UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 2012

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 001-35547

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.
(Exact name of registrant as specified in its charter)

Delaware	**36-4392754**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

222 Merchandise Mart, Suite 2024
Chicago, IL 60654
(Address of principal executive offices)

(312) 506-1200
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

As of October 31, 2012, there were 171,735,749 shares of the registrant's $0.01 par value common stock outstanding.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

FORM 10-Q

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(In thousands, except per share amounts)	September 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	$ 93,672	$ 157,753
Accounts receivable, net of allowance of $19,134 and $12,505 at September 30, 2012 and December 31, 2011, respectively	371,322	362,793
Deferred taxes, net	40,606	40,600
Inventories	1,722	2,059
Prepaid expenses and other current assets	124,494	117,444
Total current assets	631,816	680,649
Long-term marketable securities	1,718	1,675
Fixed assets, net	143,823	122,563
Software development costs, net	105,479	98,378
Intangible assets, net	442,381	489,848
Goodwill	1,039,364	1,039,364
Deferred taxes, net	5,017	5,017
Other assets	38,030	79,847
Total assets	$ 2,407,628	$ 2,517,341
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 51,765	$ 41,215
Accrued expenses	85,419	103,381
Accrued compensation and benefits	29,181	31,784
Deferred revenue	301,125	288,900
Current maturities of long-term debt and capital lease obligations	72,951	45,477
Total current liabilities	540,441	510,757
Long-term debt	386,793	322,664
Deferred revenue	20,663	18,891
Deferred taxes, net	122,317	119,728
Other liabilities	38,294	68,581
Total liabilities	1,108,508	1,040,621
Commitments and contingencies		
Stockholders' equity:		
Preferred stock: $0.01 par value, 1,000 shares authorized, no shares issued and outstanding at September 30, 2012 and December 31, 2011	0	0
Common stock: $0.01 par value, 349,000 shares authorized at September 30, 2012 and December 31, 2011; 256,134 and 171,462 shares issued and outstanding at September 30, 2012, respectively, 254,691 and 190,382 shares issued and outstanding at December 31, 2011, respectively	2,561	2,547
Treasury stock: at cost, 84,672 and 63,951 shares at September 30, 2012 and December 31, 2011, respectively	(278,036)	(52,075)
Additional paid-in capital	1,567,940	1,543,167
Retained earnings (accumulated deficit)	6,792	(16,377)
Accumulated other comprehensive loss	(137)	(542)
Total stockholders' equity	1,299,120	1,476,720
Total liabilities and stockholders' equity	$ 2,407,628	$ 2,517,341

The accompanying notes are an integral part of these consolidated financial statements.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(In thousands, except per share amounts)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenue:				
System sales	$ 35,220	$ 54,646	$ 116,176	$ 165,420
Professional services	62,749	65,275	201,615	179,004
Maintenance	119,263	113,244	354,295	325,415
Transaction processing and other	143,462	130,571	423,276	386,036
Total revenue	360,694	363,736	1,095,362	1,055,875
Cost of revenue:				
System sales	29,960	39,604	96,608	110,420
Professional services	54,534	56,305	173,260	150,367
Maintenance	36,564	32,840	108,850	100,963
Transaction processing and other	82,600	73,014	246,441	204,507
Total cost of revenue	203,658	201,763	625,159	566,257
Gross profit	157,036	161,973	470,203	489,618
Selling, general and administrative expenses	90,412	92,152	280,020	297,832
Research and development	37,802	26,032	112,164	72,800
Asset impairment charges	11,101	0	11,101	0
Amortization of intangible assets	8,537	9,422	27,047	28,071
Income from operations	9,184	34,367	39,871	90,915
Interest expense	(3,718)	(3,746)	(11,930)	(16,723)
Interest income and other (expense), net	(15,845)	425	(15,303)	1,184
(Loss) income before income taxes	(10,379)	31,046	12,638	75,376
Benefit (provision) for income taxes	19,754	(11,909)	10,531	(27,750)
Net income	$ 9,375	$ 19,137	$ 23,169	$ 47,626
Earnings per share—basic and diluted	$ 0.05	$ 0.10	$ 0.13	$ 0.25

The accompanying notes are an integral part of these consolidated financial statements.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

(In thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Net income	$ 9,375	$ 19,137	$ 23,169	$ 47,626
Other comprehensive income (loss):				
Unrealized gain (loss) on marketable securities, net of tax	75	(7)	79	(6)
Derivatives:				
Unrealized loss on derivative financial instruments	(433)	(2,420)	(1,544)	(5,724)
Reclassification adjustment for loss included in net income	432	535	1,376	1,528
Tax effect	(1)	738	65	1,635
Unrealized loss on derivative financial instruments, net of tax	(2)	(1,147)	(103)	(2,561)
Change in foreign currency translation adjustments	556	(1,933)	429	(1,091)
Total other comprehensive income (loss)	629	(3,087)	405	(3,658)
Comprehensive income	$ 10,004	$ 16,050	$ 23,574	$ 43,968

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(In thousands)	Nine Months Ended September 30, 2012	2011
Cash flows from operating activities:		
Net income	$ 23,169	$ 47,626
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	110,582	97,236
Stock-based compensation expense	26,463	29,155
Excess tax benefits from stock-based compensation	(609)	(4,688)
Deferred taxes	951	25,212
Asset impairment charges	11,101	0
Other losses	795	2,685
Changes in operating assets and liabilities:		
Accounts receivable, net	(8,094)	(54,306)
Inventories	297	1,796
Prepaid expenses and other assets	(3,395)	(19,870)
Accounts payable	7,767	(9,446)
Accrued expenses	(17,916)	9,494
Accrued compensation and benefits	(1,628)	(16,944)
Deferred revenue	14,379	52,869
Other liabilities	686	506
Net cash provided by operating activities	164,548	161,325
Cash flows from investing activities:		
Capital expenditures	(55,481)	(33,301)
Capitalized software	(39,340)	(46,529)
Purchases of marketable securities and other investments	0	(12,900)
Sales and maturities of marketable securities and other investments	84	43
Proceeds received from sale of fixed assets	0	20,000
Change in restricted cash	0	2,225
Net cash used in investing activities	(94,737)	(70,462)
Cash flows from financing activities:		
Proceeds from issuance of common stock	4,042	27,481
Excess tax benefits from stock-based compensation	609	4,688
Taxes paid related to net share settlement of equity awards	(4,352)	(2,179)
Payments of capital lease obligations	(635)	(1,074)
Credit facility payments	(233,259)	(160,496)
Credit facility borrowings, net of issuance costs	324,035	47,193
Repurchase of common stock	(225,961)	(50,051)
Net cash used in financing activities	(135,521)	(134,438)
Effect of exchange rate changes on cash and cash equivalents	1,629	(1,050)
Net decrease in cash and cash equivalents	(64,081)	(44,625)
Cash and cash equivalents, beginning of period	157,753	129,403
Cash and cash equivalents, end of period	$ 93,672	$ 84,778

The accompanying notes are an integral part of these consolidated financial statements.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of Allscripts Healthcare Solutions, Inc. and our wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated.

Certain prior period amounts in the accompanying consolidated financial statements have been reclassified to conform to the current year presentation. These reclassifications had no effect on previously reported net income or stockholders' equity. The amount reclassed for each period is as follows:

(In thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenue reclassifications from system sales to maintenance	$ 0	$ 2,895	$ 6,317	$ 11,483

Unaudited Interim Financial Information

The unaudited interim consolidated financial statements as of and for the three and nine months ended September 30, 2012 have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial reporting. These consolidated financial statements are unaudited and, in the opinion of management, include all adjustments, consisting of normal recurring adjustments and accruals, necessary to present fairly the consolidated financial statements for the periods presented in accordance with generally accepted accounting principles in the United States of America ("GAAP"). The results of operations for the three and nine months ended September 30, 2012 are not necessarily indicative of the results to be expected for the year ending December 31, 2012.

Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted in accordance with the SEC's rules and regulations for interim reporting. These unaudited interim consolidated financial statements should be read in conjunction with the consolidated financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2011.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the amounts reported and disclosed in the financial statements and the accompanying notes. Actual results could differ materially from these estimates.

Significant Accounting Policies

We have updated our revenue recognition accounting policy disclosure from our Annual Report on Form 10-K for the year ended December 31, 2011 to include discussion of additional revenue elements. There has been no change in our accounting for revenue. Also, there have been no other changes to our significant accounting policies from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011.

Revenue Recognition

Revenue represents the fair value of consideration received or receivable from clients for goods and services provided by the Company. Revenue from system sales includes software and related hardware. Revenue from professional services includes implementation, training and consulting services. Revenue from maintenance includes post contract customer support and maintenance services. Revenue from transaction processing and other includes electronic data interchange ("EDI") services, Software-as-a-Service ("SaaS") transactions, software hosting services, and outsourcing. For some clients, we host the software applications licensed from us remotely using our own or third party servers, which saves these clients the cost of procuring and maintaining hardware and related facilities. For other clients, we offer an outsourced solution in which we assume partial to total responsibility for a healthcare organization's information technology operations using our employees.

Revenue from software licensing arrangements where the service element is not considered essential to the functionality of the other elements of the arrangement is recognized upon delivery of the software or as services are performed, provided persuasive evidence of an arrangement exists, fees are considered fixed or determinable, and collection of the receivable is probable. The revenue recognized for each separate element of a multiple-element software contract is based upon vendor-specific objective evidence of fair value, which is based upon the price the customer is required to pay when the element is sold separately or renewed. For arrangements in which vendor-specific objective evidence of fair value only exists for the undelivered elements, the delivered elements (which is generally software licenses) are accounted for using the residual method.

Revenue from software licensing arrangements, where the service element is considered essential to the functionality of the other elements of the arrangement, is accounted for on an input basis under percentage of completion accounting using actual hours worked as a percentage of total expected hours required by the arrangement, provided that persuasive evidence of an arrangement exists, the fee is fixed or determinable and collection of the receivable is probable. Maintenance and support from these agreements is recognized over the term of the support agreement based on vendor-specific objective evidence of fair value of the maintenance revenue, which is based upon contractual renewal rates. For income statement presentation, consideration from agreements accounted for under percentage of completion accounting is allocated between software and services based on vendor specific evidence of our hourly services rate multiplied by the amount of hours performed with the residual amount allocated to software license fee.

Revenue from certain value-added reseller ("VAR") relationships in which software is directly sold to VARs is recognized upon delivery of the software assuming all other revenue recognition criteria have been met. Revenue recognition is deferred until the software is delivered to the ultimate end user if the arrangement terms do not satisfy the criteria for revenue recognition upon delivery of the software to the VAR.

Fees related to SaaS arrangements are recognized as revenue ratably over the contract terms beginning on the date our solutions are made available to customers. These arrangements include professional services fees related to the implementation and set-up of our solutions and are generally billed upfront and recorded as deferred revenue until our solutions are made available to the customer. The implementation and set-up fees are recognized as revenue ratably over the estimated customer relationship period. The estimated length of a customer relationship period is based on our experience with customer contract renewals and consideration of the period over which such customers utilize our SaaS solutions.

Software hosting services are provided to clients that have purchased a perpetual license to our software solutions and contracted with us to host the software. Generally, these arrangements provide the client with a contractual right to take possession of the software at any time during the hosting period without significant penalty and it is feasible for the client to either use the software on its own equipment or to contract with an unrelated third party to host the software. Hosting services are not deemed to be essential to the functionality of the software or other elements of the arrangement; accordingly, for these arrangements, we recognize software license revenues as system sales revenue upon delivery, assuming all other revenue recognition criteria have been met, and separately recognize fees for the hosting services as transaction processing and other revenue over the term of the hosting arrangement.

We also enter into multiple-element arrangements that may include a combination of various software-related and nonsoftware-related products and services. Management applies judgment to ensure appropriate accounting for multiple deliverables, including the allocation of arrangement consideration among multiple units of accounting, the determination of whether undelivered elements are essential to the functionality of delivered elements, and the timing of revenue recognition, among others. In such arrangements, we first allocate the total arrangement consideration based on a selling price hierarchy at the inception of the arrangement. The selling price for each element is based upon the following selling price hierarchy: vendor-specific objective evidence of fair value if available, third-party evidence of fair value if vendor-specific objective evidence of fair value is not available, or estimated selling price if neither vendor-specific objective evidence or third-party evidence of fair value is available (a description as to how we determine vendor-specific objective evidence of fair value, third-party evidence of fair value and estimated selling price is provided below). Upon allocation of consideration to the software elements as a whole and nonsoftware elements, we then further allocate consideration within the software group to the respective elements following higher-level, industry-specific guidance and our policies described above. After the arrangement consideration has been allocated to the elements, we account for each respective element in the arrangement as described above.

To determine the selling price in multiple-element arrangements, we establish vendor-specific objective evidence of fair value using the price charged for a deliverable when sold separately and contractual renewal rates for maintenance fees. For nonsoftware multiple element arrangements, third-party evidence of fair value is established by evaluating similar and interchangeable competitor products or services in standalone arrangements with similarly situated customers. If we are unable to determine the selling price because vendor-specific objective evidence or third-party evidence of fair value does not exist, we determine an estimated selling price by considering several external and internal factors including, but not limited to, pricing practices, margin objectives, competition, customer demand, internal costs and overall economic trends. The determination of an estimated selling price is made through consultation with and approval by our management, taking into consideration our go-to-market strategy. As our, or our competitors', pricing and go-to-market strategies evolve, we may modify our pricing practices in the future. These events could result in changes to our determination of vendor-specific objective evidence of fair value, third-party evidence of fair value and estimated selling price. Selling prices are analyzed on an annual basis or more frequently if we experience significant changes in our selling prices.

For those arrangements where the deliverables do not qualify as separate units of accounting, revenue recognition is evaluated for the combined deliverables as a single unit of accounting and generally the recognition pattern of the final deliverable will dictate the revenue recognition pattern for the single, combined unit of accounting. Changes in circumstances and customer data may affect management's analysis of separation criteria which may lead to an upward or downward adjustment to the amount of revenue recognized under the arrangement.

We assess whether fees are fixed or determinable at the time of sale and recognize revenues if all other revenue recognition requirements are met. Our payment arrangements with clients typically include milestone-based software license fee payments and payments based upon delivery for services and hardware.

