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HEADWAY CORPORATE RESOURCES INC

Form 10-K/A

April 30, 2003

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K/A  
Amendment No. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934: For the fiscal year ended December 31, 2002

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 1-16025

HEADWAY CORPORATE RESOURCES, INC.  
(Exact name of registrant as specified in its charter)

Delaware	75-2134871
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

317 Madison Avenue New York, NY 10017  
(Address of Principal Executive Offices and Zip Code)

Registrant's Telephone Number: (212) 672-6501

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

Common Stock, Par Value \$0.0001	American Stock Exchange
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Securities registered pursuant to section 12(g) of the Act:

None

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.

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12(b)-2 of the Act). Yes  No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant based of the last sale price on June 28, 2002 is \$787,000. The number of shares outstanding of each of the registrant's classes of common stock as of March 31, 2003, was 13,914,627.

EXPLANATORY NOTE

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This Amendment No. 1 to the Annual Report on Form 10-K of Headway Corporate Resources, Inc., for the year ended December 31, 2002, is filed to present the information required by Part III of Form 10-K, including Item 10. Directors and Executive Officers of the Registrant, Item 11. Executive Compensation, Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters, and Item 13. Certain Relationships and Related Transactions. Further, Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K, is amended solely to add certain exhibits.

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### FORWARD LOOKING STATEMENTS

This Annual Report on Form 10-K contains forward-looking statements that are subject to certain risks, uncertainties or assumptions and may be affected by certain other factors, including but not limited to the specific factors discussed in Part II, Item 5 under "Market for Registrant's Common Equity and Related Stockholder Matters", "Liquidity and Capital Resources", and "Factors Which May Impact Future Results and Financial Condition". In some cases, you can identify forward-looking statements by terminology such as "may," "should," "could," "expects," "plans," "projected," "anticipates," "believes," "estimates," "predicts," "potential," or "continues," or the negative of these terms or other comparable terminology. In addition, except for historical facts, all information provided in Part II, Item 7A, under "Quantitative and Qualitative Disclosures About Market Risk" should be considered forward-looking statements. Should one or more of these risks, uncertainties or other factors materialize, or should underlying assumptions prove incorrect, actual results, performance or achievements of Headway may vary materially from any future results, performance or achievements expressed or implied by such forward-looking statements.

Forward-looking statements are based on beliefs and assumptions of Headway's management and on information currently available to such management. Forward-looking statements speak only as of the date they are made, and Headway undertakes no obligation to update publicly any of them in light of new information or future events. Undue reliance should not be placed on such forward-looking statements, which are based on current expectations. Forward-looking statements are not guarantees of performance.

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### Item 10. Directors and Executive Officers of the Registrant

#### Directors and Officers

The following table sets forth the names, ages, and positions with Headway for each of the directors and officers of Headway. The Board of Directors is divided into three classes, and only one class of directors is elected at each annual meeting of stockholders. The table indicates the class of which each director is a member and the year in which his term expires based on the class.

Name	Age	Positions (1)	Term Ends
Barry S. Roseman	49	President, Chief Executive Officer and Director	Class 1 2005
Ehud D. Laska	53	Director	Class 2 2004
Richard B. Salomon	55	Director	Class 3 2003
Jamie Schwartz	35	Executive Vice President, Chief Operating Officer of HCSS and Secretary	N/A
Philicia G. Levinson	39	Senior Vice President, Chief Financial Officer and Treasurer	N/A

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(1) All executive officers are elected by the Board and hold office until the next Annual Meeting of stockholders and until their successors are elected and qualify.

The following is information on the business experience of each director and officer.

Barry S. Roseman oversees all operations of Headway and its subsidiaries. He joined Headway as its Senior Executive Vice President and Chief Operating Officer in January 1992, and became President in September 1996. In 2002, he assumed the responsibilities of the Chief Executive Officer. He is currently a director and executive officer of each of Headway's subsidiary corporations. For nine years prior to 1992, Mr. Roseman was employed at FCB/Leber Katz Partners, Inc., a division of True North Communications, Inc., in various positions; most recently as Senior Vice President Director of Agency Operations.

Ehud D. Laska was appointed a director of Headway in August 1993. He is the Chairman and CEO of Investment & Benefit Services, Inc., a national pension administration company. He was the Chairman of Coleman and Company Securities, Inc., a member firm of the National Association of Securities Dealers, Inc. until October 2002. Mr. Laska was also a founding partner and President of InterBank Capital Group, LLC. Through these firms, Mr. Laska specializes in building up companies through same industry consolidation and acquisitions.

