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MICROSTRATEGY INC
Form 10-K/A
June 22, 2001

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

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

For the fiscal year ended December 31, 2000

OR

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

For the transition period from to

Commission File Number 000-24435

MICROSTRATEGY INCORPORATED
(Exact name of registrant as specified in its charter)

1861 International Drive, McLean, VA 22102
(Address of Principal Executive Offices) (Zip Code)

Delaware 51-0323571
(State of incorporation) (I.R.S. Employer Identification Number)

Registrant's telephone number, including area code: (703) 848-8600

Securities registered pursuant to Section 12(b) of the Act: Not applicable

Securities registered pursuant to Section 12(g) of the Act:

Class A common stock, par value \$0.001 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 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 the voting stock held by non-affiliates of the registrant (based on the last reported sale price of the Registrant's Class A common stock on May 1, 2001 on the Nasdaq National Market) was approximately \$174.2 million.

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The number of shares of the registrant's Class A common stock and Class B common stock outstanding on May 1, 2001 was 31,100,485 and 50,975,624, respectively.

PART III

ITEM 11. EXECUTIVE COMPENSATION

The compensation information set forth in this Item 11 relates to compensation paid by the Company to its Chief Executive Officer, the Company's four other most highly compensated executive officers who were serving as executive officers of the Company as of December 31, 2000, and the two most highly compensated executive officers who served as executive officers during the fiscal year ended December 31, 2000 ("Fiscal Year 2000"), but who were not serving as executive officers at the end of Fiscal Year 2000 (collectively, the "Named Executive Officers").

Option awards relating to the Class A Common Stock of Strategy.com Incorporated, a majority-owned subsidiary of the Company, are designated in the tables set forth below in this Item 11 by the term "SDC." Unless so designated, all option information set forth in this Item 11 refers to option awards relating to the Class A Common Stock of the Company.

The following table sets forth certain information concerning the compensation of the Named Executive Officers for each of the last three fiscal years:

SUMMARY COMPENSATION TABLE

Name and Principal Position	Fiscal Year	Annual Compensation		
		Salary	Bonus	Other
Michael J. Saylor..... Chairman of the Board and Chief Executive Officer	2000	\$150,000	\$ --	
	1999	150,000	50,000	
	1998	127,500	--	
Sanju K. Bansal..... Vice Chairman of the Board, Executive Vice President, Chief Operating Officer and Director	2000	115,000	--	
	1999	115,000	40,000	
	1998	115,000	--	
Eric F. Brown (1)..... President and Chief Financial Officer	2000	131,250	10,000	
	1999	--	--	
	1998	--	--	
Jonathan F. Klein..... Vice President, Law and General Counsel	2000	135,417	60,000	
	1999	115,000	30,000	
	1998	91,500	15,000	
Stephen S. Trundle..... Vice President, Technology and Chief Technology Officer	2000	125,000	--	
	1999	125,000	--	
	1998	115,000	20,000	
Eric D. Driscoll (3)..... Vice President, Corporate Development	2000	153,750	72,365	

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	1999	--	--
	1998	--	--
Joseph P. Payne (4).....	2000	175,000	75,000
Vice President, Marketing and Chief Marketing Officer			
	1999	121,307	15,000
	1998	--	--

(1) Mr. Brown joined the Company in February 2000 as Chief Financial Officer of Strategy.com, a business unit of the Company at the time, and became Chief Financial Officer and President of the Company on August 1, 2000 and November 14, 2000, respectively. Accordingly, the 2000 information for Mr. Brown is for the period from February 2000 to December 31, 2000, and there is no information for 1999 and 1998.

(2) This amount represents relocation expenses paid by the Company.

(3) Mr. Driscoll became the Company's Vice President, Corporate Development in June 2000. From March 1999 until June 2000, Mr. Driscoll was Vice President, Americas Consulting and from October 1998 until March 1999 was Director, North American Consulting. The information in the table for Mr. Driscoll reflects the aggregate compensation received during 2000 as an employee of MicroStrategy Services Corporation and as an employee of the Company. Mr. Driscoll did not serve as an executive officer of the Company during 1999 or 1998. Mr. Driscoll ceased serving in the capacity of an executive officer on November 29, 2000.

