

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K/A

Annual report pursuant to section 13 and 15(d) [amend]

Filing Date: **1998-04-10** | Period of Report: **1997-10-31**
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FILER

SYSTEM SOFTWARE ASSOCIATES INC

CIK: **808207** | IRS No.: **363144515** | State of Incorpor.: **DE** | Fiscal Year End: **1031**
Type: **10-K/A** | Act: **34** | File No.: **000-15322** | Film No.: **98591589**
SIC: **7372** Prepackaged software

Business Address
500 W MADISON ST 32ND FLR
CHICAGO IL 60661
3126412900

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

(MARK ONE)

☒ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended October 31, 1997

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the transition period from to

COMMISSION FILE NUMBER 0-15322

SYSTEM SOFTWARE ASSOCIATES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

36-3144515

(STATE OR OTHER JURISDICTION
OF INCORPORATION OR ORGANIZATION)

(IRS EMPLOYER
IDENTIFICATION NUMBER)

500 W. MADISON, 32ND FLOOR
CHICAGO, ILLINOIS

60661

(ADDRESS OF PRINCIPAL EXECUTIVE
OFFICES)

(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (312) 258-6000

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

7% Convertible Subordinated Notes due 2002

Common Stock, par value \$0.0033 per Share
(Title of class)

Indicate by check mark whether the registrant: (1) has filed all reports
required to be filed by Section 13 or 15(d) of the Securities Exchange Act of
1934 during the preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has been subject to such
filing requirements for the past 90 days. Yes X No
--- ---

Indicate by check mark if disclosure of delinquent filers pursuant to Item
405 of Regulation S-K is not contained herein, and will not be contained, to the
best of registrant's knowledge, in definitive proxy or information statements
incorporated by reference in Part III of this Form 10-K or any amendment to this
Form 10-K. ☐

The aggregate market value of voting stock held by non-affiliates of the
registrant based upon the closing sale price of the stock as reported on the
Nasdaq National Market on January 22, 1998, was \$286,429,516.

At January 22, 1998, 46,586,848 shares of the registrant's Common Stock
were outstanding.

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PART III

ITEM 11. EXECUTIVE COMPENSATION

MANAGEMENT COMPENSATION

The table below discloses the compensation awarded by the Company during
the Company's last three fiscal years to the Chief Executive Officer and to each
of the other two executive officers as of the end of fiscal 1997:

Summary Compensation Table

<TABLE>

<CAPTION>

Name and Principal Position	Fiscal Year	Annual Compensation		Long-term Compensation Awards	
		Salary (\$)	Bonus (\$)	Securities Underlying Options (#)	
<S>	<C>	<C>	<C>	<C>	
Roger E. Covey, Chairman of the Board and Chief Executive Officer	1997	400,000	200,000	200,000	
	1996	400,000	- 0 -	- 0 -	
	1995	342,917	127,000	150,000	
Joseph J. Skadra, Vice President and Chief Financial Officer	1997	237,000	57,000	- 0 -	
	1996	229,000	47,000	5,000	
	1995	220,000	64,000	- 0 -	
Riz Shakir, Executive Vice President of Research and Development	1997	228,333	52,000	125,000	
	1996	211,250	43,000	30,000	

</TABLE>

Option Grants in Fiscal 1997

The following table provides further information on individual stock option grants made in fiscal 1997 to the named executive officers. The table does not reflect as additional grants options canceled and immediately reissued at lower exercise prices. See "Ten-Year Option Repricings" below. The exercise prices set forth in the table are net of all repricings.

<TABLE>

<CAPTION>

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation(1)	
	Number of Shares Underlying Options Granted (#) (2)	% of Total Options Granted to Employees in Fiscal 1997	Exercise Price (\$/Sh.)	Expiration Date	5% (\$)	10% (\$)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Roger E. Covey	200,000 (3)	27.2%	7.81	06-13-07	982,333	2,489,426
Joseph J. Skadra	- 0 -	N.A.	N.A.	N.A.	N.A.	N.A.
Riz Shakir	20,000	2.7%	4.63	01-14-07	58,173	147,421
	20,000	2.7%	4.63	04-10-07	58,173	147,421
	85,000	11.6%	8.06	08-04-07	430,856	1,091,873

</TABLE>

(1) The potential realizable value columns of the table illustrate values that might be realized upon exercise of the options immediately prior to their expiration, assuming the Company's Common Stock appreciates at the compounded rates specified over the term of the options. These numbers do not take into account provisions of certain options providing for termination of the option following termination of employment or nontransferability of the options and do not make any provision for taxes associated with exercise. Because actual gains will depend, among other things, on future performance of the Common Stock, the amounts reflected in this table may not necessarily be achieved. For the actual historical price performance of the Company's Common Stock over the last five fiscal years, see the comparative table below under the caption "Stockholder Return Performance Presentation."