While most of our arrangements include short-term payment terms, we periodically provide extended payment terms to clients from the date of contract signing. We do not recognize revenue under extended payment term arrangements until such payments become due. In certain circumstances, where all other revenue recognition criteria have been met, we occasionally offer discounts to clients with extended payment terms, in order to accelerate the timing of when payments are made. Changes to extended payment term arrangements have not had a material impact on our consolidated results of operations.

Maintenance fees are recognized ratably over the period of the contract based on vendor specific objective evidence of fair value based upon contractual renewal rates. Revenue from EDI services is recognized as services are provided and is determined based on the volume of transactions processed.

We provide outsourcing services to our clients under arrangements that typically range from five to ten years in duration. Under these arrangements we assume full, partial or transitional responsibilities for a healthcare organization's IT operations using our employees. Our outsourcing services include facilities management, network outsourcing and transition management. Revenue from these arrangements is recognized as services are performed.

Revenue is recognized net of any taxes collected from customers and subsequently remitted to governmental authorities. We record as revenue any amounts billed to customers for shipping and handling costs and record as cost of revenue the actual shipping costs incurred.

The Company records reimbursements for out-of-pocket expenses incurred as professional services revenue in the statement of operations.

Revenue earned on contracts in excess of billings is included in the balance of accounts receivable. Billings are expected to occur according to the contract terms.

Recent Accounting Pronouncements

In September 2011, the Financial Accounting Standards Board ("FASB") issued updated authoritative guidance for testing goodwill for impairment. This guidance allows entities to use a qualitative approach to test goodwill for impairment. The guidance permits an entity to first perform a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying value. If it is concluded that this is the case, it is necessary to perform the currently prescribed two-step goodwill impairment test. Otherwise, the two-step goodwill impairment test is not required. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. This guidance will not have a material impact on the consolidated financial statements.

In May 2011, the FASB issued additional authoritative guidance related to fair value measurements and disclosures to provide a consistent definition of fair value and ensure that the fair value measurement and disclosure requirements are similar between GAAP and International Financial Reporting Standards. This guidance changes certain fair value measurement principles and enhances the disclosure requirements particularly for Level 3 fair value measurements. This guidance is effective for fiscal years and interim periods within those years beginning after December 15, 2011 and will be applied prospectively. We do not currently have Level 3 fair value instruments. This guidance did not have a material impact on the consolidated financial statements.

Table of Contents

2. Fair Value Measurements

The fair values of assets and liabilities required to be measured at fair value are categorized based upon the level of judgment associated with the inputs used to measure their value. Hierarchical levels are as follows:

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date. Our Level 1 investments include money market funds valued daily by the fund companies, and the valuation is based on the publicly reported net asset value of each fund.

Level 2: Inputs, other than quoted prices included in Level 1, are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar instruments in active markets, and inputs other than quoted prices that are observable for the asset or liability. Our Level 2 non-derivative investments include marketable securities and consist of mortgage and asset-backed bonds. Marketable securities are recorded at fair value determined using a market approach, based on prices and other relevant information generated by market transactions involving identical or comparable assets which are considered to be Level 2 inputs. Our Level 2 derivative financial instrument represents an interest rate swap contract which is valued based upon observable values for underlying interest rates and market determined risk premiums.

Level 3: Inputs are unobservable for the asset or liability, and include situations where there is little, if any, market activity for the asset or liability. We have no Level 3 financial instruments.

The following table summarizes our financial assets and liabilities measured at fair value on a recurring basis as of the respective balance sheet dates:

(In thousands)	Balance Sheet Classifications	September 30, 2012			December 31, 2011		
		Level 1	Level 2	Total	Level 1	Level 2	Total
Money market funds	Cash equivalents	$9,361	$ 0	$ 9,361	$14,071	$ 0	$ 14,071
Marketable securities	Long-term marketable securities	0	1,718	1,718	0	1,675	1,675
Derivatives	Other liabilities	0	(1,922)	(1,922)	0	(1,754)	(1,754)
Total		$9,361	($ 204)	$ 9,157	$14,071	($ 79)	$13,992

We hold investments in certain non-marketable equity securities in which we do not have a controlling interest or significant influence. These investments are recorded at cost with a carrying value of $13 million at September 30, 2012 and are included in other assets in the accompanying consolidated balance sheets. We measure our cost method investments at fair value on a nonrecurring basis when they are deemed to be other-than-temporarily impaired. If an evaluation is required, the fair value of these investments will be determined based on valuation techniques using the best information available and may include quoted market prices, market comparables, and discounted cash flow projections.

Our long-term financial liabilities consist of long-term debt with a carrying value that approximates fair value since the interest rate approximates current market rates.

3. Stockholders' Equity

Stock-based Awards

We measure stock-based compensation cost at the grant date based on the fair value of the award and recognize the expense over the appropriate service period typically on a straight-line basis, net of estimated forfeitures. The fair value of restricted stock units and restricted stock awards are measured at their underlying closing share price on the date of grant.

We recorded stock-based compensation expense as follows:

(In thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Total stock-based compensation expense	$ 8,807	$ 9,934	$ 26,463	$ 29,155

Stock-based compensation expense is reflected in cost of revenue and the functional lines within operating expenses. No stock-based compensation costs were capitalized during the three and nine months ended September 30, 2012 and 2011.

We granted stock-based awards as follows:

(In thousands, except per share amounts)	Three Months Ended September 30, 2012 Shares	Three Months Ended September 30, 2012 Weighted-Average Grant Date Fair Value	Nine Months Ended September 30, 2012 Shares	Nine Months Ended September 30, 2012 Weighted-Average Grant Date Fair Value
Service-based restricted stock units	179	$ 10.50	3,055	$ 11.78
Service-based restricted stock units with a performance condition	90	$ 10.50	1,189	$ 13.20
Deferred stock units	3	$ 10.72	155	$ 11.08
	272	$ 10.51	4,399	$ 12.14

Stock Repurchases

In April 2011, our Board of Directors approved a stock repurchase program under which we may purchase up to $200 million of our common stock over three years expiring on May 9, 2014 or such earlier time that the total dollar amount authorized by these resolutions has been used. In April 2012, our Board of Directors approved the repurchase of an additional $200 million bringing the total repurchase authorization to $400 million. Any share repurchases may be made through open market transactions, block trades, privately negotiated transactions (including accelerated share repurchase transactions) or other means. Any repurchase activity will depend on factors such as our working capital needs, cash requirements for investments, debt repayment obligations, our stock price, and economic and market conditions. Our stock repurchase program may be accelerated, suspended, delayed or discontinued at any time.

During the nine months ended September 30, 2012, we repurchased approximately 21 million shares of our common stock for approximately $226 million pursuant to this stock repurchase program. The average price paid per share was $10.89. As of September 30, 2012, the amount available for repurchase of common stock under this program was approximately $123 million.

Net Share-settlements

Beginning in 2011, upon vesting, restricted stock units and awards are generally net share-settled to cover the required withholding tax and the remaining amount is converted into an equivalent number of shares of common stock. The majority of restricted stock units and awards that have vested in 2012 were net-share settled such that we withheld shares with value equivalent to the employees' minimum statutory obligation for the applicable income and other employment taxes and remitted the cash to the appropriate taxing authorities. The total shares withheld were 303 thousand for the nine months ended September 30, 2012, and were based on the value of the restricted stock units and awards on their vesting date as determined by our closing stock price. Total payments for the employees' tax obligations to the taxing authorities are reflected as a financing activity within the consolidated statements of cash flows. These net-share settlements had the effect of share repurchases by us as they reduced the number of shares that would have otherwise been issued as a result of the vesting.

Stockholder Rights Plan

The Company is authorized to issue up to 1 million shares of preferred stock, of which 349 thousand shares have been designated as Series A Junior Participating Preferred Stock in connection with the adoption of a rights agreement discussed below. As of September 30, 2012 and December 31, 2011, no shares of preferred stock were issued or outstanding.

On May 5, 2012, our Board of Directors adopted a stockholder rights plan (“Rights Plan”) and declared a dividend distribution of one right (each, a “Right”) for each outstanding share of the Company’s common stock to stockholders of record at the close of business on May 17, 2012. Each Right entitles its holder, under certain circumstances, to purchase from the Company one one-thousandth of a share of Series A Junior Participating Preferred Stock of the Company at an exercise price of $45.00 per Right, subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement, dated as of May 7, 2012 (the “Rights Agreement”), between the Company and Computershare Shareowner Services LLC, as Rights agent.

Under the terms of the Rights Plan, the Rights will be exercisable if a person or group, without Board approval, acquires 10% or more of Allscripts’ common stock (including in the form of synthetic ownership through derivative positions) or announces a tender offer which would result in the ownership of 10% or more of Allscripts’ common stock. The Rights will trade with Allscripts’ common stock, unless and until they are separated upon the occurrence of certain future events. Under certain circumstances (including the acquisition by a person or group of 10% or more of Allscripts’ common stock), the Rights will entitle the holders to buy shares of Allscripts’ common stock at a 50% discount. Allscripts’ Board generally may redeem the Rights prior to the tenth day following the first public announcement of the acquisition by a person or group of 10% or more of the common stock.

The Rights Plan exempts any person or group owning 10% or more of Allscripts’ common stock immediately prior to the first public announcement of the Rights Plan. However, the Rights also will be exercisable if a person or group that already owns 10% or more of the common stock acquires any additional shares (including through derivatives). The Rights Plan will expire on May 6, 2013.

4. Earnings Per Share

Basic income per share is computed by dividing net income by the weighted-average shares of outstanding common stock. For purposes of calculating diluted earnings per share, the denominator includes both the weighted average shares of common stock outstanding and dilutive potential common stock equivalents. Dilutive common stock equivalent shares consist of stock options and restricted stock unit awards using the treasury stock method.

The calculations of earnings per share are as follows:

(In thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Basic Earnings per Common Share:				
Net income	$ 9,375	$ 19,137	$ 23,169	$ 47,626
Net income available to common shareholders	$ 9,375	$ 19,137	$ 23,169	$ 47,626
Weighted average common shares outstanding	170,874	188,330	181,156	189,110
Basic Earnings per Common Share	$ 0.05	$ 0.10	$ 0.13	$ 0.25
Earnings per Common Share Assuming Dilution:				
Net income	$ 9,375	$ 19,137	$ 23,169	$ 47,626
Net income available to common shareholders	$ 9,375	$ 19,137	$ 23,169	$ 47,626
Weighted average common shares outstanding	170,874	188,330	181,156	189,110
Dilutive effect of stock options and restricted stock units and awards	1,880	3,142	1,835	2,907
Weighted average common shares outstanding assuming dilution	172,754	191,472	182,991	192,017
Earnings per Common Share Assuming Dilution	$ 0.05	$ 0.10	$ 0.13	$ 0.25

The following stock options and share awards are not included in the computation of diluted earnings per share as the effect of including such stock options and share awards in the computation would be anti-dilutive:

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Shares subject to anti-dilutive stock options and share awards excluded from calculation	2,340	326	1,182	800

Table of Contents

5. Goodwill and Intangible Assets

Goodwill and intangible assets consist of the following:

(In thousands)	September 30, 2012 Gross Assets	September 30, 2012 Accumulated Amortization	September 30, 2012 Intangible Assets, Net	December 31, 2011 Gross Assets	December 31, 2011 Accumulated Amortization	December 31, 2011 Intangible Assets, Net
Intangibles subject to amortization						
Proprietary technology	$361,660	($190,576)	$ 171,084	$361,660	($170,157)	$ 191,503
Customer contracts and relationships	534,355	(315,058)	219,297	534,355	(288,010)	246,345
Total	$896,015	($ 505,634)	$ 390,381	$896,015	($458,167)	$ 437,848
Intangibles not subject to amortization						
Registered trademarks			$ 52,000			$ 52,000
Goodwill			1,039,364			1,039,364
Total			$1,091,364			$1,091,364

In connection with the integration of the Eclipsys operations, we recently realigned certain functions within our business. After the realignment and based upon the information used by our chief operating decision maker for making operating decisions and assessing performance, we identified the following operating segments: Software Delivery, Services Delivery, Client Support, Pathway Solutions, IT Outsourcing, and Remote Hosting. In reviewing these operating segments for goodwill reporting purposes, we determined that our operating segments are consistent with our reporting units. As a result of the business realignment, we will be required to perform our annual goodwill impairment test, which is the first day of the fiscal fourth quarter, based on the new reporting units. Refer to Note 11 Business Segments for additional information on our operating and reportable segments.

Table of Contents

6. Asset Impairment Charges

On October 3, 2012, in order to better serve our clients and the healthcare market, we publicly announced a plan to standardize our small office electronic health record and practice management systems. As part of this plan, we will converge, over time, our MyWay Electronic Health Record System ("MyWay") and Professional Suite Electronic Health Record System.

We plan to upgrade MyWay clients electing to migrate to the converged platform between January 2013 and September 2013, at no additional cost to the MyWay clients. The upgrade will position MyWay clients for Meaningful Use Stage 2 and ICD-10 compliance, and prepare them for the shift to value-based care that focuses on costs, quality and outcomes. MyWay clients not electing to upgrade will continue to have use of the application.

As a result of the above decision and the related elimination of future cash flows from sales of the MyWay application, we recorded a non-cash charge to earnings in the quarter ended September 30, 2012 related to the impairment of previously capitalized software development costs for MyWay plus the net carrying value of a perpetual license for certain software code incorporated in MyWay as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2012	2011	2012	2011
Asset impairment charges	$ 11,101	$ 0	$ 11,101	$ 0

Table of Contents

7. Debt

Debt outstanding consisted of the following:

(In thousands)	September 30, 2012	December 31, 2011
Senior Secured Credit Facilities (long-term portion)	$386,793	$322,664
Senior Secured Credit Facilities (current portion)	72,289	44,677
Total debt	$459,082	$ 367,341

Interest expense consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2012	2011	2012	2011
Interest expense	$ 2,432	$ 2,981	$ 8,125	$ 10,801
Debt cost amortization	1,286	765	3,805	3,982
Write off of unamortized deferred debt issuance costs	0	0	0	1,940
Total interest expense	$ 3,718	$ 3,746	$ 11,930	$ 16,723

Credit Facility

On June 11, 2012, we entered into an Incremental Assumption Agreement (the "Agreement") with J. P. Morgan Securities LLC, Mizuho Corporate Bank, LTD., SunTrust Robinson Humphrey, Inc. and other participating lenders to borrow additional amounts under our existing Amended and Restated Credit Agreement (the "Credit Agreement") in the form of a new incremental term loan. Proceeds from the incremental term loan of $150 million were used to partially refinance the $175 million outstanding under our revolving credit facility, which is provided for in the Credit Agreement. We also made a voluntary repayment of the revolver totaling $20 million at the time of the refinancing. The interest rate charged, debt covenants and other terms that apply to the term loan are defined by the terms of the Credit Agreement. We incurred debt issuance costs totaling $1 million related to the incremental term loan, which were deferred and included within other assets on the balance sheet. Quarterly principal payments on the incremental term loan commenced on September 30, 2012.

