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PER SE TECHNOLOGIES INC  
Form S-1  
September 15, 2004

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON SEPTEMBER 15, 2004

REGISTRATION NO. 333-

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

FORM S-1  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933  
-----

PER-SE TECHNOLOGIES, INC.  
(Exact name of registrant as specified in its charter)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

7374  
(Primary Standard Industrial  
Classification Code Number)

DELAWARE  
(State or other jurisdiction of  
incorporation or organization)

58-1651222  
(I.R.S. Employer  
Identification No.)

1145 SANCTUARY PARKWAY  
SUITE 200  
ALPHARETTA, GA 30004  
(770) 237-4300  
(Address, including zip code, and telephone number,  
including area code, of registrant's principal executive offices)  
-----

PAUL J. QUINER  
SENIOR VICE PRESIDENT AND GENERAL COUNSEL  
PER-SE TECHNOLOGIES, INC.  
1145 SANCTUARY PARKWAY  
SUITE 200  
ALPHARETTA, GA 30004  
(770) 237-4300  
(Name, address, including zip code, and telephone number,  
including area code, of agent for service)  
-----

WITH COPIES TO:

NILS H. OKESON  
ALSTON & BIRD LLP  
1201 WEST PEACHTREE STREET  
ATLANTA, GEORGIA 30309  
(404) 881-7000 TELEPHONE  
(404) 881-7777 FACSIMILE

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: From time to  
time after this Registration Statement becomes effective.

If any of the securities being registered on this Form are being offered on a  
delayed or continuous basis pursuant to Rule 415 under the Securities Act of

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1933, check the following box. [X]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act of 1933, 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 of 1933, 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(d) under the Securities Act of 1933, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ] \_\_\_\_\_

If delivery of the prospectus is expected to be made pursuant to Rule 434 under the Securities Act of 1933, check the following box. [ ]

## CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED	PROPOSED MAXIMUM OFFERING PRICE PER UNIT	PROPOSED AGGREGATE OFFERING
3.25% Convertible Subordinated Debentures Due 2024.....	\$125,000,000 (1)	100%	\$125,
Common Stock, \$.01 par value per share (with attached Rights to purchase Series A Junior Participating Preferred Stock) (2).....	7,003,037 shares (3)	(3)	(

(1) Represents the aggregate principal amount of the debentures issued by the Registrant. Prior to the occurrence of certain events, the Rights will not be evidenced or traded separately from the Registrant's common stock. Value, if any, of the Rights is reflected in the market price of the Registrant's common stock.

(2) Accordingly, no separate fee is paid.

(3) This number represents the number of shares of common stock that are initially issuable upon conversion of the 3.25% Convertible Subordinated Debentures Due 2024 registered hereby. For purposes of estimating the number of shares of common stock to be included in the registration statement upon the conversion of the debentures, the Company calculated the number of shares issuable upon conversion of the debentures based on a conversion rate of 56.0243 shares of common stock per each \$1,000 principal amount of the debentures, which is equivalent to an initial conversion price of approximately \$17.85 per share of common stock. In addition to the shares set forth in the table, pursuant to Rule 416 under the Securities Act of 1933, as amended, the amount to be registered includes an indeterminate number of additional shares of common stock that may be issued to prevent dilution resulting from stock splits, stock dividends or similar

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transactions affecting the shares to be offered by the selling securityholders.

- (4) No filing fee is payable with respect to the common stock issuable upon conversion of the debentures, under Rule 457(i), because no additional consideration will be received in connection with the conversion privilege.
- 

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 SECTION 8(A), MAY DETERMINE.

The information 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 effective. This preliminary prospectus is not an offer to sell nor does it seek an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED SEPTEMBER 15, 2004

PROSPECTUS

\$125,000,000

PER-SE TECHNOLOGIES, INC.

3.25% CONVERTIBLE SUBORDINATED DEBENTURES  
DUE 2024  
AND  
7,003,037 SHARES OF COMMON STOCK ISSUABLE  
UPON CONVERSION OF THE DEBENTURES

We issued the debentures offered by this prospectus in a private placement in June 2004. This prospectus may be used by selling securityholders to resell their debentures and the common stock issuable upon conversion of their debentures. We will not receive any proceeds from the sale of the debentures or the shares of common stock offered by the selling securityholders pursuant to this prospectus. The selling securityholders, and the maximum amount of securities that they may offer, are identified beginning on page 18 of this prospectus.

The debentures will mature on June 30, 2024. You may convert your debentures prior to stated maturity into shares of our common stock at a conversion rate, subject to adjustment in certain circumstances, of 56.0243 shares of common stock per \$1,000 principal amount of debentures, which is equivalent to an initial conversion price of approximately \$17.85 per share, under the following circumstances:

- during specified periods, if the closing sale price of our common stock reaches, or the trading price of the debentures falls below, specified levels described in this prospectus; or
- if we have called the debentures for redemption; or
- upon the occurrence of certain specified corporate transactions described in this prospectus.

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Upon conversion, we may at our option choose to deliver, in lieu of our common stock, cash or a combination of cash and shares of our common stock as described in this prospectus. Upon conversion in connection with certain fundamental changes, you will, in certain circumstances, be entitled to a make-whole premium as described in this prospectus.

We will pay interest on the debentures on June 30 and December 30 of each year, beginning December 30, 2004.

We may redeem some or all of the debentures for cash on or after July 6, 2009. You may require us to repurchase all or a portion of your debentures for cash on June 30, 2009, June 30, 2014 and June 30, 2019, or upon the occurrence of a fundamental change, at a repurchase price of 100% of the principal amount of the debentures, plus accrued but unpaid interest, including liquidated damages, if any, plus, in certain circumstances, a make-whole premium. Any such make-whole premium will be payable in the form of consideration into which or for which our common stock was converted, exchanged or acquired.

We do not intend to list the debentures on any national securities exchange or to include them in any automated quotation system. The debentures issued in the private placement are eligible for trading in The PORTAL Market of the National Association of Securities Dealers, Inc. The debentures sold using this prospectus, however, will no longer be eligible for trading in The PORTAL Market.

Shares of our common stock are quoted on the Nasdaq National Market under the symbol "PSTI." The last reported sale price of our common stock on September 14, 2004 was \$13.59 per share.

INVESTING IN THE DEBENTURES OR OUR COMMON STOCK INVOLVES RISKS. PLEASE REVIEW THE "RISK FACTORS" BEGINNING ON PAGE 8 OF THIS PROSPECTUS FOR A DISCUSSION OF CERTAIN RISKS THAT YOU SHOULD CONSIDER IN CONNECTION WITH AN INVESTMENT IN THE DEBENTURES AND COMMON STOCK ISSUABLE UPON CONVERSION OF THE DEBENTURES.

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.

THE DATE OF THIS PROSPECTUS IS , 2004.

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### PROSPECTUS SUMMARY

#### OUR COMPANY

We were organized in 1985 under the laws of the State of Delaware, and focus on providing services and solutions that improve the administrative functions of the healthcare industry. Specifically, we provide Connective Healthcare solutions that help physicians and hospitals achieve their income potential. Connective Healthcare solutions support and unite healthcare providers, payers and patients with innovative technology processes that improve and accelerate reimbursement and reduce the administrative cost of care. We serve the healthcare industry through two divisions: Physician Services and Hospital Services.

The Physician Services division provides Connective Healthcare services and solutions that manage the revenue cycle for physician groups. The division is the largest and only national provider of business management outsourced services that supplant all or most of the administrative functions of a physician group. Services include clinical data collection, data input, medical coding, billing, contract management, cash collections, accounts receivable management and extensive reporting of metrics related to the physician practice. These services are designed to assist healthcare providers with the business management functions associated with the delivery of healthcare services, allowing physicians to focus on providing quality patient care. These services also help physician groups to be financially successful by improving cash flows and reducing administrative costs and burdens.

The target market is primarily hospital-affiliated physician groups in the specialties of radiology, anesthesiology, emergency medicine and pathology as well as physician groups practicing in the academic setting and other large physician groups. Approximately 225,000 U.S.-based hospital-affiliated physicians represent our target market for business management outsourced services. Our target market consists of large physician groups -- typically 10 or more physicians depending upon the specialty -- and represents an estimated market opportunity of approximately \$7 billion. We estimate that approximately 20% to 30% of the physicians in the target market currently outsource their business management needs, with the remainder of physicians performing these services in house. Our Physician Services division is the largest provider of comprehensive business management outsourcing services to the U.S. hospital-based physician market, supporting approximately 15,000 physician clients in 42 states. This division also sells a physician practice management solution that is delivered via an application service provider model which represented less than 5% of the division's revenue in 2003.

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The Hospital Services division provides Connective Healthcare solutions that increase revenue and decrease expenses for hospitals, with a focus on revenue cycle management and resource management. The division has one of the largest electronic clearinghouses in the medical industry, which provides an important infrastructure to support its revenue cycle offering. The clearinghouse supports more than 1,400 governmental and commercial payer connections in 48 states. The clearinghouse delivers dedicated electronic and Internet-based business-to-business solutions that focus on electronic processing of medical transactions as well as complementary transactions, such as electronic remittance advices, real-time eligibility verification and high-speed print and mail services. Other solutions, such as denial management, provide insight into a hospital's revenue cycle inefficiencies. Hospitals may opt to outsource portions of their revenue cycle management process to us, such as secondary insurance billing. Our revenue cycle management solutions are currently in approximately 400 hospitals in the United States.

The Hospital Services division also provides resource management solutions that enable hospitals to efficiently manage resources to reduce costs and improve their bottom line. The division's resource management offerings include staff scheduling solutions that can efficiently plan nurse schedules, accommodating individual preferences as well as environmental factors, such as acuity levels, as well as schedule all the personnel across the hospital enterprise. The division also offers patient scheduling solutions that help effectively manage a hospital's most expensive and profitable area, the operating room, as well as schedule patients across the enterprise. The Hospital Services division has the market-leading staff scheduling solution and a market-leading patient scheduling solution. We provide staff and patient scheduling solutions to approximately 1,600 hospitals, primarily in the United States.

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As stated previously, we focus on the administrative functions of the healthcare market, with the majority of our business based in the United States. The United States spends approximately \$1.7 trillion or 15.3% of gross domestic product on healthcare annually. An estimated 30% or approximately \$500 billion is spent on administrative functions. Our solutions help make the reimbursement of healthcare more efficient and help improve the overall patient care experience by simplifying the revenue cycle process for physicians and hospitals. Our services and solutions are not capital-intensive for providers, making them a cost-effective solution as providers focus on their financial health.