(2) Options granted become exercisable ratably on the first five anniversaries of the grant date.

(3) Options granted to replace options previously surrendered. See "Report on Executive Compensation of the Compensation Committee of the Board of Directors" below.

The following table provides information on option exercises in fiscal 1997 by the named executive officers and the value of such officers' unexercised stock options as of October 31, 1997.

<TABLE>
<CAPTION>

Name	Shares Acquired on Exercise (#)	Value Realized (\$)	Number of Shares Underlying Unexercised Options at October 31, 1997 (#)		Value of Unexercised In-the- Money Options at October 31, 1997 (\$)	
			Exercisable	Unexercisable	Exercisable	Unexercisable
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Roger E. Covey	-0-	N.A.	-0-	200,000	-0-	787,400
Joseph J. Skadra	-0-	N.A.	19,000	22,000	135,375	156,750
Riz Shakir	-0-	N.A.	30,002	169,998	213,764	919,006

Compensation of Directors

The Company does not pay directors any cash consideration for serving on the Board of Directors. In recognition of their continued board service, the Company on December 16, 1994, adopted a policy pursuant to which every five years, all non-employee directors shall be awarded an option under the Company's existing stock option plans to purchase 22,500 shares, exercisable at the fair market value of the Company's stock on the date of grant, such options to become exercisable in equal portions on the first five anniversaries of the grant date. The first award under this plan was granted on December 16, 1994, and is exercisable at \$4.63 per share. Pursuant to the same policy, Mr. Cowell was awarded options to purchase 22,500 shares and an additional 13,500 shares concurrently with his appointment to the Board of Directors in December 1997. These options vest in five equal installments on the first five anniversaries of his appointment, and are exercisable at \$9.69 per share, the fair market value of the Company's stock on the date of grant. In June 1997, Messrs. Filipowski and Puth and S&W were awarded additional options to purchase 18,000, 36,000 and 36,000 shares, respectively, at \$7.81, the fair market value of the Company's stock on the date of the grant.

In consideration of this and earlier option grants, S&W agreed to waive its fees for Mr. Weaver's time expended attending meetings of the Board of Directors. Accordingly, neither Mr. Weaver nor S&W received any cash compensation in consideration of Mr. Weaver's services as a director in fiscal 1997.

Employment Contracts

William M. Stuek, the Company's President and Chief Operating Officer, was hired on January 5, 1998 for a term of five years. The terms of his engagement are set forth in an employment agreement that includes the following: a base salary of \$500,000, bonuses of up to \$300,000 annually if the Company achieves specified quarterly and annual earnings targets and other management objectives, options to purchase 300,000 shares of Common Stock in accordance with the terms of the Company's Long-Term Incentive Plan, vesting over five years, an engagement bonus of \$1,583,250 and a one-time bonus of \$5,000,000 if the Company's common stock equals or exceeds \$50 for any 180 day consecutive period. The employment agreement also has a non-competition and confidential clause which is to apply throughout Mr. Stuek's employment and for a period of one year thereafter.

Joseph J. Skadra, the Company's Chief Financial Officer, was hired in August of 1994. The terms of his engagement include the following: a base salary of \$220,000 annually; bonuses to be awarded if the Company achieves quarterly and annual earnings targets and if Mr. Skadra achieves specified personal management objectives; and options to purchase 45,000 shares of Common Stock, vesting over five years. If all of the Company's Common Stock is acquired and Mr. Skadra does not become Chief Financial Officer of the acquiring firm, then 18,000 of the stock options will immediately vest, if they have not already.

Riz Shakir, the Company's Executive Vice President of Research and Development, was hired June 1, 1994 and was appointed to his current position on November 1, 1996. The terms of his engagement include the following: a base salary of \$180,000 annually; bonuses to be awarded if the Company achieves quarterly and annual earnings targets and if Mr. Shakir achieves specified personal management objectives; and options to purchase 30,000 shares of Common Stock, vesting over five years.

