

NETSMART TECHNOLOGIES INC
Form PRER14A
January 16, 2007
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

(Amendment No. 1)

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No. 1)

Filed by the Registrant
Filed by a Party other than the Registrant
Check the appropriate box:

- Preliminary Proxy Statement
 Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
 Definitive Proxy Statement
 Definitive Additional Materials
 Soliciting Material Pursuant to §240.14a-12

NETSMART TECHNOLOGIES, INC.

(Name of Registrant as Specified In Its Charter)

(N/A)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
 Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
- | | |
|-----|---|
| (1) | Title of each class of securities to which transaction applies:
Common stock, par value \$0.01 per share, of Netsmart Technologies, Inc. |
| (2) | Aggregate number of securities to which transaction applies:
6,549,058 shares of Netsmart Technologies, Inc. common stock outstanding as of
November 30, 2006
914,547 options to purchase shares of Netsmart Technologies, Inc. common stock
130,158 warrants to purchase shares of Netsmart Technologies, Inc. common stock |
| (3) | Per unit price or other underlying value of transaction computed pursuant to Exchange
Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it
was determined):
\$16.50 per share of Netsmart Technologies, Inc. common stock(a) |
| (4) | Proposed maximum aggregate value of transaction:
\$115,746,000(a) |
| (a) | As of November 30, 2006, there were (i) 6,549,058 shares of common stock, par value
\$0.01 per share (Common Stock) of Netsmart Technologies, Inc. (Netsmart)
outstanding and owned by stockholders, (ii) options to purchase 914,547 shares of
Common Stock with an exercise price less than \$16.50 per share, and (iii) warrants to
purchase 130,158 shares of Common Stock with an exercise price less than \$16.50 per
share. The filing fee was determined by adding (x) the product of (i) the number of
shares of Common Stock that are proposed to be acquired in the merger and (ii) the
merger consideration of \$16.50 in cash per share of Common Stock, plus (y) \$6,982,167
(net of exercise price) expected to be paid to holders of stock options with an exercise
price of less than \$16.50 per share granted by Netsmart to purchase shares of Common
Stock in exchange for cancellation of such options, plus (z) \$715,869 (net of exercise
price) expected to be paid to holders of warrants with an exercise price of less than
\$16.50 per share granted by Netsmart to purchase shares of Common Stock in exchange
for cancellation of such warrants ((x), (y) and (z) together, the Total Consideration).
The payment of the filing fee, calculated in accordance with Exchange Act Rule
0-11(c)(1), was calculated by multiplying the Total Consideration by .000107. |
| (5) | Total fee paid:
\$12,386 |
- Fee paid previously with preliminary materials.

Edgar Filing: NETSMART TECHNOLOGIES INC - Form PRER14A

o

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- | | |
|-----|---|
| (1) | Amount Previously Paid: |
| (2) | Form, Schedule or Registration Statement No.: |
| (3) | Filing Party: |
| (4) | Date Filed: |
-

NETSMART TECHNOLOGIES, INC.
3500 Sunrise Highway
Great River, New York 11739

[] [], 2007

Dear Fellow Stockholders:

You are cordially invited to attend a special meeting of stockholders of Netsmart Technologies, Inc. (Netsmart or the Company), to be held at [] on [], [], at [], Eastern Standard Time. At the special meeting, you will be asked to consider and vote upon a proposal to adopt the Agreement and Plan of Merger, dated as of November 18, 2006, by and among NT Acquisition, Inc., (Buyer), NT Merger Sub, Inc., a wholly owned subsidiary of Buyer (Merger Sub), and Netsmart (the Merger Agreement). Buyer was formed at the direction of funds affiliated with Insight Venture Partners (Insight). Insight and funds affiliated with Bessemer Venture Partners (Bessemer) have made commitments to make an indirect equity investment in Buyer. Bessemer and Insight are collectively referred to herein as the Sponsors.

The Merger Agreement contemplates the merger of Merger Sub with and into the Company with the Company continuing as the surviving corporation and becoming a wholly owned subsidiary of Buyer. Upon completion of the merger, each share of the Company's common stock not held by Buyer, Merger Sub, the Company or any subsidiary of the Company, or a stockholder who perfects appraisal rights in accordance with Delaware law, will be converted into the right to receive \$16.50 in cash, without interest. Holders of options and warrants will receive the excess, if any, of \$16.50 over the applicable per share exercise price for each option or warrant, as the case may be.

Under Delaware law, the affirmative vote of holders of a majority of the shares of Netsmart common stock outstanding and entitled to vote at the special meeting is necessary to adopt the merger proposal.

