop similar technologies or design around any of our patents;

patents issued to us may not be broad enough to protect our proprietary rights; and

our issued patents could be successfully challenged.

Table of Contents

Our products depend on and work with products containing complex software and if our products fail to perform properly due to errors in the software, we may need to devote resources to correct the errors or compensate for losses from these errors and our reputation could be harmed.

Our products depend on complex software, both internally developed and licensed from third parties. Also, our customers may use our products with other companies products which also contain complex software. Complex software often contains errors and may not perform properly. These errors could result in:

- delays in product shipments;
- unexpected expenses and diversion of resources to identify the source of errors or to correct errors;
- damage to our reputation;
- lost sales;
- demands, claims and litigation and related defense costs; and
- product returns, refunds or other damages claims.

If our products fail to perform properly due to errors, bugs or similar problems in the software, we could be required to devote valuable resources to correct the errors or compensate for losses from these errors. Furthermore, if our products are found to contain errors or bugs, whether resulting from internally developed or third-party licensed software, our reputation with our customer base could be harmed and our business could suffer.

We rely upon trademarks, copyrights and trade secrets to protect our proprietary rights and if these rights are not sufficiently protected, it could harm our ability to compete and to generate revenue.

We rely on a combination of laws, such as patents, copyright, trademark and trade secret laws, and contractual restrictions, such as confidentiality agreements and licenses, to establish and protect our proprietary rights. Our ability to compete and grow our business could suffer if these rights are not adequately protected. Our proprietary rights may not be adequately protected because:

- laws and contractual restrictions may not adequately prevent misappropriation of our technologies or deter others from developing similar technologies; and
- policing unauthorized use of our products and trademarks is difficult, expensive and time-consuming, and we may be unable to determine the existence or extent of this unauthorized use.

Also, the laws of other countries in which we market our products may offer little or no protection of our proprietary technologies. Reverse engineering, unauthorized copying or other misappropriation of our proprietary technologies could enable third parties to benefit from our technologies without paying us for them, which would harm our competitive position and market share.

We may face intellectual property infringement claims that could be costly to defend and result in our loss of significant rights.

Other parties may assert intellectual property infringement claims against us or our customers and our products may infringe the intellectual property rights of third parties.

Table of Contents

Intellectual property litigation is expensive and time-consuming and could divert management s attention from our business. If there is a successful claim of infringement, we may be required to develop non-infringing technology or enter into royalty or license agreements which may not be available on acceptable terms, if at all. Our failure to develop non-infringing technologies or license the proprietary rights on a timely basis would harm our business.

Risks Related to Our Industry

Because our support and service automation software is designed to support businesses operating over the Internet, our success depends on the continued growth and levels of performance of Internet usage.

Because a majority of our products are designed to support businesses operating over or benefiting from the Internet, the success of our business will depend on the continued improvement of the Internet as a convenient means of consumer interaction and commerce, as well as an efficient medium for the delivery and distribution of information by enterprises to their employees and extended enterprise. Because global commerce on the Internet and the online exchange of information is evolving, we cannot predict whether the Internet will continue to be a viable commercial marketplace or whether access to the Internet via a broadband connection will continue to be widely adopted.

We may experience a decrease in market demand due to uncertain economic conditions in the United States and in international markets, which has been further exacerbated by the concerns of terrorism, war and social and political instability.

Economic growth in the United States and international markets has slowed significantly and the United States economy has been in a recession. The timing of a full economic recovery is uncertain. In addition, the terrorists attacks in the United States and turmoil in the Middle East have increased the uncertainty in the United States economy and may further exacerbate the decline in economic conditions, both domestically and internationally. Terrorist acts and similar events, or war in general, could contribute further to a slowdown of the market demand for goods and services, including support and service automation software. If the economy declines as a result of the recent economic, political and social turmoil, or if there are further terrorist attacks in the United States or elsewhere, we may experience decreases in the demand for our products and services, which may harm our operating results.

Governmental regulation and legal changes could impair the growth of the Internet and decrease demand for our products or increase our cost of doing business.