Ten-Year Option Repricings

The following table provides certain information on the repricing during fiscal 1996 and 1997 of options held by certain of the executive officers. No

options had been repriced prior to fiscal 1996. Further explanation concerning these repricings is included in the Report on Executive Compensation of the Compensation Committee of the Board of Directors, below.

<TABLE>
<CAPTION>

Name ----	Date ----	Number of Securities Underlying Options Repriced or Amended (#) -----	Market Price of Stock at Time of Repricing or Amendment (\$) -----	Exercise Price at Time of Repricing or Amendment (\$) -----	New Exercise Price (\$) -----	Length of Original Option Term Remaining at Date of Repricing or Amendment -----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Roger E. Covey	N.A.	0	N.A.	N.A.	N.A.	N.A.
Joseph J. Skadra	08-26-96	5,000	9.81	16.13	9.81	9 years, 9 months
	03-27-97	36,000	7.50	9.83	7.50	7 years, 5 months
	03-27-97	5,000	7.50	9.81	7.50	9 years, 2 months
	03-31-97	36,000	5.81	7.50	5.81	7 years, 5 months
	03-31-97	5,000	5.81	7.50	5.81	9 years, 2 months
	04-10-97	36,000	4.63	5.81	4.63	7 years, 4 months
	04-10-97	5,000	4.63	5.81	4.63	9 years, 1 month
Riz Shakir	06-07-96	30,000	16.13	24.08	16.13	9 years, 5 months
	08-26-96	30,000	9.81	16.13	9.81	9 years, 3 months
	08-26-96	15,000	9.81	18.08	9.81	9 years, 6 months
	03-27-97	30,000	7.50	9.83	7.50	7 years, 2 months
	03-27-97	15,000	7.50	9.81	7.50	8 years
	03-27-97	30,000	7.50	9.81	7.50	8 years, 8 months
	03-27-97	20,000	7.50	11.50	7.50	9 years, 10 months
	03-31-97	30,000	5.81	7.50	5.81	7 years, 2 months
	03-31-97	15,000	5.81	7.50	5.81	8 years
	03-31-97	30,000	5.81	7.50	5.81	8 years, 8 months
	03-31-97	20,000	5.81	7.50	5.81	9 years, 10 months
	04-10-97	30,000	4.63	5.81	4.63	7 years, 1 month
	04-10-97	15,000	4.63	5.81	4.63	7 years, 11 months
	04-10-97	30,000	4.63	5.81	4.63	8 years, 7 months
	04-10-97	20,000	4.63	5.81	4.63	9 years, 9 months

</TABLE>

Report on Executive Compensation of the Compensation Committee of the Board of Directors

The Compensation Committee of the Company's Board of Directors is responsible for implementing specific executive compensation plans. The Company operates in an industry that is highly competitive. The Company believes that its ability to maintain and improve its competitive position is dependent on its ability to attract highly qualified managerial personnel. These personnel are customarily sought from companies much larger and with greater financial resources than the Company, and the Company believes that its ability to attract such personnel is enhanced by the Company's emphasis on significant short-term and long-term performance incentives. The Company accordingly operates in accordance with the following executive compensation philosophy:

1. A significant portion of annual cash compensation should be determined by quantitative performance measures.

For SSA executives, the performance-dependent portion of annual cash compensation approximates 40% of base cash compensation. These quantitative performance measures are tied directly to the SSA annual business plan. A portion is based on quarterly earnings per share and another portion is based on annual earnings per share. In addition, a variety of other quantitative measures besides earnings per share are included in determining the bonus and future base compensation for each executive. These other measures vary from executive to executive depending on the strategic needs of the business, and tend to be directly related to the executive's duties and the achievements of the specific business unit for which the executive is responsible. The components are reviewed and adjusted by the Compensation Committee on an annual basis. Based on the Company's hiring experience and discussions with executive recruiting firms, the Company believes that base cash compensation for key employees (which approximates 70% of annual cash compensation) is at an industry competitive level.

2. Compensation should provide incentives for both short-term and, more importantly, for long-term performance.

Short-term performance is incentivized by the annual performance-determined compensation mentioned above. Long-term performance is incentivized by the use of stock options. Typically, options granted vest over a five-year period, which is an appropriate long-term performance period. The Company's experience is that it has no control over its short- or medium-term stock price, but believes that over the long term the stock price should reflect growth of the Company's earnings. The size of option grants is determined by reference to all the facts and circumstances relating to the executive's compensation. These include, without limitation, the executive's base salary, the cash bonuses earned and potentially available, the size of all past option grants to the executive, the timing of such prior grants, the remaining unvested portion of past grants, the total shares subject to outstanding options held by all key employees and the total remaining shares available for future option grants.

