

QUALITY SYSTEMS INC
Form 424B3
December 05, 2008
PROSPECTUS

67,733 Shares

QUALITY SYSTEMS, INC.

Common Stock

This prospectus relates to up to 67,733 outstanding shares of our common stock, \$0.01 par value per share, which may be offered for sale from time to time by selling security holders identified in this prospectus. We will not receive any of the proceeds from the sale of shares by the selling security holders.

Our common stock is quoted on the Nasdaq Global Select Market under the symbol "QSII." On November 17, 2008, the closing sale price of our common stock on the Nasdaq Global Select Market was \$34.66 per share.

The mailing address and the telephone number of our principal executive offices are 18111 Von Karman, Suite 600, Irvine, California 92612, (949) 255-2600.

Investing in our shares of common stock involves risks. See "Risk Factors" on page for factors you should consider before buying shares of our common stock.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

The date of this prospectus is December 4, 2008.

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PROSPECTUS SUMMARY

To fully understand this offering and its consequences to you, you should read the following summary along with the more detailed information and our consolidated financial statements and the notes to those financial statements incorporated by reference in this prospectus. In this prospectus, the words “we,” “us,” “our” and similar terms refer to Quality Systems, Inc., a California corporation, together with its subsidiaries, unless the context provides otherwise.

Quality Systems, Inc.

We, through our QSI Division (QSI Division) and our wholly-owned subsidiary, NextGen Healthcare Information Systems, Inc. (NextGen Division), develop and market healthcare information systems that automate certain aspects of medical and dental practices, networks of practices such as physician hospital organizations (PHO’s) and management service organizations (MSO’s), ambulatory care centers, community health centers, and medical and dental schools.

Formed in 1974, we were founded with an early focus on providing information systems to dental group practices. In the mid-1980’s, we capitalized on the increasing focus on medical cost containment and further expanded our information processing systems to serve the medical market. In the mid-1990’s we made two acquisitions that accelerated our penetration of the medical market. These two acquisitions formed the basis for the NextGen Division. Today, we serve the medical and dental markets through our two operating divisions.

The two operating divisions operate largely as stand-alone operations, with each division maintaining its own distinct product lines, product platforms, development, implementation and support teams, sales staffing, and branding. The two divisions share the resources of our “corporate office,” which includes a variety of accounting and other administrative functions. Additionally, there are a small number of clients who are simultaneously utilizing software from each of our two divisions.

The QSI Division, co-located with our corporate headquarters in Irvine, California, currently focuses on developing, marketing and supporting software suites sold to dental and certain niche medical practices. In addition, the division supports a number of medical clients that utilize the division’s UNIX based medical practice management software product.

The NextGen Division, with headquarters in Horsham, Pennsylvania, and a second significant location in Atlanta, Georgia, focuses principally on developing and marketing products and services for medical practices.

Both divisions develop and market practice management software that is designed to automate and streamline a number of the administrative functions required for operating a medical or dental practice. Examples of practice management software functions include scheduling and billing capabilities. It is important to note that in both the medical and dental environments, practice management software systems have already been implemented by the vast majority of practices. Therefore, we actively compete for the replacement market. In addition, both divisions develop and market software that automates the patient record. Adoption rates for this software, commonly referred to as clinical software, are relatively low. Therefore, we are typically competing to replace paper-based patient record alternatives as opposed to replacing previously purchased systems.

¹ UNIX is a registered trademark of the AT&T Corporation.

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Electronic Data Interchange (EDI)/connectivity products are intended to automate a number of manual, often paper-based or telephony intensive communications between patients and/or providers and/or payors. Two of the more common EDI services are forwarding insurance claims electronically from providers to payors and assisting practices with issuing statements to patients. Most client practices utilize at least some of these services from us or one of our competitors. Other EDI/connectivity services are used more sporadically by client practices. We typically compete to displace incumbent vendors for claims and statements accounts, and attempt to increase usage of other elements in our EDI/connectivity product line. In general, EDI services are only sold to those accounts utilizing software from one of our divisions.

Our NextGen Division develops and sells proprietary electronic medical records software and practice management systems under the NextGen®² product name. Major product categories of the NextGen suite include Electronic Medical Records (NextGen^{emr}), Enterprise Practice Management (NextGen^{epm}), Enterprise Appointment Scheduling (NextGen ^{eas}), Enterprise Master Patient Index (NextGen^{epi}), NextGen Image Control System (NextGen^{ics}), Managed Care Server (NextGen^{mcs}), Electronic Data Interchange, System Interfaces, Internet Operability (NextGen^{web}), a Patient-centric and Provider-centric Web Portal solution (NextMD.com²), NextGen Express, a version of NextGen^{emr} designed for small practices, and NextGen Community Health Solution (NextGen^{chs}). NextGen products utilize Microsoft Windows³ technology and can operate in a client-server environment as well as via private intranet, the Internet, or in an ASP environment.