### RECENT DEVELOPMENTS

As a result of allegations of improprieties made during 2003 and 2004, our independent registered public accounting firm advised us and the Audit Committee of the Board of Directors that additional procedures should be performed related to the allegations. These additional procedures were required due to Statement of Auditing Standards No. 99, Consideration of Fraud in a Financial Statement Audit, or SAS No. 99, that became effective for periods beginning on or after December 15, 2002. Due to the volume and, in some cases, vague nature of many of the allegations, the scope of the additional procedures was broad and extensive. The additional procedures included the review of certain of our revenues, expenses, assets and liabilities accounts for the years 2001 through 2003. Certain financial items were identified during the additional procedures that warranted our further review. We reviewed these items and determined that it was appropriate to restate certain prior period financial statements. The restatements affected the financial statements for the years ended December 31, 2002 and 2001 and for the nine months ended September 30, 2003.

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The overall impact of the restatements was a net increase to reported net income totaling approximately \$2.1 million, or \$.07 per share on a fully diluted basis, for the years 2001 and 2002 and for the nine months ended September 30, 2003. On an annual basis, the net decrease to the reported net loss for 2001 was approximately \$0.2 million or \$.01 per share, and the net increase to reported net income for 2002 was approximately \$1.0 million or \$.03 per share on a fully diluted basis. The net increase to reported net income for the nine months ended September 30, 2003 was approximately \$0.8 million or \$.03 per share on a fully diluted basis. In the periods presented on a quarterly basis, the impact of the restatements was a net increase to reported net income in each of the quarters, except for the second quarter of 2002, which had a decrease to reported net income of \$0.2 million. The restatements were primarily related to certain liability accounts that were determined to be over-accrued based on the correction of errors and the subsequent refinement of estimates originally made in establishing the accruals.

We recorded costs related to the additional procedures totaling approximately \$6.5 million during the six months ended June 30, 2004 and included these costs in other expenses in our consolidated statements of operations. In segment reporting, these expenses are classified in the Corporate segment.

As a result of errors that caused the restatements to our financial statements, our independent registered public accounting firm determined that a material weakness exists related to our internal controls and procedures. Our auditors reported to us that the errors that resulted in the restatements, which generally related to the recording of accruals, were the result of not having appropriate controls over the estimation process associated with the establishment of accruals and reserves and the lack of adequate supervision of accounting personnel. We are taking actions to address these items.

On May 10, 2004, we reached a settlement with our former insurance carrier, certain underwriters at Lloyd's of London, which we refer to in this prospectus as Lloyd's of London. We were in litigation with Lloyd's of London after its attempt in May 2002 to rescind certain errors and omissions, or E&O, policies and directors and officers and company reimbursement, or D&O, policies that it had issued to us from the period December 31, 1998 to June 30, 2002. In the settlement, Lloyd's of London agreed to pay us \$20 million in cash by July 9, 2004. Lloyd's of London also agreed to defend, settle or otherwise resolve at their expense the two remaining pending claims covered under the E&O policies. In exchange, we provided Lloyd's of London with a full release of all E&O and D&O policies. The California Superior Court retained jurisdiction to enforce any aspect of the settlement agreement.

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As of the settlement date, we had an \$18.3 million receivable from Lloyd's of London, of which approximately \$4.9 million represented additional amounts to be paid by us under prior E&O policy settlements covered by Lloyd's of London. Effective on May 12, 2004, as a result of negotiations among us, Lloyd's of London, and a party to a prior E&O policy settlement with us, the Lloyd's of London settlement was amended to reduce by \$3.8 million the additional amounts to be paid by us under the prior E&O policy settlements covered by Lloyd's of London. This amendment reduced the amount of cash payable by Lloyd's of London to us in the settlement from \$20.0 million to \$16.2 million, and reduced the amount of our receivable from Lloyd's of London by \$3.8 million. On July 7, 2004, pursuant to the settlement, as amended, Lloyd's of London paid us \$16.2 million in cash. The settlement amendment had no impact on the net proceeds of approximately \$15.7 million that we received in early July. As of the payment date, we had an approximately \$14.7 million receivable from Lloyd's of London and will recognize a gain of approximately \$1.5 million on the settlement in the

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third quarter of 2004. We previously anticipated recognizing a gain of approximately \$1.7 million. The actual gain of approximately \$1.5 million reflects additional legal expenses of approximately \$0.2 million incurred prior to the payment date related to prior E&O policy claims covered by the Lloyd's of London policy.

On July 30, 2004, we relocated our principal executive office to Alpharetta, Georgia. We entered into a non-cancelable operating lease for that office space in February 2004, which will expire in June 2014. The new landlord has reimbursed us for the remaining payments due under the lease for our former office space, which expires in February 2005; however, we recorded a one-time non-cash expense of approximately \$1.0 million upon our exit of the former office facility.

### CORPORATE INFORMATION

Our principal executive office is located at 1145 Sanctuary Parkway, Suite 200, Alpharetta, Georgia 30004, and our telephone number is (770) 237-4300. Our corporate website is [www.per-se.com](http://www.per-se.com). Information contained on our website is not part of this prospectus.

### RISK FACTORS

You should read the "Risk Factors" section, beginning on page 8 of this prospectus, to understand the risks associated with an investment in the debentures.

### SUMMARY OF THE DEBENTURES

Maturity Date.....	June 30, 2024.
Ranking.....	The debentures will be subordinated in right of payment to all of our existing and future senior debt as that term is described in this prospectus. The indenture for the debentures does not restrict the amount of senior debt or other indebtedness as that term is described in this prospectus that we or any of our subsidiaries can incur. At June 30, 2004 our senior debt totaled approximately \$5.5 million. See "Description of the Debentures -- Subordination." The debentures will not be guaranteed by any of our subsidiaries and, accordingly, the debentures are effectively subordinated to the indebtedness and other liabilities of our subsidiaries, including trade creditors. As of June 30, 2004, our subsidiaries had liabilities of approximately \$52.7 million excluding intercompany indebtedness and guarantees under our credit agreement, all of which is structurally senior to the debentures.
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Interest.....	We will pay interest on the debentures on June 30 and December 30 of each year, beginning December 30, 2004.
Conversion Rights.....	You may convert your debentures prior to stated maturity only under the following



circumstances:

- during any fiscal quarter commencing after September 30, 2004, if the closing sale price of our common stock for at least 20 trading days in the 30 trading-day period ending on the last trading day of the preceding fiscal quarter is more than 130% of the conversion price on that 30th trading day; or
- during the five business day period after any five consecutive trading day period, which we refer to in this prospectus as the measurement period, in which the trading price per debenture for each day of such measurement period was less than 98% of the product of the closing sale price of our common stock on such day and the number of shares issuable upon conversion of \$1,000 principal amount of the debentures on such day; provided, however, if you convert your debentures in reliance on this subsection, and on any trading day during such measurement period the closing sale price of shares of our common stock was between 100% and 130% of the conversion price of the debentures, you will receive, in lieu of common stock based on the conversion rate, cash or common stock or a combination of cash and common stock, at our option, with a value equal to the principal amount of the debentures plus accrued and unpaid interest, if any, and liquidated damages, if any; or
- if we have called your debentures for redemption, provided that if we elect to redeem less than all of the debentures, only those debentures called for redemption may be converted; or
- upon the occurrence of specified corporate transactions described under "Description of the Debentures -- Conversion Rights."

For each \$1,000 principal amount of debentures surrendered for conversion, you will receive 56.0243 shares of our common stock. This conversion rate represents an initial conversion price of approximately \$17.85 per share of common stock. As described in this prospectus, the conversion rate may be adjusted for certain reasons.

Upon conversion, and in lieu of our common stock, we will have the right to deliver, at our option, cash or a combination of cash and shares of our common stock.

Upon conversion, you will not receive any cash payment representing accrued and unpaid interest, if any. Instead, any such amounts will be deemed paid by the common stock

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received by you on conversion. You will, however, receive any accrued and unpaid liquidated damages to, but not including, the conversion date.

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Debentures called for redemption may be surrendered for conversion until the close of business on the business day prior to the redemption date.

If you convert your debentures in connection with certain fundamental changes on or prior to June 30, 2009, we will, in certain circumstances, pay a make-whole premium in the form of consideration into which or for which our common stock was converted, exchanged or acquired as more fully described below.

Payment at Maturity..... For each \$1,000 principal amount of the debentures that you hold, you shall be entitled to receive \$1,000 at maturity, plus accrued interest, if any, and accrued and unpaid liquidated damages, if any.

Sinking Fund..... None.

Optional Redemption by Us..... We may not redeem the debentures prior to July 6, 2009. We may redeem some or all of the debentures for cash on or after July 6, 2009, upon at least 30 days but not more than 60 days notice by mail to holders of debentures, at a price equal to 100% of the principal amount of the debentures redeemed, plus accrued and unpaid interest, if any, and accrued and unpaid liquidated damages, if any, to, but not including, the redemption date.

Repurchase of Debentures by Us at Your Option..... You may require us to repurchase all or a portion of your debentures for cash on June 30, 2009, June 30, 2014 and June 30, 2019 at a price equal to 100% of the principal amount of the debentures to be purchased plus accrued and unpaid interest, if any, and accrued and unpaid liquidated damages, if any, to, but not including, the date of repurchase.

Fundamental Change Put..... If a fundamental change occurs to us, as defined under "Description of the Debentures -- Repurchase of Debentures at Your Option -- Fundamental Change Put," you may require us to repurchase all or a portion of your debentures. We will pay a repurchase price equal to 100% of the principal amount of the debentures to be purchased plus accrued interest, if any, and accrued and unpaid liquidated damages, if any, to, but not including, the fundamental change repurchase date.

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### Make-Whole Premium Upon

#### Certain Fundamental Changes...

If certain fundamental changes occur prior to June 30, 2009, we will, in certain circumstances, pay a make-whole premium on the debentures converted or tendered for repurchase upon such fundamental change. The make-whole premium, if any, will be payable in the consideration into which or for which our common stock was converted, exchanged or acquired in such fundamental change.

The amount of the make-whole premium, if any, will be based on our stock price and the effective date of such specified fundamental change. A table showing the make-whole-premium that would apply at various stock prices and specified fundamental change effective dates is set forth under "Description of the

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Debentures -- Repurchase of Debentures at Your Option -- Make-Whole Premium." No make-whole premium will be paid if the common stock price is less than \$12.57 or if the common stock price exceeds \$50.00.

#### Use of Proceeds.....

We will not receive any proceeds from the sale by any selling securityholders of the debentures on the shares of common stock issuable upon conversion of the debentures.

#### Absence of a Public Market for the Debentures.....

The debentures are new securities for which there is currently no public market. We cannot assure you that any active or liquid market will develop for the debentures. See "Plan of Distribution."

#### Trading.....

We do not intend to list the debentures on any national securities exchange or include them in any automated quotation system. The debentures issued in the private placement are eligible for trading in The PORTAL Market of the National Association of Securities Dealers, Inc. The debentures sold using this prospectus, however, will no longer be eligible for trading in The PORTAL Market.