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Richard B. Salomon became a director of Headway in June 1995. He has been engaged in the private practice of law for the past five years, during which period he has been a partner in the law firm of Salans, counsel to Headway. Mr. Salomon's practice is primarily in the areas of real estate and corporate law.

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He currently serves as a director of Tweedy Browne Fund, Inc., a mutual fund based in New York City.

Jamie Schwartz was appointed Chief Operating Officer of Headway Corporate Staffing Services and Secretary in June 2000. Prior to this, he served as the National Vice President of Headway Corporate Staffing Services. He was hired by Irene Cohen Temps in December 1993, which was acquired by Headway Corporate Resources in December 1996 as Director of Technology. He has a BA in Economics from the University of Rochester and his MBA in Operations and Finance from the William E. Simon Graduate School of Business Administration.

Phylicia G. Levinson rejoined Headway as its Senior Vice President, Chief Financial Officer in October 2001. She originally joined the Company in December 1992 where she held a variety of positions until she was appointed Chief Financial Officer in 1999. From 1999 to 2001, she was Senior Vice President, Chief Financial Officer of dreamlife, inc., an online company focusing on personal and professional improvement. Ms. Levinson received an MBA from Harvard Business School and a BA from the University of Virginia.

### Section 16(a) Filing Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires officers and Directors of Headway and persons who own more than ten percent of a registered class of Headway's equity securities to file reports of ownership and changes in their ownership on Forms 3, 4, and 5 with the Securities and Exchange Commission, and forward copies of such filings to Headway. Based on the copies of filings received by Headway, during the most recent fiscal year the directors, officers, and beneficial owners of more than ten percent of the equity securities of Headway registered pursuant to Section 12 of the Exchange Act have filed on a timely basis all required Forms 3, 4, and 5 and any amendments thereto.

### Item 11. Executive Compensation

#### Annual Compensation

The following table sets forth certain information regarding the annual and long-term compensation for services in all capacities to Headway for the prior fiscal years ended December 31, 2002, 2001 and 2000, of those persons who were either (i) the chief executive officer of Headway during the last completed fiscal year or (ii) one of the other four most highly compensated executive officers of Headway as of the end of the last completed fiscal year whose annual salary and bonuses exceeded \$100,000 (collectively, the "Named Executive Officers").

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Name and Principal Position	Year	Annual Compensation			Other Annual Compensation
		Salary (\$)	Commission (\$)	Bonus (\$)	
Gary S. Goldstein Chairman, Chief Executive Officer	2002	650,000	228,073 (1)	291,320	15,209
	2001	650,000	1,730,040 (1)	--	74,227
	2000	650,000	462,425 (1)	--	64,752
Barry S. Roseman	2002	387,500	--	218,750	12,000

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President, Chief	2001	350,000	--	150,000	27,458
Operating Officer	2000	350,000	--	50,000	25,390
Jamie Schwartz	2002	250,000	--	10,000	--
Executive Vice President, Chief	2001	243,333	--	25,000	--
Operating Officer of HCSS	2000	210,000	--	35,000	--
Philicia G. Levinson	2002	200,000	--	35,000	--
Senior Vice President, Chief	2001	50,000	--	15,000	--
Financial Officer and Treasurer	2000	--	--	--	--

(1) Represents commissions on personal search revenue.

Name and Principal Position	Year	Long Term Compensation			
		Restricted Stock Awards (\$)	Securities Underlying Options/SARs (#)	LTIP Payouts (\$)	All Other Compensation (1)
Gary S. Goldstein	2002	--	--	--	--
Chairman, Chief	2001	--	--	--	--
Executive Officer	2000	--	--	--	--
Barry S. Roseman	2002	--	--	--	--
President, Chief	2001	--	--	--	--
Operating Officer	2000	--	--	--	--
Jamie Schwartz	2002	--	--	--	12,500
Executive Vice President, Chief	2001	--	--	--	25,000
Operating Officer of HCSS	2000	--	25,000	--	25,000
Philicia G. Levinson	2002	--	--	--	--
Senior Vice President, Chief	2001	--	--	--	--
Financial Officer and Treasurer	2000	--	--	--	--

(1) Represents a three year deferred compensation program, in which Mr. Schwartz is a participant. The three years ended during 2002. As a result, Mr. Schwartz received a payout of \$75,000 during the year 2002.

