

TRANSCEND SERVICES INC
Form SC 13D
March 15, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 13D

Under the Securities Exchange Act of 1934

(Amendment No.)*

Transcend Services, Inc.

(Name of Issuer)

Common Stock, par value \$.05 per share

(Title of Class of Securities)

893929208

(CUSIP Number)

Todd DuChene

Executive Vice President and General Counsel

Nuance Communications, Inc.

1 Wayside Road

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Burlington, MA 01803

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1700 K Street NW

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(Name, Address and Telephone Number of Person Authorized to Receive Notices and Communications)

March 6, 2012

(Date of Event which Requires Filing of this Statement)

If the filing person has previously filed a statement on Schedule 13G to report the acquisition which is the subject of this Schedule 13D, and is filing this Schedule because of Sections 240.13d-1(e), 240.13d-1(f), or 240.13d-1(g), check the following box: "

Note: Schedules filed in paper format shall include a signed original and five copies of the schedule, including all exhibits. *See* Section 240.13d-7 for other parties to whom copies are to be sent.

* The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter disclosures provided in a prior cover page. The information required on the remainder of this cover page shall not be deemed to be filed for the purpose of Section 18 of the Securities Exchange Act of 1934 (Act) or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the *Notes*).

CUSIP No. 893929208

13D

(1) NAMES OF REPORTING PERSONS

Nuance Communications, Inc.

(2) CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (see instructions)

(a) (b)

(3) SEC USE ONLY

(4) SOURCE OF FUNDS (see instructions)

Not applicable

(5) CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e)

(6) CITIZENSHIP OR PLACE OF ORGANIZATION

United States of America

(7) SOLE VOTING POWER

NUMBER OF

0 shares

SHARES (8) SHARED VOTING POWER

BENEFICIALLY

OWNED BY

1,285,602 shares

EACH (9) SOLE DISPOSITIVE POWER

REPORTING

PERSON

0 shares

(10) SHARED DISPOSITIVE POWER

WITH

0 shares

(11) AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

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1,825,181 shares¹

(12) CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (see instructions) "

(13) PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

16.2%²

(14) TYPE OF REPORTING PERSON (see instructions)

CO

¹ The number of shares beneficially owned includes (i) the 1,285,602 Shares issued and outstanding held by Tendering Stockholders plus (ii) 539,579 Shares issuable pursuant to options held by Tendering Stockholders that are exercisable within 60 days of the date of the Merger Agreement.

² The total number of shares used for this calculation is (i) the 10,696,473 Shares issued and outstanding as of February 29, 2012 plus (ii) the 539,579 Shares issuable pursuant to options held by Tendering Stockholders that are exercisable within 60 days of the date of the Merger Agreement.

CUSIP No. 893929208

13D

(1) NAMES OF REPORTING PERSONS

Townsend Merger Corporation

(2) CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (see instructions)

(a) (b)

(3) SEC USE ONLY

(4) SOURCE OF FUNDS (see instructions)

Not applicable

(5) CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEM 2(d) or 2(e)

(6) CITIZENSHIP OR PLACE OF ORGANIZATION

United States of America

(7) SOLE VOTING POWER

NUMBER OF

0 shares

SHARES (8) SHARED VOTING POWER

BENEFICIALLY

OWNED BY

1,285,602 shares

EACH (9) SOLE DISPOSITIVE POWER

REPORTING

PERSON

0 shares

(10) SHARED DISPOSITIVE POWER

WITH

0 shares

(11) AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

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1,825,181¹ shares

(12) CHECK IF THE AGGREGATE AMOUNT IN ROW (11) EXCLUDES CERTAIN SHARES (see instructions) "

(13) PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

16.2%²

(14) TYPE OF REPORTING PERSON (see instructions)

CO

¹ The number of shares beneficially owned includes (i) the 1,285,602 Shares issued and outstanding held by Tendering Stockholders plus (ii) 539,579 Shares issuable pursuant to options held by Tendering Stockholders that are exercisable within 60 days of the date of the Merger Agreement.