#### Nasdaq Symbol for our Common Stock.....

Our common stock is quoted on the Nasdaq National Market under the symbol "PSTI."

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## SUMMARY CONSOLIDATED FINANCIAL DATA

The following table sets forth our summary consolidated financial data for the periods indicated. The summary consolidated financial data for the years

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ended December 31, 2003, 2002 and 2001 have been derived from our audited consolidated financial statements and related notes included elsewhere in this prospectus. The summary consolidated financial data for the six months ended June 30, 2004 and 2003 have been derived from our unaudited consolidated financial statements and related notes included elsewhere in this prospectus. This information is qualified by reference to and should be read in conjunction with "Capitalization," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes to consolidated financial statements included elsewhere in this prospectus.

	SIX MONTHS ENDED JUNE 30,		YEAR ENDED DECEMBER 31,		
	2004	2003	2003	2002	2001
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
STATEMENTS OF OPERATIONS DATA					
Revenue.....	\$172,742	\$167,454	\$335,169	\$325,564	\$305,822
Salaries and wages.....	101,199	96,235	194,139	186,075	182,597
Other operating expenses.....	47,150	45,220	87,183	90,857	86,800
Depreciation.....	4,090	4,865	9,375	10,908	12,223
Amortization.....	3,647	3,624	7,134	7,836	9,229
Interest expense.....	4,073	8,661	14,646	18,069	18,009
Interest income.....	(244)	(166)	(297)	(471)	(1,121)
Loss on extinguishment of debt.....	5,896	221	6,255	--	--
Process improvement project.....	--	--	--	--	3,423
Restructuring expenses.....	47	--	830	--	593
Other expenses.....	6,452	--	--	--	--
Income tax expense.....	212	660	27	800	343
Income (loss) from continuing operations.....	220	8,134	15,877	11,490	(6,274)
Net income (loss) (1).....	3,431	4,918	11,989	8,989	(6,109)
Shares used in computing net income (loss) per common share-basic.....	31,530	30,205	30,594	30,061	29,915
Shares used in computing net income (loss) per common share-diluted....	33,831	31,452	32,661	31,966	29,915
PER SHARE DATA					
Income (loss) from continuing operations-basic.....	\$ 0.00	\$ 0.26	\$ 0.52	\$ 0.38	\$ (0.21)
Net income (loss) per common share-basic.....	\$ 0.11	\$ 0.16	\$ 0.39	\$ 0.30	\$ (0.20)
Income (loss) from continuing operations-diluted.....	\$ 0.00	\$ 0.26	\$ 0.49	\$ 0.36	\$ (0.21)
Net income (loss) per common share-diluted.....	\$ 0.10	\$ 0.16	\$ 0.37	\$ 0.28	\$ (0.20)
	AS OF JUNE 30, 2004		AS OF DECEMBER 31, 2003 2002 2001		
	(IN THOUSANDS)				
BALANCE SHEET DATA					
Working capital.....	\$ 21,116	\$ 20,313	\$ 20,602	\$ 22,519	
Intangible assets.....	53,092	52,336	55,494	61,929	

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Total assets.....	156,749	171,653	209,631	202,270
Total debt.....	125,000	121,875	175,020	175,091
Stockholders' deficit.....	(33,922)	(17,612)	(37,972)	(49,901)

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- (1) Reflects the income (loss) from discontinued operations of \$3.2 million and (\$3.2) million for the six months ended June 30, 2004 and 2003, respectively, and (\$3.9) million, (\$2.5) million and \$0.2 million for the years ended December 31, 2003, 2002 and 2001, respectively.

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### RISK FACTORS

#### RISKS RELATED TO OUR BUSINESS

OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM DETERMINED THAT A MATERIAL WEAKNESS RELATED TO OUR INTERNAL CONTROLS AND PROCEDURES EXISTS, WHICH COULD ADVERSELY IMPACT THE ACCURACY AND TIMELINESS OF OUR FUTURE REPORTS AND FILINGS AND COULD AFFECT THE CONCLUSIONS REACHED IN ASSESSMENTS CONDUCTED PURSUANT TO SECTION 404(A) OF THE SARBANES-OXLEY ACT OF 2002.

As a result of errors that led to the restatements of our financial statements for the years ended December 31, 2001 and 2002 and the nine months ended September 30, 2003, our independent registered public accounting firm determined that a material weakness related to our internal controls and procedures exists. Our auditors reported to us that the errors that resulted in the restatements reflected in the 2003 Form 10-K, which generally related to the recording of accruals, were the result of not having appropriate controls over the estimation process associated with the establishment of accruals and reserves and the lack of adequate supervision of accounting personnel. While we are taking immediate steps to correct these items, there can be no assurance that we will be able to do so in a timely manner, which could adversely impact the accuracy and timeliness of future reports and filings made by us pursuant to the Securities Exchange Act of 1934, as amended, which we refer to in this prospectus as the Exchange Act. In addition, for our fiscal year 2004 audit, we must comply with Section 404(a) of the Sarbanes-Oxley Act of 2002, which we refer to in this prospectus as the Sarbanes-Oxley Act, which requires annual management assessments of the effectiveness of our internal controls over financial reporting and an attestation to and assessment of our internal controls over financial reporting by our independent registered public accounting firm. In light of the material weakness identified in connection with our 2003 audit, there can be no assurance that we or our independent registered public accounting firm will conclude our internal controls over financial reporting are effective. While we are implementing steps to ensure the effectiveness of our internal controls over financial reporting, failure to achieve such effectiveness could have a material adverse effect on our business.

WE HAVE A SIGNIFICANT AMOUNT OF LONG-TERM DEBT AND OBLIGATIONS TO MAKE PAYMENTS WHICH COULD LIMIT OUR FUNDS AVAILABLE FOR OTHER ACTIVITIES.

We have a significant amount of long-term indebtedness and, as a result, have obligations to make payments on that debt. If unable to make the required debt payments, we could be required to reduce or delay capital expenditures, sell certain assets, restructure or refinance our indebtedness, or seek additional equity capital. Our ability to make payments on our debt obligations will depend on future operating performance, which may be affected by conditions beyond our control.

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WE ARE REGULARLY INVOLVED IN LITIGATION, WHICH MAY EXPOSE US TO SIGNIFICANT LIABILITIES.

We are involved in litigation arising in the ordinary course of our business, which may expose us to loss contingencies. These matters include, but are not limited to, claims brought by former customers with respect to the operation of our business. We have also received written demands from customers and former customers that have not yet resulted in legal action.

We may not be able to successfully resolve such legal matters, or other legal matters that may arise in the future. In the event of an adverse outcome with respect to such legal matters or other legal matters in which we may become involved, our insurance coverage, errors and omissions coverage or other coverage, may not fully cover any damages assessed against us. Although we maintain all insurance coverage in amounts that we believe is sufficient for our business, such coverage may prove to be inadequate or may become unavailable on acceptable terms, if at all. A successful claim brought against us, which is uninsured or under-insured, could materially harm our business, results of operations or financial condition.

THE PHYSICIAN BUSINESS MANAGEMENT OUTSOURCING BUSINESS IS HIGHLY COMPETITIVE AND OUR INABILITY TO SUCCESSFULLY COMPETE FOR BUSINESS COULD ADVERSELY AFFECT US.

The physician business management outsourcing business, especially for revenue cycle management, is highly competitive. We compete with regional and local physician reimbursement organizations as well as

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physician groups that provide their own business management services in house. Successful competition within this industry is dependent on numerous industry and market conditions.

Potential industry and market changes that could adversely affect our ability to compete for business management outsourcing services include an increase in the number of local, regional or national competitors providing comparable services and new alliances between healthcare providers and third-party payers in which healthcare providers are employed by such third-party payers.

THE BUSINESS OF PROVIDING SERVICES AND SOLUTIONS TO HOSPITALS FOR BOTH REVENUE CYCLE AND RESOURCE MANAGEMENT IS ALSO HIGHLY COMPETITIVE AND OUR INABILITY TO SUCCESSFULLY COMPETE FOR BUSINESS COULD ADVERSELY AFFECT US.

The business of providing services and solutions to hospitals for both revenue cycle and resource management is also highly competitive. We compete with traditional electronic data interface companies, outsourcing companies and specialized software vendors with national, regional and local bases. Some competitors have longer operating histories and greater financial, technical and marketing resources than us. Our successful competition within this industry is dependent on numerous industry and market conditions.

THE MARKETS FOR OUR SERVICES AND SOLUTIONS ARE CHARACTERIZED BY RAPIDLY CHANGING TECHNOLOGY, EVOLVING INDUSTRY STANDARDS AND FREQUENT NEW PRODUCT INTRODUCTIONS AND OUR INABILITY TO KEEP PACE COULD ADVERSELY AFFECT US.

The markets for our services and solutions are characterized by rapidly changing technology, evolving industry standards and frequent new product introductions. Our ability to keep pace with changes in the healthcare industry may be dependent on a variety of factors, including our ability to enhance

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existing products and services; introduce new products and services quickly and cost effectively; achieve market acceptance for new products and services; and respond to emerging industry standards and other technological changes.

Competitors may develop competitive products that could adversely affect our operating results. It is possible that we will be unsuccessful in refining, enhancing and developing our technology going forward. The costs associated with refining, enhancing and developing these systems may increase significantly in the future. Existing software and technology may become obsolete as a result of ongoing technological developments in the marketplace.

THE HEALTHCARE MARKETPLACE IS CHARACTERIZED BY CONSOLIDATION, WHICH MAY RESULT IN FEWER POTENTIAL CUSTOMERS FOR OUR SERVICES.

In general, consolidation initiatives in the healthcare marketplace may result in fewer potential customers for our services. Some of these types of initiatives include employer initiatives such as creating purchasing cooperatives, or GPOs; provider initiatives, such as risk-sharing among healthcare providers and managed care companies through capitated contracts; and integration among hospitals and physicians into comprehensive delivery systems.

Consolidation of management and billing services through integrated delivery systems may result in a decrease in demand for our business management outsourcing services for particular physician practices.

THE HEALTHCARE INDUSTRY IS HIGHLY REGULATED, WHICH MAY INCREASE OUR COSTS OF OPERATION.

The healthcare industry is highly regulated and is subject to changing political, economic and regulatory influences. Federal and state legislatures have periodically considered programs to reform or amend the U.S. healthcare system at both the federal and state level and to change healthcare financing and reimbursement systems, such as the Balanced Budget Act of 1997 and the Medicare Modernization Act of 2003. These programs may contain proposals to increase governmental involvement in healthcare, lower reimbursement rates or otherwise change the environment in which healthcare industry participants operate. Current or future government regulations or healthcare reform measures may affect our business.

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Healthcare industry participants may respond by reducing their investments or postponing investment decisions, including investments in our products and services.

