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NETZEE INC
Form S-3/A
May 22, 2001

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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MAY 22, 2001

REGISTRATION NO. 333-60360

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

PRE-EFFECTIVE AMENDMENT NO. 1 TO

FORM S-3
REGISTRATION STATEMENT
UNDER THE SECURITIES ACT OF 1933

NETZEE, INC.
(Exact name of registrant as specified in its charter)

GEORGIA
(State or other jurisdiction
of incorporation)

58-2488883
(I.R.S. Employer
Identification
Number)

6190 POWERS FERRY ROAD, SUITE 400
ATLANTA, GEORGIA 30339
(770) 850-4000

(Address, including zip code, and telephone number, including
area code, of registrant's principal executive offices)

DONNY R. JACKSON, CHIEF EXECUTIVE OFFICER
NETZEE, INC.

6190 POWERS FERRY ROAD, SUITE 400
ATLANTA, GEORGIA 30339
(770) 850-4000

(Name, address, including zip code, and telephone number, including area code,
of agent for service)

COPY TO:

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(404) 853-8000
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 APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable from time to time after the effective date of this Registration Statement.

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

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

If this Form is registering additional securities pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. 33-

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. 33-

If delivery of the prospectus is expected to be made pursuant to Rule 434, please 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(1)	PROPOSED MAXIMUM AGGREGATE PRICE(1)
Common Stock, no par value per share(2)	40,000	\$4.48	\$179,200.00

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(c) under the Securities Act of 1933, as amended, based on the average of the high and low sales prices as reported on the Nasdaq National Market on April 30, 2001.

(2)The above share amounts and maximum offering prices have been adjusted to reflect a 1-for-8 reverse stock split effected on May 16, 2001. There is no change in the amount of the resulting registration fee, which was previously paid.

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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 THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

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SUBJECT TO COMPLETION, DATED MAY 22, 2001

40,000 Shares

NETZEE, INC.

Common Stock

The shareholders of Netzee, Inc. identified in this prospectus may offer and sell these shares from time to time. See "Selling Shareholders." The selling shareholders acquired their shares in connection with our acquisition of Card Plus, Inc. on July 28, 2000.

The selling shareholders will receive all of the net proceeds from the sale of these shares and will pay all underwriting discounts and selling commissions, if any, applicable to the sale of these shares. We will not receive any of the proceeds from the sale of the shares, except as otherwise described in "Use of Proceeds."

Our common stock is quoted on the Nasdaq National Market under the symbol "NETZD." Our trading symbol will become "NETZ" after a period of 20 trading days beginning May 16, 2001. On May 16, 2001, the last reported sale price of our common stock was \$3.89 per share.

INVESTING IN OUR COMMON STOCK INVOLVES MANY RISKS. SEE "RISK FACTORS" BEGINNING ON PAGE 4 FOR A DISCUSSION OF THESE RISKS.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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You should rely only on the information contained in this prospectus. Neither we nor the selling shareholders have authorized anyone to provide you with information different from that contained in this prospectus. The selling shareholders are offering to sell, and seeking offers to buy, shares of Netzee common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of the shares.

The date of this Prospectus is _____, 2001

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SUMMARY

This summary highlights information contained in documents that we have incorporated by reference into this prospectus. You should carefully read and consider all of the information included in this prospectus and in the documents incorporated by reference in this prospectus before deciding to invest in shares of our common stock. See "Where You Can Find More Information."

We have adjusted all common stock share amounts and per share prices in this prospectus to reflect a 1-for-8 reverse stock split effected on May 16, 2001. Actual post-split share amounts may vary slightly from those included in this prospectus due to upward rounding of fractional shares.

GENERAL

We provide Internet-enabled software products to community financial institutions in the United States with assets of less than \$10 billion. Our Internet banking product provides a cost-effective, outsourced, secure and scalable solution that enables community financial institutions to offer their customers a wide array of financial products and services over the Internet. We also offer telephone banking products and services to allow community financial institutions an additional channel for communication with their customers. Collectively, these services are referred to as our "retail suite" of products.

To compliment our retail suite of products, we also provide a suite of wholesale support applications that enable community financial institutions to create internal efficiencies and provide key employees with information to better manage banking operations. These applications include Internet-based bond portfolio accounting and analytics and asset/liability management tools as well as our Bank Mall(TM) product which provides access to key information and services.

We also provide our financial institution customers with marketing and training packages individually designed to increase the number of their customers who use our Internet products and services.

We were incorporated in Georgia in August 1999. Our principal executive offices are located at 6190 Powers Ferry Road, Suite 400, Atlanta, Georgia 30339, and our telephone number is (770) 850-4000. Our corporate web site address is <http://www.netzee.com>. We are not incorporating the information on our web site into this prospectus, and we do not intend to make any of that information a part of this prospectus.