The laws and regulations that govern our business can change rapidly. Any change in laws and regulations could impair the growth of the Internet and could reduce demand for our products, subject us to liability or increase our cost of doing business. The United States government and the governments of states and foreign countries have attempted to regulate activities on the Internet and the distribution of software. Also, in 1998, the Internet Freedom Act was enacted into law, which imposed a three-year moratorium on state and local taxes on Internet-based transactions. In late 2001, this moratorium was extended for two years. In January 2003, several members of Congress proposed a bill that would make the moratorium on state and local taxes on Internet-based transactions permanent. Failure to renew this moratorium or to pass a bill that would permanently prohibit state and local taxes on Internet-based transactions would allow states to impose taxes on Internet-based commerce. This might harm our business directly and indirectly by harming the businesses of our customers, potential customers and the parties to our technology relationships. The applicability to the Internet of

13

Table of Contents

existing laws is uncertain and may take years to resolve. Evolving areas of law that are relevant to our business include privacy laws, intellectual property laws, proposed encryption laws, content regulation and sales and use tax laws and regulations.

We may be required to change our business practices if there are changes in accounting regulations and related interpretations and policies.

Accounting standards groups and regulators are actively re-examining various accounting policies, guidelines and interpretations related to revenue recognition, expensing stock options, income taxes, investments in equity securities, facilities consolidation, accounting for acquisitions, allowances for doubtful accounts and other financial reporting matters. These standards groups and regulators could promulgate interpretations and guidance that could result in material and potentially adverse changes to our business practices and accounting policies.

New rules and regulations for public companies may increase our administrative costs.

The Sarbanes-Oxley Act of 2002, as well as new rules subsequently implemented by the Securities and Exchange Commission, have required changes in corporate governance practices of public companies. In addition to final rules and rule proposals already made by the Securities and Exchange Commission, Nasdaq has proposed revisions to its requirements for listed companies. We expect these new rules and regulations to increase our legal and financial compliance costs, and to make some activities more time-consuming and costly. We also expect these new rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These new rules and regulations could also make it more difficult for us to attract and retain qualified members of our board of directors, particularly to serve on our audit committee, and qualified executive officers.

Risks Related to this Offering and Our Common Stock

The market price for our common stock may be particularly volatile, and our stockholders may be unable to resell their shares at a profit.

The market price of our common stock has been subject to significant fluctuations and may continue to fluctuate or decline. The stock markets have experienced significant price and trading volume fluctuations. The market for technology stocks has been particularly volatile and frequently reaches levels that bear no relationship to the past or present operating performance of those companies. General economic conditions, such as recession or interest rate or currency rate fluctuations in the United States or abroad, could negatively affect the market price of our common stock. In addition, our operating results may not meet the expectations of securities analysts and investors. If this were to occur, the market price of our common stock would likely significantly decrease.

A decline in our stock price could result in securities class action litigation against us. Securities class action litigation diverts management attention and could harm our business.

In the past, securities class action litigation has often been brought against public companies after periods of volatility in the market price of securities. For example, in November 2001, a securities class action lawsuit was filed against us. We may again in the future be a target of similar litigation. Securities litigation could result in substantial costs and divert management s attention and resources, which could harm our ability to execute our business plan.

Table of Contents

As a new investor, you will incur immediate and substantial dilution as a result of this offering and future equity issuances.

The public offering price is substantially higher than the pro forma book value per share of our common stock. As a result, investors purchasing common stock in this offering at a public offering price of $12.00 per share will incur immediate dilution of $9.55 in net tangible book value per share. This dilution is due in large part to earlier investors in our company having paid less than the offering price when they purchased their shares. Investors will incur additional dilution upon the exercise of outstanding stock options.

You will be relying on our management s judgment, with which you may disagree, regarding the use of proceeds from this offering. If our management does not use the proceeds in a manner that increases our operating results or market value, our business could suffer.

We do not have a definite, quantified plan with respect to the use of the net proceeds from this offering and have not committed the substantial majority of these proceeds to any particular purpose, as more fully described in the section entitled Use of Proceeds. Accordingly, our management will have broad discretion as to the use of the net proceeds from this offering. Investors will be relying on the judgment of our management regarding the application of these proceeds, and we may not be able to invest these proceeds to yield a significant return. We have made only preliminary determinations as to the amount of net proceeds to be used based on our current expectations regarding our financial performance and business needs over the foreseeable future. These expectations may prove to be inaccurate, as our financial performance may differ from our current expectations or our business needs may change as our business and the industry we address evolve. As a result, the proceeds we receive in this offering may be used in a manner significantly different from our current plans.