On November 17, 2006, our board of directors (other than James L. Conway, Chairman and Chief Executive Officer of Netsmart, who recused himself), acting upon the unanimous recommendation of a special committee of the board of directors consisting of four independent and disinterested directors (the Special Committee) and the fairness opinion of William Blair & Company, L.L.C. (which was subsequently confirmed in writing as of November 18, 2006) (the Opinion) unanimously (1) determined that the merger and the Merger Agreement are fair to, and in the best interests of, Netsmart's stockholders and (2) approved the Merger Agreement and the transactions contemplated thereby, including the merger. **Therefore, our board of directors (other than Mr. Conway, who recused himself) unanimously recommends that you vote FOR the adoption of the Merger Agreement.**

The accompanying proxy statement explains the proposed merger and provides specific information concerning the special meeting and the parties involved. **Please read the proxy statement carefully.** You may also obtain more information about the Company from documents that we have filed with the Securities and Exchange Commission.

YOUR VOTE IS VERY IMPORTANT. Whether or not you plan to attend the special meeting in person, please sign and return the enclosed proxy in the envelope provided. If you attend the special meeting and desire to vote in person, you may do so even though you have previously sent a proxy. Because adoption of the Merger Agreement requires, under Delaware law, the affirmative vote of holders of a majority of the shares of Netsmart common stock, the failure to vote will have exactly the same effect as voting against adoption of the merger proposal.

If your shares are held in street name by your broker, your broker will be unable to vote your shares without instructions from you. You should instruct your broker to vote your shares, following the procedures provided by your broker. Failure to instruct your broker to vote your shares will have exactly the same effect as voting against adoption of the merger proposal.

THIS TRANSACTION HAS NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE FAIRNESS OR MERITS OF SUCH TRANSACTION NOR UPON THE ACCURACY OR ADEQUACY OF THE INFORMATION CONTAINED IN THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS UNLAWFUL.

Sincerely,
James L. Conway
Chairman of the Board and Chief Executive Officer

Edgar Filing: NETSMART TECHNOLOGIES INC - Form PRER14A

This proxy statement is dated [] [], 2007, and is first being mailed to stockholders on or about [], 2007.

NETSMART TECHNOLOGIES, INC.

**3500 Sunrise Highway
Great River, New York 11739**

NOTICE OF SPECIAL MEETING OF STOCKHOLDERS

TO BE HELD ON [] [], 2007

TO OUR STOCKHOLDERS:

A special meeting of stockholders of Netsmart Technologies, Inc., a Delaware corporation (Netsmart), will be held on [], [] [], 2007, at [], Eastern Standard Daylight Time at [] for the following purposes:

1. To consider and vote upon a proposal to adopt the Merger Agreement, dated as of November 18, 2006, by and among Netsmart, NT Acquisition, Inc., a Delaware corporation (Buyer) and NT Merger Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Buyer (Merger Sub). Buyer was formed at the direction of funds affiliated with Insight Venture Partners (Insight). Insight and funds affiliated with Bessemer Venture Partners (Bessemer and, together with Insight, the Sponsors) have made commitments to make an indirect equity investment in Buyer. Pursuant to the Merger Agreement, Merger Sub will be merged with and into Netsmart, with Netsmart surviving the merger. Upon completion of the merger, each share of Netsmart 's common stock not held by Buyer, Merger Sub, Netsmart or any subsidiary of Netsmart or a stockholder who perfects appraisal rights in accordance with Delaware law, will be converted into the right to receive \$16.50 in cash, without interest. Holders of options and warrants will also receive the excess, if any, of \$16.50 over the applicable per share exercise price for each option or warrant, as the case may be. A copy of the Merger Agreement is attached as Annex A to the accompanying proxy statement;
2. To approve the adjournment of the special meeting for, among other reasons, the solicitation of additional proxies in the event that there are not sufficient votes at the time of the special meeting to approve the proposal to adopt the Merger Agreement; and
3. To transact any other business that may properly come before the special meeting or any adjournment thereof.

Our board of directors has fixed the close of business on [], [] [], 2007, as the record date for the purpose of determining stockholders entitled to receive notice of and to vote at the special meeting or any adjournment or adjournments thereof. Under Delaware law, the affirmative vote of holders of a majority of the shares of Netsmart common stock outstanding and entitled to vote at the special meeting is necessary to adopt the merger proposal.