THE NETZEE STRATEGY

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Our goal is to become the leading provider of Internet banking and Internet commerce products and services to community financial institutions. Our growth will be driven by both the adoption of our products inside community financial institutions and the use of our retail suite by the customers of our community financial institution customers. Our strategy includes:

- capitalizing on strategic marketing alliances with bankers' banks and other partners;
- cross-selling additional products and services to existing customers;

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- increasing community financial institution end user adoption; and
- expanding and enhancing our products and services.

FORMATION OF NETZEE

Netzee was formed as a Georgia corporation in August 1999 to be merged with Direct Access Interactive, Inc., a company that was formed in October 1996 to provide Internet and telephone banking products and services. The InterCept Group, Inc. acquired Direct Access in March 1999 as a wholly owned subsidiary. InterCept currently owns approximately 28% of our common stock. In 1999 and 2000, we also acquired the following assets or operations:

- the Internet and telephone banking assets of SBS Corporation, which provided automated technology products and services, including Internet and telephone banking systems, to community financial institutions nationwide;
- the Internet Banking Divisions of each of TIB The Independent BankersBank and The Bankers Bank, each of which is a "bankers' bank." A bankers' bank is a bank that exclusively serves and is owned by financial institutions;
- Call Me Bill, LLC, which provides 24-hour electronic bill payment services to financial institutions' customers;
- Dyad Corporation, which developed, among other things, proprietary loan application, approval and fulfillment software;
- DPSC Software, Inc., which provided regulatory reporting and support applications for community financial institutions (these assets were sold to InterCept in February 2001);
- Digital Visions, Inc., which provided Internet-based financial information tools for community financial institutions;
- Card Plus, Inc., which provided outsourced software and systems development and related consulting services; and
- the Internet banking and electronic bill payment assets of John H. Harland Company.

RECENT DEVELOPMENTS

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Disposition of Assets

On May 8, 2001, we sold certain assets of our Elizabethtown, Kentucky-based bill payment operations to iPay, LLC as part of our continuing consolidation program. iPay paid us approximately \$1.3 million in cash for these assets and assumed certain related operating liabilities. Proceeds from the sale were used to pay down outstanding principal balances on our revolving credit facility.

The assets sold consisted of approximately 190 contracts with financial institutions and multi-family apartment complexes solely to process bill payment transactions over the Internet or the telephone, together with associated operating software, hardware and other fixed assets. We did not provide our core Internet banking or cash management products and services to these customers, most of which received these services from another

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provider. During the first quarter of 2001, these contracts contributed approximately \$175,000 in revenue.

Additions to Senior Management

On April 9, 2001, Kevin R. Lee was appointed as Senior Vice President of Operations. Mr. Lee is responsible for implementation, customer service, technical support, product management, bill payment services, telecommunications and data center operations. Prior to joining Netzee, from October 1999 until April 2001, Mr. Lee was Chief Information Officer of MaxRate.com, a business that developed an Internet-based exchange for certificates of deposit. From June 1993 to September 1999, Mr. Lee worked for Andersen Consulting LLP, providing consulting services to the financial service industry.

On May 7, 2001, W. Todd Shiver was appointed as Senior Executive Vice President -- Sales. Mr. Shiver will direct all of our sales efforts for both financial institutions and end users. From July 2000 to May 2001, Mr. Shiver was Senior Vice President -- National Bank Sales Manager of Towne Services, Inc., where he was in charge of acquiring bank partners for the distribution of accounts receivable management services. From February 1996 to December 2000, Mr. Shiver was employed by The Bankers Bank located in Atlanta, Georgia, most recently as Senior Vice President -- Sales Manager. Mr. Shiver was responsible for management and training of bank sales representatives, development and introduction of new products, strategic planning and third party provider relationships. Initially, Mr. Shiver worked in the marketing department of The Bankers Bank, implementing all correspondent service options to over 1,200 community banks in the Southeast.

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RISK FACTORS

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Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as the other information presented in or incorporated by reference into this prospectus, in deciding whether to invest in our common stock. Each of these factors could adversely affect our operations, the market price of our common stock and our financial results, and could result in a complete loss of your investment.

BECAUSE WE HAVE A LIMITED OPERATING HISTORY IN A RAPIDLY EVOLVING INDUSTRY, IT IS DIFFICULT TO EVALUATE OUR BUSINESS AND PROSPECTS

We were incorporated in August 1999 as the successor to a company which had operated only since October 1996. We have largely grown our operations since August 1999 through our acquisitions. See "Formation of Netzee." Because key members of our management team came from different entities, the members of our senior management team have only worked together for a relatively short time. Therefore, it is difficult to evaluate us and our prospects. An investor in our common stock must consider the risks we face as a company operating in the rapidly evolving Internet banking and Internet-commerce markets. These risks include our inability to:

- operate profitably;
- integrate successfully the operations we have acquired and the personnel that have joined us as a result of these acquisitions;
- develop, test, market and sell our products and services;
- expand successfully our sales and marketing efforts;
- maintain our current, and develop new, strategic marketing alliances;
- promote acceptance of our Internet based services by our community financial institution customers and their customers;
- respond effectively to competitive pressures; and
- continue to develop and upgrade our technology.