Employment and Other Arrangements

The incentive compensation arrangements for Messrs. Goldstein and Roseman adopted by the Board in 2000 expired at the end of 2001. The year 2002 was a transition year for Headway and its management due to the impact of unfavorable economic conditions and the possibility that Headway might exit the executive search business, which occurred early in 2003. Accordingly, in the Board's view it was not prudent to adopt a new compensation plan during this period of transition. During 2002 the Board approved a monthly retention bonus for \$31,250 for Mr. Roseman and retention bonuses totaling \$291,320 for Mr. Goldstein in order to induce them to remain with Headway. In March 2003 Headway exited the executive search segment of its business through a sale of its Whitney subsidiaries to a group led by Gary Goldstein. In connection with the transaction, Mr. Goldstein resigned his positions as an Executive Officer and

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member of the Board of Directors of Headway and its remaining subsidiaries. As a result of Mr. Goldstein's departure, Mr. Roseman assumed additional responsibilities at Headway. Mr. Roseman's salary was increased to \$400,000 from \$350,000 in light of his increased level of responsibility. The Board is now in the process of evaluating prospective compensation plans and expects to enter into an employment agreement with Mr. Roseman during the year 2003. In the interim, Mr. Roseman will continue to receive a monthly retention bonus of \$31,250 in addition to his salary.

### Defined Contribution Plan

At January 1, 1998, Headway implemented a 401(k) retirement plan covering substantially all employees. The plan does not require matching contributions by Headway, and Headway made no contributions to the plan for 2002. Benefits payable to an employee under the plan are determined solely on the basis of the employee's contributions. Prior to 1998, Headway had four qualified 401(k) contribution plans for its employees. Under one plan, Headway was required to make matching contributions up to 25% of the amount contributed by the employees. Employees are fully vested on their contributions when made, and are fully vested on employer contributions after five years of service.

### Stock Options

In 1999 the Board of Directors and stockholders approved Headway's Amended 1993 Incentive Plan. The purpose of the Plan is to provide directors, officers, employees, and consultants with additional incentives by increasing their ownership interests in the Company. Directors, officers, and other employees of the Company and its subsidiaries are eligible to participate in the Plan. In addition, awards may be granted to consultants providing valuable services to the Company. Awards under the Plan are granted by the Executive Compensation Committee of the Board and may include incentive stock options, non-qualified stock options, stock appreciation rights, stock units, restricted stock, restricted stock units, performance shares, performance units, or cash awards.

The following table sets forth certain information with respect to unexercised options held by the Named Executive Officers as of December 31, 2002. No outstanding options held by the Named Executive Officers were exercised in 2002.

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Name and Principal Position	Number of Securities Underlying Unexercised Options at FY End (#) Exercisable/Unexercisable	Value of Unexercised In-the-Money Options at FY End (\$) (1) Exercisable/Unexercisable
Gary S. Goldstein Chairman, Chief Executive Officer	355,000/-0-	-0-/-0-
Barry S. Roseman President, Chief Operating Officer	150,000/-0-	-0-/-0-
Jamie Schwartz Executive Vice President, Chief Operating Officer of HCSS	15,000/50,000	-0-/-0-

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Philicia G. Levinson

Senior Vice President, Chief  
Financial Officer and Treasurer

-0-/-0-

-0-/-0-

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(1) This value is determined on the basis of the difference between the fair market value of the securities underlying the options and the exercise price at fiscal year end. The fair market value of Headway's common stock at fiscal year end was \$0.06, which is the last sale price on December 31, 2002.

Report of the Executive Compensation Committee of the Board Of Directors On Executive Compensation for Fiscal Year 2002

The Executive Compensation Committee (the "Committee") of Headway's Board of Directors sets the salaries and other compensation of Headway's executive officers, including the Chairman and Chief Executive Officer and other Named Executive Officers. Compensation for these executive officers consists mainly of the following items:

- o Salaries, which are intended to be competitive, are not performance-based, as are the annual and long-term elements.
- o Annual incentive awards are based on Headway performance versus standards adopted early in the year, which may include subjective factors. No annual incentive awards were granted for the fiscal year ending December 31, 2002.
- o Long-term incentive awards consist of stock options and performance unit awards. This plan expired as of the end of 2001. No new plan was established in 2002.
- o Commissions: Because of his position as a recruiter for Whitney, Gary S. Goldstein receives commissions on his personal search revenue.

Mr. Goldstein's search revenue commission rate is as follows:

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Revenue	Commission
0-\$500,000	10%
\$500-000-\$1,000,000	20%
Greater than \$1,000,000	25%

Mr. Goldstein received \$228,073 in commissions in fiscal year 2002.

- o Retention incentives: On April 1, 2002, in connection with the amendment of the Company's Senior Credit Facility, the Board offered retention incentives to Messrs Goldstein and Roseman in order to induce them to stay with the Company. In 2002 Mr. Goldstein received \$291,320 in retention bonuses and Mr. Roseman received retention bonuses totaling \$218,750.