(4) Mr. Payne joined the Company in April 1999 as Vice President, Marketing and Chief Marketing Officer. Accordingly, the 1999 information for Mr. Payne is for the period from April 22, 1999 to December 31, 1999, and there is no information for 1998. Mr. Payne ceased serving in the capacity of an executive officer of the Company on November 29, 2000 and resigned from the Company on February 28, 2001.

Option Grants Table

The following table contains information concerning grants of stock options made to each of the Named Executive Officers during Fiscal Year 2000:

OPTION GRANTS IN LAST FISCAL YEAR
INDIVIDUAL GRANTS

Name	Number of Shares of Class A Common Stock Underlying Options Granted (1)	% of Total Options Granted to Employees in 2000	Exercise Price Per Share (2)	Exp
----	-----	-----	-----	-----
Michael J. Saylor.....	--	-- %	\$ --	
Sanju K. Bansal.....	--	--	--	
Eric F. Brown.....	500,000 100,000 (SDC)	6.504 2.124	21.000 2.750	8/ 12/

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Jonathan F. Klein.....	50,000	0.650	23.625	9/
	25,000	0.325	21.500	10/
	75,000 (SDC)	1.593	2.750	12/
Stephen S. Trundle.....	50,000	0.650	44.125	6/
	75,000	0.976	21.500	10/
	150,000 (SDC)	3.186	2.750	12/
Eric D. Driscoll.....	661	0.009	17.938	5/
	75,000	0.976	39.313	6/
	50,000	0.650	21.500	10/
	50,000 (SDC)	1.062	2.750	12/
Joseph P. Payne.....	50,000	0.650	23.625	9/
	25,000	0.325	21.500	10/
	50,000 (SDC)	1.062	2.750	12/

- (1) These options generally vest over a five-year period and expire on the tenth anniversary of the date of grant. SDC options, irrespective of vesting, are not exercisable until the earlier of an underwritten initial public offering of SDC, the closing of an acquisition transaction resulting in a change of control of SDC or sixty months from the date of grant.
- (2) The exercise price of options of the Company or SDC may be paid in cash or in shares of Class A Common Stock of the Company or SDC, as the case may be, valued at fair market value on the exercise date. All stock options were granted with an exercise price equal to the fair market value of such stock as determined by the Board of Directors of the Company or SDC, as applicable, on the grant date.
- (3) The potential realizable value is calculated based on the term of the option at its time of grant (ten years). It is calculated assuming that the fair market value of the Class A Common Stock of the Company or of SDC, as the case may be, on the date of grant appreciates at the indicated annual rate compounded annually for the entire term of the option and that the option is exercised and sold on the last day of its term for the appreciated stock price.

Option Exercises and Holdings

The following table sets forth information concerning each exercise of a stock option during Fiscal Year 2000 by each of the Named Executive Officers and the number and value of unexercised options held by each of the Named Executive Officers on December 31, 2000.

AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR
AND FISCAL YEAR-END OPTION VALUES

Name	Number of Shares of Acquired on Exercise	Value Realized (1)	Number of Shares of Class A Common stock Underlying Unexercised Options at Fiscal Year-End	
			Exercisable/Unexercisable	
Michael J. Saylor	--	\$ --	--/	--

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Sanju K. Bansal	--	--	--/	--
Eric F. Brown.....	--	--	0/ 0/	500,000 100,000 (SDC)
Jonathan F. Klein.....	20,000	2,049,000	10,200/ 0/	155,300 75,000 (SDC)
Stephen S. Trundle.....	100,000	16,025,000	81,600/ 0/	245,400 150,000 (SDC)
Eric D. Driscoll.....	10,000	318,750	2,000/ 0/	153,661 50,000 (SDC)
Joseph P. Payne.....	20,000	380,000	30,000/ 0/	275,000 50,000 (SDC)

(1) Represents the difference between the exercise price and the fair market value of the Class A Common Stock of the Company on the date of exercise.

(2) Value of unexercised options is determined by subtracting the exercise price per share from the fair market value per share for the underlying shares as of December 31, 2000, multiplied by the number of shares underlying the options. The fair market value of the Company's Class A Common Stock is based upon the last reported sale price as reported on the Nasdaq National Market on December 31, 2000 (\$9.50 per share). No public market for the shares underlying the SDC options existed as of December 31, 2000, and accordingly no value in excess of the exercise price has been attributed to these options.

Directors' Compensation

Directors do not receive any fees or other cash compensation for serving on the Company's Board of Directors or any committee thereof. Directors of the Company who are not employees of the Company or any subsidiary ("Outside Directors") are entitled to receive options to purchase shares of the Company's Class A Common Stock.