Our directors and executive officers own a significant portion of our common stock and this concentration of ownership may allow them to elect most of our directors and could delay or prevent a change in control of SupportSoft.

Our directors and executive officers collectively beneficially own approximately 17% of our outstanding common stock as of September 30, 2003. These stockholders, if they vote together, will be able to influence significantly all matters requiring stockholder approval. For example, they may be able to elect most of our directors, delay or prevent a transaction in which stockholders might receive a premium over the market price for their shares or prevent changes in control or management.

We have implemented anti-takeover provisions that could make it more difficult to acquire us.

Our certificate of incorporation, our bylaws and Delaware law contain provisions that may inhibit potential acquisition bids for us and prevent changes in our management. Certain provisions of our charter documents could discourage potential acquisition proposals and could delay or prevent a change in control transaction. These provisions of our charter documents could have the effect of discouraging others from making tender offers for our shares, and as a result, these provisions may prevent the market price of our common stock from reflecting the effects of actual or rumored takeover attempts. These provisions may also prevent changes in our management.

These provisions include:

authorizing only our chief executive officer or a majority of our board of directors to call special meetings of stockholders;

Table of Contents

establishing advance notice procedures with respect to stockholder proposals and the nomination of candidates for election of directors, other than nominations made by or at the direction of the board of directors or a committee of the board of directors;

prohibiting stockholders action by written consent;

eliminating cumulative voting in the election of directors; and

authorizing the issuance of shares of undesignated preferred stock without a vote of stockholders.

Table of Contents

FORWARD-LOOKING STATEMENTS

This prospectus contains 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 forward-looking statements may be identified by terminology such as may, will, could, should, intend, anticipate, believe, estimate, expect, plan, potential, designed to, or continue and the negative of these terms or other similar expressions. These are statements that relate to future events and include, but are not limited to, statements relating to industry statistics and projections and statements relating to:

- our expectation that we will continue to depend upon a small number of large orders for a significant portion of our license revenue;
- our current estimate that revenue from ratable licensing arrangements will represent approximately 25% to 30% of total revenue over the next 12 months;
- our current estimate that revenue we recognize on an immediate basis from perpetual licensing arrangements will be approximately 45% to 55% of total revenue over the next 12 months;
- our current estimate that revenue from services will represent approximately 20% to 25% of total revenue over the next 12 months;
- our ability to maintain or increase profitability;
- our expectation as to the anticipated impact on us of new rules and regulations applicable to public companies;
- our ability to attract and retain key personnel;
- our future contractual obligations and the effect these contractual obligations are expected to have on our liquidity and cash flows in future periods;
- our belief that there is not material market risk exposure due to the nature of our cash equivalents and short-term investments;
- our expectation that we will continue to devote significant resources to research and development for the foreseeable future;
- our intent to hire additional sales, marketing and development personnel and expand our sales and marketing efforts and international operations;
- our future capital requirements and our belief as to the adequacy of our existing cash balances and capital resources;

our anticipated use of the net proceeds from this offering;

our intent to expand in new and existing markets, including beyond broadband services into related applications and enhanced services;

future acquisitions of, or investments in, complementary businesses, products or technologies;

our ability to compete successfully;

our dividend policy;

our intent to establish, and the anticipated benefits of entering into, alliances with software and hardware vendors, alliances with managed service providers and technology alliances;

Table of Contents

our beliefs as to our market opportunity to automate the technical support, customer service and IT infrastructure management processes;

our intention to extend our support and service automation, maintain and enhance our technology leadership position and to expand into related applications and enhanced digital services;

our intention to continue to invest significant resources to technology development and to introduce new suites and component products that facilitate real-time service management; and

our intention to release our Service Automation Suite Video by the end of 2003 and the anticipated features and benefits of our products and services.

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, the risks set forth above under the caption Risk Factors and from time to time in the periodic reports we file with the Securities and Exchange Commission.