The following table summarizes our future payments under the senior secured credit facilities including the incremental term loan as of September 30, 2012:

(Dollar amounts in thousands)	Principal Payments
Remaining payments due in 2012	$ 17,616
Payments due in 2013	78,770
Payments due in 2014	104,698
Payments due in 2015	199,395
Payments due in 2016	58,603
Thereafter	0
	459,082
Senior Secured Credit Facilities (current portion)	72,289
Senior Secured Credit Facilities (long-term portion)	$ 386,793

As of September 30, 2012, $459 million in term loans, $0 million under the revolving credit facility, and $1 million in letters of credit were outstanding under the Credit Agreement. As of September 30, 2012, the interest rate on the senior secured credit facilities was LIBOR plus 2.00%, which totaled 2.22%. Refer to Note 9 for a discussion of our interest rate swap agreement. There was no default under the Credit Agreement as of September 30, 2012. Unamortized deferred debt issuance costs totaled $12 million, and are included within other assets on the balance sheet at September 30, 2012.

As of September 30, 2012, we had $249 million available, net of outstanding letters of credit, under our revolving credit facility. There can be no assurance that we will be able to draw on the full available balance of our Credit Agreement if the financial institutions that have extended such credit commitments become unwilling or unable to fund such borrowings.

Table of Contents

8. Income Taxes

The provision for income taxes reflects our estimate of the effective tax rate expected to be applicable for the full year. To the extent that actual pre-tax results for the year differ from the forecasted estimates applied at the end of the most recent interim period, the actual tax rate recognized during calendar 2012 could be different from the forecast rate. Our provision for income taxes differs from the tax computed at the U.S. federal statutory income tax rate due primarily to income attributable to foreign jurisdictions taxed at lower rates, state taxes, permanent differences and certain discrete items. The effective tax rates were as follows:

(Dollar amounts in thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
(Loss) income before income taxes	($ 10,379)	$ 31,046	$ 12,638	$ 75,376
Benefit (provision) for income taxes	$ 19,754	($ 11,909)	$ 10,531	($ 27,750)
Effective tax rate	190.3%	38.4%	(83.3%)	36.8%

As of December 31, 2011, we had accrued approximately $29 million related to uncertain tax positions resulting from the Framework Agreement with Misys plc ("Misys") dated June 9, 2010, which was subsequently amended on July 26, 2010. Pursuant to the Framework Agreement, Allscripts and Misys agreed to reduce Misys' existing indirect ownership interest in Allscripts through a series of transactions which are referred to as the "Coniston Transactions." The acquired tax position related to the Coniston Transactions was indemnified by Misys in accordance with the Framework Agreement. Accordingly, we had an indemnification asset totaling $29 million, including related interest, which is included in other assets in the accompanying consolidated balance sheet as of December 31, 2011.

During the three months ended September 30, 2012, we settled an IRS examination for the period May 2007 through May 2010 which primarily resulted in a tax assessment of $13 million that is indemnified by Misys pursuant to the Framework Agreement. The remaining tax liability related to the Coniston Transactions totaling $16 million was reversed, as reflected in the table below, and recognized as a tax benefit in the accompanying consolidated statements of operations for the three and nine months ended September 30, 2012.

Since the settlement amount with the IRS was less than the carrying value of the related indemnification asset, we recorded a write-off of the remaining indemnification asset, which is included in interest income and other (expense), net within the accompanying consolidated statements of operations. The resulting charge of $16 million is substantially non-deductible for tax purposes and therefore increases the effective tax rate for the entire year.

Excluding the effects of these items, our effective tax rate for the three and nine months ended September 30, 2012 is lower compared to the prior year due to a higher mix of foreign income taxed at lower rates and lower state tax expense.

We file income tax returns in the U.S. federal jurisdiction, numerous states and multiple international countries. We are subject to the continuous examination of our income tax returns by the Internal Revenue Service and other tax authorities. A change in the assessment of the outcomes of such matters could materially impact our consolidated financial statements.

Table of Contents

The following table reconciles unrecognized tax benefits:

(In thousands)	Nine Months Ended September 30, 2012	Year Ended December 31, 2011
Beginning balance at January 1, 2012 and 2011, respectively	$ 43,284	$ 42,840
Increases for tax positions related to the current year	35	719
Decreases for tax positions related to prior years	(13,945)	0
Increases for tax positions related to prior years	495	282
Decreases relating to settlements with taxing authorities	(11,925)	0
Foreign currency translation	191	(215)
Reductions due to lapsed statute of limitations	0	(342)
Ending balance at September 30, 2012 and December 31, 2011, respectively	$ 18,135	$ 43,284

If any portion of our unrecognized tax benefits is recognized, the entire amount would impact our effective tax rate. Although the results and timing of the resolution of income tax audits is highly uncertain, we believe it is reasonably possible that approximately $5 million of gross unrecognized tax benefits will change in the next 12 months due to resolution of transfer pricing positions with various taxing authorities. We report interest and penalties related to uncertain income tax positions in the provision for income taxes line of our consolidated statements of operations.

We recognized interest and penalties related to uncertain tax positions in our consolidated statements of operations as follows:

(In thousands)	Nine Months Ended September 30, 2012	Year Ended December 31, 2011
Interest and penalties included in provision for income taxes	($ 2,499)	$ 1,174

The amount of interest and penalties included in our consolidated balance sheets is as follows:

(In thousands)	September 30, 2012	December 31, 2011
Interest and penalties included in the liability for uncertain income taxes	$ 2,239	$ 4,737

Table of Contents

9. Derivative Financial Instruments

Interest Rate Swap Agreement

We entered into an interest rate swap agreement with an effective date of October 29, 2010 that has the economic effect of modifying the variable rate component of the interest obligations associated with a portion of our original variable rate term loan. The initial notional amount of the interest rate swap agreement is $300 million, with scheduled step downs in the future, and a final termination date of October 31, 2014. The interest rate swap agreement converts the one-month LIBOR rate on the corresponding notional amount of debt to an effective fixed rate of 0.896% (exclusive of the applicable margin currently charged under the Senior Secured Credit Facilities). The critical terms of the interest rate swap agreement and the related debt agreement match and allow us to designate the interest rate swap agreement as a highly effective cash flow hedge under GAAP. The interest rate swap agreement protects us against changes in interest payments due to benchmark interest rate movements. The change in fair value of this interest rate swap agreement is recognized in other comprehensive income with the corresponding amounts included in other assets or other liabilities in our consolidated balance sheet. Amounts accumulated in other comprehensive income are indirectly recognized in earnings as periodic settlements of the swap occur and the fair value of the swap declines to zero.

The interest rate swap agreement is currently our only derivative instrument and it is not used for trading purposes. Allscripts has not entered into any foreign currency hedging contracts. In the future we may enter into foreign currency exchange contracts to offset certain operational exposures from the impact of changes in foreign exchange rates.

The fair value of the derivative instrument was as follows:

(In thousands)	September 30, 2012	December 31, 2011
Fair value of interest rate swap agreement	($ 1,922)	($ 1,754)

We recognized the following activity related to our interest rate swap agreement:

(In thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Effective Portion				
Loss recognized in OCI	($ 1)	($ 1,885)	($ 168)	($ 4,196)
Tax effect	(1)	738	65	1,635
Net	($ 2)	($ 1,147)	($ 103)	($ 2,561)
Loss reclassified from OCI to interest expense	$ 432	$ 535	$ 1,376	$ 1,528
Amount excluded from Effectiveness Assessment and Ineffective Portion				
Gain (loss) recognized in other income (expense)	$ 0	$ 0	$ 0	$ 0

We estimate that approximately $1 million of derivative losses included in other comprehensive income ("OCI") will be reclassified into earnings within the next 12 months. This amount has been calculated assuming the variable effective interest rate 2.22% as of September 30, 2012 remains the same through the next 12 months. No gains (losses) were reclassified from OCI into earnings as a result of forecasted transactions that failed to occur during the three and nine months ended September 30, 2012 and 2011. We held no other derivative instruments during the three and nine months ended September 30, 2012 and 2011.

There were no realized gains (losses) on derivatives other than those related to the periodic settlement of the swap.

10. Contingencies

On August 4, 2009, a lawsuit was filed in the United States District Court for the Northern District of Illinois against the Company, Glen Tullman and William Davis by the Plumbers and Pipefitters Local Union No. 630 Pension-Annuity Trust Fund on behalf of a purported class consisting of stockholders who purchased Allscripts common stock between May 8, 2007 and February 13, 2008. On October 13, 2009, David Robb was appointed lead plaintiff, and on November 25, 2009, an amended complaint was filed containing allegations that the Company, Tullman and Davis made materially false and misleading statements and/or omissions in connection with the release of TouchWorks EHR, Version 11. On September 19, 2011, the Court entered an order certifying a class. On February 7, 2012, the parties agreed, subject to execution of settlement documents and Court approval, to settle this matter on a class-wide basis. The settlement amount totaling approximately $10 million will be funded by the Company's directors' and officers' liability insurance carrier and therefore has no material impact on the Company's financial condition or results of operations. On March 16, 2012, the parties entered into a written settlement agreement and filed a motion with the Court for approval of the settlement. On July 13, 2012, the Court entered an order granting final approval of the settlement.

On February 11, 2011, Medical Services Associates, Inc. ("MSA") filed binding arbitration against the Company alleging that the Company negligently caused a loss of medical billing data, negligently or intentionally misrepresented certain facts regarding the computer system being sold to MSA, and/or breached certain aspects of a contract to provide certain software-related goods and services to MSA. The Company filed its counterclaim on March 11, 2011. In June 2012, the parties and the Company's insurance carrier agreed in principle, subject to execution of settlement documentation, to settle this matter for an undisclosed amount that will be funded by the Company's insurance carrier and therefore it is not expected to have a material impact on the Company's financial condition or results of operations. In October 2012, the parties entered into a written settlement agreement and the Company's insurance carrier issued payment of the settlement amount.

On September 14, 2010, Pegasus Imaging Corporation ("Pegasus") filed a lawsuit against the Company and AllscriptsMisys, LLC in the Circuit Court of the Thirteenth Judicial Circuit of the State of Florida in and for Hillsborough County, Florida. The lawsuit also named former officers Jeffrey Amrein and John Reinhart as defendants. Prior to serving the complaint, Pegasus filed an amended complaint dropping two of the claims that had been asserted and adding two additional defendants, which are two now-defunct Florida corporations that formerly did business with the Company. The amended complaint asserts causes of action against defendants for fraudulent misrepresentations, negligent misrepresentations, and deceptive and unfair trade practices under Florida law, arising from previous business dealings between Pegasus and Advanced Imaging Concepts, Inc., a software company based in Louisville, Kentucky that the Company purchased in August 2003. On or about November 1, 2010, Defendants moved to transfer the case to the special court for complex business litigation that resides in Hillsborough County, Florida. The Florida Business Court granted Defendants' motion for transfer on January 13, 2011. The Defendants have answered the complaint and filed counterclaims against the Plaintiff alleging breach of license, breach of warranty, and breach of contract. On April 30, 2012, Plaintiff filed a motion seeking leave to amend its Complaint to add a claim alleging breach of a click-through license agreement and punitive damages. The Company has also recently moved for leave to amend its counterclaims to add a claim for negligent misrepresentations. Discovery in this matter is ongoing. The case is currently expected to be set for trial in July of 2013. The Company intends to continue to defend this matter vigorously. We believe that we have strong defensive positions in such matter, but the outcomes of intellectual property lawsuits are often uncertain.

In the opinion of management, there was not at least a reasonable possibility the Company may have incurred a material loss, or a material loss in excess of a recorded accrual, with respect to the above matters. However, the outcome of the foregoing litigation is inherently uncertain, and we may incur substantial defense costs and expenses. Therefore, if these legal matters were resolved against the Company for an amount in excess of management's expectations, the Company's consolidated financial statements of a particular reporting period could be materially adversely affected.

On December 22, 2011, in connection with a federal grand jury investigation of third parties, we received a subpoena requesting that we provide documents regarding Allscripts' interactions with several healthcare and educational organizations. At this time, we are unable to determine the impact of the foregoing on Allscripts. We are cooperating with the United States Attorney's Office in connection with such subpoena.

On May 1, 2012, Physicians Healthsource, Inc. ("PHI") filed a class action Complaint in U.S. District Court for the Northern District of Illinois against the Company. The Complaint alleges that on multiple occasions between July 2008 and December 2011, Allscripts or its agent sent advertisements by fax to the Plaintiff and a class of similarly situated persons, without first receiving the recipients' express permission or invitation in violation of the Telephone Consumer Protection Act, 47 U.S.C. § 227 ("TCPA"). The Complaint seeks $500 for each alleged violation of the TCPA, treble damages if the Court finds the violations to be willful, knowing or intentional, and injunctive and other relief. Allscripts was served with the Complaint and PHI's Motion for Class Certification on May 7, 2012 and the Company responded by filing a Motion to Dismiss, which was denied but the Court requested that Allscripts file a second Motion to Dismiss. Discovery in this matter has been stayed pending a decision of the 7th Circuit Court of Appeals in the case of Holtzman v. Turza, which involves issues raised in the Company's Second Motion to Dismiss. The Company has also filed a Motion requesting denial of PHI's Motion for Class certification. The Company intends to vigorously defend against these claims.