On November 17, 2006, our board of directors (other than James L. Conway, Chairman and Chief Executive Officer of Netsmart, who recused himself), acting upon the unanimous recommendation of the Special Committee of the board of directors consisting of four independent and disinterested directors and the Opinion of William Blair unanimously (1) determined that the merger and the Merger Agreement are fair to and in the best interests of Netsmart 's stockholders and (2) approved the Merger Agreement and the transactions contemplated thereby, including the merger. **Therefore, our board of directors (other than Mr. Conway, who recused himself) unanimously recommends that you vote FOR the adoption of the Merger Agreement.**

The enclosed proxy statement provides you with a summary of the Merger Agreement and the merger, and provides additional information about the parties involved. The closing of the merger will occur as promptly as practicable following the adoption of the Merger Agreement at the special meeting by Netsmart stockholders, subject to the satisfaction or waiver of the other conditions to the closing of the merger, as described in the enclosed proxy statement.

Under Delaware law, stockholders of Netsmart can exercise appraisal rights in connection with the merger. A stockholder that does not vote in favor of the merger proposal and complies with all of the other necessary requirements will have the right to dissent from the merger and to seek appraisal of the fair value of their Netsmart shares, exclusive of any element of value arising from the expectation or accomplishment of the merger. For a description of appraisal rights and the procedures to be followed to assert them, stockholders should review the provisions of

Edgar Filing: NETSMART TECHNOLOGIES INC - Form PRER14A

Section 262 of the Delaware General Corporation Law, a copy of which is included as Annex C to the accompanying proxy statement.

YOUR VOTE IS VERY IMPORTANT. Whether or not you plan to attend the special meeting in person, please sign and return the enclosed proxy in the envelope provided. If you attend the special meeting and desire to vote in person, you may do so even though you have previously sent a proxy. Because adoption of the Merger Agreement requires, under Delaware law, the affirmative vote of holders of a majority of the shares of Netsmart common stock, the failure to vote will have exactly the same effect as voting against the merger proposal.

By Order of the Board of Directors,
Anthony F. Grisanti
Secretary

Great River, New York
[•], 2007

TABLE OF CONTENTS

<u>SUMMARY TERM SHEET</u>	1
<u>QUESTIONS AND ANSWERS ABOUT THE MERGER</u>	5
<u>INTRODUCTION</u>	10
<u>THE COMPANIES</u>	10
<u>Netsmart Technologies, Inc.</u>	10
<u>NT Investor Holdings, Inc.</u>	10
<u>NT Acquisition, Inc.</u>	11
<u>NT Merger Sub, Inc.</u>	11
<u>THE SPECIAL MEETING</u>	11
<u>Time, Place and Purpose of the Special Meeting</u>	11
<u>Record Date, Quorum and Voting</u>	12
<u>How You Can Vote</u>	13
<u>Stock Ownership and Interests of Certain Persons; Voting Agreement</u>	13
<u>How You May Revoke or Change Your Vote</u>	14
<u>Proxy Solicitation</u>	14
<u>Adjournments</u>	14
<u>SPECIAL FACTORS</u>	14
<u>Background of the Merger</u>	14
<u>Fairness of the Merger, Recommendation of the Special Committee and Netsmart's Board of Directors</u>	22
<u>Provisions for Unaffiliated Stockholders</u>	27
<u>The Executive Officers' Reasons for the Merger</u>	27
<u>Position of the Executive Officers Regarding the Fairness of the Merger</u>	28
<u>The Parent, Buyer and Merger Sub's Reasons for the Merger</u>	31
<u>Position of the Parent, Buyer and Merger Sub Regarding the Fairness of the Merger</u>	31
<u>Opinion of Netsmart's Financial Advisor</u>	33
<u>Certain Effects of the Merger</u>	41
<u>Plans for Netsmart After the Merger</u>	42
<u>Conduct of Company Business if the Merger is Not Completed</u>	43
<u>Financing for the Merger; Source and Amount of Funds</u>	43
<u>Interests of Officers and Directors in the Merger</u>	45
<u>Relationship Between Netsmart and the Sponsors</u>	50
<u>Material U.S. Federal Income Tax Consequences of the Merger</u>	51
<u>Anticipated Accounting Treatment of Merger</u>	52
<u>Litigation Challenging the Merger</u>	52
<u>Fees and Expenses</u>	53
<u>APPRAISAL RIGHTS</u>	53
<u>THE MERGER AGREEMENT (PROPOSAL NO. 1)</u>	56
<u>The Merger</u>	56
<u>Effective Time</u>	56
<u>Consideration to be Received by Company Stockholders in the Merger</u>	56
<u>Treatment of Stock Options and Warrants</u>	57
<u>Representations and Warranties</u>	57
<u>Conduct of Business Pending the Merger</u>	58
<u>Actions to be Taken to Complete the Merger</u>	60
<u>Indemnification of Directors and Officers; Insurance</u>	60
<u>No Solicitation of Acquisition Proposals; Recommendation to Netsmart Stockholders</u>	61
<u>Conditions to the Completion of the Merger</u>	63