We may not succeed in achieving any or all of these goals. We may never achieve or sustain profitability.

WE HAVE A HISTORY OF LOSSES AND ANTICIPATE LOSSES IN THE FUTURE, AND WE MAY NEVER BECOME PROFITABLE

We incurred net losses of approximately \$97.2 million for the year ended December 31, 2000 and \$20.4 million for the three months ended March 31, 2001. We may incur significant operating losses in the foreseeable future. We will need to generate significant revenues to achieve and maintain profitability, and we cannot give assurances that we will be able to do so. Our revenues for the year ended December 31, 2000 and the three months ended March 31, 2001 were approximately \$19.9 million and \$7.5 million, respectively, and our cash operating expenses, excluding restructuring costs, for the year ended December 31, 2000 and the three months ended March 31, 2001 were approximately \$34.4 million and \$10.1 million, respectively. If our revenues grow more

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slowly than we anticipate or if we cannot reduce our operating expenses as expected, our financial performance will be adversely affected.

WE ARE CURRENTLY EXPERIENCING A PERIOD OF SIGNIFICANT OPERATIONAL REDUCTIONS THAT MAY PLACE A STRAIN ON OUR ABILITY TO ACHIEVE REVENUE GROWTH AND PROFITABILITY

We previously experienced significant growth in our operations through acquisitions in 1999 and 2000. Our recent reorganization and the resulting reduction in personnel and facilities is placing and will continue to place additional demands on our management and operational ability. Our current management, sales, technical and accounting resources may not be adequate to support our anticipated revenue growth. Our future operating results will substantially depend on the ability of our management to handle changing business conditions and to implement and improve our systems. To manage these changes effectively, we must:

- predict accurately the growth in the demand for our products and related services and our capacity to address that demand;
- motivate, manage and retain key employees;
- transfer and install equipment in different facilities as a result of the consolidation of our facilities;
- continue to integrate our management team;
- integrate the operations and personnel of any other businesses we acquire; and
- respond effectively to changes in the industry.

OUR RELATIONSHIPS WITH INTERCEPT AND HARLAND MAY PRESENT POTENTIAL CONFLICTS OF INTEREST, WHICH MAY RESULT IN DECISIONS THAT FAVOR INTERCEPT AND HARLAND OVER OUR OTHER SHAREHOLDERS

Because Netzee, InterCept and Harland are engaged in the sale of electronic commerce products and services to community financial institutions, numerous potential conflicts of interest exist between our companies or their affiliates. We compete with each other when offering some products and services to potential customers. Our bylaws contain provisions addressing potential conflicts of interest between us and InterCept and the allocation of transactions that, absent such allocation, could constitute corporate opportunities of both companies. See "Description of Capital Stock -- Relationship with InterCept." Under these provisions, InterCept may take advantage of a corporate opportunity rather than presenting that opportunity to us, absent a clear indication that the opportunity was directed to us rather than to InterCept.

Our existing and future agreements and relationships with InterCept have not resulted and will not necessarily result from arms-length negotiations. InterCept currently owns approximately 28% of our common stock. Our Chairman, our Vice Chairman and two of our other directors are directors and significant shareholders of InterCept. In addition, John W. Collins, our Chairman, serves as Chief Executive Officer of InterCept. When the interests of InterCept diverge from our interests, InterCept's officers and directors may exercise their influence in InterCept's best interests. Therefore, our agreements and

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relationships with InterCept may be less favorable to us than those that we could obtain from unaffiliated third parties. Moreover, many of the transactions between us and InterCept do not lend themselves to precise allocations of costs and benefits. Thus, the

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value of these transactions will be left to the discretion of the parties, who are subject to potentially conflicting interests.

Other than the provisions of our bylaws relating to corporate opportunities with InterCept, there is no mechanism in place to resolve these conflicts of interest, except that it is our policy that transactions with affiliated parties be approved by a majority of our disinterested directors. Nevertheless, due to the extensive relationships between InterCept and us, we may make decisions that potentially favor InterCept or its affiliates at the expense of our shareholders. Furthermore, Georgia law may prohibit a shareholder from successfully challenging these decisions, if the decision received the affirmative vote of a majority, but not less than two, of our disinterested directors who received full disclosure of the existence and nature of the conflict.

There is no mechanism in place to res