Except for our obligations under the federal securities laws, we expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

18

Table of Contents

USE OF PROCEEDS

The net proceeds to us from the sale of the 6,000,000 shares of common stock being offered by us are estimated to be approximately $67.4 million, based upon a public offering price of $12.00 per share and after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. If the underwriters fully exercise the over-allotment option, the net proceeds to us are estimated to be approximately $77.7 million.

We expect to use the net proceeds of this offering for working capital and general corporate purposes, including expansion of our sales efforts and international operations. In addition we may use a portion of these net proceeds for acquisitions of complementary businesses, products or technologies. We currently have no agreements or commitments with respect to any such acquisition, and we are not involved in any negotiations with respect to any such transactions. Pending these uses, we intend to invest the net proceeds of the offering in investment grade interest bearing marketable securities.

DIVIDEND POLICY

We have not declared or paid any cash dividends on our capital stock since our inception and do not expect to do so in the foreseeable future. We anticipate that all future earnings, if any, generated from operations will be retained by us to develop and expand our business. Any future determination with respect to the payment of dividends will be at the discretion of the board of directors and will depend upon, among other things, our operating results, financial condition and capital requirements, the terms of then-existing indebtedness, general business conditions and such other factors as the board of directors deems relevant.

Table of Contents

PRICE RANGE OF COMMON STOCK

Our common stock has been traded publicly on the Nasdaq National Market under the symbol SPRT since July 19, 2000. Before July 19, 2000, there was no public market for our common stock. The following table sets forth the highest and lowest sale price of our common stock for the quarters indicated:

	High	Low
2001:		
First Quarter	$ 20.19	$ 4.00
Second Quarter	7.65	2.50
Third Quarter	6.41	2.04
Fourth Quarter	6.50	2.00
2002:		
First Quarter	$ 8.05	$ 3.02
Second Quarter	4.87	2.55
Third Quarter	2.84	1.75
Fourth Quarter	4.00	1.95
2003:		
First Quarter	$ 4.29	$ 1.89
Second Quarter	7.81	2.20
Third Quarter	12.05	6.25
Fourth Quarter (through November 18)	13.97	10.69

Holders of Record

On November 18, 2003, the last reported sale price of our common stock on the Nasdaq National Market was $12.29 per share. As of September 30, 2003, there were approximately 337 holders of record (not including beneficial holders of stock held in street name) of the common stock.

Table of Contents

CAPITALIZATION

This table presents our capitalization at September 30, 2003:

on an actual basis; and

on an as adjusted basis to reflect the sale by us of 6,000,000 shares of common stock at a public offering price of $12.00 per share in this offering, less the underwriting discounts and commissions and estimated offering expenses.

	As of September 30, 2003	
	Actual	As Adjusted
	(Unaudited) (in thousands)	
Long-term capital lease obligations	$	$
Stockholders equity:		
Preferred stock: $0.0001 par value; 5,000,000 shares authorized; no shares issued and outstanding		
Common stock: $0.0001 par value; 150,000,000 shares authorized; 34,518,635 actual shares issued and outstanding, 40,518,635 shares issued and outstanding, as adjusted	3	4
Additional paid-in capital	110,765	178,184
Accumulated other comprehensive income	57	57
Accumulated deficit	(78,899)	(78,899)
Total stockholders equity	31,926	99,346
Total capitalization	$ 31,926	$ 99,346

The above table does not include additional shares of common stock that may be issued under the plans and arrangements listed below:

8,015,854 shares of common stock issuable upon exercise of options outstanding under our stock option plans as of September 30, 2003, at a weighted average exercise price of $5.43 per share; and

2,411,208 shares of common stock reserved for future issuance under our employee stock purchase plan as of September 30, 2003, and 3,765,750 shares reserved for future issuance under our stock option plans.

You should read the capitalization information above together with the sections of this prospectus entitled Selected Financial Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and Description of Capital Stock and our consolidated financial statements and related notes found elsewhere or incorporated by reference in this prospectus.

Table of Contents

DILUTION

Our net tangible book value as of September 30, 2003 was approximately $31.9 million, or $0.92 per share. Net tangible book value per share is equal to our total tangible assets less our total liabilities, divided by the total number of shares of our common stock outstanding.

