

NETSMART TECHNOLOGIES INC
Form S-3/A
April 05, 2006

As filed with the Securities and Exchange Commission on April 5, 2006

Registration No. 333-129265

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

Amendment No. 3

to

FORM S-3

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933**

NETSMART TECHNOLOGIES, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or
Organization)

13-3680154

(I.R.S. Employer Identification No.)

3500 Sunrise Highway, Great River, NY 11739 (631) 968-2000

(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive
Offices)

**James L. Conway, CEO
Netsmart Technologies, Inc.
3500 Sunrise Highway
Great River, New York 11739
(631) 968-2000**

(Name, Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copy to:

**Nancy D. Lieberman, Esq.
Kramer, Coleman, Wactlar & Lieberman, P.C.
100 Jericho Quadrangle
Jericho, New York 11753
(516) 822-4820**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If the only securities being registered on this form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a registration statement pursuant to General Instruction I.D. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.D. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box. o

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities To Be Registered	Amount to be Registered	Proposed Maximum Aggregate Price per Unit	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, Par value \$.01 per share	945,735	\$14.76 ⁽¹⁾	\$13,959,049	\$1494
Common Stock, Par value \$.01 per share ⁽²⁾	147,003	\$11.00 ⁽³⁾	\$1,617,033	\$173
Total Registration Fee				\$1667 ⁽⁴⁾

(1) Estimated solely for purposes of calculating the registration fee pursuant to Rule 457(c) promulgated under the Securities Act of 1933, based upon the average of the high and low sale prices of our common stock on October 24, 2005.

(2) Issuable upon exercise of warrants to purchase shares of our common stock issued in connection with our private placement of units consisting of common stock and warrants which closed on October 14, 2005, as described in the selling securityholders section of this registration statement.

(3) The registration fee for such securities has been calculated based on the exercise price of such warrants in accordance with Rule 457(g) promulgated under the Securities Act of 1933.

(4) Previously paid.

Pursuant to Rule 416 of the Securities Act of 1933, this registration statement also relates to such additional indeterminate number of shares of common stock as may become issuable by reason of stock splits, dividends and similar adjustments, in accordance with the antidilution provisions of the warrants.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

The information contained in this preliminary prospectus is not complete and may be changed. These securities may not be sold until the registration statement filed with the Securities and Exchange Commission is declared effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

**SUBJECT TO COMPLETION, DATED APRIL 5, 2006
PRELIMINARY PROSPECTUS**

NETSMART TECHNOLOGIES, INC.

1,092,738 Shares of Common Stock

This prospectus relates to the disposition, from time to time, of up to 1,092,738 shares of our common stock by the holders of these shares named in this prospectus, whom we refer to as the “selling securityholders,” and their transferees. The shares may be offered directly, through agents on behalf of the selling securityholders and their transferees, or through underwriters or dealers.

The shares being offered by the selling securityholders were issued by us in three transactions:

- o In a private placement of units consisting of shares of our common stock and warrants to purchase shares of our common stock, on October 14, 2005, we issued 490,000 shares of our common stock and warrants to purchase up to an aggregate of 147,003 shares of our common stock to the investors and the placement agent in that private offering.
- o In connection with our acquisition by merger of CMHC Systems, Inc., on September 28, 2005, we issued an aggregate 435,735 shares of our common stock to former securityholders of CMHC.
- o In connection with our acquisition of the business of ContinuedLearning, on April 28, 2005, we issued 20,000 shares of our common stock.

We are registering the shares to provide the selling securityholders with freely tradable securities.

We will not receive any of the proceeds from the sale of the shares. We will receive the exercise price upon exercise of the warrants. We have agreed to bear the expenses in connection with the registration and sale of the shares, except for selling commissions. We estimate these expenses to be \$40,000.

Our common stock is currently traded on the NASDAQ SmallCap Market under the symbol “NTST.” On March 31, 2006, the closing price for our common stock, as reported by NASDAQ, was \$13.86 per share.

**The securities offered in this prospectus involve a high degree of risk.
You should carefully read and consider the “Risk Factors,” commencing on
Page 3, for information that should be considered in determining
whether to purchase any of the securities.**

**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.**

ILLINOIS RESIDENTS: THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS, NOR HAS THE SECRETARY OF STATE OF ILLINOIS OR THE STATE OF ILLINOIS PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this prospectus is _____, 2006

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As used in this prospectus, the terms “we,” “us,” “our,” and “Netsmart” mean Netsmart Technologies, Inc. and its subsidiaries, unless otherwise specified.

We are incorporated under the laws of the state of Delaware. Our executive offices are located at 3500 Sunrise Highway, Great River, New York 11739 and our telephone number is (631) 968-2000.

YOU SHOULD RELY ONLY ON THE INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS PROSPECTUS AND IN ANY ACCOMPANYING PROSPECTUS SUPPLEMENT. NO ONE HAS BEEN AUTHORIZED TO PROVIDE YOU WITH DIFFERENT INFORMATION.

THESE SECURITIES ARE NOT BEING OFFERED IN ANY JURISDICTION WHERE THE OFFER IS NOT PERMITTED.

YOU SHOULD NOT ASSUME THAT THE INFORMATION IN THIS PROSPECTUS OR ANY PROSPECTUS SUPPLEMENT IS ACCURATE AS OF ANY DATE OTHER THAN THE DATE ON THE FRONT OF SUCH DOCUMENTS.

RISK FACTORS

The securities offered in this prospectus are speculative and involve a high degree of risk. Only those persons able to lose their entire investment should purchase any of the securities. Prior to making an investment decision, you should carefully read this prospectus and consider, along with other matters referred to herein, the following risk factors.

Because we are particularly dependent upon government contracts, any decrease in funding for entitlement programs could result in decreased revenue.

We market our health information systems principally to behavioral health facilities, many of which are operated by state and local government entities and include entitlement programs. During 2005, 2004 and 2003, we generated 44%, 49% and 57%, respectively, of our revenue from contracts that are directly or indirectly with government agencies. Government agencies generally have the right to cancel certain contracts at their convenience. Our ability to generate business from government agencies is affected by funding for entitlement programs, and our revenue would decline if state agencies reduce this funding.