Medical billing and collection activities are governed by numerous federal and state civil and criminal laws. Federal and state regulators use these laws to investigate healthcare providers and companies that provide billing and collection services. In connection with these laws, we may be subjected to federal or state government investigations and possible penalties may be imposed upon us, false claims actions may have to be defended, private payers may file claims against us, and we may be excluded from Medicare, Medicaid or other government-funded healthcare programs.

In the past, we have been the subject of federal investigations, and we may become the subject of false claims litigation or additional investigations relating to our billing and collection activities. Any such proceeding or investigation could have a material adverse effect on our business.

Under the Health Insurance Portability and Accountability Act of 1996, or HIPAA, final rules have been published regarding standards for electronic

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transactions as well as standards for privacy and security of individually identifiable health information. The HIPAA rules set new or higher standards for the healthcare industry in handling healthcare transactions and information, with penalties for noncompliance. We have incurred and will continue to incur costs to comply with these rules. Although management believes that future compliance costs will not have a material impact on our results of operations, compliance with these rules may prove to be more costly than is anticipated. Failure to comply with such rules may have a material adverse effect on our business and may subject us to civil and criminal penalties as well as loss of customers.

We rely upon third parties to provide data elements to process electronic medical claims in a HIPAA compliant format. While we believe we will be fully and properly prepared to process electronic medical claims in a HIPAA-compliant format, there can be no assurance that third parties, including healthcare providers and payers, will likewise be prepared to supply all the data elements required to process electronic medical claims and make electronic remittance under HIPAA's standards. If payers reject electronic medical claims and such claims are processed manually rather than electronically, there could be a material adverse affect on our business. We have made and expect to continue to make investments in product enhancements to support customer operations that are regulated by HIPAA. Responding to HIPAA's impact may require us to make investments in new products or charge higher prices.

Numerous federal and state civil and criminal laws govern the collection, use, storage and disclosure of health information for the purpose of safeguarding the privacy and security of such information. Federal or state governments may impose penalties for noncompliance, both criminal and civil. Persons who believe their health information has been misused or disclosed improperly may bring claims and payers who believe instances of noncompliance with privacy and security standards have occurred may bring administrative sanctions or remedial actions against offending parties.

Passage of HIPAA is part of a wider healthcare reform initiative. We expect that the debate on healthcare reform will continue. We also expect that the federal government as well as state governments will pass laws and issue regulations addressing healthcare issues and reimbursement of healthcare providers. We cannot predict whether the government will enact new legislation and regulations, and, if enacted, whether such new developments will affect our business.

THE TRADING PRICE OF OUR COMMON STOCK MAY BE VOLATILE AND NEGATIVELY AFFECT YOUR INVESTMENT.

The trading price of our common stock may be volatile. The market for our common stock may experience significant price and volume fluctuations in response to a number of factors including actual or anticipated quarterly variations in operating results, changes in expectations of future financial performance, changes in estimates of securities analysts, government regulatory action, healthcare reform measures, client relationship developments and other factors, many of which are beyond our control. Furthermore, the stock market in general, and the market for software, healthcare business services and high technology companies in particular, has experienced volatility that often has been unrelated to the

operating performance of particular companies. These broad market and industry fluctuations may adversely affect the trading price of our common stock, regardless of actual operating performance.



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### RISKS RELATED TO THE DEBENTURES

THE DEBENTURES ARE SUBORDINATED IN RIGHT OF PAYMENT TO OUR OTHER INDEBTEDNESS.

The debentures are unsecured obligations subordinated in right of payment to all of our existing and future senior debt. In the event of our bankruptcy, liquidation or reorganization or upon acceleration of the debentures due to an event of default under the indenture and in certain other events, our assets will be available to pay obligations on the debentures only after all our senior debt has been paid. As a result, there may not be sufficient assets remaining to pay amounts due on any or all of the outstanding debentures.

THE DEBENTURES WILL BE EFFECTIVELY SUBORDINATED TO EXISTING AND FUTURE INDEBTEDNESS AND OTHER LIABILITIES OF OUR SUBSIDIARIES.

Because we operate through our subsidiaries, we derive our revenues from and hold our assets through, those subsidiaries. As a result, we rely upon the operations of our subsidiaries in order to meet our payment obligations under the debentures and our other obligations. These subsidiaries are separate and distinct legal entities and will have no obligation to pay any amounts due on our debt securities, including the debentures, or to provide us with funds for our payment obligations, whether by dividends, distributions, loans or otherwise. Our right to receive any assets of any subsidiary in the event of a bankruptcy or liquidation of the subsidiary, and therefore the right of our creditors to participate in those assets, will be effectively subordinated to the claims of that subsidiary's creditors, including trade creditors. In addition, even if we were a creditor of any subsidiary, our rights as a creditor would be subordinated to any indebtedness of that subsidiary senior to that held by us, including secured indebtedness to the extent of the assets securing such indebtedness. As of June 30, 2004, our subsidiaries had liabilities of approximately \$52.7 million, excluding intercompany indebtedness and guarantees under our credit agreement, all of which is structurally senior to the debentures.

BECAUSE WE OPERATE THROUGH SUBSIDIARIES, WE MAY BE UNABLE TO REPAY OR REPURCHASE THE DEBENTURES IF OUR SUBSIDIARIES ARE UNABLE TO PAY DIVIDENDS OR MAKE ADVANCES TO US.

At maturity, the entire outstanding principal amount of the debentures will become due and payable by us. In addition, each holder of the debentures may require us to repurchase all or a portion of that holder's debentures on June 30 of 2009, 2014 and 2019 or, if a fundamental change, as defined in the indenture, of our company occurs. A fundamental change also may constitute an event of default under, and result in the acceleration of the maturity of, indebtedness under another indenture or other indebtedness that we have or may incur in the future.

We, as a holding company, are dependent upon the operations of our subsidiaries to enable us to service our outstanding debt, including the debentures. At maturity or upon a repurchase request, if we do not have sufficient funds on hand or available through existing borrowing facilities or through the declaration and payment of dividends by our subsidiaries and, in the case of a repurchase, if we are unable to pay the repurchase price in shares of our common stock, we will need to seek additional financing. Additional financing may not be available to us in the amounts necessary.

Our credit agreement contains, and future borrowing arrangements or agreements may contain, restrictions on our repayment or repurchase of the debentures under certain conditions. For example, our credit agreement contains a provision prohibiting us from prepaying, redeeming or acquiring the debentures (other than as a result of conversion into our common stock). In the event that

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the maturity date or repurchase request occurs at a time when we are restricted from repaying or repurchasing the debentures, we could attempt to obtain the consent of the lenders under those arrangements to purchase the debentures or could attempt to refinance the borrowings that contain the restrictions. If we do not obtain the necessary consents or refinance these borrowings, we will be unable to repay or repurchase the

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debentures. Failure by us to repurchase the debentures when required will result in an event of default with respect to the debentures, which would, in turn, result in an event of default under our credit agreement or may result in an event of default under such other arrangements.

WE HAVE A SUBSTANTIAL AMOUNT OF INDEBTEDNESS, WHICH COULD ADVERSELY AFFECT OUR FINANCIAL PERFORMANCE AND IMPACT OUR ABILITY TO MAKE PAYMENTS ON THE DEBENTURES.

As of June 30, 2004, we, including our subsidiaries, had total debt of approximately \$125 million. Our level of indebtedness could have important consequences to the holders of the debentures. For example, it:

- may limit our ability to obtain additional financing for working capital, capital expenditures or general corporate purposes, particularly if the ratings assigned to our debt securities by rating organizations were revised downward;
- will require us to dedicate a substantial portion of our cash from operations to the payment of principal and interest on our debt, reducing the funds available to us for other purposes, including expansion through acquisitions, capital expenditures, marketing spending and expansion of our product offerings;
- may limit our flexibility to adjust to changing business and market conditions and make us more vulnerable to a downturn in general economic conditions as compared to our competitors; and
- may place us at a possible competitive disadvantage relative to less leveraged competitors and competitors that have better access to capital.

Our ability to make scheduled payments or to refinance our obligations with respect to our indebtedness will depend on our financial and operating performance, which, in turn, is subject to prevailing economic conditions and to financial, business and other factors beyond our control.

OUR STOCK PRICE, AND THEREFORE THE PRICE OF THE DEBENTURES, MAY BE SUBJECT TO SIGNIFICANT FLUCTUATIONS AND VOLATILITY.

The market price of the debentures is expected to be significantly affected by the market price of our common stock. This may result in greater volatility in the trading value of the debentures than would be expected for non-convertible debt securities that we issue. Among the factors that could affect our common stock price are those discussed above under "-- Risks Related to Our Business" as well as:

- quarterly variations in our operating results;
- federal or state legislative, licensing or regulatory changes with respect to our industry;
- healthcare reform measures;

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- client relationship developments;
- changes in revenue or earnings estimates or publication of research reports by analysts;
- speculation in the press or investment community;
- strategic actions by us or our competitors;
- general market conditions; and
- domestic and international economic factors unrelated to our performance.

In addition, the stock markets have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our common stock and of the debentures.

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THE TRADING PRICES FOR THE DEBENTURES WILL BE DIRECTLY AFFECTED BY THE TRADING PRICES FOR OUR COMMON STOCK, WHICH ARE IMPOSSIBLE TO PREDICT.

The price of our common stock could be affected by possible sales of our common stock by investors who view the debentures as a more attractive means of equity participation in our company and by hedging or arbitrage trading activity that may develop involving our common stock. The hedging or arbitrage could, in turn, affect the trading prices of the debentures.

THE CONDITIONAL CONVERSION FEATURE OF THE DEBENTURES COULD RESULT IN YOU NOT RECEIVING THE VALUE OF THE COMMON STOCK INTO WHICH THE DEBENTURES ARE CONVERTIBLE.

The debentures are convertible into common stock only if specific conditions are met. If the specific conditions for conversion are not met, you may not be able to receive the value of the common stock into which your debentures would otherwise be convertible.

THERE MAY BE NO PUBLIC MARKET FOR THE DEBENTURES.

Prior to this offering, there has been no trading market for the debentures. We do not intend to apply for listing of the debentures on any securities exchange or any automated quotation system. Although the initial purchasers have advised us that they currently intend to make a market in the debentures, they are not obligated to do so and may discontinue their market-making activities at any time without notice. Consequently, we cannot be sure that any market for the debentures will develop, or if one does develop, that it will be maintained. If an active market for the debentures fails to develop or be sustained, the trading price and liquidity of the debentures could be adversely affected.

IF YOU ARE ABLE TO RESELL YOUR DEBENTURES, MANY OTHER FACTORS MAY AFFECT THE PRICE YOU RECEIVE, WHICH MAY BE LOWER THAN YOU BELIEVE TO BE APPROPRIATE.