On May 2, 2012, a lawsuit was filed in the United States District Court for the Northern District of Illinois against the Company, Glen Tullman and William Davis, the former Chief Financial Officer of the Company, by the Bristol County Retirement System for itself and on behalf of a purported class consisting of stockholders who purchased Allscripts common stock between November 18, 2010 and April 26, 2012. The Complaint alleges that the Company, Mr. Tullman and Mr. Davis made materially false and misleading statements and/or omissions during the putative class period regarding the Company's progress in integrating Allscripts' and Eclipsys' business following the August 24, 2010 merger and that the Company lacked a reasonable basis for certain statements regarding the Company's post-merger integration efforts, operations, results and projections of future financial performance. Two groups of plaintiffs have filed motions for appointment as lead plaintiff and for appointment as lead plaintiff's counsel. These motions were fully briefed as of July 31, 2012. Defendants' time to answer or otherwise plead is stayed pending appointment of lead plaintiff and lead plaintiffs' counsel. The Company intends to vigorously defend against these claims.

On June 27, 2012, a purported shareholder, Richard Devereaux, filed a shareholder derivative action in the Circuit Court of Cook County Illinois against Glen Tullman, William Davis, Paul Black, Dennis Chookaszian, Robert Cindrich, Marcel Gamache, Philip Green, Michael Kluger, and Allscripts as nominal defendant. The suit alleges breach of fiduciary duties and unjust enrichment against former and current executives of Allscripts who allegedly made misleading claims about the Company's business and financial state, causing its stock prices to be artificially inflated and then drop sharply when the Company reported earnings below expectations and disclosed a "leadership dispute" in an SEC filing. At present, the Company's time to respond to the complaint is tolled pending the filing of an amended complaint in the Bristol County Retirement System case.

In the opinion of management, there is a reasonable possibility the Company may incur losses with respect to the three matters immediately above. However, given the current early stage of the matters, it is not possible to estimate the possible loss or range of loss at this time. We will continue to evaluate the potential exposure related to these matters in future periods.

In addition to commitments and obligations in the ordinary course of business, we are subject to various claims, other pending and potential legal actions for damages and other matters arising in the normal conduct of our business, including intellectual property infringement, misappropriation or other intellectual property violation claims.

11. Business Segments

Prior to 2012, we utilized three reportable segments: Clinical Solutions, Hospital Solutions, and Health Solutions. In connection with the integration of the Eclipsys operations, we recently realigned certain functions within our business. This realignment included the integration of our sales and services functions in the first quarter of 2012 as well as our solutions research and development team. After the realignment and based upon the information used by the chief operating decision maker to allocate resources, make operating decisions and assess performance, we now use the following reportable segments: Software Delivery, Services Delivery, Client Support, Pathway Solutions and IT Outsourcing. Pathway Solutions and IT Outsourcing, which were reported under the Managed Services segment in the first quarter of 2012, are now separately presented consistent with changes in our internal reporting to our chief operating decision maker.

Software delivery primarily includes revenue from system solutions, which is comprised of software license fees and hardware revenue, and recurring revenue from SaaS contracts and other subscription-based arrangements, which are included in transaction processing and other, and the related expenses incurred to deliver these solutions to our clients. Services delivery derives its revenue through implementation, training and other professional services provided to clients and includes the related expenses incurred to provide these services. Client support derives its revenue through software and hardware maintenance contracts and includes the related expenses incurred to provide support to our customers. Pathway solutions includes revenue and the related expenses incurred from EDI medical claims processing for clients and our patient portal SaaS solution, and IT outsourcing derives its revenue from services provided to clients where we assume partial to total responsibility for a healthcare organization's IT operations using our employees and assets, and includes the related expenses incurred to deliver IT outsourcing solutions to our clients. Segment data for 2011 presented below has been restated to conform to the current presentation.

Our chief operating decision maker uses segment revenues and income from operations as measures of performance and to allocate resources. In determining revenue and income from operations for our segments, we do not include the amortization of acquisition-related deferred revenue adjustments in revenue and we exclude amortization of intangible assets and stock-based compensation expense from the operating expense segment data provided to our chief operating decision maker. Accordingly, these amounts are not included in our reportable segment results and are included in the unallocated amounts within All Other.

Corporate general and administrative expenses are centrally managed and solutions research and development expenses, including the amortization of software development costs, are not attributed to an operating segment. Additionally, during the three months ended September 30, 2012, we recorded certain asset impairment charges related to the convergence of our MyWay and Professional applications (refer to Note 6 Asset Impairment Charges for additional information) that are not attributable to an operating segment. As a result, these expenses are not allocated to our reportable segments because they are not part of the segment profitability results reviewed by our chief operating decision maker. Additionally, we do not track our assets by segment.

Remote Hosting is an operating segment that does not meet the quantitative thresholds for determining reportable segments; however, we have presented the revenues and income from operations related to this segment within our reconciliation to consolidated amounts in the table below.

(In thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011
Revenue:				
Software Delivery	$ 77,229	$ 95,751	$ 244,773	$ 283,275
Services Delivery	62,462	64,080	197,669	177,805
Client Support	118,315	113,142	353,674	332,009
Pathway Solutions	42,796	41,296	130,117	124,301
IT Outsourcing	41,261	33,733	119,262	100,855
All Other				
Remote Hosting	17,854	18,151	52,790	52,235
Unallocated Amounts	777	(2,417)	(2,923)	(14,605)
Total All Other	18,631	15,734	49,867	37,630
Total revenue	$ 360,694	$ 363,736	$1,095,362	$1,055,875
Income from operations:				
Software Delivery	$ 9,223	$ 19,935	$ 34,296	$ 62,332
Services Delivery	8,390	7,088	26,033	24,675
Client Support	81,143	78,973	242,828	228,466
Pathway Solutions	26,118	25,859	79,719	79,620
IT Outsourcing	8,978	6,145	25,298	19,639
All Other				
Remote Hosting	668	652	1,146	3,411
Unallocated Amounts	(125,336)	(104,285)	(369,449)	(327,228)
Total All Other	(124,668)	(103,633)	(368,303)	(323,817)
Total income from operations	$ 9,184	$ 34,367	$ 39,871	$ 90,915

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Business Overview

Allscripts is a leading provider of clinical, financial, connectivity and information solutions and related professional services that empower hospitals, physicians and post-acute organizations, such as nursing homes, to deliver world-class outcomes. We deliver innovative solutions that provide healthcare professionals with the information, insights and connectivity required to transform healthcare by improving the quality and efficiency of patient care.

We primarily derive our revenue from sales of our proprietary software and related hardware, professional services and IT outsourcing services. These sales also are the basis for our recurring service contracts for software maintenance and certain transaction processing services. Prior to this year, we used three reportable segments: Clinical Solutions, Hospital Solutions, and Health Solutions. In connection with the integration of the Eclipsys operations, in 2012 we realigned certain functions within our business. This realignment included the integration of our sales and services functions in the first quarter of 2012 as well as our solutions research and development team. After the realignment and based on the information used by management for making operating decisions and assessing performance, we identified the following reportable segments: Software Delivery, Services Delivery, Client Support, Pathway Solutions and IT Outsourcing.

We believe that the HITECH Act and other provisions provided by the American Recovery and Reinvestment Act (ARRA) will continue to be one of the biggest drivers of healthcare IT adoption in 2012. Management believes that to date the HITECH program has resulted in additional related new orders for all of our Electronic Health Record (“EHR”) products. Large physician groups will continue to purchase EHR technology; however, the number of very large practices with over 100 physicians that have not yet acquired such technology is decreasing. Such practices may choose to replace older EHR technology in the future as “meaningful use” regulatory requirements and business realities dictate the need for updates and upgrades, as well as additional features and functionality.

We believe small- and medium-sized physician practices (those with three or fewer physicians, and four to 40 physicians, respectively) are increasingly adopting technology driven by a variety of factors, including a desire to maximize federal incentive payments, align with local hospitals, and merge with other practices, as well as other drivers. These offices typically require less time to implement and train than larger offices, so the need to plan implementations well in advance is not as critical as in larger physician organizations.

We have also seen an evolution of buying decisions toward an increase in local community-based buying activity whereby individual hospitals, health systems and integrated delivery networks are subsidizing the purchase of EHR licenses or related services for local, affiliated physicians and across their employed physician base as part of an offer to leverage buying power and help those practices take advantage of the HITECH incentives. This activity has also resulted in a pull-through effect where smaller practices affiliated with a community hospital are incited to participate in the incentive program while the subsidizing health system expands connectivity within the local provider community. This pull-through effect has resulted in new orders for Allscripts Professional EHR targeting small- and mid-sized physician practices. Management believes that the focus on new orders driven by the HITECH program and related to EHR and community-based activity will continue to expand as physicians seek to qualify for the HITECH incentives for the first time or upgrade in advance of the start of Stage 2 of the program. The associated challenge we face is to successfully position, sell, implement and support our products to the hospital, health system or integrated delivery network that is subsidizing its affiliated physicians.

The vast majority of our acute care and ambulatory customers continue to focus on achieving “meaningful use” under HITECH. As a result, during the remainder of 2012, much of our professional services deployment capacity will be consumed by demand from our customers who wish to upgrade to the most current releases of our EHR products which are certified as meeting “meaningful use” requirements, as well as those requesting implementation of any additional modules required to achieve “meaningful use.” Our professional services margins could be impacted as we continue to supplement our staff with third-party resources to help meet the demand. We expect this trend to continue into the near future as customers react to the finalized requirements for “meaningful use” Stage 2.

Although we believe that we have taken and continue to take the proper steps to take advantage of the opportunity presented by HITECH, given the effects the law is having on our customers, there can be no assurance that it will continue to result in significant new orders for us in the near term, and if it does, that we will have the capacity to meet the additional market demand in a timely fashion.

Allscripts today provides one of the most comprehensive solution offerings for healthcare organizations of every size and setting. By combining physician-office and post-acute care solutions with enterprise solutions for hospitals and health systems, we offer a unified portfolio of clinical, financial, connectivity and information solutions.

Given the breadth of our solutions portfolio and customer types, we are uniquely positioned to connect physicians, other care providers and patients across all health care provider settings including hospitals, small or large physician practices, post-acute care facilities, or in a home care setting. We continue to compete for net-new opportunities among community hospitals and health systems that are looking to one information technology vendor to provide a single, end-to-end solution across all points of care. We believe our leading market share in the ambulatory space, in particular, gives us a competitive advantage in this regard as hospitals and health systems increasingly seek to leverage the EHR to build referring relationships with independent physicians across the communities they serve.

Additionally, recently enacted public laws reforming the U.S. healthcare system may have an impact on our business. The Patient Protection and Affordable Care Act (H.R. 3590; Public Law 111-148) (“PPACA”) and The Health Care and Education and Reconciliation Act of 2010 (H.R. 4872) (the “Reconciliation Act”), which amends the PPACA (collectively the “Health Reform Laws”), were signed into law in March 2010. The Health Reform Laws contain various provisions which may impact the Company and our customers. Some of these provisions (including Accountable Care Organizations and the Comprehensive Primary Care Initiative) may have a positive impact by requiring the expanded use of electronic health records and analytics tools to participate in certain federal programs, for example, while others, such as those mandating reductions in reimbursement for certain types of providers, may have a negative impact by reducing the resources available to purchase our products. Increases in fraud and abuse enforcement and penalties may also adversely affect participants in the healthcare sector, including the Company. Additionally, conversations continue in Congress around the Medicare Sustainable Growth Rate reimbursement model and possible replacement payment methodologies, some of which would further encourage the adoption of health information technology in order to satisfy possible new requirements tying the report of quality measurements to the receipt of payment through Medicare but which also currently raise ambiguity among physician populations and healthcare organizations.

Such payment and delivery system reform programs as have been launched related to the Medicare program are also increasingly being rolled out at the state level through Medicaid administrators, as well as through the private sector, presenting additional opportunity for us to provide software and services to our clients who participate.

Critical Accounting Policies and Estimates

There were no material changes to our critical accounting policies and estimates as previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011.

Third Quarter 2012 Summary

Bookings, which reflect the value of executed contracts for our solutions, totaled $162 million for the third quarter which is lower compared with our second quarter bookings of $194 million and the prior year bookings of $267 million. Our current quarter results were impacted by clients who delayed decisions due to speculation about Allscripts' future corporate autonomy, and also by clients who continued to delay purchase decisions as they wait for new product releases.

Revenue decreased slightly to $361 million compared with $364 million in the prior year. Increases in maintenance and transaction processing and other revenue categories were offset by decreases in system sales and professional services as we experienced a decline in orders as we continue our efforts to improve product performance and delivery execution. Revenue decreased compared with 2012 second quarter revenue of $370 million. Sequentially we realized an $8 million decrease in system sales and a $5 million decrease in professional services revenue as meaningful use upgrade services decline. These decreases offset an increase in maintenance revenue.

We generated operating cash flows of approximately $31 million in the third quarter which compares with $42 million in the prior year.

Gross research and development spending increased significantly compared with the prior year. We remain on track for approximately $190 million of gross research and development spending in 2012 and the release of several important upgrades, product enhancements and innovative solutions.

In order to better serve our clients and the healthcare market, in October 2012 we publicly announced a plan to standardize our small office electronic health record and practice management systems. As part of this plan, we will converge, over time, our MyWay Electronic Health Record System ("MyWay") and Professional Suite Electronic Health Record System.

We plan to upgrade MyWay clients electing to migrate to the converged platform between January 2013 and September 2013, at no additional cost to the MyWay clients. The upgrade will position MyWay clients for Meaningful Use Stage 2 and ICD-10 compliance, and prepare them for the shift to value-based care that focuses on costs, quality and outcomes. MyWay clients not electing to upgrade will continue to have use of the application.

As a result of the above decision and the related elimination of future cash flows from sales of the MyWay application, we recorded a non-cash charge to earnings in the quarter ended September 30, 2012 related to the impairment of previously capitalized software development costs for MyWay plus the net carrying value of a perpetual license for certain software code incorporated in MyWay totaling $11 million, on a pre-tax basis. Additional non-recurring period costs will be incurred in future quarters to upgrade the MyWay clients that elect to upgrade. The incremental period costs will be partially offset by cost savings we expect to realize through lower development and support costs. The amount of such costs and anticipated savings are not determinable at this time and will ultimately be based on the number of clients electing to migrate.