² The total number of shares used for this calculation is (i) the 10,696,473 Shares issued and outstanding as of February 29, 2012 plus (ii) the 539,579 Shares issuable pursuant to options held by Tendering Stockholders that are exercisable within 60 days of the date of the Merger Agreement.

Introduction

Item 1. Security and Issuer.

This Schedule 13D (this Schedule) relates to the common stock, par value \$0.05 per share (the Shares), of Transcend Services, Inc., a Delaware corporation (Transcend). The principal executive office of Transcend is located at One Glenlake Parkway, Suite 1325, Atlanta, GA 30328.

Item 2. Identity and Background.

(a)-(c), (f) This Schedule is being filed jointly by Nuance Communications, Inc., a Delaware corporation (Nuance) and Townsend Merger Corporation, a Delaware corporation and a wholly owned subsidiary of Nuance (Purchaser). The principal executive office of each of Nuance and Purchaser is located at 1 Wayside Road, Burlington, Massachusetts 01803.

Nuance is a leading provider of voice and language solutions for businesses and consumers around the world. Nuance s technologies, applications and services make the user experience more compelling by transforming the way people interact with devices and systems. Nuance s solutions are used every day by millions of people and thousands of businesses for tasks and services such as requesting information from a phone-based self-service solution, dictating medical records, searching the mobile Web by voice, entering a destination into a navigation system, or working with PDF documents. Nuance s solutions help make these interactions, tasks and experiences more productive, compelling and efficient.

Purchaser is a wholly owned subsidiary of Nuance. To date, Purchaser has engaged in no activities other than those incident to its formation and the commencement of the Offer and the execution and delivery of the Merger Agreement and the transactions contemplated by the Merger Agreement (each as defined in Item 4).

Attached as Schedule A hereto, and incorporated by reference herein, is a chart setting forth the name, business address, present principal occupation or employment (along with the name, principal business and address of any corporation or other organization in which such employment is conducted) and citizenship of each director and executive officer of Nuance and Purchaser (collectively, the Schedule A Persons), in each case as of the date hereof.

(d) and (e) During the last five years, neither Nuance nor Purchaser, nor, to the knowledge of Nuance or Purchaser, any of the Schedule A Persons has (1) been convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (2) been a party to a civil proceeding of a judicial or administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws.

Item 3. Source and Amount of Funds or Other Consideration.

On March 6, 2012, Nuance and Purchaser entered into Tender and Voting Agreements (as defined in Item 4) with certain Tendering Stockholders (as defined in Item 4) as a condition and inducement to the willingness of Nuance and Purchaser to enter into the Merger Agreement (as defined in Item 4). As described in response to Item 4 below, the Subject Shares (as defined in Item 4) to which this Schedule relates have not been purchased by Nuance or Purchaser as of the date of this filing, and thus no funds were used for this purpose.

For more detailed descriptions of the Merger Agreement and the Tender and Voting Agreements, see Item 4 below, which descriptions are incorporated by reference herein in response to this Item 3.

Item 4. Purpose of Transaction.

On March 6, 2012, Purchaser, Nuance and Transcend entered into an Agreement and Plan of Merger (the *Merger Agreement*). Pursuant to the Merger Agreement, Purchaser has agreed to commence a cash tender offer (the *Offer*) to purchase all outstanding Shares at a price of \$29.50 per Share, net to the seller in cash without interest and less any required withholding taxes. Following the completion of the Offer and the satisfaction or waiver of the conditions to the Merger set forth in the Merger Agreement, (i) Purchaser will be merged under Delaware law with and into Transcend (the *Merger*), with Transcend continuing as the surviving corporation, (ii) each Share that is not tendered and accepted pursuant to the Offer (other than Shares owned by Nuance, Purchaser or Transcend, or direct or indirect wholly owned subsidiaries of Nuance, Purchaser or Transcend, and any Shares held by stockholders who validly exercise their appraisal rights in connection with the Merger) will be converted into the right to receive in cash an amount per share equal to the Offer Price and (iii) each share of common stock, par value \$0.001 per share, of Purchaser that is issued and outstanding immediately prior to the Merger will be converted into one share of common stock, par value \$0.001 per share, of the surviving corporation. The Offer, the Merger and the other transactions contemplated by the Merger Agreement are subject to the satisfaction or waiver of certain conditions, including the expiration or termination of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, as set forth in the Merger Agreement.