Chief Executive Officer Compensation: Mr. Goldstein's salary was \$650,000 per annum. This was set by the Committee effective January 1, 2000.

Chief Operating Officer Compensation: Effective April 1, 2002 the Committee set Mr. Roseman's salary at \$400,000 per annum. This represents a \$50,000 increase from his salary in effect since 2000. In connection with the sale of

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the Whitney subsidiaries (see below), Mr. Roseman has taken on additional responsibilities at Headway. This salary adjustment was necessary in light of his increased level of responsibility.

The Board is currently reviewing Mr. Roseman's compensation arrangements and is in the process of determining an appropriate package. The Board anticipates that Headway will enter into an employment agreement with Mr. Roseman upon completion of this process. In the interim, Mr. Roseman will continue to receive a monthly retention bonus of \$31,250.

**Subsequent Events:** In March 2003, Headway exited the executive search segment of its business through a sale of its Whitney subsidiaries to a group led by Gary Goldstein. In connection with the transaction, Mr. Goldstein resigned his positions as an Executive Officer and member of the Board of Directors of Headway.

**Section 162(m) of the Internal Revenue Code:** This section of the Internal Revenue Code (the "Code") limits Headway to a deduction for federal income tax purposes of no more than \$1,000,000 of compensation paid to any name executive officer in a taxable year. Compensation above \$1,000,000 may be deducted if it is a "performance-based compensation" within the meaning of the Code. The shareholders approved, at its 1999 shareholders meeting, performance based compensation.

**Conclusion:** The Committee will continue to monitor the annual and long-term compensation of the named executive officers making it contingent on Headway's performance, linking realization of rewards closely to increases in financial performance and shareholder value. Headway is committed to this philosophy of pay for performance, recognizing the competitive market for talented executives and the volatility of Headway's business may result in highly variable compensation for the period.

Members of the Compensation Committee

Ehud D. Laska, Chair

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### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

#### Principal Stockholders

The following table sets forth as of April 24, 2003, the number and percentage of the outstanding shares of Common Stock that, according to the information supplied to Headway, were beneficially owned by each person who, to the knowledge of Headway, is the beneficial owner of more than 5% of the outstanding Common Stock. Except as otherwise indicated, the persons named in the table have sole voting and dispositive power with respect to all shares beneficially owned, subject to community property laws where applicable.

	Amount and Nature of Beneficial Ownership		
	Common Shares	Options, Warrants And Rights (1)	Percent of Class (2)
Gary S. Goldstein	1,877,005	355,000	15.6%



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850 Third Avenue  
New York, NY 10022

GarMark Partners, L.P. (3) 1325 Avenue of the Americas 26th Floor New York, NY 10019	2,000,001	15,941,115	60.1%
Moore Macro Fund, L.P. (4) c/o Moore Capital 1251 Avenue of the Americas, 53rd Floor New York, NY 10020	749,970	5,966,665	33.8%
Banc of America Securities, LLC (5) 9 West 57th Street New York, NY 10019	250,029	1,989,880	14.1%
FSC Corporation (6) Fleet Bank, N.A. Managed Assets Division 777 Main Street Hartford, CT 06115	-0-	859,433	5.8%

(1) These figures represent options and warrants that are vested or will vest within 60 days from the date as of which information is presented in the table.

(2) These figures represent the percentage of ownership of the named individuals assuming each of them alone has exercised his or her options, warrants, or conversion rights.

(3) GarMark Partners, L.P., is the holder of Series G Convertible Preferred Stock of Headway, which is convertible to 15,911,107 shares of Common Stock. E Garrett Bewkes, III, and Mark Solow are the Managing Members of GarMark Associates L.L.C., the general partner of GarMark Partners, L.P., and, therefore, these persons may be deemed to have shared voting and investment control with respect to such shares. Until recently, Mr. Bewkes served as a non-employee director of Headway, for which he was entitled to receive annually 5,000 options to purchase Common Stock. Mr. Bewkes elected to have all such options issued to GarMark Partners, L.P., so the figure in the table includes the options. Mr. Bewkes resigned from the Board of Directors in March 2003.

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(4) Moore Macro Fund, L.P. is the holder of Series G Convertible Preferred Stock of Headway, which is convertible to 5,966,665 shares of Common Stock. Moore Macro Fund, L.P. also holds 749,970 shares of Common Stock.