Also impacting the financial statements for the third quarter is the settlement of an acquired tax position that was included in our liability for uncertain tax benefits prior to the current quarter. Pursuant to an agreement between Misys plc and Allscripts signed in 2010, Misys agreed to indemnify Allscripts against potential contingent tax liabilities for which it could be potentially liable, arising from Allscripts' purchase of Allscripts shares from Misys in 2010. During the three months ended September 30, 2012, we recognized a tax benefit of $16 million related to the settlement of the acquired tax position for an amount less than the carrying value of the uncertain tax liability. Prior to this quarter, our consolidated balance sheet also included a tax indemnification asset related to the uncertain tax liability. Since the settlement amount was less than the carrying value of the indemnification asset, we recorded a write-off of the remaining indemnification asset, which is included in interest income and other (expense), net within the consolidated statement of operations. The resulting charge of $16 million is substantially non-deductible for tax purposes and therefore increases our effective tax rate for the entire year.

On November 8, 2012, we confirmed that in light of the ongoing interest expressed in the Company by third parties, we are evaluating strategic alternatives. There can be no assurance that this process will result in any specific transaction. As stated above, our third quarter bookings were impacted by speculation about Allscripts' future corporate autonomy and the timing of new product releases. These factors are expected to also impact future bookings and results of operations.

Table of Contents

Overview of Consolidated Results

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

(Dollar amounts in thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	% Change	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	% Change
Revenue:						
System sales	$ 35,220	$ 54,646	(35.5%)	$ 116,176	$ 165,420	(29.8%)
Professional services	62,749	65,275	(3.9%)	201,615	179,004	12.6%
Maintenance	119,263	113,244	5.3%	354,295	325,415	8.9%
Transaction processing and other	143,462	130,571	9.9%	423,276	386,036	9.6%
Total revenue	360,694	363,736	(0.8%)	1,095,362	1,055,875	3.7%
Cost of revenue:						
System sales	29,960	39,604	(24.4%)	96,608	110,420	(12.5%)
Professional services	54,534	56,305	(3.1%)	173,260	150,367	15.2%
Maintenance	36,564	32,840	11.3%	108,850	100,963	7.8%
Transaction processing and other	82,600	73,014	13.1%	246,441	204,507	20.5%
Total cost of revenue	203,658	201,763	0.9%	625,159	566,257	10.4%
Gross profit	157,036	161,973	(3.0%)	470,203	489,618	(4.0%)
% of Revenue	43.5%	44.5%		42.9%	46.4%	
Selling, general and administrative expenses	90,412	92,152	(1.9%)	280,020	297,832	(6.0%)
Research and development	37,802	26,032	45.2%	112,164	72,800	54.1%
Asset impairment charges	11,101	0	NM	11,101	0	NM
Amortization of intangible assets	8,537	9,422	(9.4%)	27,047	28,071	(3.6%)
Income from operations	9,184	34,367	(73.3%)	39,871	90,915	(56.1%)
Interest expense	(3,718)	(3,746)	(0.7%)	(11,930)	(16,723)	(28.7%)
Interest income and other (expense), net	(15,845)	425	NM	(15,303)	1,184	NM
(Loss) income before income taxes	(10,379)	31,046	(133.4%)	12,638	75,376	(83.2%)
Benefit (provision) for income taxes	19,754	(11,909)	(265.9%)	10,531	(27,750)	(137.9%)
Effective tax rate	190.3%	38.4%		(83.3%)	36.8%	
Net income	$ 9,375	$ 19,137	(51.0%)	$ 23,169	$ 47,626	(51.4%)

NM – not meaningful

Table of Contents

Revenue

(Dollar amounts in thousands)	Three Months Ended September 30, 2012	2011	% Change	Nine Months Ended September 30, 2012	2011	% Change
Revenue:						
System sales	$ 35,220	$ 54,646	(35.5%)	$ 116,176	$ 165,420	(29.8%)
Professional services	62,749	65,275	(3.9%)	201,615	179,004	12.6%
Maintenance	119,263	113,244	5.3%	354,295	325,415	8.9%
Transaction processing and other	143,462	130,571	9.9%	423,276	386,036	9.6%
Total revenue	360,694	363,736	(0.8%)	1,095,362	1,055,875	3.7%

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

Total revenue decreased slightly during the three months ended September 30, 2012 compared with the prior year comparable period as increases in maintenance and transaction processing and other revenue were offset by decreases in system sales and professional services. Maintenance revenue increased primarily due to new system activations and the increase in transaction processing revenue is attributable to the expansion of IT Outsourcing services to our existing clients and growth in our client base. IT Outsourcing contributed $8 million of the increase in transaction processing and other revenue in addition to increases in SaaS and hosting revenues as we expanded our customer base. Offsetting these increases in revenue is a decrease in system sales which consists of a $12 million decrease in software revenue and an $8 million decrease in hardware revenue attributable to a decline in orders as certain clients and prospects delayed purchase decisions due to speculation about Allscripts' future corporate autonomy and others continued to delay purchase decisions as they wait for new product releases. Additionally, we continue to experience a shift in sales to smaller physician practices which typically require less robust hardware solutions. Professional services revenue decreased compared with the prior year as a result of the decline in orders referenced above and a decrease in consulting services.

Total revenue increased during the nine months ended September 30, 2012 compared with the prior year as we realized increases in all revenue categories with the exception of system sales. The increase in professional services revenue was driven by increases in implementation and consulting services including the implementation of third-party solutions as compared with the prior year. On a year-to-date basis, orders for professional services have declined compared with the prior year which is reflected in the decline in professional services for the current quarter. Maintenance revenue increased primarily due to new system activations and the increase in transaction processing revenue is attributable to the expansion of IT Outsourcing services to our existing clients and growth in our client base. IT Outsourcing revenues contributed $19 million of the increase in transaction processing and other revenue in addition to increases in SaaS and hosting revenues as we expanded our customer base. Partially offsetting these increases in revenue for the nine months ended September 30, 2012 is a decrease in system sales which consists of a $31 million decrease in software revenue and a $18 million decrease in hardware revenue as we experienced a decline in orders as discussed above. Additionally, we continue to experience a shift in sales to smaller physician practices which typically require less robust hardware solutions.

Gross Profit

(Dollar amounts in thousands)	Three Months Ended September 30, 2012	2011	% Change	Nine Months Ended September 30, 2012	2011	% Change
Total cost of revenue	203,658	201,763	0.9%	625,159	566,257	10.4%
Gross profit	157,036	161,973	(3.0%)	470,203	489,618	(4.0%)
% of Revenue	43.5%	44.5%		42.9%	46.4%	

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

Gross profit decreased during the three months ended September 30, 2012 as we realized a decrease in revenues while costs of revenue increased primarily due to an increase in transaction processing and other costs as we added headcount and made infrastructure improvements in response to increased demand for our SaaS and hosting solutions. This increase and a $3 million increase in the amortization of software development costs were partially offset by decreases in costs of revenue associated with lower system sales and professional services revenue. Gross profit as a percent of revenue declined compared with the prior year due primarily to a higher mix of third-party systems sales which carry lower gross margin, the increases in amortization of software development costs and transaction processing-related costs discussed above, and lower utilization of professional services resources.

Gross profit decreased during the nine months ended September 30, 2012 as the increase in total revenue was offset by an increase in costs of revenue compared with the prior year comparable period as we recognized a $9 million increase in the amortization of software development costs and an increase in professional services cost of revenue primarily due to a higher mix of third-party systems sales that are more costly to implement, which offset an increase in professional services revenue. Gross profit was further impacted by an increase in transaction processing and other revenue that was offset by higher costs as we added headcount and made infrastructure improvements in response to increased demand for our SaaS and hosting solutions. Gross profit as a percent of revenue declined compared with the prior year due primarily to a higher mix of third-party systems sales which carry lower gross margin and the increases in amortization of software development costs, professional services costs and transaction processing-related costs.

Selling, General and Administrative Expenses

(Dollar amounts in thousands)	Three Months Ended September 30, 2012	2011	% Change	Nine Months Ended September 30, 2012	2011	% Change
Selling, general and administrative expenses	90,412	92,152	(1.9%)	280,020	297,832	(6.0%)

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

Selling, general and administrative expenses during the three months ended September 30, 2012 were flat compared to the prior year. During the nine months ended September 30, 2012, selling, general and administrative expenses decreased compared with the prior year due to a decrease in expenses incurred relating to the Eclipsys Merger and other non-recurring costs and a decrease in people-related expenses. Partially offsetting these decreases is an increase in legal expenses related to general legal matters, including expenses related to addressing legal claims involving the Company.

Research and Development

(Dollar amounts in thousands)	Three Months Ended September 30, 2012	2011	% Change	Nine Months Ended September 30, 2012	2011	% Change
Research and development	$37,802	$26,032	45.2%	$112,164	$72,800	54.1%

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

Research and development expenses increased in the three and nine months ended September 30, 2012 primarily due to an increase in people-related expenses as we increased headcount in order to accelerate development efforts to improve performance and accelerate product integration and innovation. Also contributing to the increase for the three and nine months ended September 30, 2012 is a decrease in the capitalization of software development costs as certain quality and efficiency development efforts were not eligible for capitalization.

Asset Impairment Charges

(Dollar amounts in thousands)	Three Months Ended September 30, 2012	2011	% Change	Nine Months Ended September 30, 2012	2011	% Change
Asset impairment charges	$11,101	$ 0	NM	$11,101	$ 0	NM

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

In October 2012, we publicly announced a plan to standardize our small office electronic health record and practice management systems and converge, over time, our MyWay application with our Professional Suite Electronic Health Record System. As a result of this decision and the related elimination of future cash flows from sales of the MyWay application, we recorded asset impairment charges during the three months ended September 30, 2012 related to the impairment of previously capitalized software development costs for our MyWay Electronic Health Record application plus the net carrying value of a perpetual license for certain software code incorporated in MyWay.

Amortization of Intangible Assets

(Dollar amounts in thousands)	Three Months Ended September 30, 2012	2011	% Change	Nine Months Ended September 30, 2012	2011	% Change
Amortization of intangible assets	$8,537	$9,422	(9.4%)	$27,047	$28,071	(3.6%)

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

Amortization of intangible assets recognized during the three and nine months ended September 30, 2012 decreased compared with the prior year comparable periods as certain amortization periods ended and intangible asset amounts were fully amortized.

Table of Contents

Interest Expense

(Dollar amounts in thousands)	Three Months Ended September 30, 2012	2011	% Change	Nine Months Ended September 30, 2012	2011	% Change
Interest expense	($3,718)	($3,746)	(0.7%)	($11,930)	($16,723)	(28.7%)

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

Interest expense increased during the three months ended September 30, 2012 compared to the prior year due to increased debt outstanding associated with the incremental term loan executed in June 2012. Interest expense for the nine months ended September 30, 2012 is lower compared to the prior year due to lower average debt balances in 2012. Also, interest expense for the nine months ended September 30, 2011 includes the write-off of deferred debt issuance costs totaling $2 million in connection with the execution of an amendment to our credit facility agreement.

Interest Income and Other (Expense), Net

(Dollar amounts in thousands)	Three Months Ended September 30, 2012	2011	% Change	Nine Months Ended September 30, 2012	2011	% Change
Interest income and other (expense), net	($15,845)	$425	NM	($15,303)	$1,184	NM

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

Interest income and other (expense), net for the three and nine months ended September 30, 2012 includes a $16 million write-off of a tax indemnification asset due to the settlement of the related acquired tax position indemnified by Misys plc for an amount less than the carrying value of the indemnification asset.

Provision for Income Taxes

(Dollar amounts in thousands)	Three Months Ended September 30, 2012	2011	% Change	Nine Months Ended September 30, 2012	2011	% Change
Benefit (provision) for income taxes	$19,754	($11,909)	(265.9%)	$10,531	($27,750)	(137.9%)
Effective tax rate	190.3%	38.4%		(83.3%)	36.8%	

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

The effective tax rate for the three and nine months ended September 30, 2012 includes a $16 million tax benefit related to the settlement of an acquired tax position for an amount less than the carrying value of the uncertain tax liability. Accordingly, in the current quarter we recognized a tax benefit and decreased our liability for unrecognized tax benefits.

The acquired tax position referenced above was indemnified by Misys plc and a related tax indemnification asset was previously included within other assets in our consolidated balance sheet. Since the settlement amount was less than the carrying value of the indemnification asset, we recorded a write-off of the remaining indemnification asset, which is included in interest income and other within the consolidated statement of operations. The resulting charge of $16 million is substantially non-deductible for tax purposes and therefore increases the effective tax rate for the entire year.

Excluding the effects of these items, our effective tax rate for the three and nine months ended September 30, 2012 is lower compared to the prior year due to a higher mix of foreign income taxed at lower rates and lower state tax expense.

Table of Contents

Segment Operations

Overview of Segment Results

(Dollar amounts in thousands)	Three Months Ended September 30, 2012	2011	% Change	Nine Months Ended September 30, 2012	2011	% Change
Revenue:						
Software Delivery	$ 77,229	$ 95,751	(19.3%)	$ 244,773	$ 283,275	(13.6%)
Services Delivery	62,462	64,080	(2.5%)	197,669	177,805	11.2%
Client Support	118,315	113,142	4.6%	353,674	332,009	6.5%
Pathway Solutions	42,796	41,296	3.6%	130,117	124,301	4.7%
IT Outsourcing	41,261	33,733	22.3%	119,262	100,855	18.3%
All Other						
Remote Hosting	17,854	18,151	(1.6%)	52,790	52,235	1.1%
Unallocated Amounts	777	(2,417)	(132.1%)	(2,923)	(14,605)	(80.0%)
Total All Other	18,631	15,734	18.4%	49,867	37,630	32.5%
Total revenue	$ 360,694	$ 363,736	(0.8%)	$1,095,362	$1,055,875	3.7%
Income from operations:						
Software Delivery	$ 9,223	$ 19,935	(53.7%)	$ 34,296	$ 62,332	(45.0%)
Services Delivery	8,390	7,088	18.4%	26,033	24,675	5.5%
Client Support	81,143	78,973	2.7%	242,828	228,466	6.3%
Pathway Solutions	26,118	25,859	1.0%	79,719	79,620	0.1%
IT Outsourcing	8,978	6,145	46.1%	25,298	19,639	28.8%
All Other						
Remote Hosting	668	652	2.5%	1,146	3,411	(66.4%)
Unallocated Amounts	(125,336)	(104,285)	20.2%	(369,449)	(327,228)	12.9%
Total All Other	(124,668)	(103,633)	20.3%	(368,303)	(323,817)	13.7%
Total income from operations	$ 9,184	$ 34,367	(73.3%)	$ 39,871	$ 90,915	(56.1%)

Software Delivery

Software delivery primarily includes revenue from system solutions, which is comprised of software license fees and hardware revenue, and recurring revenue from SaaS contracts and other subscription-based arrangements, which are included in transaction processing and other, and the related expenses incurred to deliver these solutions to our clients.