If you are able to resell your debentures, the price you receive will depend on many other factors that may vary over time, including:

- the number of potential buyers;
- the level of liquidity of the debentures;

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- ratings published by major credit rating agencies;
- our financial performance;
- the amount of indebtedness we have outstanding;
- the level, direction and volatility of market interest rates generally;
- the market for similar securities;
- the redemption and repayment features of the debentures to be sold; and
- the time remaining to the maturity of your debentures.

As a result of these factors, you may only be able to sell your debentures at prices below those you believe to be appropriate, including prices below the price you paid for them.

THE CONVERSION RATE OF THE DEBENTURES MAY NOT BE ADJUSTED FOR ALL DILUTIVE EVENTS.

The conversion rate of the debentures is subject to adjustment for certain events, including but not limited to the issuance of stock dividends on our common stock, the issuance of rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness or assets, certain cash dividends and certain tender or exchange offers as described under "Description of the Debentures -- Conversion Rights -- Conversion Rate Adjustments." The conversion rate will not be adjusted for other events, such as an issuance of common stock for cash, which may adversely affect the trading price of the debentures or the common stock. There can be no assurance that an event that adversely affects the value of the debentures, but does not result in an adjustment to the conversion rate, will not occur.

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YOU MAY HAVE TO PAY TAXES WITH RESPECT TO DISTRIBUTIONS ON OUR COMMON STOCK THAT YOU DO NOT RECEIVE.

The conversion rate of the debentures is subject to adjustment for certain events arising from stock splits and combinations, stock dividends, certain cash dividends and certain other actions by us that modify our capital structure. See "Description of the Debentures -- Conversion Rights -- Conversion Rate Adjustments." If the conversion rate is adjusted as a result of a distribution that is taxable to our common stock holders, such as a cash dividend, you would be required to include an amount in income for federal income tax purposes, notwithstanding the fact that you do not actually receive such distribution. The amount that you would have to include in income will generally be equal to the amount of the distribution that you would have received if you had settled the purchase contract and purchased our common stock. In addition, non-U.S. holders of the debentures may, in certain circumstances, be deemed to have received a distribution subject to U.S. federal withholding tax requirements. See "Certain Material United States Federal Income Tax Considerations."

THE DEBENTURES DO NOT RESTRICT OUR ABILITY TO INCUR ADDITIONAL DEBT OR TO TAKE OTHER ACTION THAT COULD NEGATIVELY IMPACT HOLDERS OF THE DEBENTURES.

We are not restricted under the terms of the indenture and the debentures from incurring additional indebtedness or securing indebtedness other than the debentures. In addition, the debentures do not require us to achieve or maintain any minimum financial results relating to our financial position or results of

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operations. Our ability to recapitalize, incur additional debt, secure existing or future debt and take a number of other actions that are not limited by the terms of the indenture and the debentures could have the effect of diminishing our ability to make payments on the debentures when due. In addition, we are not restricted from repurchasing subordinated indebtedness or common stock by the terms of the indenture and the debentures.

CONVERSION OF THE DEBENTURES WILL DILUTE THE OWNERSHIP INTEREST OF EXISTING STOCKHOLDERS, INCLUDING HOLDERS WHO HAD PREVIOUSLY CONVERTED THEIR DEBENTURES.

The conversion of some or all of the debentures will dilute the ownership interests of existing stockholders. Any sales in the public market of the common stock issuable upon such conversion could adversely affect prevailing market prices of our common stock. In addition, the existence of the debentures may encourage short selling by market participants because the conversion of the debentures could depress the price of our common stock.

IF YOU HOLD DEBENTURES, YOU WILL NOT BE ENTITLED TO ANY RIGHTS WITH RESPECT TO OUR COMMON STOCK, BUT YOU WILL BE SUBJECT TO ALL CHANGES MADE WITH RESPECT TO OUR COMMON STOCK.

If you hold debentures, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting the common stock. You will have rights with respect to our common stock only if and when we deliver shares of common stock to you upon conversion of your debentures and, in limited cases, under the conversion rate adjustments applicable to the debentures. For example, in the event that an amendment is proposed to our certificate of incorporation or bylaws requiring stockholder approval and the record date for determining the stockholders of record entitled to vote on the amendment occurs prior to delivery of common stock to you, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or special rights of our common stock.

WE HAVE VARIOUS MECHANISMS IN PLACE TO DISCOURAGE TAKEOVER ATTEMPTS, WHICH MAY REDUCE OR ELIMINATE OUR STOCKHOLDERS' ABILITY TO SELL THEIR SHARES FOR A PREMIUM IN A CHANGE OF CONTROL TRANSACTION.

Various provisions of our certificate of incorporation and bylaws and of Delaware corporate law may discourage, delay or prevent a change of control or takeover attempt of our company by a third party that is opposed to by our management and board of directors. Public stockholders who might desire to participate in such a transaction may not have the opportunity to do so. These anti-takeover provisions

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could substantially impede the ability of public stockholders to benefit from a change of control or change in our management and board of directors. These provisions include:

- preferred stock that could be issued by our board of directors to make it more difficult for a third party to acquire, or to discourage a third party from acquiring, a majority of our outstanding voting stock;
- non-cumulative voting for directors;
- control by our board of directors of the size of our board of directors;
- limitations on the ability of stockholders to call special meetings of

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stockholders;

- a unanimity requirement for stockholders to take any action by written consent; and
- advance notice requirements for nominations of candidates for election to our board of directors or for proposing matters that can be acted upon by our stockholders at stockholder meetings.

We have also approved a Shareholder Protection Rights Agreement, which we refer to in this prospectus as the rights plan. Pursuant to the rights plan, the holders of our common stock are entitled to purchase one one-hundredth of a share of Series A Junior Participating Preferred Stock at a purchase price of \$75 per unit. Subject to certain exceptions specified in the rights plan, the right to purchase will separate from the common stock and become exercisable upon the earlier to occur of (i) 10 business days following a public announcement that a person or group of affiliated or associated persons has acquired beneficial ownership of 15% or more of the outstanding common stock or (ii) 10 business days following the commencement of a tender offer for the common stock. The existence of the rights plan may discourage, delay or prevent a change of control or takeover attempt of our company by a third party opposed to by our management and board of directors.

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### FORWARD-LOOKING STATEMENTS

This prospectus includes statements reflecting assumptions, expectations, projections, intentions, and/or beliefs about future events and future performance that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. You can identify these statements by the fact that they do not relate strictly to historical or current facts or because they necessarily depend upon future events. They sometimes include words such as "anticipate," "estimate," "project," "forecast," "may," "will," "intend," "should," "could," "would," "expect," "believe" and other words of similar meaning. In particular, these forward-looking statements include, but are not limited to, statements relating to the following:

- meritorious defenses to the claims and other issues asserted in pending legal matters;
- the effect of industry and regulatory changes on our business and our customer base;
- the impact of revenue backlog on future revenue; and
- overall profitability and the availability of capital.

Any or all of our forward-looking statements may turn out to be wrong. They can be affected by inaccurate assumptions and by known or unknown risks and uncertainties. Although we believe that the forward-looking statements we have made are based on reasonable assumptions, they are based on current information and beliefs and, accordingly, we can give no assurance that our expectations will be achieved. In addition, these statements are subject to factors that could cause actual results to differ materially from those suggested by the forward-looking statements. These factors include, but are not limited to, factors identified in this prospectus under the caption "Risk Factors."

Many of these factors and uncertainties will be important in determining our actual future results. Consequently, no forward-looking statement can be guaranteed. Our actual future results may vary materially from those expressed

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or implied in any forward-looking statements.

All of our forward-looking statements, whether written or oral are expressly qualified by these cautionary statements and any other cautionary statements that may accompany such forward-looking statements. In addition, we disclaim any obligation to update forward-looking statements to reflect events or circumstances that occur or become known after the date of this prospectus.

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### RATIO OF EARNINGS TO FIXED CHARGES

The following table presents our historical ratios of earnings to fixed charges for the periods indicated:

	SIX MONTHS ENDED JUNE 30,		YEARS ENDED DECEMBER 31,				
	2004	2003	2003	2002	2001	2000	1999
	-----	-----	-----	-----	-----	-----	-----
	(UNAUDITED)						
Ratio(1) .....	1.04x	1.86x	1.68x	1.58x	(2)	(2)	(2)

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(1) For purposes of computing the ratio of earnings to fixed charges, earnings consist of earnings before income tax expense, plus fixed charges. Fixed charges consist of:

- interest expense, which includes interest on capitalized leases and amortization of deferred financing costs, whether expensed or capitalized, and
- that portion of rental expense estimated by management to be attributable to interest based on the net present value of real estate and equipment leases using interest equal to our weighted average interest rate for the period.

(2) Our pre-tax income from continuing operations was inadequate to cover fixed charges for the years ended December 31, 2001, 2000 and 1999 by approximately \$5.9 million, \$21.4 million, and \$69.9 million, respectively.

### USE OF PROCEEDS

We will not receive any proceeds from the sale by any selling securityholder of the debentures or the shares of common stock issuable upon conversion of the debentures.

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### SELLING SECURITYHOLDERS

The debentures were originally issued by us in a private placement and were resold by the initial purchasers thereof to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended, which we refer to in this prospectus as the Securities Act. Selling securityholders,

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including any non-sale transferees, pledges or donees or their successors, may from time to time offer and sell any or all of the debentures and common stock into which the debentures are convertible pursuant to this prospectus, as supplemented by any and all prospectus supplements.

The selling securityholders may offer all, some or none of the debentures or common stock into which the debentures are convertible. Because the selling securityholders may offer all or some portion of the debentures or the common stock, no estimate can be given as to the amount of the debentures or the common stock that will be held by the selling securityholders upon completion of this offer.