The QSI Division's practice management software suite utilizes a UNIX operating system. Its Clinical Product Suite (CPS) utilizes a Windows NT operating system and can be fully integrated with the practice management software from each division. CPS incorporates a wide range of clinical tools including, but not limited to, periodontal charting and digital imaging of X-ray and inter-oral camera images as part of the electronic patient record. The Division develops, markets, and manages our EDI/connectivity applications. The QSI Application Service Provider (ASP/Internet) offering is also developed and marketed by the QSI Division.

We also offer Revenue Cycle Management (RCM) services consisting primarily of billing and collections services for medical practices.

We continue to pursue product enhancement initiatives within each division. The majority of such expenditures are currently targeted to the NextGen Division product line and client base.

In addition to the aforementioned software solutions that we offer through our two divisions, each division offers comprehensive hardware and software installation services, maintenance and support services, and system training services.

Trademarks

Service marks, trademarks and trade names of other companies that are referred to in this prospectus are the property of their respective owners. Our use or display of other companies' trademarks, service marks or trade names is not intended to and does not imply a relationship with, or endorsement or sponsorship of us by, such other companies.

² NextGen and NextMD are registered trademarks of NextGen Healthcare Information Systems, Inc.

³ Microsoft Windows, Windows NT, Windows 95, Windows 98, Windows XP, and Windows 2000 are registered trademarks of the Microsoft Corporation.

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Corporate Information

Our principal executive offices are located at 18111 Von Karman, Suite 600, Irvine, California 92612. Our telephone number is (949) 255-2600. Our Internet address is www.qsii.com. Information contained on, or that is accessible through, our websites should not be considered to be part of this prospectus.

The Offering

Common stock offered by the selling security holders	67,733 shares
Common stock outstanding prior to this offering	28,370,778 shares
Common stock to be outstanding after this offering	28,370,778 shares
Use of proceeds	All proceeds of this offering will be received by the selling security holders for their own accounts. See "Use of Proceeds."

Nasdaq Global Select Market symbol

QSII

The common stock offered by the selling security holders represents 67,733 outstanding shares of common stock. The number of shares of common stock that will be outstanding upon the completion of this offering is based on the 28,370,778 shares outstanding as of November 11, 2008, and excludes the following:

- 573,091 shares of common stock underlying options issued and outstanding under our Amended and Restated 1998 Stock Option Plan as of that date, at a weighted average exercise price of \$27.09 per share;
- 2,400,000 shares of common stock reserved for issuance under our 2005 Stock Option and Incentive Plan, of which options to purchase 243,190 shares were outstanding as of that date at a weighted average exercise price of \$37.02 per share; and
- any additional shares of common stock we may issue from time to time after that date.

RISK FACTORS

Except for the historical information contained in this prospectus or incorporated by reference, this prospectus (and the information incorporated by reference in this prospectus) contains forward-looking statements that involve risks and uncertainties. Our actual results could differ materially from those discussed here or incorporated by reference. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section entitled “Risk Factors” contained in our most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q filed with the Securities and Exchange Commission, or Commission, as well as any amendments thereto reflected in subsequent filings with the Commission, which are incorporated herein by reference in their entirety (the “Quality Systems Risk Factors”).

Investment in our securities involves risks. Prior to making a decision about investing in our securities, you should consider carefully the Quality Systems Risk Factors, together with all of the other information contained or incorporated by reference in this prospectus and any prospectus supplement, including any additional specific risks described in any prospectus supplement. Each of these risk factors could adversely affect our business, operating results and financial condition, which may result in the loss of all or part of your investment.