	Three Months Ended September 30,			Nine Months Ended September 30,		
(Dollar amounts in thousands)	2012	2011	% Change	2012	2011	% Change
Revenue	$77,229	$95,751	(19.3%)	$244,773	$283,275	(13.6%)
Income from operations	$ 9,223	$19,935	(53.7%)	$ 34,296	$ 62,332	(45.0%)
Operating margin %	11.9%	20.8%		14.0%	22.0%	

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

Software delivery revenue decreased during the three and nine months ended September 30, 2012 due to a decrease in system sales which consists of a $12 million and $31 million decrease in software revenue, respectively, and an $8 million and $18 million decrease in hardware revenue, respectively, as we experienced a decline in orders as certain clients and prospects delayed purchase decisions due to speculation about Allscripts' future corporate autonomy and others continued to delay purchase decisions as they wait for new product releases. Additionally, we continue to experience a shift in sales to smaller physician practices which typically require less robust hardware solutions. Partially offsetting these decreases was an increase in SaaS and subscription-based revenues during the three and nine months ended September 30, 2012 as we expanded our customer base.

Software delivery operating margins declined in the three and nine months ended September 30, 2012 due to a higher mix of third-party systems sales which carry higher costs, an increase in amortization of software development costs and an increase in SaaS operations and infrastructure costs in response to increased demand for our SaaS solutions compared with the same periods in 2011.

Services Delivery

Services delivery derives its revenue through implementation, training and other professional services provided to clients and includes the related expenses incurred to provide these services.

(Dollar amounts in thousands)	Three Months Ended September 30, 2012	2011	% Change	Nine Months Ended September 30, 2012	2011	% Change
Revenue	$62,462	$64,080	(2.5%)	$197,669	$177,805	11.2%
Income from operations	$ 8,390	$ 7,088	18.4%	$ 26,033	$ 24,675	5.5%
Operating margin %	13.4%	11.1%		13.2%	13.9%	

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

Services delivery revenue decreased during the three months ended September 30, 2012 compared with the prior year as a result of the decline in systems orders and a decrease in consulting services.

The increase in services delivery revenue during the nine months ended September 30, 2012 is attributable to increases in implementation and consulting services including the implementation of third-party solutions as compared with the prior year. On a year-to-date basis, orders for professional services have declined compared with the prior year which is reflected in the decline in professional services for the current quarter.

Services delivery operating margin increased during the three months ended September 30, 2012 as we decreased people-related costs in response to the decline in orders. Operating margin declined in the nine months ended September 30, 2012 primarily due to the incremental costs incurred to implement a higher mix of third-party systems sales that are more costly to implement.

Table of Contents

Client Support

Client support derives its revenue through software and hardware maintenance contracts and includes the related expenses incurred to provide support to our customers.

(Dollar amounts in thousands)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	% Change	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	% Change
Revenue	$118,315	$113,142	4.6%	$353,674	$ 332,009	6.5%
Income from operations	$ 81,143	$ 78,973	2.7%	$242,828	$228,466	6.3%
Operating margin %	68.6%	69.8%		68.7%	68.8%	

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

Client support revenue increased during the three and nine months ended September 30, 2012 due to increases in our client base and customer activations compared to the prior year comparable periods.

Client support operating margin for the three months ended September 30, 2012 decreased slightly compared with the prior year as people-related and infrastructure expenses increased, and remained flat for the nine months ended September 30, 2012.

Pathway Solutions

Pathway solutions includes revenue and the related expenses for financial, administrative, and clinical offerings, including medical claims processing and other Revenue Cycle Solutions, ePrescribe and Patient Portal.

(Dollar amounts in thousands)	Three Months Ended September 30,			Nine Months Ended September 30,		
	2012	2011	% Change	2012	2011	% Change
Revenue	$42,796	$ 41,296	3.6%	$130,117	$124,301	4.7%
Income from operations	$26,118	$25,859	1.0%	$ 79,719	$ 79,620	0.1%
Operating margin %	61.0%	62.6%		61.3%	64.1%	

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

Pathway solutions revenue increased during the three and nine months ended September 30, 2012 primarily due to an increase in demand for our solutions.

Pathway solutions operating margin decreased in the three and nine months ended September 30, 2012 as we incurred increased costs in response to demand for our solutions.

Table of Contents

IT Outsourcing

IT outsourcing includes revenue from our information technology outsourcing solutions and includes the related expenses incurred to deliver these solutions to our clients.

(Dollar amounts in thousands)	Three Months Ended September 30, 2012	2011	% Change	Nine Months Ended September 30, 2012	2011	% Change
Revenue	$41,261	$33,733	22.3%	$119,262	$100,855	18.3%
Income from operations	$ 8,978	$6,145	46.1%	$ 25,298	$ 19,639	28.8%
Operating margin %	21.8%	18.2%		21.2%	19.5%	

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

IT outsourcing revenue increased during the three and nine months ended September 30, 2012 primarily due to expanded service solutions to existing customers while also expanding our customer base.

IT outsourcing operating margin increased during the three and nine months ended September 30, 2012 as increases in revenue were partially offset by increases in headcount-related costs as we responded to the increased demand for our IT outsourcing solutions.

Table of Contents

All Other

Corporate general and administrative expenses are centrally managed and solutions research and development expenses, including amortization of capitalized software development costs, are not attributed to an operating segment. As a result, these expenses are not allocated to our reportable segments because they are not part of the segment profitability results reviewed by management.

In determining revenue and income from operations for our segments, we do not include the amortization of acquisition-related deferred revenue adjustments in revenue and we exclude amortization of intangible assets and stock-based compensation expense from the operating expense segment data provided to our chief operating decision maker. Accordingly, these amounts are not included in our reportable segment results and are included in the unallocated amounts within All Other.

	Three Months Ended September 30,			Nine Months Ended September 30,		
(Dollar amounts in thousands)	2012	2011	% Change	2012	2011	% Change
Revenue:						
Remote Hosting	$ 17,854	$ 18,151	(1.6%)	$ 52,790	$ 52,235	1.1%
Unallocated Amounts	777	(2,417)	(132.1%)	(2,923)	(14,605)	(80.0%)
Total revenue	$ 18,631	$ 15,734	18.4%	$ 49,867	$ 37,630	32.5%
Income from operations:						
Remote Hosting	$ 668	$ 652	2.5%	$ 1,146	$ 3,411	(66.4%)
Unallocated Amounts	(125,336)	(104,285)	20.2%	(369,449)	(327,228)	12.9%
Total income from operations	($ 124,668)	($ 103,633)	20.3%	($ 368,303)	($ 323,817)	13.7%

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

The financial information above includes revenue primarily from our Remote Hosting operating segment and similar amounts of operating expenses related to this segment are included in income from operations for all periods presented. Operating income for the nine months ended September 30, 2012 has decreased compared to the prior year period due to increased infrastructure costs incurred to accommodate software upgrades.

Expenses increased during the three and nine months ended September 30, 2012 primarily due to an increase in research and development headcount. Also contributing to the increase are higher legal expenses in connection with general legal matters, including expenses related to addressing claims involving the Company, and a $3 million and $9 million increase, respectively, in amortization of software development costs compared to the prior year. These increases were partially offset by a decrease in expenses incurred relating to the Eclipsys Merger and other non-recurring costs. Additionally, during the three months ended September 30, 2012, we recorded asset impairment charges totaling $11 million that are not attributable to an operating segment.

Table of Contents

Contract Backlog

Contract backlog represents the value of bookings and maintenance contracts that have not yet been recognized as revenue. A summary of contract backlog by revenue category is as follows:

(Dollar amounts in millions)	As of September 30, 2012	As of December 31, 2011	As of September 30, 2011	% Change from September 30, 2012 December 31, 2011	% Change from September 30, 2012 September 30, 2011
Contract backlog:					
System sales	$ 111	$ 136	$ 125	(18.4%)	(11.2%)
Professional services	395	393	352	0.5%	12.2%
Maintenance	860	833	797	3.2%	7.9%
Transaction processing and other	1,461	1,492	1,496	(2.1%)	(2.3%)
Total contract backlog	$ 2,827	$ 2,854	$ 2,770	(0.9%)	2.1%

Total contract backlog as of September 30, 2012 remained flat compared with December 31, 2011 as an increase in maintenance revenue backlog was offset by decreases in systems sales and transaction processing and other backlog categories. Maintenance revenue backlog increased as a result of new client go-lives as well as maintenance renewals in our installed base. System sales backlog declined as we experienced a decline in orders during the nine months ended September 30, 2012 as we continue our efforts to improve product performance and delivery execution.

Total contract backlog increased during the nine months ended September 30, 2012 compared with the prior year comparable period primarily due to an increase in maintenance revenue backlog as a result of new client go-lives as well as maintenance renewals in our installed base.

Bookings

Bookings reflect the value of executed contracts for software, hardware, services, remote hosting, outsourcing and SaaS. Bookings were as follows:

(Dollar amounts in millions)	Three Months Ended September 30, 2012	Three Months Ended September 30, 2011	Three Months Ended September 30, % Change	Nine Months Ended September 30, 2012	Nine Months Ended September 30, 2011	Nine Months Ended September 30, % Change
Bookings	$162	$267	(39.3%)	$551	$724	(23.9%)

We experienced a decline in bookings during the three and nine months ended September 30, 2012 compared with the prior year comparable periods as certain clients and prospects delayed purchase decisions due to speculation about Allscripts' future corporate autonomy and others continued to delay purchase decisions as they wait for new product releases.

Table of Contents

Liquidity and Capital Resources

As of September 30, 2012 and 2011, our principal sources of liquidity consisted of cash, cash equivalents and marketable securities of $95 million and $86 million, respectively, and our revolving credit facility described below. The change in our cash balance is reflective of the following:

Operating Cash Flow Activities

	Nine Months Ended September 30,		
(In thousands)	2012	2011	$ Change
Net income	$ 23,169	$ 47,626	($ 24,457)
Non-cash adjustments to net income	149,283	149,600	(317)
Cash impact of changes in operating assets and liabilities	(7,904)	(35,901)	27,997
Net cash provided by operating activities	$164,548	$161,325	$ 3,223

Nine Months Ended September 30, 2012 Compared to the Nine Months Ended September 30, 2011

Net cash provided by operating activities increased in the nine months ended September 30, 2012 as cash received from customers increased at a faster rate than operating disbursements compared to the same period in 2011.

Table of Contents

Investing Cash Flow Activities

(In thousands)	Nine Months Ended September 30, 2012	2011	$ Change
Capital expenditures	($55,481)	($ 33,301)	($22,180)
Capitalized software	(39,340)	(46,529)	7,189
Net (purchases) sales and maturities of marketable securities and other investments	84	(12,857)	12,941
Proceeds received from sale of fixed assets	0	20,000	(20,000)
Change in restricted cash	0	2,225	(2,225)
Net cash used in investing activities	($ 94,737)	($ 70,462)	($24,275)

Nine Months Ended September 30, 2012 Compared to the Nine Months Ended September 30, 2011

Net cash used in investing activities increased during the nine months ended September 30, 2012 due to an increase in capital expenditures which was partially offset by a decrease in capitalized software development costs. Also, the prior year includes the acquisition of cost method investments, the release of restricted cash, and proceeds from the sale of certain hosting equipment and infrastructure that did not recur in the current period. The increase in capital expenditures is related to the acquisition of computer equipment and software to improve our information systems infrastructure and to accommodate data management and hosting related to our SaaS and hosting solutions. The capitalization of software development costs decreased as certain quality and efficiency development efforts were not eligible for capitalization.

Financing Cash Flow Activities

(In thousands)	Nine Months Ended September 30, 2012	2011	$ Change
Proceeds from issuance of common stock	$ 4,042	$ 27,481	($ 23,439)
Excess tax benefits from stock-based compensation	609	4,688	(4,079)
Taxes paid related to net share settlement of equity awards	(4,352)	(2,179)	(2,173)
Net payments on debt instruments	(233,894)	(161,570)	(72,324)
Credit facility borrowings, net of issuance costs	324,035	47,193	276,842
Repurchase of common stock	(225,961)	(50,051)	(175,910)
Net cash used in financing activities	($ 135,521)	($ 134,438)	($ 1,083)

Nine Months Ended September 30, 2012 Compared to the Nine Months Ended September 30, 2011

Net cash used in financing activities increased during the nine months ended September 30, 2012 due primarily to the increased level of activity under our stock repurchase program. This increase was partially offset by net borrowings under our credit facility which were used to finance stock repurchases during the current period. Proceeds from stock-based compensation activities were lower compared to the same period in 2011 and excess tax benefits from stock-based compensation declined as the fair value of equity awards vesting during the current period was more aligned with the fair value of the awards on the date of grant. Also, the current period includes an increase in net-share settlements of vested equity awards such that we withheld shares with value equivalent to the employees' minimum statutory obligation for the applicable income and other employment taxes and remitted the cash to the appropriate taxing authorities.

Free Cash Flow

To supplement our statements of cash flows presented on a GAAP basis, we use a non-GAAP measure of free cash flow which we believe is also useful as one of the bases for evaluating our performance. We believe free cash flow is an important liquidity metric, as it measures the amount of cash generated that is available to repay our current debt obligations, make investments, fund acquisitions, repurchase our common stock and for certain other activities. The presentation of non-GAAP free cash flow is not meant to be considered in isolation and should not be considered a substitute for income from operations, net income, net cash provided by operating activities or any other measure determined in accordance with GAAP. Operating asset and liability balances can fluctuate significantly from period to period and there can be no assurance that free cash flow will not be negatively impacted by material changes in operating assets and liabilities in future periods, since these changes depend upon, among other things, management’s timing of payments and cash receipts. In addition to fluctuations resulting from changes in operating assets and liabilities, free cash flow can vary significantly from period to period depending upon, among other things, operating efficiencies, increases or decreases in capital expenditures and capitalized software, and other factors.