NAME OF SELLING SECURITYHOLDER	PRINCIPAL AMOUNT OF DEBENTURES BENEFICIALLY OWNED THAT MAY BE SOLD	NUMBER OF SHARES OF COMMON STOCK OWNED PRIOR TO THIS OFFERING (1) (2)	CONVERSION SHARES OF COMMON STOCK THAT MAY BE SOLD (2)	DEBENTURES OWNED AFTER COMPLETION OF THIS OFFERING (3)
Acuity Master Fund, Ltd.(4)...	760,000	42,578	42,578	0
Akela Capital Master Fund, Ltd.(5).....	12,500,000	700,303	700,303	0
Attorney's Title Insurance Fund(6).....	90,000	5,042	5,042	0
Bancroft Convertible Fund, Inc.(7).....	500,000	28,012	28,012	0
Basso Multi-Strategy Holding Fund Ltd.(8).....	1,000,000	56,024	56,024	0
BNP Paribas Equity Strategies, SNC(9).....	1,548,000	87,986	86,725	0
Boilermakers Blacksmith Pension Trust(10).....	1,245,000	69,750	69,750	0
BP Amoco PLC Master Trust(11).....	546,000	30,589	30,589	0
Calamos(R) Market Neutral Fund -- Calamos(R) Investment Trust(12).....	3,000,000	168,072	168,072	0
CooperNeff Convertible Strategies (Cayman) Master Fund, LP(13).....	1,508,000	84,484	84,484	0
CQS Convertible and Quantitative Strategies Master Fund Limited(14)...	500,000	28,012	28,012	0
Delta Airlines Master Trust(15).....	315,000	17,647	17,647	0
Diaco Investments LP(16)...	240,000	13,445	13,445	0
DKR SoundShore Opportunity Holding Fund Ltd.(17)....	2,100,000	117,651	117,651	0
Duke Endowment(18).....	265,000	14,846	14,846	0
Ellsworth Convertible Growth and Income Fund, Inc.(19)...	500,000	28,012	28,012	0
FrontPoint Convertible Arbitrage Fund, L.P.(20)...	2,750,000	154,066	154,066	0



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NAME OF SELLING SECURITYHOLDER	PRINCIPAL AMOUNT OF DEBENTURES BENEFICIALLY OWNED THAT MAY BE SOLD	NUMBER OF SHARES OF COMMON STOCK OWNED PRIOR TO THIS OFFERING (1) (2)	CONVERSION SHARES OF COMMON STOCK THAT MAY BE SOLD (2)	DEBENTURES OWNED AFTER COMPLETION OF THIS OFFERING (3)
Geode U.S. Convertible Arbitrage Fund(21).....	3,350,000	187,681	187,681	0
Grace Convertible Arbitrage Fund, Ltd.(22).....	3,500,000	196,085	196,085	0
Highbridge International LLC(23).....	4,000,000	224,097	224,097	0
Hotel Union & Hotel Industry of Hawaii Pension Plan(24).....	147,000	8,235	8,235	0
Institutional Benchmarks Master Fund Ltd.(25).....	781,000	43,754	43,754	0
Lord Abbett Investment Trust -- LA Convertible Fund(26).....	2,500,000	140,060	140,060	0
Lyxor/Convertible Arbitrage Fund Limited(27).....	276,000	15,462	15,462	0
Man Convertible Bond Master Fund, Ltd.(28).....	3,965,000	222,136	222,136	0
McMahan Securities Co. L.P.(29).....	2,000,000	112,048	112,048	0
Monican VCA Master Fund, Ltd.(30).....	600,000	33,614	33,614	0
Polaris Vega Fund L.P.(31).. RBC Alternative Assets -- Conv. ARB(32).....	4,600,000	257,711	257,711	0
Ritchie Convertible Arbitrage Trading(33).....	250,000	14,006	14,006	0
Singlehedge US Convertible Arbitrage Fund(34).....	400,000	22,409	22,409	0
Sphinx Convertible Arbitrage Fund SPC(35).....	352,000	19,720	19,720	0
SSI Blended Market Neutral L.P.(36).....	593,000	33,222	33,222	0
SSI Hedged Convertible Market Neutral L.P.(37).....	295,000	16,527	16,527	0
St. Thomas Trading, Ltd.(38).....	459,000	25,715	25,715	0
Sterling Invest Co.(39).....	3,335,000	186,841	186,841	0
Sturgeon Limited(40).....	85,000	4,762	4,762	0
Sunrise Partners Limited Partnership(41).....	316,000	17,703	17,703	0
Viacom Inc. Pension Plan Master Trust(42).....	14,600,000	817,954	817,954	0
VICIS Capital Master Fund(43).....	14,000	784	784	0
Victus Capital, LP(44).....	2,162,500	121,152	121,152	0
Whitebox Diversified Convertible Arbitrage Partners LP(45).....	2,162,500	121,152	121,152	0
	1,000,000	56,024	56,024	0

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NAME OF SELLING SECURITYHOLDER	PRINCIPAL AMOUNT OF DEBENTURES BENEFICIALLY OWNED THAT MAY BE SOLD	NUMBER OF SHARES OF COMMON STOCK OWNED PRIOR TO THIS OFFERING (1) (2)	CONVERSION SHARES OF COMMON STOCK THAT MAY BE SOLD (2)	DEBENTURES OWNED AFTER COMPLETION OF THIS OFFERING (3)
-----	-----	-----	-----	-----
WPG Convertible Arbitrage				
Overseas Master Fund(46)...	600,000	33,614	33,614	0
WPG Univest Multi-				
Strategy -- Conv. ARB(47)...	150,000	8,403	8,403	0
	-----	-----	-----	--
Total.....	81,860,000	4,587,390	4,586,129	0
	=====	=====	=====	==

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- (1) Includes common stock into which the debentures are convertible.
  - (2) Assumes conversion of the debentures into shares of common stock at a conversion rate of 56.0243 shares of common stock per each \$1,000 principal amount of debentures. The conversion rate and the number of shares of common stock issuable upon conversion of the debentures is subject to adjustment under certain circumstances. See "Description of the Debentures -- Conversion Rights." Accordingly, the number of shares of common stock issuable upon conversion of the debentures may increase or decrease from time to time.
  - (3) We do not know when or in what amounts a selling securityholder may offer the debentures or shares of common stock for sale. The selling securityholders might not sell any or all of the debentures or shares of common stock offered by this prospectus. Because the selling securityholders may offer all or some of the debentures or shares of common stock pursuant to this prospectus, and because there are currently no agreements, arrangements or understandings with respect to the sale of any of the debentures or shares of common stock, we cannot estimate the number of the debentures or shares of common stock that will be held by the selling securityholders after completion of this offering. However, for purposes of this table, we have assumed that, after completion of the offering pursuant to this prospectus, none of the debentures or shares of common stock covered by this prospectus will be held by the selling securityholders.
  - (4) David J. Harris and Howard Needle are the managing members of the selling securityholder and exercise voting control and dispositive power over these securities.
  - (5) Anthony B. Bosco acts as investment manager for the selling securityholder and exercises voting control and dispositive power over these securities.
  - (6) Ann Houlihan acts as investment manager for the selling securityholder and exercises voting control and dispositive power over these securities.
  - (7) Davis-Dinsmore Management Company acts as investment advisor to the selling securityholder. Thomas H. Dinsmore is the portfolio manager of Davis-Dinsmore Management Company and exercises voting control and dispositive power over these securities.

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- (8) Basso Asset Management, L.P. acts as investment manager for the selling securityholder. Basso GP, LLC is the general partner of Basso Asset Management, L.P., and Howard Fischer as managing member of Basso GP, LLC exercises voting control and dispositive power over these securities.
- (9) The total under "Number of Shares of Common Stock Owned Prior to this Offering" includes 1,261 shares of our common stock owned by the selling securityholder. CooperNeff Advisors, Inc. acts as investment manager for the selling securityholder. Christian Menestrier is the Chief Executive Officer of CooperNeff Advisors, Inc. and exercises voting control and dispositive power over these securities. The selling securityholder has informed us that (i) it is an affiliate of BNP Paribas Securities Corp., a registered broker-dealer, (ii) it purchased the securities in the ordinary course of business, and (iii) at the time of purchase, the selling securityholder had no agreements or understandings, directly or indirectly, with any person to distribute the securities.

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- (10) Ann Houlihan acts as investment manager for the selling securityholder and exercises voting control and dispositive power over these securities.
- (11) John Gottfurcht, George Douglas and Amy Jo Gottfurcht act as investment managers for the selling securityholder and exercise voting control and dispositive power over these securities.
- (12) Nick Calamos acts as investment manager for the selling securityholder and exercise voting control and dispositive power over these securities.
- (13) CooperNeff Advisors, Inc. acts as investment manager for the selling securityholder. Christian Menestrier is the Chief Executive Officer of CooperNeff Advisors, Inc. and exercises voting control and dispositive power over these securities.
- (14) The selling securityholder has informed us that no natural persons have voting control or dispositive power over these securities. CQS Convertible and Quantitative Strategies Feeder Fund Limited controls the selling securityholder and exercises voting control and dispositive power over these securities.
- (15) Ann Houlihan acts as investment manager for the selling securityholder and exercises voting control and dispositive power over these securities.
- (16) Simon Glick is the general partner of the selling securityholder and exercises voting control and investment power over these securities.
- (17) DKR Capital Partners L.P. acts as investment manager for the selling securityholder. DKR Capital Partners, L.P. has retained certain portfolio managers to act as the portfolio manager for the selling securityholder. DKR Capital Partners L.P. and these certain portfolio managers have shared voting control and shared dispositive power over the selling securityholder's securities. Tom Kirvaitis has trading authority over these securities for the selling securityholder.
- (18) Ann Houlihan acts as investment manager for the selling securityholder and exercises voting control and dispositive power over these securities.
- (19) Davis-Dinsmore Management Company acts as investment advisor to the selling securityholder. Thomas H. Dinsmore is the portfolio manager of Davis-Dinsmore Management Company and exercises voting control and

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dispositive power over these securities.

- (20) FrontPoint Partners LLC is the managing member of FrontPoint Convertible Arbitrage Fund GP LLC, the selling securityholder's general partner, and has voting control and dispositive power over these securities. Philip Duff, W. Gillespie Caffray and Paul Ghaffari are members of the board of managers of FrontPoint Partners LLC and exercise voting control and dispositive power over these securities.
- (21) Vincent Gubitosi acts as portfolio manager for the selling securityholder and exercises voting control and dispositive power over these securities.
- (22) Bradford Whitmore and Michael Brailon are managing members of the selling securityholder and exercise voting control and dispositive power over these securities.
- (23) Highbridge Capital Management acts as trading advisor to the selling securityholder. Glenn Dubin and Henry Swieca are the principals of Highbridge Capital Management and exercise voting control and dispositive power over these securities. The selling securityholder has informed us that (i) it is an affiliate of Highbridge Capital Corp., a registered broker-dealer, (ii) it purchased the securities in the ordinary course of business, and (iii) at the time of purchase, the selling securityholder had no agreements or understandings, directly or indirectly, with any person to distribute the securities.
- (24) John Gottfurcht, George Douglas and Amy Jo Gottfurcht act as investment managers for the selling securityholder and exercise voting control and dispositive power over these securities.
- (25) John Gottfurcht, George Douglas and Amy Jo Gottfurcht act as investment managers for the selling securityholder and exercise voting control and dispositive power over these securities.
- (26) Maren Lindstrom is a fiduciary manager and partner at Lord Abbett & Co. and exercises voting control and dispositive power over these securities.