3. The SSA standard for executive recruitment is to attempt to find and recruit the best person in the world for a given executive position.

The compensation of Roger E. Covey, the Company's Chairman and Chief Executive Officer, for services he rendered during fiscal 1997 was determined pursuant to a compensation program adopted by the Committee in December 1994, shortly after Mr. Covey resumed the position of Chairman and Chief Executive Officer. At that time, the Committee reviewed the compensation packages of the chief executives of comparable publicly-traded software companies, some of which the Committee believes are included in the NASDAQ CDP index used in the stock price performance chart below, as well as the compensation of the Company's immediate past President and Chief Executive Officer. Based on the review of comparable and historical compensation levels, the Company's operating plan for fiscal 1995, and the services rendered and to be rendered by Mr. Covey, the Committee adopted a compensation program consisting of base salary, bonus and incentive and non-qualified options of the Company's Common Stock, which options vest over a five year period following their grant. In addition to the base salary and stock options discussed above, Mr. Covey's compensation program provided that he would be awarded bonuses in specified amounts if the Company achieved certain quarterly and annual per-share earnings targets, product release targets and other quantitative measures. In fiscal 1997, Mr. Covey received no raise in base salary from fiscal 1996, and was awarded a \$200,000 bonus based on his efforts in support of the Company's refinancing, which closed in September 1997. In April of 1997, Mr. Covey surrendered to the Company his option to purchase 200,000 shares of the Company's Common Stock to supply the Company's Long Term Incentive Option Plan with additional shares in order to attract and retain key personnel. Subsequently in June of 1997, after the stockholders approved an amendment to the Long Term Incentive Option Plan increasing its size, Mr. Covey was granted an option to purchase 200,000 shares to become exercisable at \$7.81 per share, the Company's fair market value on the reissuance date.

On three occasions in Fiscal 1997, the Board determined to reprice the outstanding stock options of holders. The software industry is extremely competitive and stock options are the major long-term compensation tool used to attract, retain, motivate and reward key employees. During the second quarter of Fiscal 1997 the Company's stock price declined very sharply. Since there was no reasonable expectation that the options would have the desired effect, the Compensation Committee, in consultation with the Chief Executive Officer, repriced the outstanding stock options of holders three times to the Company's fair market value on the given repricing date. On April 10, 1997, the final repricing, at which time options having an exercise price at or above \$4.63 were repriced to become exercisable at \$4.63 per share.

The foregoing report has been furnished by Messrs. Filipowski, Puth and Weaver, who currently constitute the Compensation Committee.

Compensation Committee Interlocks and Insider Participation

During fiscal 1997, the Compensation Committee of the Board of Directors consisted of Andrew J. Filipowski, John W. Puth and William N. Weaver. None of these persons was a current or former officer or employee of the Company or any of its subsidiaries. Mr. Weaver is a member of S&W, which provides legal services to the Company. See "Certain Relationships and Related Transactions."

STOCKHOLDER RETURN PERFORMANCE PRESENTATION

The following graph presents a comparison of the cumulative total stockholder return on the Company's Common Stock since October 31, 1992 with the cumulative total return of the NASDAQ Computer and Data Processing Index ("NASDAQ CDP Index") and the Standard and Poor's 500 Composite Index.

Note: The stock price performance shown below is not necessarily indicative of future price performance.

Comparison of Five-Year Cumulative Total Return Among
System Software Associates, Inc., NASDAQ CDP Index, and S & P 500

<TABLE>
<CAPTION>

Measurement Period (Fiscal Year Covered)	SYSTEM SOFTWARE ASSOCIATES, INC.	S&P 500 INDEX	NASDAQ CDP INDEX
-----	-----	-----	-----
<S>	<C>	<C>	<C>
Measurement Pt- 10/31/92	\$100	\$100	\$100
FYE 10/31/93	\$100	\$115	\$112
FYE 10/31/94	\$ 87	\$119	\$135
FYE 10/31/95	\$217	\$151	\$205
FYE 10/31/96	\$124	\$187	\$238
FYE 10/31/97	\$125	\$247	\$321

</TABLE>

Assumes \$100 invested on October 31, 1992 in System Software Associates, Inc.
Common Stock, NASDAQ CDP Index and S & P 500 Index.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table sets forth information as of February 27, 1998 with respect to the beneficial ownership of the Company's outstanding Common Stock by each stockholder known by the Company to be the beneficial owner of more than 5% of its Common Stock, each director, each executive officer discussed under "Management Compensation" below, and all the directors and officers as a group. Except as otherwise indicated, the stockholders have sole voting and investment power with respect to shares beneficially owned by them.