We calculate free cash flow as follows:

	Nine Months Ended September 30,		
(In thousands)	2012	2011	$ Change
Net cash provided by operating activities	$164,548	$161,325	$ 3,223
Capital expenditures	(55,481)	(33,301)	(22,180)
Capitalized software	(39,340)	(46,529)	7,189
Free cash flow	$ 69,727	$ 81,495	($11,768)

Amounts for each element of the table above are as reported in our consolidated statements of cash flows presented in accordance with GAAP.

Future Capital Requirements

On June 11, 2012, we entered into an Incremental Assumption Agreement (the "Agreement") with J. P. Morgan Securities LLC, Mizuho Corporate Bank, LTD., SunTrust Robinson Humphrey, Inc. and other participating lenders to borrow additional amounts under our existing Amended and Restated Credit Agreement (the "Credit Agreement") in the form of a new incremental term loan. Proceeds from the incremental term loan of $150 million were used to partially refinance the $175 million outstanding under our revolving credit facility, which is provided for in the Credit Agreement. We also made a voluntary repayment of the revolver totaling $20 million at the time of the refinancing. The interest rate charged, debt covenants and other terms that apply to the term loan are defined by the terms of the Credit Agreement.

The following table summarizes our future payments under the senior secured credit facilities including the incremental term loan as of September 30, 2012:

(Dollar amounts in thousands)	Principal Payments	Interest Payments	Total Payments
Remaining payments due in 2012	$ 17,616	$ 3,127	$ 20,743
Payments due in 2013	78,770	11,098	89,868
Payments due in 2014	104,698	8,429	113,127
Payments due in 2015	199,395	4,726	204,121
Payments due in 2016	58,603	589	59,192
Thereafter	0	0	0
	$ 459,082	$27,969	$487,051

As of September 30, 2012, $459 million in term loans, $0 million under the revolving credit facility, and $1 million in letters of credit were outstanding under the Credit Agreement. As of September 30, 2012, the interest rate on the senior secured credit facilities was LIBOR plus 2.00%, which totaled 2.22%. Refer to Note 9, "Derivative Financial Instruments," of the Notes to Consolidated Financial Statements in Part I, Item 1 of this report for a discussion of our interest rate swap agreement. There was no default under the Credit Agreement as of September 30, 2012.

As of September 30, 2012, we had $249 million available, net of outstanding letters of credit, under our revolving credit facility. There can be no assurance that we will be able to draw on the full available balance of our Credit Agreement if the financial institutions that have extended such credit commitments become unwilling or unable to fund such borrowings.

On March 31, 2011, we entered into a ten year agreement with Affiliated Computer Services, Inc. (“ACS”) to provide services to support our remote hosting services for our Sunrise acute care clients. We will maintain all customer relationships and domain expertise with respect to the hosted applications. The agreement encompasses our payment to ACS for current Allscripts’ employees to be retained by ACS from our hosting staff, new remote hosting staff and technology infrastructure, as well as other data center and hosting services, in the amount of approximately $50 million per year.

In April 2011, our Board of Directors approved a stock repurchase program under which we may purchase up to $200 million of our common stock over three years expiring on May 9, 2014 or such earlier time that the total dollar amount authorized by these resolutions has been used. In April 2012, our Board of Directors approved the repurchase of an additional $200 million bringing the total repurchase authorization to $400 million. Any share repurchases may be made through open market transactions, block trades, privately negotiated transactions (including accelerated share repurchase transactions) or other means. Any repurchase activity will depend on factors such as our working capital needs, cash requirements for investments, debt repayment obligations, our stock price, and economic and market conditions. Our stock repurchase program may be accelerated, suspended, delayed or discontinued at any time. Refer to “Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities” in Part II, Item 2 of this report for additional information regarding our stock repurchase program.

We currently plan to invest over $190 million in research and development efforts during 2012 to improve performance and accelerate product integration and innovation. Our total spending consists of research and development costs directly recorded to expense and also includes capitalized software development costs. To supplement our statement of operations, the table below presents a non-GAAP measure of research and development-related expenditures which we believe is a useful metric for evaluating how we are investing in innovation.

(Dollar amounts in thousands)	Nine Months Ended September 30, 2012
Research and development costs directly recorded to expense	$ 112,164
Capitalized software development costs	39,340
Total non-GAAP R&D-related expense	$ 151,504
Total revenue	$1,095,362
Total expense as a % of total revenue	14%

We believe that our cash, cash equivalents and marketable securities of $95 million as of September 30, 2012, our future cash flows, and our borrowing capacity under our Amended and Restated Credit Agreement, taken together, provide adequate resources to fund ongoing cash requirements for the next twelve months. We cannot provide assurance that our actual cash requirements will not be greater than we expect as of the date of this report. We will, from time to time, consider the acquisition of, or investment in, complementary businesses, products, services and technologies, and the purchase of our common stock under our stock repurchase program which might impact our liquidity requirements or cause us to issue additional equity or debt securities.

If sources of liquidity are not available or if we cannot generate sufficient cash flow from operations during the next twelve months, we might be required to obtain additional sources of funds through additional operating improvements, capital market transactions, asset sales or financing from third parties, a combination thereof or otherwise. We cannot provide assurance that these additional sources of funds will be available or, if available, would have reasonable terms.

Contractual Obligations, Commitments and Off Balance Sheet Arrangements

We have various contractual obligations, which are recorded as liabilities in our consolidated financial statements. Other items, such as operating lease contract obligations, are not recognized as liabilities in our consolidated financial statements but are required to be disclosed.

During the three months ended September 30, 2012, we settled the acquired tax position related to the Misys share repurchase that occurred in 2010. Accordingly, we decreased our liability for unrecognized tax benefits by approximately $29 million.

With the exception of the settlement of an acquired tax position discussed above and additional amounts borrowed under our existing Credit Agreement described above under Future Capital Requirements, there were no material changes, outside of the ordinary course of business, to our contractual obligations and other related matters previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011.

Recent Accounting Pronouncements

For information with respect to recent accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 1 of the Notes to Consolidated Financial Statements in Part I, Item 1 of this report.

Safe Harbor for Forward-Looking Statements

This report contains forward-looking statements within the meaning of the federal securities laws that involve risks and uncertainties. We develop forward-looking statements by combining currently available information with our beliefs and assumptions. These statements relate to future events, including our future performance, and management's expectations, beliefs, intentions, plans or projections relating to the future and some of these statements can be identified by the use of forward-looking terminology such as "believes," "expects," "anticipates," "estimates," "projects," "intends," "seeks," "future," "continue," "contemplate," "would," "will," "may," "should," and the negative or other variations of those terms or comparable terminology or by discussion of strategy, plans, opportunities or intentions. As a result, actual results, performance or achievements may vary materially from those anticipated by the forward-looking statements.

Among the factors that could cause actual results, performance or achievements to differ materially from those indicated by such forward-looking statements are:

- the risk that we will not achieve the strategic benefits of the August 24, 2010 merger with Eclipsys Corporation (the "Eclipsys Merger"), or that the Allscripts and Eclipsys operations and products will not be integrated successfully;
- the possibility that the expected synergies and cost savings of the Eclipsys Merger will not be realized, or will not be realized within the expected time period;
- the impact of the realignment of our sales and services organization;
- the possibility that our current initiatives focused on product delivery, client experience and financial performance may not be successful;
- potential difficulties or delays in achieving platform and product integration and the connection and movement of data among hospitals, physicians, patients and others;
- competition within the industries in which we operate, including the risk that existing clients will switch to products of competitors;
- failure to achieve interoperability certification pursuant to the Health Information Technology for Economic and Clinical Health Act, with resulting increases in development and other costs for us and possibly putting us at a competitive disadvantage in the marketplace;
- the volume and timing of systems sales and installations, the length of sales cycles and the installation process and the possibility that our products will not achieve or sustain market acceptance;
- the timing, cost and success or failure of new product and service introductions, development and product upgrade releases;
- we may incur costs relating to the standardization of our small office electronic health record and practice management systems that could adversely affect our results of operations;
- competitive pressures including product offerings, pricing and promotional activities;
- our ability to establish and maintain strategic relationships;
- errors or similar problems in our software products or other product quality issues;
- the outcome of any legal proceeding that has been or may be instituted against us and others;
- compliance obligations under existing laws, regulations and industry initiatives, including increasing enforcement activity in respect of anti-bribery, fraud and abuse and similar laws, and future changes in laws or regulations in the healthcare industry, including possible regulation of our software by the U.S. Food and Drug Administration;
- the possibility of product-related liabilities;
- our ability to attract and retain qualified personnel;
- the implementation and speed of acceptance of the electronic record provisions of the American Recovery and Reinvestment Act of 2009, as well as elements of the Patient Protection and Affordable Care Act (aka health reform) which pertains to healthcare IT adoption;
- maintaining our intellectual property rights and litigation involving intellectual property rights;
- legislative, regulatory and economic developments;
- risks related to third-party suppliers and our ability to obtain, use or successfully integrate third-party licensed technology;
- breach of data security by third parties and unauthorized access to patient health information by third parties;
- the effects and results of the Company's evaluation of strategic alternatives are uncertain; and
- those factors discussed in "Risk Factors" in our periodic filings with the Securities and Exchange Commission (the "SEC").

We make these statements under the protection afforded by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Because forward-looking statements are subject to assumptions and uncertainties, actual results, performance or achievements may differ materially from those expressed or implied by such forward-looking statements. Stockholders are cautioned not to place undue reliance on such statements, which speak only as of the date such statements are made. Except to the extent required by applicable law or regulation, Allscripts undertakes no obligation to revise or update any forward-looking statement, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

During the three and nine months ended September 30, 2012, there were no significant changes to our quantitative and qualitative disclosures about market risk. Please refer to Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk included in our Annual Report on Form 10-K for our fiscal year ended December 31, 2011 for a more complete discussion of the market risks we encounter.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

On October 29, 2012, our recently appointed Chief Financial Officer commenced employment with the Company. However, since our Interim Chief Financial Officer is acting as the principal financial officer at the time of filing this Form 10-Q for the three months ended September 30, 2012, our Interim Chief Financial Officer will provide certification regarding the effectiveness of our disclosure controls and procedures.

As of September 30, 2012, our management, including our Chief Executive Officer and Interim Chief Financial Officer, have reviewed and evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b). Based on their review and evaluation, the Chief Executive Officer and Interim Chief Financial Officer have concluded that our disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended September 30, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

We hereby incorporate by reference Note 10, "Contingencies," of the Notes to Consolidated Financial Statements in Part I, Item 1 of this report.

Item 1A. Risk Factors

Our Annual Report on Form 10-K for the year ended December 31, 2011 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 include a detailed discussion of certain material risk factors facing us. The information presented below describes additions to such risk factors and should be read in conjunction with the risk factors and information disclosed in our Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

We will incur costs relating to the standardization of our small office electronic health record and practice management systems that could adversely affect our results of operations.

In order to better serve our clients and the healthcare market, in October 2012 we initiated a plan to standardize our small office electronic health record and practice management systems. As part of this plan, we will converge, over time, our MyWay Electronic Health Record System ("MyWay") and Professional Suite Electronic Health Record System. We plan to upgrade MyWay clients electing to migrate to the converged platform between January 2013 and September 2013, at no additional cost to the MyWay clients. The upgrade will position MyWay clients for Meaningful Use Stage 2 and ICD-10 compliance, and prepare them for the shift to value-based care that focuses on costs, quality and outcomes. MyWay clients not electing to upgrade will continue to have use of the application. As a result of this decision, we recorded a non-cash charge to earnings in the quarter ended September 30, 2012 related to the impairment of previously capitalized software development costs for MyWay plus the net carrying value of a perpetual license for certain software code incorporated in MyWay totaling $11 million, on a pre-tax basis. Additional non-recurring period costs will be incurred in future quarters to upgrade the MyWay clients that elect to upgrade. The incremental period costs will be partially offset by cost savings we expect to realize through lower development and support costs. The amount of such costs and anticipated savings are not determinable at this time and will ultimately be based on the number of clients electing to migrate. Moreover, the costs associated with this upgrade initiative could exceed our expectations and, accordingly, adversely affect our results of operations.

The effects and results of the Company's evaluation of strategic alternatives are uncertain.

On November 8, 2012, we announced that the Company is evaluating strategic alternatives. There can be no assurance that this process will lead to a transaction. In addition, this process may distract the attention of our Board of Directors and management from our business, cause us to incur significant expenses pursuing one or more transactions unsuccessfully, or impair our relationships with customers, suppliers, business partners and employees. Certain prospective customers may delay or decline purchases of our products while this process is ongoing. If we are unable to effectively manage these risks, our business, financial condition or results of operations may be adversely affected.

Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities

In April 2011, our Board of Directors approved a stock repurchase program under which we may purchase up to $200 million of our common stock over three years expiring on May 9, 2014 or such earlier time that the total dollar amount authorized by these resolutions has been used. In April 2012, our Board of Directors approved the repurchase of an additional $200 million bringing the total repurchase authorization to $400 million. Any share repurchases may be made through open market transactions, block trades, privately negotiated transactions (including accelerated share repurchase transactions) or other means. Any repurchase activity will depend on factors such as our working capital needs, cash requirements for investments, debt repayment obligations, our stock price, and economic and market conditions. Our stock repurchase program may be accelerated, suspended, delayed or discontinued at any time.