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- (27) CooperNeff Advisors, Inc. acts as investment manager for the selling securityholder. Christian Menestrier is the Chief Executive Officer of CooperNeff Advisors, Inc. and exercises voting control and dispositive power over these securities.
- (28) Marin Capital Partners, LP acts as investment advisor to the selling securityholder. J.T. Hansen and John Null are principals of Marin Capital Partners, LP and exercise voting control and dispositive power over these securities.
- (29) D. Bruce McMahan is the general partner of the selling securityholder and exercises voting control and dispositive power over these securities. The selling securityholder has informed us that it is a registered broker-dealer. As such it is an underwriter in connection with the sale of the notes and the common stock into which the notes are convertible. The selling securityholder has informed us that it purchased the securities in the ordinary course of business, and at the time of purchase, it had no agreements or understandings, directly or indirectly, with any person to distribute the securities.
- (30) Eric C. Hage and Daniel C. Hage act as investment managers for the selling securityholder and exercise voting control and dispositive power over these

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securities.

- (31) Gregory R. Levinson controls the selling securityholder's investment advisor and exercises voting control and dispositive power over these securities.
- (32) Sheri Kaplan acts as portfolio manager for the selling securityholder and exercises voting control and dispositive power over these securities.
- (33) Ritchie Capital Management acts as investment advisor to the selling securityholder. A.R. Thane Ritchie is the President of Ritchie Capital Management and exercises voting control and dispositive power over these securities.
- (34) CooperNeff Advisors, Inc. acts as investment manager for the selling securityholder. Christian Menestrier is the Chief Executive Officer of CooperNeff Advisors, Inc. and exercises voting control and dispositive power over these securities.
- (35) John Gottfurcht, George Douglas and Amy Jo Gottfurcht act as investment managers for the selling securityholder and exercise voting control and dispositive power over these securities.
- (36) John Gottfurcht, George Douglas and Amy Jo Gottfurcht act as investment managers for the selling securityholder and exercise voting control and dispositive power over these securities.
- (37) John Gottfurcht, George Douglas and Amy Jo Gottfurcht act as investment managers for the selling securityholder and exercise voting control and dispositive power over these securities.
- (38) Marin Capital Partners, LP acts as investment advisor to the selling securityholder. J.T. Hansen and John Null are principals of Marin Capital Partners, LP and exercise voting control and dispositive power over these securities. The selling securityholder has informed us that (i) it is an affiliate of Tiburon Fund Trading, LLC, an inactive registered broker-dealer, (ii) it purchased the securities in the ordinary course of business, and (iii) at the time of purchase, the selling securityholder had no agreements or understandings, directly or indirectly, with any person to distribute the securities.
- (39) Ann Houlihan acts as investment manager for the selling securityholder and exercises voting control and dispositive power over these securities.
- (40) CooperNeff Advisors, Inc. has shared voting control and sole investment control over these securities. Christian Menestrier is the Chief Executive Officer of CooperNeff Advisors, Inc.
- (41) The total under "Number of Shares of Common Stock Owned Prior to this Offering" includes 7,056 shares of our common stock owned by the selling securityholder. S. Donald Sussman controls the selling securityholder's general partner and exercises voting control and dispositive power over these securities. The selling securityholder has informed us that (i) it is an affiliate of Paloma Securities L.L.C., a registered broker-dealer, (ii) it purchased the securities in the ordinary course of business, and (iii) at the time of purchase, the selling securityholder had no agreements or understandings, directly or indirectly, with any person to distribute the securities.
- (42) John Gottfurcht, George Douglas and Amy Jo Gottfurcht act as investment managers for the selling securityholder and exercise voting control and dispositive power over these securities.

- (43) Shad Stastney, as a managing director, John Succo, as a managing director, and Sky Lucas, as a portfolio manager and managing director, exercise voting control and dispositive power over these securities.
- (44) Shad Stastney, as a managing director, John Succo, as a managing director, Sky Lucas, as a portfolio manager and managing director, and Bryan Zwen, as a principal, exercise voting control and dispositive power over these securities. The selling securityholder has informed us that (i) it is an affiliate of H.C. Wainwright, a registered broker-dealer, (ii) it purchased the securities in the ordinary course of business, and (iii) at the time of purchase, the selling securityholder had no agreements or understandings, directly or indirectly, with any person to distribute the securities.
- (45) Whitebox Diversified Arbitrage Advisors LLC is the general partner of the selling securityholder. Andrew Redleaf is the managing member of Whitebox Diversified Arbitrage Advisors LLC and exercises voting control and dispositive power over these securities.
- (46) Sheri Kaplan acts as portfolio manager for the selling securityholder and exercises voting control and dispositive power over these securities. The selling securityholder has informed us that (i) it is an affiliate of Robeco USA Brokerage, a registered broker-dealer, (ii) it purchased the securities in the ordinary course of business, and (iii) at the time of purchase, the selling securityholder had no agreements or understandings, directly or indirectly, with any person to distribute the securities.
- (47) Sheri Kaplan acts as portfolio manager for the selling securityholder and exercises voting control and dispositive power over these securities.

#### PLAN OF DISTRIBUTION

The selling securityholders and their successors, including their transferees, pledges or donees or their successors, may sell the debentures and the underlying common stock from time to time directly to purchasers or through underwriters, brokers, dealers or agents who may receive compensation in the form of discounts, concessions or commissions from the selling securityholders or the purchasers. These discounts, concessions or commissions as to any particular underwriter, broker, dealer or agent may be in excess of those customary in the types of transactions involved.

The debentures and the underlying common stock may be sold in one or more transactions at:

- fixed prices,
- prevailing market prices at the time of sale,
- prices related to the prevailing market prices,
- varying prices determined at the time of sale, or
- negotiated prices.

The sales may be affected in transactions (which may involve block transactions):

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- on any national securities exchange or quotation service on which the debentures or the underlying common stock may be listed or quoted at the time of sale,
- in the over-the-counter market,
- in transactions other than on such exchanges or services or in the over-the-counter market,
- through the writing and exercise of options, whether the options are listed on an options exchange or otherwise, or
- through the settlement of short sales.

In connection with the sales of the debentures and the underlying common stock or otherwise, the selling securityholders may enter into hedging transactions with brokers, dealers or other financial institutions. These brokers, dealers or other financial institutions may in turn engage in short sales of the debentures or the underlying common stock in the course of hedging their positions. The selling securityholders may also sell the debentures or the underlying common stock short and deliver debentures or the underlying common stock to close out short positions, or loan or pledge debentures or the underlying common stock to brokers or dealers that, in turn, may sell the debentures or the underlying common stock. To our knowledge, there are currently no plans, arrangements or understandings between any selling securityholders and any underwriter, broker, dealer or agent regarding the sale of the debentures or the underlying common stock by the selling securityholders.

The aggregate proceeds to the selling securityholders from the sale of the debentures or the underlying common stock offered by them will be the purchase price of the debentures or the underlying common stock less discounts and commissions, if any. Each of the selling securityholders reserves the right to accept and, together with their agents from time to time, to reject, in whole or in part, any proposed purchase of the debentures or the underlying common stock to be made directly or through agents. We will not receive any of the proceeds of the sale of the debentures or the underlying common stock offered by this prospectus.

In order to comply with the securities laws of some states, if applicable, the debentures and the underlying common stock may be sold in these jurisdictions only through registered or licensed brokers or dealers. In addition, in some states, the debentures and the underlying common stock may not be sold unless they have been registered or qualified for sale or an exemption from registration or qualification requirements is available and is complied with.

The selling securityholders and any brokers, dealers or agents who participate in the sale of the debentures and the underlying common stock may be deemed to be "underwriters" under the securities laws. As a result, any profits on the sale of the debentures and the underlying common stock by selling securityholders and any discounts, commissions or concessions received by any such broker, dealer or agent might be deemed to be underwriting discounts or commissions under the securities laws. If the selling securityholders were to be deemed underwriters, the selling securityholders may be subject to liabilities including, but not limited to, those under the securities laws. Selling securityholders who are deemed underwriters will be subject to the prospectus delivery requirements of the securities laws.

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If the debentures or the underlying common stock are sold through underwriters, brokers or dealers, the selling securityholders will be responsible for underwriting discounts or commissions or agent commissions.

We do not know when or whether any selling securityholder will sell any or all of the debentures or the underlying common stock pursuant to this prospectus. In addition, any debentures or underlying common stock covered by this prospectus that qualify for sale under Rule 144 or Rule 144A of the Securities Act may be sold under Rule 144 or Rule 144A rather than under this prospectus. The selling securityholders may not sell any or all of the debentures or the underlying common stock and may not transfer, devise or gift these securities by other means not described in this prospectus.

The selling securityholders have acknowledged that they and other persons participating in any distribution will be subject to the securities laws and rules, including Regulation M of the Exchange Act, which may limit the timing of purchases and sales of any of the debentures or the underlying common stock by the selling securityholders and any other persons. In addition, Regulation M of the Exchange Act may restrict the ability of any person engaged in the distribution of the debentures or the underlying common stock to engage in market-making activities with respect to the particular debentures or the underlying common stock being distributed for a period of up to five business days prior to the commencement of the distribution. This restriction may affect the marketability of the debentures or the underlying common stock and the ability of any person or entity to engage in market-making activities with respect to the debentures or the underlying common stock.

To the extent required, the specific debentures or the underlying common stock to be sold, the names of the selling securityholders, the respective purchase prices and public offering prices, the names of any agent, dealer or underwriter, and any applicable commissions or discounts with respect to a particular offer will be set forth in an accompanying prospectus supplement or, if appropriate, a post-effective amendment to the registration statement of which this prospectus is a part.

We entered into a registration rights agreement for the benefit of holders of the debentures to register their debentures and underlying common stock under applicable federal and state securities laws under specific circumstances and at specific times. Under the registration rights agreement, we and the selling securityholders will be indemnified by (or entitled to contribution from) one another against specified liabilities in connection with the offer and sale of the debentures and the underlying common stock, including some liabilities under the Securities Act.

We have agreed to pay substantially all of the expenses incidental to the registration of the debentures and the underlying common stock other than commissions, fees and discounts of underwriters, brokers, dealers and agents.

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### DESCRIPTION OF THE DEBENTURES

We issued the debentures under an indenture, dated as of June 30, 2004, between us and U.S. Bank National Association, as trustee. Initially, the trustee acted as paying agent, conversion agent and calculation agent for the debentures. The terms of the debentures include those provided in the indenture and those provided in the registration rights agreement, which we entered into with the initial purchasers. The following description is only a summary of the material provisions of the debentures, the indenture and the registration rights agreement. We urge you to read these documents in their entirety because they, and not this description, define your rights as holders of the debentures. You



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may request a copy of the indenture and the registration rights agreement from us. When we refer to "Per-Se," "we," "our" or "us" in this section, we refer only to Per-Se Technologies, Inc., a Delaware corporation, and not its subsidiaries.