Keep these risk factors in mind when you read forward-looking statements contained elsewhere or incorporated by reference in this prospectus and any prospectus supplement. These statements relate to our expectations about future events. Discussions containing forward-looking statements may be found, among other places, in “Business” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” incorporated by reference from our Annual Reports on Form 10-K and our Quarterly Reports on Form 10-Q, as well as any amendments thereto reflected in subsequent filings with the Commission. These forward-looking statements are based largely on our expectations and projections about future events and future trends affecting our business, and so are subject to risks and uncertainties, including the risks and uncertainties described below under “Special Note Regarding Forward-Looking Statements,” that could cause actual results to differ materially from those anticipated in the forward-looking statements.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, including statements concerning future conditions in the healthcare information systems industry, and concerning our future business, financial condition, operating strategies, and operational and legal risks. We use words like “believe,” “expect,” “may,” “will,” “could,” “seek,” “estimate,” “continue,” “anticipate,” “intend,” “goal,” “future,” “plan” or variations of those terms and expressions, including their use in the negative, to identify forward-looking statements. You should not place undue reliance on these forward-looking statements, which speak only as to our expectations as of the date of this prospectus. These forward-looking statements are subject to a number of risks and uncertainties, including those identified under the caption “Risk Factors” above, contained in any applicable prospectus supplement and contained in our most recent Annual Report on Form 10-K and our most recent Quarterly Report on Form 10-Q, as well as any amendments thereto reflected in subsequent filings with the Commission. Although we believe that the expectations reflected in these forward-looking statements are reasonable, actual conditions in the healthcare information systems industry, and actual conditions and results in our business, could differ materially from those expressed in these forward-looking statements. In addition, none of the events anticipated in the forward-looking statements may actually occur. Any of these different outcomes could cause the price of our common stock to decline substantially. Except as required by law, we undertake no duty to update any forward-looking statement after the date of this prospectus, either to conform any statement to reflect actual results or to reflect the occurrence of unanticipated events.

USE OF PROCEEDS

We will not receive any of the proceeds from the sale of shares of our common stock in this offering. Rather, all proceeds will be received by the selling security holders.

DIVIDEND POLICY

We have announced our intention to pay a quarterly dividend commencing with the conclusion of our first fiscal quarter of 2008 (June 30, 2007) and pursuant to this policy the Board has declared a quarterly cash dividend on our outstanding shares of common stock of \$0.25 per share for the first five quarters thereafter and of \$0.30 per share for the two most recently quarterly dividends (the second of which \$0.30 dividend is expected to be distributed on January 5, 2009). We anticipate that future quarterly dividends, if and when declared by the Board pursuant to this policy, would likely be distributable on or about the fifth day of each of the months of October, January, April and July. There can be no guarantees that we will have the financial wherewithal to fund this dividend in perpetuity or to pay it at historic rates. Further, the Board may decide not to pay the dividend at some future time for financial or non-financial reasons.

SELLING SECURITY HOLDERS

Selling Security Holder Table

This prospectus covers the possible offer and sale by the selling security holders of up to 67,733 outstanding shares of common stock.

The selling security holders are former equity holders of Practice Management Partners, Inc. ("PMP"), and received the shares of our common stock offered under this prospectus in connection with our acquisition of PMP in October 2008. Pursuant to the Agreement and Plan of Merger ("Merger Agreement") whereby we acquired PMP, we paid a purchase price at closing of approximately \$19.0 million, consisting of approximately \$16.25 million in cash and \$2.75 million in common stock (which equaled 67,733 shares of common stock based on the average closing price of our common stock on the Nasdaq Global Select Market during the 45 trading days immediately prior to the closing date of the acquisition). \$8.0 million of the cash portion of the purchase price was deposited into an escrow account to provide funds to satisfy our rights to indemnification under the Merger Agreement. The Merger Agreement also contemplates us paying up to an additional \$3.0 million cash earnout payment tied to the performance of PMP through October 2010. As part of the acquisition, we entered into a Registration Rights Agreement that provides the selling security holders the right to demand that we register on their behalf the 67,733 shares of common stock issued to them in connection with our acquisition of PMP. The Registration Rights Agreement also contains customary representations, warranties, covenants and other terms and conditions, including customary indemnity obligations on our part and on the part of the selling security holders. The registration statement of which this prospectus is a part was filed by us in response to the selling security holders invoking their rights under the Registration Rights Agreement. Pursuant to the terms of the Merger Agreement and the Registration Rights Agreement, the selling security holders have agreed to pay all fees and expenses incident to the registration of the shares being offered under this prospectus, with such fees and expenses being deducted by us from the escrow account.

The following table sets forth, to our knowledge, certain information about the selling security holders as of November 1, 2008, the date of the table, based on information furnished to us by the selling security holders. Except as otherwise indicated above in the description of PMP acquisition or as indicated in the footnotes to the table (i) each selling security holder has indicated to us that it is acting individually, not as a member of a group, and (ii) none of the selling security holders or their affiliates has held any position or office or had any other material relationship with us in the past three years.