(5) Banc of America Securities, LLC, is the holder of Series G Convertible Preferred Stock of Headway, which is convertible to 1,989,880 shares of Common Stock. Banc of America Securities, LLC also holds 250,029 shares of Common Stock.

(6) These figures represent warrants to purchase Common Stock that were granted in connection with the amendment of the Company's Senior Credit Facility completed on April 18, 2002.

Management

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The following table sets forth as of April 24, 2003 the number and percentage of the outstanding shares of Common Stock which, according to the information supplied to Headway, were beneficially owned by (i) each person who is currently a director or executive officer of Headway, and (ii) all current directors and executive officers of Headway as a group. Except as otherwise indicated, the persons named in the table have sole voting and dispositive power with respect to all shares beneficially owned, subject to community property laws where applicable.

	Amount and Nature of Beneficial Ownership		
	Common Shares	Options, Warrants And Rights (1)	Percent of Class (2)
Barry S. Roseman 317 Madison Avenue New York, NY 10017	383,629	150,000	3.8%
Ehud D. Laska Interbank Capital Group 630 Fifth Avenue New York, NY 10111	79,580	25,000	0.8%
Richard B. Salomon Salans 620 Fifth Avenue New York, NY 10020	49,965	25,000	0.5%
Jamie Schwartz 317 Madison Avenue New York, NY 10017	-0-	15,000	0.1%
Philicia G. Levinson 317 Madison Avenue New York, NY 10017	66,621	-0-	0.5%
All Executive officers and Directors as a Group (5 Persons)	579,795	215,000	5.6%

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(1) These figures represent options and warrants that are vested or will vest within 60 days from the date as of which information is presented in the table.

(2) These figures represent the percentage of ownership of the named individuals assuming each of them alone has exercised his or her options, warrants, or conversion rights, and percentage ownership of all officers and directors of a group assuming all such purchase or conversion rights held by such individuals are exercised.

### Equity Compensation Plans

The following table summarizes information, as of December 31, 2002, relating to equity compensation plans of the Company pursuant to which grants of options, restricted stock units or other rights to acquire shares may be granted

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from time to time.

### Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders (1)	1,636,281	\$4.14	1,604,719
Equity compensation plans not approved by security holders	--	--	--

(1) This plan is the Company's Amended 1993 Stock Incentive Plan.

#### Item 13. Certain Relationships and Related Transactions

In March 1998, Headway obtained \$105 million of financing consisting of \$75 million in senior debt, \$20 million of equity financing and \$10 million of senior subordinated debt.

The debt included a Senior Facility, which is now \$72 million plus outstanding letters of credit for \$1,687,000, under which Bank of America, N.A. (the successor to NationsBank, National Association) is a lender and acts as agent for a group of participating lenders (the "Senior Lenders"). The Senior Lenders include Fleet National Bank.

The Senior Subordinated Debt was issued under an indenture to GarMark Partners, L.P. ("GarMark"), Moore Global Investments, Ltd. ("Moore"), Banc of America Securities, LLC ("BOA"), and Remington Investment Strategies, L.P. ("Remington"). Furthermore, GarMark, Moore, BOA, and Remington provided \$20 million of equity financing through the purchase of 1,000 shares of Series F Convertible Preferred Stock of Headway ("Series F Stock"). GarMark, Moore, BOA, and Remington, purchased 666.67, 205, 83.33 and 45 shares of the Series F Stock, respectively. E. Garrett Bewkes, III, who served as a director of Headway from March 1998 to March 2003, is a Managing Member of GarMark Associates L.L.C., the general partner of GarMark.

As of June 30, 2001, Headway failed to comply with certain financial ratio covenants in the Senior Facility and Senior Subordinated Debt. As a result, Bank of America, as agent for the Senior Lenders issued a notice of payment blockage to prevent Headway from paying interest on the Senior Subordinated Debt. In June 2001, the board of directors determined not to declare a dividend on Headway's outstanding Series F Stock, believing that it was not in the interest of Headway

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to declare a dividend until the covenant defaults under the Senior Facility and Senior Subordinated Debt were resolved.