Following the acceptance of Shares in the Offer, Nuance will also be entitled to designate a number of directors of Transcend that equals, rounded up to the next whole number, the product of: (a) the total number of directors on Transcend's Board of Directors *multiplied by* (b) a fraction, the numerator of which is the number of Shares beneficially owned by Nuance and Purchaser and the denominator of which is the total number of outstanding Shares. At the request of Nuance, Transcend will take all action reasonably necessary to cause the individuals designated as directors by Nuance to be appointed to Transcend's Board of Directors, including either by increasing the size of Transcend's Board of Directors or seeking and accepting the resignation of directors. At the effective time of the Merger, the certificate of incorporation and bylaws of Purchaser will become the certificate of incorporation and bylaws of Transcend and the directors and officers of the surviving company will be the directors and officers of Purchaser. The Merger Agreement is incorporated herein by reference to [Exhibit 4.1](#).

The purpose of the Offer and the Merger is to acquire control of, and the entire equity interest in, Transcend. The purpose of the Merger is for Purchaser to acquire all Shares not purchased pursuant to the Offer. Concurrently with the execution and delivery of the Merger Agreement, and as a condition and inducement to the willingness of Nuance and Purchaser to enter into the Merger Agreement, all directors and executive officers of Transcend (the *Tendering Stockholders*), in their capacity as stockholders of Transcend, entered into Tender and Voting Agreements with Nuance and Purchaser, the form of which is incorporated herein by reference to [Exhibit 4.2](#). Pursuant to the Tender and Voting Agreements and as more fully described therein, each Tendering Stockholder, among other things, agreed to (i) tender Shares held by them on the date of the Tender and Voting Agreements or acquired after that date (the *Subject Shares*) to Purchaser in the Offer and (ii) vote all of such Tendering Stockholder's Subject Shares (a) in favor of the adoption of the Merger Agreement, (b) against any proposal made in opposition to or in competition with the consummation of the Offer, the Merger or the other transactions contemplated by the Merger Agreement, (c) against certain actions, transactions or proposals that are intended or could reasonably be expected to impede, interfere with, delay, postpone, discourage or adversely affect the

Offer, the Merger, or any other transaction contemplated by the Merger Agreement and (d) against any action that would reasonably be expected to result in any failure of the conditions of the Offer to be satisfied. In addition, the Tendering Stockholders granted specified representatives of Nuance an irrevocable proxy to vote and exercise voting and related rights with respect to the Subject Shares. The Tender and Voting Agreements also restrict the transfer of the Tendering Stockholders' Subject Shares other than to Nuance or Purchaser. The covenants and agreements to tender and vote the Tendering Stockholders' Subject Shares pursuant to the Tender and Voting Agreements will terminate upon the earlier of (i) the Effective Time (as defined in the Merger Agreement) or (ii) the termination of the Merger Agreement.

Neither Nuance nor Purchaser paid any additional consideration to the Tendering Stockholders in connection with the execution and delivery of the Tender and Voting Agreements. The purpose of the Tender and Voting Agreements is to increase the likelihood that the Offer and the Merger will be consummated.

Depending upon the number of Shares purchased pursuant to the Offer, the Shares may no longer meet the standards for continued listing on the NASDAQ Global Select Market (Nasdaq). Purchaser intends to cause Transcend to seek delisting of the Shares from Nasdaq if it acquires control of Transcend and Transcend no longer meets the listing requirements. In addition, Purchaser intends to cause Transcend to apply for termination of registration of the Shares under the Securities and Exchange Act of 1934 (the Exchange Act) as soon after the completion of the Offer as the requirements for such termination are met. If registration of the Shares is not terminated prior to the Merger, the registration of the Shares under the Exchange Act will be terminated following the consummation of the Merger.