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Beneficial ownership is determined in accordance with the rules of the Commission, and includes voting or investment power with respect to the securities. To our knowledge, except as indicated by footnote, and subject to community property laws where applicable, the persons named in the table below have sole voting and investment power with respect to all shares of common stock shown as beneficially owned by them. Shares of common stock underlying derivative securities, if any, that currently are exercisable or convertible or are scheduled to become exercisable or convertible for or into shares of common stock within 60 days after the date of the table are deemed to be outstanding in calculating the percentage ownership of each listed person or group but are not deemed to be outstanding as to any other person or group. Percentage of beneficial ownership is based on 28,370,778 shares of common stock outstanding as of the date of the table. Shares shown as beneficially owned after the offering assume that all shares being offered are sold.

The shares of common stock being offered under this prospectus may be offered for sale from time to time during the period the registration statement of which this prospectus is a part remains effective, by or for the accounts of the selling security holders described below.

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Name of Selling Security Holder	Shares of Common Stock Beneficially Owned Prior to Offering		Shares of Common Stock Being Offered	Shares of Common Stock Beneficially Owned After Offering	
	Number	Percentage		Number	Percentage
Linda Burke	192	*	192	—	*
Maria Cohen	486(1)	*	486(1)	—	*
Robert Dorsey	2,637(2)	*	2,637(2)	—	*
Kendall Echols	609	*	609	—	*
The Edelman Investment Partnership	243(3)	*	243(3)	—	*
Donald Good	14,817(4)	*	14,817(4)	—	*
Paula Infeld	64	*	64	—	*
John and Christina Davison Charitable Foundation, Inc.	661(5)	*	661(5)	—	*
JS Investments	722(6)	*	722(6)	—	*
Charles Kaplan	1,784(7)	*	1,784(7)	—	*
Jawed Malik	329	*	329	—	*
Langenthal Trusts Partnership II	732(8)	*	732(8)	—	*
MDL Investments LLP	1,464(9)	*	1,464(9)	—	*
MRM Fund #1	1,367(10)	*	1,367(10)	—	*
Ed Perl	1,225	*	1,225	—	*
John Robison	3,474(11)	*	3,474(11)	—	*
Perry Snyder	32,192(12)	*	32,192(12)	—	*
The Trisib GST Trust	3,962(13)	*	3,962(13)	—	*
Diane Voglmayr	773(14)	*	773(14)	—	*

* Less than 1.0%.

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- (1) This selling security holder has represented to us that she is affiliated with a broker-dealer but that she is not acting as an underwriter in this offering, she acquired the shares she is offering under this prospectus in the ordinary course of business, and at the time of such acquisition, she had no agreements or understandings, directly or indirectly, with any person to distribute the shares.

- (2) Robert Dorsey is a non-officer employee of PMP.

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- (3) Power to vote or dispose of the shares is shared by Alan Edelman and Richard Edelman as Partners of the Edelman Investment Partnership.

(4) Donald Good is President of PMP.

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- (5) Power to vote or dispose of the shares is held by John Davison as President of the John and Christina Davison Charitable Foundation, Inc.

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- (6) Power to vote or dispose of the shares is held by Bruce Sholk as Managing Member of JS Investments.

- (7) Charles Kaplan is a non-officer employee of PMP.

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- (8) Power to vote or dispose of the shares is held by Herschel L. Langenthal as Managing Partner of Langenthal Trusts Partnership II.

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- (9) Power to vote or dispose of the shares is shared by Michael Lanes and David Lanes as Managing Partners of MDL Investments LLP.

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- (10) Power to vote or dispose of the shares is held by Richard Davison as Managing Partner of MRM Fund #1.

(11) John Robison is a non-officer employee of PMP.

(12) Perry Snyder is a non-officer employee of PMP.

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- (13) Power to vote or dispose of the shares is shared by Louis F. Friedman, Freddie J. Traub and Linda A. Hurwitz as co-Trustees of The Trisib GST Trust.

- (14) Diane Voglmayr is a non-officer employee of PMP.