In 2000, options for 120,000 shares of Class A Common Stock were granted to Outside Directors under the 1997 Director Option Plan. Subsequent to 2000, the Company grants options to Outside Directors under the 1999 Stock Option Plan. Pursuant to this plan, Outside Directors are granted options on the following terms: (i) each new Outside Director of the Company is granted an option to purchase 100,000 shares of Class A Common Stock upon his or her initial election or appointment to the Board of Directors ("First Options") and (ii) each Outside Director is granted an option to purchase 30,000 shares of Class A Common Stock on the day immediately following each annual meeting of stockholders ("Subsequent Options"). Each option granted to an Outside Director under the 1999 Stock Option Plan has an exercise price equal to the last reported sale price of the Class A Common Stock as reported on the Nasdaq National Market for

the most recent trading day prior to the date of grant. First Options granted under the 1999 Stock Option Plan become exercisable in equal annual installments over a five-year period and Subsequent Options are exercisable in full upon grant. In the event of a merger of the Company with or into another corporation or another qualifying acquisition event, each option will be assumed or an equivalent option will be substituted by the successor corporation. If the successor corporation does not assume outstanding options or such options are not otherwise exchanged, the exercisability of all outstanding options will

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accelerate.

Employment Agreements

Employees of the Company, including the Company's executive officers, are generally required to enter into confidentiality agreements prohibiting the employees from disclosing any confidential or proprietary information of the Company. In addition, the agreements generally provide that upon termination, an employee will not provide competitive products or services and will not solicit Company customers and employees for a period of one year. At the time of commencement of employment, the Company's employees also generally sign offer letters specifying certain basic terms and conditions of employment. Otherwise, employees of the Company are generally not subject to written employment agreements.

Compensation Committee Interlocks and Insider Participation

As discussed below under Item 13 "Certain Relationships and Related Transactions," Frank A. Ingari, a director and member of the Compensation Committee of the Company, is a founding stockholder and chairman of the board of directors of Wheelhouse Corporation, which paid the Company approximately \$374,000 in 2000 and, in 2001, has paid approximately \$21,000 through March 31, 2001, relating to license and support fees and education services under a business alliance agreement between the Company and Wheelhouse. Also, the Company paid Wheelhouse approximately \$1,200 in 2000 and, in 2001, has paid approximately \$18,000 through March 31, 2001 for consulting services which were unrelated to the business alliance agreement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

As discussed under Item 3 "Legal Proceedings" above, Michael J. Saylor and Sanju K. Bansal were named as defendants in a class action lawsuit and shareholder derivative action and were subjects of an SEC investigation relating to the restatement of our financial results for 1999, 1998 and 1997. Mr. Saylor and Mr. Bansal each retained separate legal counsel to defend their individual interests in these legal proceedings. Using a portion of the proceeds that we received from insurance in connection with those proceedings, we paid the legal fees of such separate counsel in the amounts of \$1,009,360 and \$334,553 on behalf of Mr. Saylor and Mr. Bansal, respectively, during 2000.

On December 30, 1999, the Company entered into a business alliance agreement with Wheelhouse Corporation, a company for which Frank A. Ingari, a director and member of the Compensation Committee of the Company, is a founding stockholder and chairman of the board of directors. Pursuant to the agreement, Wheelhouse acquired from the Company certain development software and training technology and the right to offer Company products in the marketplace as a sales agent. In addition, Wheelhouse is entitled to a finders fee of 1.5% of the license fees paid to the Company by any company referred to the Company by Wheelhouse. Wheelhouse paid the Company approximately \$374,000 in 2000 and, in 2001, has paid approximately \$21,000 through March 31, 2001, relating to license and support fees and education services in connection with the development software acquired from the Company under the agreement. Also, the Company paid Wheelhouse approximately \$1,200 in 2000 and, in 2001, has paid approximately \$18,000 through March 31, 2001 for consulting services which were unrelated to the business alliance agreement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its

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behalf by the undersigned, thereunto duly authorized, in the city of McLean,
Commonwealth of Virginia, on this 22nd day of June, 2001.

MICROSTRATEGY INCORPORATED
(Registrant)

By: /s/ Eric F. Brown

Name: Eric F. Brown

Title: President and Chief Financial Officer