<TABLE>
<CAPTION>

Name and Address of Beneficial Owner	Amount and Nature of Beneficial Ownership	Percent of Class
-----	-----	-----
<S>	<C>	<C>
Roger E. Covey..... c/o System Software Associates 500 W. Madison Street, 32nd Floor Chicago, Illinois 60661	13,124,750 (1)	27.7%
Gardner Lewis Asset Management, L.P..... 285 Wilmington, W. Chester Pike Chadds Ford, PA 19317	4,213,124 (2)	8.9%
FMR Corp. 82 Devonshire Street Boston, MA 02109	3,657,942 (3)	7.7%
Hambrecht & Quist Group..... One Bush Street San Francisco, CA 94104	3,393,452 (4) (9)	6.7%
Massachusetts Financial Services Company..... 500 Boylston Street Boston, MA 02116	2,423,663 (5)	5.1%
William N. Weaver, Jr.....	347,250 (6)	*
John W. Puth.....	189,313 (7) (8)	*
Riz Shakir.....	113,669 (7)	*
William M. Stuek.....	50,000 (7)	*
Andrew J. Filipowski.....	4,500 (7)	*
Casey G. Cowell.....	0	*
Joseph J. Skadra.....	0	*
All Officers and Directors as a Group (eight persons).....	13,829,482 (1) (6) (7) (8)	29.1%

</TABLE>

*Less than 1%.

(1) Includes 800,000 shares held by the Tang Research Foundation, of which Mr. Covey is a Director.

(2) According to a Report on the SEC's Schedule 13G, as of December 31, 1997 Gardner Lewis Asset Management has sole dispositive power for all 4,213,124 listed shares, and exercises sole voting power over 3,831,325 shares and shared voting power over 48,600 of such shares.

(3) According to a Report on the SEC's Schedule 13G, as of December 31, 1997, FMR Corp. has shared dispositive and voting power over all listed shares.

(4) According to a Report on the SEC's Schedule 13G, as of December 31, 1997, Hambrecht & Quist Group ("H&Q") has shared dispositive and voting power over all listed shares. Such shares are issuable upon conversion of the shares of the Company's Series A Preferred Stock and the exercise of certain warrants held by H&Q.

(5) According to a Report on the SEC's Schedule 13G, as of December 31, 1997 Massachusetts Financial Services Company has sole dispositive and voting power over all listed shares.

(6) Includes 47,250 unissued shares of the Company's Common Stock, subject to a currently exercisable option held by Sachnoff & Weaver, Ltd., of which Mr.

- Weaver is a member. Mr. Weaver disclaims beneficial ownership of all but his pro rata portion of the shares covered by the option.
- (7) Includes unissued shares of the Company's Common Stock, subject to options exercisable within 60 days of February 27, 1998, as follows: Mr. Puth 47,250; Mr. Shakir 47,002; Mr. Stuek 50,000 and Mr. Filipowski 4,500.
- (8) Includes 5,000 shares held by a family partnership, of which Mr. Puth is a general partner.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

William N. Weaver, Jr., a member of the Board of Directors, is a member of the law firm of Sachnoff & Weaver, Ltd., an Illinois professional corporation. Sachnoff & Weaver, Ltd. has acted and continues to act as counsel to the Company with regard to certain matters and has received legal fees for services rendered in connection therewith.

Joseph J. Skadra, the Company's Chief Executive Officer, has borrowed funds from the Company commencing July 10, 1996. Amounts borrowed are represented by a promissory note, and bear interest at 8.25% per annum. Mr. Skadra borrowed the amounts for personal reasons. As of February 27, 1998, the amount owing, including accrued interest, is \$220,500, which constitutes the largest amount which has been outstanding under such arrangements. Repayment of all amounts of principal is due January 21, 2000. Interest is payable monthly in arrears.

Pursuant to the requirements of Section 13 or 15(d) of the Securities Act of 1934, as amended, the registrant has caused this amendment to report to be signed on its behalf by the undersigned, thereunto duly authorized.

SYSTEM SOFTWARE ASSOCIATES, INC.

April 10, 1998 /s/ JOSEPH J. SKADRA

 Joseph J. Skadra, Vice President
 and Chief Financial Officer