PLAN OF DISTRIBUTION

The selling security holders and any of their pledgees, donees, assignees and successors-in-interest may, from time to time, sell any or all of their shares of our common stock being offered under this prospectus on any stock exchange, market or trading facility on which the shares are traded or in private transactions. These sales may be at fixed or negotiated prices. The selling security holders may use any one or more of the following methods when disposing of shares:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the shares as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resales by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- to cover short sales made after the date that the registration statement, of which this prospectus is a part, is declared effective by the Commission;
- broker-dealers may agree with the selling security holders to sell a specified number of such shares at a stipulated price per share;
- a combination of any of these methods of sale; and
- any other method permitted pursuant to applicable law.

The shares may also be sold under Rule 144 or Regulation S under the Securities Act of 1933, as amended (“Securities Act”), if available, rather than under this prospectus. The selling security holders have the sole and absolute discretion not to accept any purchase offer or make any sale of shares if they deem the purchase price to be unsatisfactory at any particular time.

The selling security holders may pledge their shares to their brokers under the margin provisions of customer agreements. If a selling security holder defaults on a margin loan, the broker may, from time to time, offer and sell the pledged shares.

Broker-dealers engaged by the selling security holders may arrange for other broker-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the selling security holders (or, if any broker-dealer acts as agent for the purchaser of shares, from the purchaser) in amounts to be negotiated, which commissions as to a particular broker or dealer may be in excess of customary commissions to the extent permitted by applicable law.

If sales of shares offered under this prospectus are made to broker-dealers as principals, we would be required to file a post-effective amendment to the registration statement of which this prospectus is a part. In the post-effective amendment, we would be required to disclose the names of any participating broker-dealers and the compensation arrangements relating to such sales.

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The selling security holders and any broker-dealers or agents that are involved in selling the shares offered under this prospectus may be deemed to be “underwriters” within the meaning of the Securities Act in connection with these sales. Commissions received by these broker-dealers or agents and any profit on the resale of the shares purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Any broker-dealers or agents that are deemed to be underwriters may not sell shares offered under this prospectus unless and until we set forth the names of the underwriters and the material details of their underwriting arrangements in a supplement to this prospectus or, if required, in a replacement prospectus included in a post-effective amendment to the registration statement of which this prospectus is a part.

The selling security holders and any other persons participating in the sale or distribution of the shares offered under this prospectus will be subject to applicable provisions of the Securities Exchange Act of 1934, as amended (“Exchange Act”), and the rules and regulations under that act, including Regulation M. These provisions may restrict activities of, and limit the timing of purchases and sales of any of the shares by, the selling security holders or any other person. Furthermore, under Regulation M, persons engaged in a distribution of securities are prohibited from simultaneously engaging in market making and other activities with respect to those securities for a specified period of time prior to the commencement of such distributions, subject to specified exceptions or exemptions. All of these limitations may affect the marketability of the shares.

If any of the shares of common stock offered for sale pursuant to this prospectus are transferred other than pursuant to a sale under this prospectus, then subsequent holders could not use this prospectus until a post-effective amendment or prospectus supplement is filed, naming such holders. We offer no assurance as to whether any of the selling security holders will sell all or any portion of the shares offered under this prospectus.

Shares of common stock that may be offered for sale pursuant to this prospectus are included in this prospectus because we agreed to register those shares in the U.S. under the terms of the private placement in which the shares were issued. See the description of our acquisition of PMP under the caption “Selling Security Holders” above for further information regarding our registration obligations.

The selling security holders have agreed to pay all fees and expenses incident to the registration of the shares being offered under this prospectus. Each selling security holder is also responsible for paying any discounts, concessions and similar selling expenses they incur.

We and certain of the selling security holders have agreed to indemnify one another against certain losses, damages and liabilities arising in connection with this prospectus, including liabilities under the Securities Act.

INCORPORATION OF CERTAIN INFORMATION BY REFERENCE

The Commission allows us to incorporate by reference information we file with it, which means we can disclose important information to you by referring you to documents we have filed with the Commission. The information incorporated by reference is considered to be a part of this prospectus. We incorporate by reference the documents listed below and any future filings we make with the Commission under Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the termination of the offering covered by this prospectus:

- Our Current Report on Form 8-K for October 31, 2008, as filed with the Commission on November 6, 2008;
- Our Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008, as filed with the Commission on November 5, 2008;
- Our Current Report on Form 8-K for October 31, 2008, as filed with the Commission on November 4, 2008;
- Our Current Report on Form 8-K for October 30, 2008, as filed with the Commission on October 31, 2008;
- Our Current Report on Form 8-K/A for October 28, 2008, as filed with the Commission on October 29, 2008;
- Our Current Report on Form 8-K for October 15, 2008, as filed with the Commission on October 21, 2008;
- Our Current Report on Form 8-K for September 9, 2008, as filed with the Commission on September 11, 2008;
- Our Current Report on Form 8-K for August 21, 2008, as filed with the Commission on August 21, 2008;
- Our Current Report on Form 8-K for August 7, 2008, as filed with the Commission on August 13, 2008;
- Our Current Report on Form 8-K for August 11, 2008, as filed with the Commission on August 12, 2008;
- Our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2008, as filed with the Commission on August 11, 2008;
- Our Current Report on Form 8-K for August 4, 2008, as filed with the Commission on August 8, 2008;
- Our Proxy Statement for our Annual Meeting of Shareholders held on September 4, 2008, as filed with the Commission on August 4, 2008;
- Amendment No. 1 to our Annual Report on Form 10-K/A for the year ended March 31, 2008, as filed with the Commission on July 29, 2008;
- Our Current Report on Form 8-K for June 27, 2008, as filed with the Commission on June 30, 2008;
- Our Current Report on Form 8-K for June 18, 2008, as filed with the Commission on June 24, 2008;
- Our Current Report on Form 8-K for June 10, 2008, as filed with the Commission on June 16, 2008;
- Our Current Report on Form 8-K for June 10, 2008, as filed with the Commission on June 12, 2008;
- Our Annual Report on Form 10-K for the year ended March 31, 2008, as filed with the Commission on June 12, 2008;
- Our Current Report on Form 8-K for May 29, 2008, as filed with the Commission on June 2, 2008;

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- Our Current Report on Form 8-K/A for May 20, 2008, as filed with the Commission on May 21, 2008;
- Our Current Report on Form 8-K for May 16, 2008, as filed with the Commission on May 20, 2008;
- Our Current Report on Form 8-K for April 29, 2008, as filed with the Commission on May 1, 2008; and
- The description of our capital stock contained in our Current Report on Form 8-K for November 3, 2005, as filed with the Commission on November 8, 2005, including any amendments or reports filed for the purpose of updating such description.

Any statement in a document incorporated or deemed to be incorporated by reference in this prospectus is deemed to be modified or superseded to the extent that a statement contained in this prospectus, or in any other document we subsequently file with the Commission, modifies or supersedes that statement. If any statement is modified or superseded, it does not constitute a part of this prospectus, except as modified or superseded.

Information that is “furnished to” the Commission shall not be deemed “filed with” the Commission and shall not be deemed incorporated by reference into this prospectus or the registration statement of which this prospectus is a part.

We will provide to each person, including any beneficial owner, to whom a prospectus is delivered, a copy of any or all of the information that has been incorporated by reference in this prospectus but not delivered with this prospectus. You may request a copy of these filings, at no cost, by writing or telephoning us at the following address and phone number:

Quality Systems, Inc.

18111 Von Karman, Suite 600

Irvine, California 92612

Attention: Secretary

Telephone: (949) 255-2600

LEGAL MATTERS

The validity of the shares of common stock offered in this offering will be passed upon for us by Rutan & Tucker, LLP, Costa Mesa, California.

EXPERTS

The consolidated financial statements and management’s report on the effectiveness of internal control over financing reporting incorporated by reference in this prospectus and registration statement have been audited by Grant Thornton LLP, an independent registered public accounting firm, to the extent and for the periods indicated in their report and are incorporated by reference in reliance upon such report and upon the authority of such firm as experts in accounting and auditing.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A. Its telephone number is (303) 262-0600.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

We have filed a registration statement on Form S-3 with respect to the common stock offered in this prospectus with the Commission in accordance with the Securities Act, and the rules and regulations enacted under its authority. This prospectus, which constitutes a part of the registration statement, does not contain all of the information included in the registration statement and its exhibits and schedules. Statements contained in this prospectus regarding the contents of any document referred to in this prospectus are not necessarily complete, and in each instance, we refer you to the full text of the document that is filed as an exhibit to the registration statement. Each statement concerning a document that is filed as an exhibit should be read along with the entire document. For further information regarding us and the common stock offered in this prospectus, we refer you to the registration statement and its exhibits and schedules, which may be inspected without charge at the Commission's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Please call the Commission at (800) 732-0330 for further information on the Public Reference Room.

The Commission also maintains an Internet website that contains reports, proxy and information statements, and other information regarding issuers, such as us, that file electronically with the Commission. The Commission's website address is <http://www.sec.gov>.

QUALITY SYSTEMS, INC.

PROSPECTUS

December 4, 2008

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