In August 2001, Headway amended the Senior Facility and obtained a waiver of the financial ratio defaults. Concurrently, Headway amended the terms of the Senior Subordinated Debt and exchanged all 1,000 shares of outstanding Series F Stock for an equal number of shares of Series G Convertible Preferred Stock (the "Series G Stock"). As a negotiated element of the transaction, we also issued to the holders of the Series G Stock:

- o Warrants to purchase an aggregate of 1,000,000 shares of our common stock at an exercise price of \$1.10 per share that expire on the later of September 7, 2006 and the date on which all principal, premiums and interest on the Senior Subordinated Debt has been paid in full and all of the Preferred Stock has been redeemed or converted (the "First Series G Warrants");
- o Warrants to purchase an additional 1,150,000 shares at an exercise price of \$0.01 per share exercisable from January 2, 2002, through the later of January 2, 2007 and the date on which all principal, premiums and interest on the Senior Subordinated Debt has been paid in full and all of the Preferred Stock has been redeemed or converted (the "Second Series G Warrants"); and,
- o Warrants to purchase an additional 850,000 shares at an exercise price of \$3.05 per shares exercisable from January 2, 2002, through the later of January 2, 2007 and the date on which all principal, premiums and interest on the Senior Subordinated Debt has been paid in full and all of the Preferred Stock has been redeemed or converted (the "Third Series G Warrants").

The First Series G Warrants, Second Series G Warrants, and Third Series G Warrants are collectively referred to as the "Series G Warrants".

Under the amendments to the Senior Subordinated Debt, Headway obtained waivers of the financial covenant and interest payment defaults, agreed to an increase in the note interest rate to 20 percent retroactive to July 1, 2001, if all interest accrued at April 1, 2002, was not paid in full as of that date, modified certain financial covenants, and agreed to negotiate for the payment of alternative consideration if all accrued payment obligations at April 1, 2002, were not paid as of that date, which, unless Headway and the holders thereof otherwise agreed, was to include a decrease in the exercise price of all Series G Warrants to \$0.01 per share. Headway did not make any of the required interest or dividend payments.

The Series G Stock issued to the former holders of the Series F Stock was convertible to common stock of Headway at a conversion price of \$5.58 per share; provided, that the conversion price would decrease to \$2.75 per share if all accrued interest on the Senior Subordinated Debt and accrued dividends on the Series G Stock was not paid in full as of January 2, 2002, and would decrease further to \$1.00 per share if such interest and dividends was not paid in full as of April 1, 2002. Headway did not make any of the required interest or dividend payments, so the conversion price is now \$1.00 per share.

The Series G Stock is senior to the common stock with respect to payment of dividends and distributions in liquidation. Holders of the Series G Stock are entitled to receive dividends payable quarterly equal to 7.5 percent of the liquidation preference value of the Series G Stock, which is \$20,000 per share or a total of \$20 million; provided, that the dividend rate would increased to nine percent if all accrued dividends on the Series G Stock were not paid in full on January 2, 2002, and increase further to 10 percent if all such

dividends were not paid in full as of April 1, 2002. Headway did not make the required interest or dividend payments, so the dividend rate is now 10 percent.

No dividends or distributions may be made with respect to the common stock unless all dividend payments on the Series G Stock are current. Holders of Headway's Series G Stock have the right to elect one member of the board of directors and elect one-third of the board of directors so long as a default in dividend payments exists and is continuing.

On April 17, 2002, Headway further amended and restated the Senior Facility and obtained a waiver of the financial ratio defaults, as well as an extension of the maturity date to June 30, 2003. Among other things, this amendment required us to issue warrants to the Senior Lenders to purchase an aggregate of 2,455,522 shares of our common stock at an exercise price of \$0.25 per share exercisable through at least April 30, 2007, including warrants to purchase 859,433 shares issued to FSC Corporation, the designee of Fleet National Bank. The holders of the warrants have the right to demand on four occasions that Headway register for resale under the Securities Act of 1933 the shares of common stock issuable under the warrants, all at Headway's expense. Furthermore, the holders have unlimited piggy-back registration rights.

Concurrently, but effective as of March 31, 2002, Headway amended the terms of the Senior Subordinated Debt. As a negotiated element of the transaction, the exercise prices of the First Series G Warrants and the Third Series G Warrants was changed to \$0.25 per share. All of the Series G Warrants were exercised in May 2002. Under the amendments to the Senior Subordinated Debt, Headway obtained waivers of the financial covenant and interest payment defaults, modified certain financial covenants, as well as continued deferral of interest and dividend payments through a date that is no later than June 30, 2003. As part of this transaction, the holders of the Senior Subordinated Debt agreed to the elimination of the requirement to pay five percent of additional interest on the Senior Subordinated Debt, which was to take effect retroactively as of July 1, 2001.

In December 2002, the Company further amended the Senior Credit Facility and obtained a waiver of compliance with certain financial covenants, which the Company had failed as of that date. The amendment provided a waiver and reduced the amount of the monthly cash interest payment through March 31, 2003. Although the Company was in compliance with the Amendment as of December 31, 2002, the waiver expired on March 31, 2003 causing the Company to be in default of the Senior Credit Facility. The existence of events of default under the Senior Credit Facility creates cross-defaults under the Indenture for the Senior Subordinated Notes and the Certificate of Designation for the Preferred Stock. Upon the occurrence and during the continuation of an event of default under the Certificate of Designations, holders of the Preferred Stock may require redemption of the Preferred Stock by the Company.