### BRIEF DESCRIPTION OF THE DEBENTURES

The debentures offered hereby:

- are \$125,000,000 in aggregate principal amount;
- bear interest at a rate of 3.25% per annum, payable on each June 30 and December 30, beginning December 30, 2004;
- are issued only in registered form, without coupons, in denominations of \$1,000 principal amount and integral multiples thereof;
- are our unsecured obligations, subordinated in right of payment to all of our existing and future senior debt; as our indebtedness, the debentures are effectively subordinated to all indebtedness and liabilities of our subsidiaries;
- are convertible into our common stock initially at a conversion rate of 56.0243 shares per \$1,000 principal amount of debentures which is equivalent to an initial conversion price of approximately \$17.85 per share, under the conditions and subject to such adjustments as are described under "-- Conversion Rights"; upon conversion, we will have the right to deliver, in lieu of common stock, cash or a combination of cash and common stock;
- are redeemable at our option in whole or in part beginning on July 6, 2009 upon the terms set forth under "-- Optional Redemption by Us";
- are subject to repurchase by us at your option on June 30 of each of 2009, 2014 and 2019 or upon the occurrence of a fundamental change with respect to our company, upon the terms and at the repurchase price in cash set forth below under "-- Repurchase of Debentures at Your Option";
- are entitled in certain circumstances to the make-whole premium in connection with a conversion or repurchase as a result of certain fundamental changes; and
- are due on June 30, 2024, unless earlier converted, redeemed by us at our option or repurchased by us at your option.

The indenture does not contain any financial covenants and does not restrict us from paying dividends, incurring additional indebtedness or issuing or repurchasing our other securities. The indenture also does not protect you in the event of a highly leveraged transaction or a change of control of our company, except to the extent described under "-- Repurchase of Debentures at Your Option -- Fundamental Change Put" and "-- Repurchase of Debentures at Your Option -- Make-Whole Premium" below.

No sinking fund is provided for the debentures and the debentures will not be subject to defeasance.

You may present definitive debentures for conversion and registration of transfer and exchange at our office or agency in New York City, which shall initially be the principal corporate trust office of the trustee currently located at 100 Wall Street, 16th Floor, New York, New York 10005. For information regarding conversion, registration of transfer and exchange of global debentures, see "-- Form, Denomination and Registration." No service

charge will be made for any registration of transfer or

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exchange of debentures, but we may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

#### SUBORDINATION

The debentures are subordinate in right of payment to all of our existing and future senior debt. The indenture does not restrict the amount of senior debt or other indebtedness that we or any of our subsidiaries can incur. As of June 30, 2004, the debentures were subordinated to \$5.5 million of our senior debt, as defined in this prospectus. In addition, as of June 30, 2004, our subsidiaries had liabilities of approximately \$52.7 million, excluding intercompany indebtedness and guarantees under our credit agreement, all of which are structurally senior to the debentures. The payment of the principal of, interest on or any other amounts due on the debentures is subordinated in right of payment to the prior payment in full in cash of all of our existing and future senior debt. No payment on account of principal of, redemption of, interest on or any other amounts due on the debentures, including, without limitation, any payments on the fundamental change repurchase right, and no redemption, repurchase or other acquisition of the debentures may be made, except in our common stock, if:

- a default in the payment of designated senior debt occurs, called a payment default; or
- a default other than a payment default occurs and is continuing that permits the holders of designated senior debt to accelerate its maturity, and the trustee receives a notice of such default, called a payment blockage notice, from us or any other person permitted to give such notice under the credit agreement so long as it remains in effect, and thereafter any other person permitted to give such notice under the indenture, called a non-payment default.

We may resume payments and distributions on the debentures:

- in case of a payment default, upon the date on which such default ceases to exist or is cured or waived in writing by agent so long as the credit agreement remains in effect, and thereafter in accordance with the terms of the applicable senior debt; and
- in the case of a non-payment default, upon the earliest of the date on which such non-payment default ceases to exist or is cured or waived in writing by agent so long as the credit agreement remains in effect, and thereafter in accordance with the terms of the applicable senior debt or 179 days from the date the payment blockage notice is received.

Notwithstanding the foregoing, not more than one payment blockage notice may be given in any consecutive 360-day period, called a payment blockage period, irrespective of the number of defaults with respect to designated senior debt during such period. No default which existed or was continuing on the date of the commencement of any payment blockage notice with respect to the designated senior debt whose holders delivered the payment blockage notice may be made the basis of the commencement of a subsequent payment blockage period by the holders of such designated senior debt, whether or not within a period of 360 consecutive days, unless the default has been cured or waived for a period of not less than 90 consecutive days.

Upon any distribution of our assets in connection with any dissolution, winding-up, liquidation or reorganization of us or acceleration of the principal

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amount due on the debentures because of any event of default, all senior debt must be paid in full in cash before the holders of the debentures are entitled to any payments whatsoever.

As a result of these subordination provisions, in the event of our insolvency, holders of the debentures may recover ratably less than the holders of our senior debt and our general creditors.

If the payment of the debentures is accelerated because of an event of default, we or the trustee shall promptly notify the holders of senior debt or the trustee(s) for the senior debt of the acceleration. We may not pay the debentures until five days after the holders or trustee(s) of senior debt receive notice of the acceleration and, after which we may pay the debentures only if the subordination provisions of the indenture otherwise permit payment at that time.

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If the trustee or any holder of debentures receives any payment or distribution of our assets of any kind in contravention of any of the terms of the indenture, whether in cash, property or securities, including, without limitation by way of set-off or otherwise, in respect of the debentures before all senior debt is paid in full in cash, then the payment or distribution will be held by the recipient in trust for the benefit of holders of senior debt, and will be immediately paid over or delivered to the holders of senior debt or their representative or representatives to the extent necessary to make payment in full in cash of all senior debt remaining unpaid, after giving effect to any concurrent payment or distribution, or provision therefor, to or for the holders of senior debt.

The debentures are the obligations only of Per-Se and not our subsidiaries. Since a significant amount of our operations are conducted through our subsidiaries, our cash flow and our consequent ability to service debt, including the debentures, will depend in part upon the earnings of our subsidiaries and the distribution of those earnings to, or under loans or other payments of funds by those subsidiaries to, us. The payment of dividends and the making of loans and advances to us by our subsidiaries may be subject to statutory or contractual restrictions, will depend upon the earnings of those subsidiaries and are subject to various business considerations.

Our right to receive assets of any of our subsidiaries upon their liquidation or reorganization, and the consequent right of the holders of the debentures to participate in those assets, is effectively subordinated to the claims of that subsidiary's creditors, including trade creditors, except to the extent that we are recognized as a creditor of that subsidiary, in which case our claims would still be subordinate to any security interests in the assets of that subsidiary and any indebtedness of that subsidiary senior to that held by us.

The indenture does not limit the amount of additional indebtedness, including senior debt, which we can create, incur, assume or guarantee, nor does the indenture limit the amount of indebtedness and other liabilities which any subsidiary can create, incur, assume or guarantee.

Our credit agreement dated as of September 11, 2003, as amended as of June 30, 2004, among us, as the borrower, our subsidiaries identified therein as guarantors, Bank of America, N.A., as administrative agent, swingline lender and L/C issuer, Wachovia Bank, N.A., as syndication agent and the other lenders who are party thereto, as further amended, restated, supplemented or otherwise modified from time to time, and all direct and indirect refundings, refinancings and replacements of any credit agreement.

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Designated senior debt means (1) any indebtedness from time to time outstanding under the credit agreement and (2) any other senior debt the principal amount of which is \$10,000,000 or more and that has been designated by us as designated senior debt.

Exchange rate contract means, with respect to any person, any currency swap agreements, forward exchange rate agreements, foreign currency futures or options, exchange rate collar agreements, exchange rate insurance and other agreements or arrangements, or combination thereof, the principal purpose of which is to provide protection against fluctuations in currency exchange rates. An exchange rate contract may also include an interest rate agreement.

GAAP means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as approved by a significant segment of the accounting profession, which are applied on a consistent basis.

Guarantee means a guarantee, other than by endorsement of negotiable instruments for collection in the ordinary course of business, direct or indirect, in any manner, including, without limitation, letters of credit and reimbursement agreements in respect thereof, of all or any part of any Indebtedness.

Hedging obligations means, with respect to any specified person, the obligations of such person under (1) interest rate swap agreements, interest rate cap agreements, interest rate collar agreements and other agreements or arrangements with respect to exposure to interest rates; (2) commodity swap agreements,

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commodity option agreements, forward contracts and other agreements or arrangements with respect to exposure to commodity prices; and (3) foreign exchange contracts, currency swap agreements and other agreements or arrangements with respect to exposure to foreign currency exchange rates.

Indebtedness means, with respect to any person, any indebtedness of such person, whether or not contingent, in respect of borrowed money or evidenced by bonds, notes, debentures or similar instruments or letters of credit, or reimbursement agreements in respect thereof, or representing the balance deferred and unpaid of the purchase price of any property, including pursuant to capital leases and sale-and-leaseback transactions, or representing any hedging obligations under an exchange rate contract or an interest rate agreement, except any such balance that constitutes an accrued expense or trade payable, if and to the extent any of the foregoing indebtedness, other than obligations under an exchange rate contract or an interest rate agreement, would appear as a liability upon a balance sheet of such person prepared in accordance with GAAP, and also includes, to the extent not otherwise included, the guarantee of items which would be included within this definition. The amount of any indebtedness outstanding as of any date shall be the accreted value thereof, in the case of any indebtedness issued with original issue discount. Indebtedness shall not include liabilities for taxes of any kind.

Interest rate agreement means, with respect to any person, any interest rate swap agreement, interest rate cap agreement, interest rate collar agreement or other similar agreement the principal purpose of which is to protect the party indicated therein against fluctuations in interest rates.

Senior debt with respect to us means indebtedness of ours, including any

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monetary obligation in respect of the credit agreement, and interest, whether or not allowable, accruing on indebtedness incurred pursuant to the credit agreement after the filing of a petition initiating any proceeding under any bankruptcy, insolvency or similar law, arising under the credit agreement, all hedging obligations owing to any lender or affiliate of any lender party to the credit agreement, all obligations under treasury management agreements with any lender or affiliate of any lender party to the credit agreement or any other indebtedness of ours, whether outstanding on the date of the indenture or thereafter created, incurred, assumed or guaranteed by us and any of our subsidiaries.

Notwithstanding anything to the contrary in the foregoing, senior debt shall not include: (a) indebtedness of or amounts owed by us for compensation to employees, or for goods or materials purchased or for services obtained in the ordinary course of business; (b) our indebtedness to any of our subsidiaries or (c) our indebtedness that expressly provides that it shall not be senior in right of payment to the debentures or expressly provides that it is on the same basis or junior to the debentures.

### INTEREST

The debentures will bear interest at a rate of 3.25% per annum from June 30, 2004. We will pay interest semiannually in arrears on June 30 and December 30 of each year, beginning December 30, 2004, to the holders of record at the close of business on the prec