<u>Termination of Merger Agreement</u>	64
<u>Reimbursement of Expenses; Termination Fee</u>	65
<u>Amendment, Waiver and Extension of the Merger Agreement</u>	67
<u>ADJOURNMENT OF THE SPECIAL MEETING (PROPOSAL NO. 2)</u>	67
<u>COMMON STOCK OWNERSHIP OF MANAGEMENT, EXECUTIVE OFFICERS AND CERTAIN BENEFICIAL OWNERS</u>	68
<u>TRANSACTIONS IN NETSMART STOCK</u>	69
<u>RELATED PARTY TRANSACTIONS</u>	69
<u>SELECTED FINANCIAL INFORMATION</u>	70
<u>MARKET PRICES AND DIVIDEND INFORMATION</u>	71
<u>CERTAIN INFORMATION ABOUT NETSMART'S DIRECTORS AND OFFICERS</u>	72
<u>CERTAIN INFORMATION ABOUT PARENT, BUYER AND MERGER SUB</u>	73
<u>Insight Funds</u>	74
<u>Bessemer Funds</u>	74
<u>FINANCIAL PROJECTIONS</u>	76
<u>FORWARD-LOOKING STATEMENTS</u>	78
<u>WHERE YOU CAN FIND MORE INFORMATION</u>	78
<u>SUBMISSION OF STOCKHOLDER PROPOSALS</u>	80
<u>Annex A Agreement and Plan Of Merger, dated as of November 18, 2006, by and among NT Acquisition, Inc., NT Merger Sub, Inc., and Netsmart Technologies, Inc.</u>	A-1
<u>Annex B Opinion of William Blair & Company, L.L.C., dated November 18, 2006</u>	B-1
<u>Annex C General Corporation Law of the State of Delaware</u>	C-1

SUMMARY TERM SHEET

This summary highlights important information from this proxy statement and does not contain all of the information that may be important to you. To understand fully the merger described in this proxy statement, you should carefully read the entire proxy statement, its annexes and the documents referred to or incorporated by reference in this proxy statement. We have included section references to direct you to a more complete description of the topics contained in this summary. In this proxy statement, the terms Netsmart, Company, We, Our, Ours, and U refer to Netsmart Technologies, Inc. and its subsidiaries, taken together.

- **The Proposal.** You are being asked to vote upon a proposal to adopt the Merger Agreement, dated as of November 18, 2006 by and between Netsmart, Buyer and Merger Sub. Buyer and Merger Sub are entities formed at the direction of Insight. Insight and Bessemer have made commitments to make an indirect equity investment in Buyer. The proposal provides for the merger of Merger Sub with and into Netsmart. Upon the terms and subject to the conditions of the Merger Agreement, Netsmart will continue as the surviving corporation and the separate corporate existence of Merger Sub will cease. See The Special Meeting beginning on page 11 and Special Factors Background of the Merger beginning on page 14 and The Merger Agreement beginning on page 56.

- **Going-Private Transaction.** This is a going private transaction, meaning that following the merger the Company's securities will no longer be traded on the NASDAQ Capital Market and the Company will no longer be a public company subject to the filing provisions of the Securities Exchange Act of 1934, as amended. If the merger is completed, you will be paid \$16.50 per share in cash, less any applicable withholding tax, and:

- affiliates of the Sponsors (together with certain other equity investors and certain members of Netsmart's current management) will own our entire equity interest;

- you will no longer have any interest in our future earnings or growth;

- we will no longer be a public company;

- our common stock will no longer be traded on the NASDAQ Capital Market; and

- we may no longer be required to file periodic and other reports with the Securities and Exchange Commission (SEC).

See Special Factors Certain Effects of the Merger beginning on page 41.

- **Board Recommendation.** Our board of directors (other than James L. Conway, Chairman and Chief Executive Officer of Netsmart, who recused himself), acting upon the unanimous recommendation of the Special Committee and the Opinion, among other things, unanimously determined that the merger is fair to and in the best interests of our stockholders, and unanimously recommends that the stockholders of the Company adopt the Merger Agreement. See Special Factors Fairness of the Merger; Recommendation of Netsmart's Board of Directors beginning on page 22.