The foregoing summary description of the Merger Agreement and Tender and Voting Agreements does not purport to be complete and is qualified in its entirety by reference to the terms of the Merger Agreement and Tender and Voting Agreements.

Other than as described in this Item 4, neither Nuance nor Purchaser currently has any plans or proposals which relate to, or may result in, any of the matters listed in Items 4(a)-(j) of Schedule 13D.

Item 5. Interest in Securities of the Issuer.

(a) and (b) As of the date hereof, neither Nuance nor Purchaser owns any Shares. However, for purposes of Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the Exchange Act), as a result of irrevocable proxies granted to Nuance and Purchaser pursuant to the Tender and Voting Agreements, Nuance and Purchaser may be deemed to share with each Tendering Stockholder the power to vote or to direct the voting of the Shares of such Tendering Stockholder covered by the respective Tender and Voting Agreement solely with respect to those matters described in such Tender and Voting Agreement.

The Tendering Stockholders collectively own 1,285,602 Shares and options to acquire 539,579 Shares that are exercisable within 60 days of the date of the Merger Agreement. Accordingly, Nuance and Purchaser may be deemed to be the beneficial owners of an aggregate of 1,825,181 Shares, which would represent 16.2% of the issued and outstanding Shares were the options fully exercised (based on the 10,696,473 Shares issued and outstanding as of February 29, 2012). There is no obligation to tender or vote any of the Shares underlying the 539,579 options to purchase Shares unless a Tendering Stockholder exercises such stock options. Excluding these stock options, Nuance and Purchaser may be deemed to beneficially own an aggregate of 1,285,602 Shares, or 12.0% of the Shares outstanding as of February 29, 2012.

Except as described in Item 4 of this Schedule and in the Tender and Voting Agreements, neither Nuance nor Purchaser is entitled to any rights as a stockholder of Transcend. Nuance and Purchaser each disclaims beneficial ownership of the Shares covered by the Tender and Voting Agreements and nothing herein shall be construed as an admission that Nuance or Purchaser is the beneficial owner of such Shares.

Neither the filing of this Schedule nor any of its contents shall be deemed to constitute an admission by Nuance, Purchaser or any other person that he, she or it is a member of a group for purposes of Section 13(d) of the Exchange Act, or for any other purpose, and membership in a group is hereby expressly disclaimed.

Other than the Shares that may be deemed to be beneficially owned by Nuance and Purchaser by virtue of the Tender and Voting Agreements, Nuance and Purchaser do not beneficially own any Shares. To the knowledge of Nuance and Purchaser, none of the Schedule A Persons beneficially owns any Shares.

For more detailed descriptions of the Merger Agreement and the Tender and Voting Agreements, see Item 4 above, which descriptions are incorporated by reference herein in response to this Item 5.

(c) Other than as described in this Schedule, neither Nuance nor Purchaser, nor, to their knowledge, any Schedule A Person, has effected any transaction in Shares during the past 60 days.

(d) To the knowledge of Nuance and Purchaser, no person other than the Tendering Stockholders has the right to receive or the power to direct the receipt of dividends from, or the proceeds from the sale of, the Shares covered by this Schedule.

(e) Not applicable.

Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.

The information set forth, or incorporated by reference herein, in Items 3, 4 and 5 of this Schedule is incorporated by reference herein. Other than as described in this Schedule and the agreements incorporated by reference herein and set forth as exhibits hereto, neither Nuance nor Purchaser has, and, to the knowledge of Nuance and Purchaser, the Schedule A Persons do not have, any contract, arrangement, understanding or relationship (legal or otherwise) with any other person with respect to any securities of Transcend.

Item 7. Material to be Filed as Exhibits.

The following documents are filed as exhibits:

Exhibit Number	Description
4.1	Agreement and Plan of Merger, dated as of March 6, 2012, by and among Nuance Communications, Inc., Townsend Merger Corporation and Transcend Services, Inc.
4.2	Form of Tender and Voting Agreement, dated as of March 6, 2012, by and among Nuance Communications, Inc., Townsend Merger Corporation and the directors and executive officers of Transcend Services, Inc.