The Senior Credit Facility expires on June 30, 2003, with all outstanding amounts then due. The Company is currently in negotiations with its Senior Lenders and the holders of its Senior Subordinated Notes and Preferred Stock (collectively, the "Senior Creditors") to further amend the Senior Credit Facility, Indenture and Certificate of Designations, which would include a waiver and an extended maturity date as well as modified financial covenants that would give the Company greater flexibility to operate. The Company is also currently in negotiations with the Senior Creditors concerning a possible restructuring of the Company's outstanding debt and equity. Any such restructuring would likely involve a significant reduction in the Company's debt, new debt and equity financing and a significant dilution in the percentage

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of the outstanding common stock held by the Company's current common stockholders. No assurances can be given that any restructuring will be accomplished or as to the terms thereof. If such waivers and amendments or restructuring is not achieved and the Senior Creditors exercise their rights and remedies as a result of the pending events of default or upon the maturity of

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the Senior Credit Facility on June 30, 2003, the Company would not have sufficient liquidity to meet its obligations, and may need to file for bankruptcy pursuant to chapter 11 of the Bankruptcy Code.

Each of the Senior Facility, Senior Subordinated Debt, and Series G Stock contain covenants that require the lenders and equity owners to approve certain corporate transactions and activities, including, acquisitions in excess of specified limits, sales of substantial assets or subsidiaries, implementing additional debt facilities in excess of specified limits, sales of Headway securities in certain circumstances, amending Headway's charter documents, effecting or permitting a sale of Headway, issuing stock options and similar incentive arrangements involving Headway's securities, and other matters. The existence of these rights could inhibit the ability of Headway to effect or participate in transactions acceptable to Headway, but not the lenders or holders of the Series G Stock, or the ability of stockholders to participate in a transaction in which they might otherwise receive a premium for their shares over the then-current market price.

On March 13, 2003, Headway Corporate Resources, Inc. exited the executive search segment of its business through a sale of its Whitney subsidiaries. All of Headway's interest in the Whitney subsidiaries were sold to Whitney Group, LLC, a New York limited liability company (the "Whitney Group"). Gary S. Goldstein, who had resigned his positions as an officer and director of Headway and its subsidiaries, is an officer and principal owner of membership interest in the Whitney Group.

In consideration for the sale, the Whitney Group (i) issued to the Company a 15 percent membership interest in the Whitney Group (subject to adjustment in certain circumstances), (ii) issued a promissory note in the principal amount of \$2,000,000, and (iii) is obligated to pay an earnout equal to five percent of Whitney Group's gross revenues, as defined, during a five-year period commencing January 1, 2003. The note bears interest at the Prime Lending Rate as in effect from time to time, plus two percent per annum. Interest is payable quarterly and the full principal amount of the note is payable in January 2005. The Whitney Group may, at its election, prepay and terminate the promissory note and earnout obligation through a lump sum payment of \$5,000,000 less the actual amount of principal previously paid on the promissory note and earnout payments. The Whitney Group is obligated to prepay the promissory note and earnout obligation on the foregoing terms if one or more specified events occur prior to January 1, 2006, that constitute a change in control or ownership of the Whitney Group. The Company has estimated the fair market value of the promissory note at \$1,400,000 and the 15% equity interest at \$45,000. This transaction will be recorded in the 2003 financial statements and is not expected to result in a material gain or loss on the Company's results of operations.

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Part IV

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Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

### Exhibits

Copies of the following documents are included as exhibits to this report pursuant to Item 601 of Regulation S-K.