- **Opinion of Netsmart's Financial Advisor.** The Special Committee received the Opinion from William Blair & Company, L.L.C. (William Blair), the financial adviser to the Company and the Special Committee, that, as of November 18, 2006, and based on and subject to the various factors, assumptions and limitations set forth in its opinion, the \$16.50 merger consideration to be received by holders of shares of Netsmart common stock (other than Mr. Conway, Anthony F. Grisanti, Netsmart's Chief Financial Officer, and any other members of Netsmart's management who invest in Parent of the election of the Sponsors (the Management Investors), the Sponsors and their

respective affiliates) pursuant to the Merger Agreement is fair, from a financial point of view, to the holders of such shares. The full text of the written Opinion is attached as Annex B to this proxy statement. Please read the Opinion carefully and in its entirety for a description of the procedures followed, matters considered and qualifications and limitations of the reviews undertaken in rendering that opinion. William Blair provided its Opinion for the information and assistance of the Special Committee and the board of directors in connection with their consideration of the merger and their opinion does not constitute a recommendation to any stockholder as to how such stockholder should vote or act on any matter relating to the merger. See **Special Factors Opinion of Netsmart's Financial Advisor beginning on page 33 and Annex B.**

-

Assets and liabilities at rates of exchange ruling at period end; and

-

Income, expenditure and cash flow items at average exchange rates.
supplemental information

sappi

19

sappi

supplemental information

regional information

Quarter

Quarter

Year

Year

ended

ended

ended

ended

Sept 2004

Sept 2003

Sept 2004

Sept 2003

Metric tons

Metric tons

Metric tons

Metric tons

(000's)

(000's)

% change

(000's)

(000's)

% change

Sales

Fine Paper - North America

364

371

(1.9)

1,444

1,383

4.4

Europe

609

570

6.8

2,388

2,233

6.9

Southern Africa

87

79

10.1

318

300

6.0

Total

1,060

1,020

3.9

4,150

3,916

6.0

Forest Products - Pulp and

paper operations

390

394

(1.0)

1,516

1,474

2.8

Forestry operations

453

355

27.6

1,527

1,285

18.8

Total

1,903

1,769

7.6

7,193

6,675

7.8

Reviewed

Reviewed

Reviewed

Reviewed

Quarter

Quarter

Year

Year

ended

ended

ended

ended

Sept 2004

Sept 2003

Sept 2004

Sept 2003

US\$ million

US\$ million

% change

US\$ million

US\$ million

% change

Sales

Fine Paper - North America

355
 358
 (0.8)
1,373
 1,384
 (0.8)
 Europe
541
 485
 11.5
2,127
 1,903
 11.8
 Southern Africa
86
 74 16.2
311
 270
 15.2
Total
982
 917
 7.1
3,811
 3,557
 7.1
 Forest Products - Pulp and
 paper operations
231
 192
 20.3
847
 689
 22.9
 Forestry operations
22
 14 57.1
70
 53
 32.1
Total
1,235
 1,123
 10.0
4,728
 4,299
 10.0
Operating profit
 Fine Paper - North America
(1)
 (27)

(96.3)
(92)
11
-
Europe
23
23
-
83
118
(29.7)
Southern Africa
4
6
(33.3)
15
35
(57.1)
Total
26
2
1,200.0
6
164
(96.3)
Forest Products
46
22
109.1
191
113
69.0
Corporate
-
(7)
(100.0)
(9)
(5)
80.0
Total
72
17 323.5
188
272
(30.9)

20

note: (1 ADR = 1 sappi share)

notes
sappi
21
sappi

notes
22

this report is available on the Sappi website

www.sappi.com

Transfer Secretaries:

South Africa:

United States

United Kingdom:

Computershare Investor

ADR Depository:

Capita Registrars

Services Limited 2004

The Bank of New York

The Registry

70 Marshall Street

Investor Relations

34 Beckenham Road

Johannesburg 2001

PO Box 11258

Beckenham, Kent

PO Box 61051

Church Street Station

BR3 4TU, DX 91750

Marshalltown 2107

New York, NY 10286-1258

Beckenham West

Tel +27 (0)11 370 5000

Tel +1 610 382 7836

Tel +44 (0)208 639 2157

Printed on Sappi Avalon Supreme Art Matt 250g/m

2

and 150g/m

2

www.sappi.com

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: December 27, 2004

SAPPI LIMITED,

by /s/ D. G. Wilson

Name: D. G. Wilson

Title: Executive Director: Finance