SIGNATURES

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

Dated: March 15, 2012

NUANCE COMMUNICATIONS, INC.

By: /s/ Thomas L. Beaudoin
Name: Thomas L. Beaudoin
Title: Executive Vice President and Chief
Financial Officer

TOWNSEND MERGER CORPORATION

By: /s/ Thomas L. Beaudoin
Name: Thomas L. Beaudoin
Title: President

EXHIBIT INDEX

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SCHEDULE A

NUANCE COMMUNICATIONS, INC.

The name, present principal occupation or employment and the name, principal business and address of any corporation or other organization in which such employment is conducted is set forth below for each director and executive officer of Nuance, as of March 15, 2012. The business address of each director and officer is in care of Nuance Communications, Inc., 1 Wayside Road, Burlington, MA 01803. Unless otherwise indicated, each occupation set forth opposite an individual's name refers to employment currently with Nuance. All directors and executive officers listed below are citizens of the United States.

<i>Directors</i>	<i>Principal Employment or Occupation</i>
Paul A. Ricci*	Mr. Ricci has served as Nuance's Chairman since March 6, 1999 and Nuance's Chief Executive Officer since August 21, 2000.
Robert J. Frankenberg	Mr. Frankenberg has served as a director since March 13, 2000. Mr. Frankenberg is owner of NetVentures, a management consulting firm.
Patrick T. Hackett	Mr. Hackett has served as a director since January 30, 2009. Mr. Hackett is a Managing Director and co-head of the Technology, Media and Telecommunications group at Warburg Pincus LLC, located at 450 Lexington Avenue New York, New York 10017.
William H. Janeway	Mr. Janeway has served as a director since April 2004. Mr. Janeway is a Senior Advisor at Warburg Pincus LLC, located at 450 Lexington Avenue New York, New York 10017.
Mark R. Laret	Mr. Laret has served as a director since June 3, 2010. Since April 2000, Mr. Laret has served as CEO of the University of California San Francisco Medical Center, located at 505 Parnassus Avenue San Francisco, 94122.
Katherine A. Martin	Ms. Martin has served as a director since December 17, 1999. Since September 1999, Ms. Martin has served as a Member of Wilson Sonsini Goodrich & Rosati, Professional Corporation, located at 650 Page Mill Road, Palo Alto, CA 94304.
Mark B. Myers	Dr. Myers has served as a director since March 6, 1999
Philip J. Quigley	Mr. Quigley has served as a director since September 2005.
Robert G. Teresi	Mr. Teresi has served as a director since March 13, 2000.

<i>Executive Officers:</i>	<i>Principal Employment or Occupation</i>
Thomas L. Beaudoin	Mr. Beaudoin currently serves as Nuance's Executive Vice President and Chief Financial Officer.
A. Bruce Bowden	Mr. Bowden currently serves as Nuance's Executive Vice President, Corporate Strategy & Development.
Steven G. Chambers	Mr. Chambers currently serves as Nuance's Executive Vice President, Worldwide Sales, and Chief Marketing Officer.
Janet M. Dillione	Ms. Dillione currently serves as Nuance's Executive Vice President & General Manager of the Healthcare Division.
William Nelson	Mr. Nelson currently serves as Nuance's Executive Vice President of Worldwide Sales.

* Serves as both an executive officer and director of Nuance.

TOWNSEND MERGER CORPORATION

The name, present principal occupation or employment and the name, principal business and address of any corporation or other organization in which such employment is conducted is set forth below for each director and executive officer of Purchaser, as of March 15, 2012. The business address of each director and officer is in care of Nuance Communications, Inc., 1 Wayside Road, Burlington, MA 01803. Unless otherwise indicated, each occupation set forth opposite an individual's name refers to employment currently with Nuance. All directors and executive officers listed below are citizens of the United States.

Directors and Executive Officers Principal Employment or Occupation

Thomas L. Beaudoin** Mr. Beaudoin is Nuance's Executive Vice President and Chief Financial Officer.

Todd DuChene** Mr. DuChene is Nuance's Executive Vice President and General Counsel.

** Serves as both an executive officer and director of Townsend Merger Corporation.