After giving effect to the receipt of the proceeds from this offering, based on a public offering price of $12.00 per share, and after deducting underwriting discounts and commissions and estimated offering expenses, our as adjusted net tangible book value as of September 30, 2003 would have been approximately $99.3 million, or approximately $2.45 per share. This represents an immediate increase in net tangible book value of $1.53 per share to existing stockholders and an immediate dilution of $9.55 per share to new investors purchasing shares of our common stock in this offering.

The following table illustrates the per share dilution to the new investors:

Public offering price per share		$ 12.00
Net tangible book value per share as of September 30, 2003	$ 0.92	
Increase in net tangible book value per share attributable to this offering	1.53	
As adjusted net tangible book value per share as adjusted after offering		2.45
Dilution per share to new investors in this offering		$ 9.55

If the underwriters exercise their over-allotment option in full, there will be an increase in as adjusted net tangible book value of $1.73 per share to existing stockholders and an immediate dilution in as adjusted net tangible book value of $9.35 per share to new investors.

The preceding discussion and table assume that no stock options outstanding as of September 30, 2003, are exercised and that none of the 2,411,208 shares reserved for issuance under our employee stock purchase plan as of September 30, 2003, are issued. As of September 30, 2003, there were 8,015,854 shares issuable on exercise of outstanding options, at a weighted average exercise price of $5.43 per share.

Table of Contents

SELECTED CONSOLIDATED FINANCIAL DATA

(in thousands, except share and per share data)

Our selected consolidated financial data set forth below as of December 31, 2001 and 2002 and for each of the three years ended December 31, 2002 are derived from our consolidated financial statements that have been audited by Ernst & Young LLP, independent accountants, and are included elsewhere in this prospectus. Our selected consolidated financial data set forth below as of December 31, 1998, 1999 and 2000 and for the period from our incorporation on December 3, 1997 to December 31, 1998 and for the year ended December 31, 1999 are derived from our audited consolidated financial statements not included elsewhere herein. Our selected consolidated financial data as of September 30, 2003 and for the nine months ended September 30, 2002 and 2003 are derived from our unaudited consolidated financial statements which, in management s opinion, include all adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of our financial position and results of operations for those periods, included elsewhere in this prospectus. The information set forth below is not necessarily indicative of results of future operations and should be read together with Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and related notes.

	Period from Incorporation on December 3, 1997 to December 31,	Year Ended December 31,				Nine Months Ended September 30,	
	1998	1999	2000	2001	2002	2002	2003
						(Unaudited)	
Consolidated Statements of Operations Data:							
Revenue:							
License fees	$ 18	$ 2,642	$ 13,732	$ 22,534	$ 31,260	$ 22,148	$ 29,686
Services		569	4,934	7,896	9,900	7,196	8,451
Total revenue	18	3,211	18,666	30,430	41,160	29,344	38,137
Costs and expenses:							
Cost of license fees		4	1,405	621	289	197	270
Cost of services		965	5,910	6,234	5,883	4,384	4,990
Amortization of purchased technology			1,158	2,812	1,580	1,581	
Research and development	1,132	2,348	10,913	12,637	8,834	6,698	6,818
Sales and marketing	1,197	7,924	22,754	27,482	22,464	16,833	16,059
General and administrative	451	1,845	4,325	6,131	5,637	4,177	3,925
Amortization of deferred compensation	42	3,809	10,787	4,271	578	578	
Total costs and expenses	2,822	16,895	57,252	60,188	45,265	34,448	32,062
Income (loss) from operations	(2,804)	(13,684)	(38,586)	(29,758)	(4,105)	(5,104)	6,075
Interest income and other, net	54	170	1,718	1,578	640	513	311
Income (loss) before income taxes	(2,750)	(13,514)	(36,868)	(28,180)	(3,465)	(4,591)	6,386
Income tax expense					(177)		(331)
Net income (loss)	(2,750)	(13,514)	(36,868)	(28,180)	(3,642)	(4,591)	6,055
Accretion on redeemable convertible preferred stock	(214)	(1,072)	(885)				

Net income (loss) attributable to common stockholders	$ (2,964)	$ (14,586)	$ (37,753)	$ (28,180)	$ (3,642)	$ (4,591)	$ 6,055
Basic net income (loss) per share attributable to common stockholders	$ (0.57)	$ (2.20)	$ (2.09)	$ (0.91)			