Exhibit No.	Title of Document	Location
3.1	Certificate of Incorporation (1)	Ex. No. 1
3.2	By-Laws (1)	Ex. No. 2
3.3	By-Law Amendments (2)	Ex. No. 5
4.1	Series F Preferred Stock Designation (2)	Ex. No. 4
4.6	Securities Purchase Agreement dated March 19, 1998 (2)	Ex. No. 6
4.7	Registration Rights Agreement dated March 19, 1998 (2)	Ex. No. 7
4.8	Indenture dated March 19, 1998 (2)	Ex. No. 8
4.9	Fourth Supplemental Indenture, dated as of August 24, 2001 (3)	Ex. No. 4.1
4.10	Limited Waiver and Amendment dated as of August 24, 2001 (3)	Ex. No. 4.3
4.11	Form of Senior Subordinated Note (2)	Ex. No. 9
4.12	Guaranty Agreement dated March 19, 1998 (2)	Ex. No. 10
4.13	Credit Agreement dated March 19, 1998, including Exhibit A - Commitment Percentage, and Exhibit F - Form of Revolving Note (2)	Ex. No. 11
4.14	Seventh Amendment and Limited Waiver to Credit Agreement dated as of August 24, 2001, to the Credit Agreement dated as of March 19, 1998 (3)	Ex. No. 4.2
4.15	Guaranty Agreement dated March 19, 1998 (2)	Ex. No. 12
4.16	Security Agreement dated March 19, 1998 (2)	Ex. No. 13
4.17	Pledge Agreement dated March 19, 1998 (2)	Ex. No. 14
4.18	LC Account Agreement dated March 19, 1998 (2)	Ex. No. 15
4.19	Intellectual Property Security Agreement dated March 19, 1998 (2)	Ex. No. 16
4.20	Amended and Restated Indenture dated April 18, 2002 (4)	Ex. No. 4.8
4.21	Amended and Restated Credit Agreement dated April 17, 2002 (4)	Ex. No. 4.10
10.1	Purchase Agreement between Headway Corporate	Ex. No. 10.1

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Resources, Inc., and Whitney Group, LLC dated  
March 7, 2003 (5)

21.1	Subsidiaries of Headway (6)	Ex. No. 16
99.1	Certification of the Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	This Filing
99.2	Certification of the Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	This Filing

(1) These exhibits are included in Headway's annual report on Form 10-KSB, for the fiscal year ended December 31, 1996, and filed with the Securities and Exchange Commission on March 27, 1997, and are incorporated herein by this reference. The reference under the column "Location" is to the exhibit number in the report on Form 10-KSB.

(2) These exhibits are included in Headway's current report on Form 8-K, dated March 19, 1998, and filed with the Commission on April 3, 1998, and are incorporated herein by this reference. The reference under the column "Location" is to the exhibit number in the report on Form 8-K.

(3) These exhibits are included in Headway's quarterly report on Form 10-Q, for the quarter ended September 30, 2001, and filed with the Securities and Exchange Commission on November 14, 2001, and are incorporated herein by this reference. The reference under the column "Location" is to the exhibit number in the report on Form 10-Q.

(4) These exhibits are included in Headway's annual report on Form 10-K/A for the fiscal year ended December 31, 2001, and filed with the Securities and Exchange Commission on April 30, 2002, and is incorporated herein by this reference. The reference under the column "Location" is to the exhibit number in the report on Form 10-K.

(5) This exhibit is included in Headway's current report on Form 8-K dated March 13, 2003, and filed with the Securities and Exchange Commission on March 28, 2003, and is incorporated herein by this reference. The reference under the column "Location" is to the exhibit number in the report on Form 8-K.

(6) This exhibit is included in Headway's annual report on Form 10-K for the fiscal year ended December 31, 2000, and filed with the Securities and Exchange Commission on March 30, 2001, and is incorporated herein by this reference. The reference under the column "Location" is to the exhibit number in the report on Form 10-K.

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Signatures

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

Headway Corporate Resources, Inc.

Date: April 29, 2003

By: /s/ Barry S. Rosman  
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Barry S. Roseman, President and Chief  
Executive Officer

Date: April 29, 2003

By: /s/ Philicia G. Levinson

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Philicia G. Levinson, Chief Financial  
Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Dated: April 29, 2003

/s/ Barry S. Rosman

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Barry S. Roseman, Director, President  
and Chief Executive Officer

Dated: April 29, 2003

/s/ Ehud D. Laska

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Ehud D. Laska, Director

Dated: April 29, 2003

/s/ Richard B. Salomon

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Richard B. Salomon, Director

Dated: April 29, 2003

/s/ Philicia G. Levinson

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Philicia G. Levinson, Chief Financial Officer  
(Principal Financial and Accounting Officer)

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CERTIFICATION

I, Barry S. Roseman, certify that:

1. I have reviewed this annual report on Form 10-K of Headway Corporate Resources, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

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- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 29, 2003

By: /s/ Barry S. Rosman

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Barry S. Roseman, President and  
Chief Executive Officer

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CERTIFICATION

I, Philicia G. Levinson, certify that:

1. I have reviewed this annual report on Form 10-K of Headway Corporate Resources, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material

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respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
  - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
  - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: April 29, 2003

By: /s/ Philicia G. Levinson

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Philicia G. Levinson, Chief Financial  
Officer