The following table summarizes the stock repurchase activity for the three months ended September 30, 2012 and the approximate dollar value of shares that may yet be purchased pursuant to our stock repurchase program:

(In thousands, except per share amounts)

Period	Total Number Of Shares Purchased	Average Price Paid Per Share	Total Number Of Shares Purchased As Part Of Publicly Announced Plans Or Programs	Approximate Dollar Value Of Shares That May Yet Be Purchased Under The Plans Or Programs
07/01/12—07/31/12	0	$ 0.00	0	$ 123,044
08/01/12—08/31/12	0	$ 0.00	0	$ 123,044
09/01/12—09/30/12	0	$ 0.00	0	$ 123,044
	0	$ 0.00	0	

Item 6. Exhibits

(a) Exhibits

See Index to Exhibits.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 9, 2012.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

By: /s/ W. David Morgan

W. David Morgan
Interim Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

Date: November 9, 2012

Table of Contents

INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Filed Herewith
10.1	† Employment Agreement, dated as of May 16, 2012 but effective as of May 21, 2012 between Allscripts Healthcare Solutions, Inc. and W. David Morgan	X
31.1	Rule 13a - 14(a) Certification of Chief Executive Officer	X
31.2	Rule 13a - 14(a) Certification of Chief Financial Officer	X
32.1	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer	X
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements	X

† Indicates management contract or compensatory plan.

Exhibit 10.1

EXECUTION COPY

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "**Agreement**") is made as of this 19th day of May, 2012 (the "**Signing Date**"), to become effective the 21st day of May, 2012 (the "**Effective Date**"), by and between Allscripts Healthcare Solutions, Inc., a corporation organized and existing under the laws of the State of Delaware ("**Company**"), and W. David Morgan ("**Executive**").

RECITALS

WHEREAS, Executive currently serves as Senior Vice President of Finance of Company; and

WHEREAS, Company desires to continue to employ Executive in such position and has appointed Executive to the temporary position of Interim Chief Financial Officer of Company; and

WHEREAS, Executive desires to continue to be employed by Company in the aforesaid capacities subject to the terms and conditions of this Agreement.

NOW THEREFORE, in consideration of the foregoing premises, of the mutual agreements and covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

AGREEMENT

1. Employment.

Company hereby agrees to continue to employ Executive, and Executive hereby accepts such continued employment, in the position of Senior Vice President of Finance of Company and the position of Interim Chief Financial Officer of Company, pursuant to the terms of this Agreement. Executive shall have the duties and responsibilities and perform such administrative and managerial services of those positions as are set forth in the bylaws of Company or are delegated or assigned to Executive by the Chief Executive Officer of Company (the " **CEO**") or his delegate from time to time. Executive shall carry out Executive's responsibilities hereunder on a full-time basis for and on behalf of Company; provided that Executive shall be entitled to devote time to outside boards of directors, personal investments, civic and charitable activities, and personal education and development, so long as such activities do not interfere with or conflict with Executive's duties hereunder. Notwithstanding the foregoing, Executive agrees that, during the term of this Agreement, Executive shall not act as an officer of any entity other than Company without the prior written consent of Company.

2. Term.

The term of Executive's employment by Company under this Agreement (the " **Employment Period**") shall commence as of the Effective Date and shall continue in effect until terminated as provided herein.

3. <u>Compensation and Benefits</u>.

In consideration for the services Executive shall render under this Agreement, Company shall provide or cause to be provided to Executive the following compensation and benefits:

3.1 **<u>Base Salary</u>**. Company shall pay to Executive an annual base salary at a rate of $350,000 per annum, subject to all appropriate federal and state withholding taxes, which base salary shall be payable in accordance with Company's normal payroll practices and procedures. Executive's base salary shall be reviewed annually by the CEO, who shall recommend any increases to the Compensation Committee (the " **Compensation Committee**") of the Board of Directors of Company (the "**Board**"), and may be increased in the sole discretion of the Board or Compensation Committee based on Executive's performance during the preceding calendar year. Executive's base salary, as such base salary may be increased hereunder, is hereinafter referred to as the " **Base Salary**."

3.2 <u>Bonuses</u>.

3.2.1 Executive shall be eligible to receive cash bonuses in accordance with this Section 3.2 (each a " **Performance Bonus**"). The amount and payment of any Performance Bonus shall be subject to a recommendation by the CEO to the Compensation Committee, and such Performance Bonus shall be determined in the sole discretion of, and based upon criteria selected by, the Compensation Committee. Subject to the foregoing exercise of discretion, Executive's annual target Performance Bonus shall be 50% of Executive's Base Salary (the "**Target Performance Bonus**"), but may, based on performance, be less than or exceed such amount. Performance Bonuses shall be paid according to the terms of the bonus plan or program in which Executive participates from time to time.

3.2.2 **<u>Retention Bonus</u>**. On Company's first regular payroll date following the one-year anniversary of the Effective Date, Company shall pay Executive a retention bonus of $500,000 (the "**Retention Bonus**"), subject to all appropriate federal and state withholding taxes.

3.3 <u>Benefits</u>. During the Employment Period and as otherwise provided hereunder, Executive shall be entitled to the following:

3.3.1 **<u>Vacation</u>**. Executive shall be entitled to participate in the Company's vacation policy for similarly-situated employees.

3.3.2 **<u>Participation in Benefit Plans</u>**. Executive shall be entitled to health and/or dental benefits, including immediate coverage for Executive and Executive's eligible dependents, which are generally available to similarly situated employees and as provided by Company in accordance with its group health insurance plan coverage. In addition, Executive shall be entitled to participate in any profit sharing plan, retirement plan, group life insurance plan or other insurance plan or medical expense plan maintained by Company for its salaried employees generally, in accordance with the general eligibility criteria therein.

3.4 Expenses. Company shall reimburse Executive for proper and necessary expenses incurred by Executive in the performance of Executive's duties under this Agreement from time to time upon Executive's submission to Company of invoices of such expenses in reasonable detail and subject to all standard policies and procedures of Company with respect to such expenses.

3.5 Stock Awards.

3.5.1 Executive shall be eligible to participate in any applicable stock bonus, stock option, or similar plan implemented by Company and generally available to its senior executive employees. The amount of any awards made thereunder shall be in the sole discretion of the Board or Compensation Committee.

3.5.2 Company shall grant to Executive, as soon as practicable on or after May 1, 2012, an award of Company restricted stock units (" **RSUs**") under a Company stock incentive plan with an aggregate grant-date value of $250,000, which award shall vest, subject to Executive's continued employment, 25% on each of the first four anniversaries of the grant date; provided that, if Executive's employment and the Employment Period terminates for any reason other than by Company for Cause after the one-year anniversary of the Effective Date, any unvested portion of the award shall vest upon the Termination Date (defined below).

3.6 Payment upon a Change of Control with No Comparable Job . If a Change of Control (defined below) occurs, and, prior to the Change of Control, Company or representatives of the third party effecting the Change of Control (as applicable) do not offer Executive a Comparable Job (defined below) following the Change of Control and, on or within ten (10) days following the Change of Control, Executive terminates Executive's employment and the Employment Period, then, so long as Executive has remained continuously employed from the Effective Date through the date of such Change of Control and subject to Section 4.7, (i) all unvested Company equity awards held by Executive shall vest upon the Change of Control, and (ii) Company shall pay Executive, within twenty (20) days following the occurrence of the Change of Control, a cash lump sum equal to the sum of Executive's Base Salary and Target Performance Bonus (collectively, the "**Change of Control Payment & Benefits**"). For purposes of this Agreement, a "**Comparable Job**" shall mean employment following the Change of Control (A) with substantially the same duties and responsibilities as were held by Executive prior to the Change of Control (excluding, for this purpose, changes following the Change of Control (x) to Executive's reporting responsibilities and (y) arising by reason of Company ceasing to be a public company), (B) at the same location at which Executive provides services prior to the Change of Control or a location within fifty (50) miles of such location and (C) at the same or increased Base Salary and Target Performance Bonus levels as were in effect prior to the Change of Control.

4. Termination of the Employment Period. Executive's employment hereunder and the Employment Period may be terminated at any time as follows (the effective date of such termination hereinafter referred to as the " **Termination Date**"):

4.1 <u>Termination upon Death or Disability of Executive</u>.

4.1.1 Executive's employment hereunder and the Employment Period shall terminate immediately upon the death of Executive. In such event, all rights of Executive and/or Executive's estate (or named beneficiary) shall cease except for the right to receive payment of the amounts set forth in Section 4.5.4 of the Agreement.

4.1.2 Company may terminate Executive's employment hereunder and the Employment Period upon the disability of Executive. For purposes of this Agreement, Executive shall be deemed to be "disabled" if Executive, as a result of illness or incapacity, shall be unable to perform substantially Executive's required duties for a period of three (3) consecutive months or for any aggregate period of three (3) months in any six (6) month period. In the event of a dispute as to whether Executive is disabled, Company may refer Executive to a licensed practicing physician of Company's choice, and Executive agrees to submit to such tests and examination as such physician shall deem appropriate to determine Executive's capacity to perform the services required to be performed by Executive hereunder. In such event, the parties hereby agree that the decision of such physician as to the disability of Executive's shall be final and binding on the parties. Any termination of the Employment Period under this Section 4.1.2 shall be effected without any adverse effect on Executive's rights to receive benefits under any disability policy of Company, but shall not be treated as a termination without Cause.

4.2 <u>Termination by Company for Cause</u>. Company may terminate Executive's employment hereunder and the Employment Period for Cause (as defined herein) upon written notice to Executive, which termination shall be effective on the date specified by Company in such notice; provided, however, that Executive shall have a period of ten (10) days (or such longer period not to exceed thirty (30) days as would be reasonably required for Executive to cure such action or inaction) after the receipt of the written notice from Company to cure the particular action or inaction, to the extent a cure is possible. For purposes of this Agreement, the term "Cause" shall mean:

4.2.1 the willful or grossly negligent failure by Executive to perform Executive's duties and obligations hereunder in any material respect, other than any such failure resulting from the disability of Executive;

4.2.2 Executive's conviction of a crime or offense involving the property of Company, or any crime or offense constituting a felony or involving fraud or moral turpitude; provided that, in the event that Executive is arrested or indicted for a crime or offense related to any of the foregoing, then Company may, at its option, place Executive on paid leave of absence, pending the final outcome of such arrest or indictment;

4.2.3 Executive's violation of any law, which violation is materially and demonstrably injurious to the operations or reputation of Company; or

4.2.4 Executive's material violation of any generally recognized policy of Company or Executive's refusal to follow the lawful directions of the Chief Executive Officer, or Executive's insubordination to Executive's supervisor.

4.3 **<u>Termination by Company without Cause; Termination by Executive without Constructive Discharge</u>**. Executive may terminate Executive's employment and the Employment Period at any time for any reason upon thirty (30) days' prior written notice to Company. Company may terminate Executive's employment and the Employment Period without Cause upon thirty (30) days' prior written notice to Executive. Upon termination of Executive's employment with Company for any reason, Executive shall be deemed to have resigned from all positions with the other members of Company and its subsidiaries (provided, that any such deemed resignations shall not affect Executive's entitlement (if any) to severance pay and benefits hereunder).

4.4 **<u>Termination by Executive for Constructive Discharge</u>**.

4.4.1 Executive may terminate Executive's employment and the Employment Period, in accordance with the process set forth below, as a result of a Constructive Discharge. For purposes of this Agreement "**Constructive Discharge**" shall mean the occurrence of any of the following after the Effective Date:

(i) a failure of Company to meet its obligations in any material respect under this Agreement, including, without limitation, (x) any reduction in the Base Salary or (y) any failure to pay the Base Salary (other than, in the case of clause (y), the inadvertent failure to pay a de minimis amount of the Base Salary, which payment is immediately made by Company upon notice from Executive);

(ii) a material diminution in or other substantial adverse alteration in the nature or scope of Executive's responsibilities with Company from those in effect on the Effective Date, including the elimination of the additional responsibilities Executive assumed in his temporary appointment as Interim Chief Financial Officer (excluding, for this purpose, changes following a Change of Control (x) to Executive's reporting responsibilities and (y) arising by reason of Company ceasing to be a public company); or

(iii) Executive has been asked to relocate Executive's principal place of business to a location that is more than fifty (50) miles from Executive's principal place of business on the Effective Date.

4.4.2 For purposes of this Agreement, a "**Change of Control**" shall mean any one of the following events following the Effective Date:

(i) the date of acquisition by any person or group other than Company or any subsidiary of Company (and other than any employee benefit plans (or related trust) of Company or any of its subsidiaries) of beneficial ownership of securities possessing more than thirty percent (30%) of the total combined voting power of Company's then outstanding voting securities which generally entitle the holder thereof to vote for the election of directors (" **Voting Power**"), provided, however, that no Change of Control shall be deemed to have occurred solely by reason of any such acquisition by a corporation with respect to which, after such acquisition, more than sixty percent (60%) of the then outstanding shares of common stock of such corporation and the Voting Power of such corporation are then beneficially owned, directly or indirectly, by the persons who were the beneficial owners of the stock and Voting Power of Company immediately before such acquisition, in substantially the same proportions as their ownership immediately before such acquisition; or

(ii) the date the individuals who constitute the Board as of immediately following the Effective Date (the **"Incumbent Board"**) cease for any reason other than their deaths to constitute at least a majority of the Board; provided that any individual who becomes a director after the Effective Date whose election or nomination for election by Company's stockholders was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered, for purposes of this Section, as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Company (as such terms are used in Rule 14a-11 under the 1934 Act (defined below)); or

(iii) Company effects (a) a merger or consolidation of Company with one or more corporations or entities, as a result of which the holders of the outstanding Voting Stock of Company immediately prior to such merger, reorganization or consolidation hold less than 50% of the Voting Power of the surviving or resulting corporation or entity immediately after such merger or consolidation; (b) a liquidation or dissolution of Company; or (c) a sale or other disposition of all or substantially all of the assets of Company other than to an entity of which Company owns at least 50% of the Voting Power.

4.4.3 For purposes of the foregoing definition, the terms "beneficially owned" and "beneficial ownership" and "person" shall have the meanings ascribed to them in SEC rules 13d-5(b) under the 1934 Act, and "group" means two or more persons acting together in such a way to be deemed a person for purposes of Section 13(d) of the 1934 Act. Further, notwithstanding anything herein to the contrary, the definition of Change of Control set forth herein shall not be broader than the definition of "change in control event" as set forth under Section 409A of the Code, and the guidance promulgated thereunder, and if a transaction or event does not otherwise fall within such definition of change in control event, it shall not be deemed a Change of Control for purposes of this Agreement.

4.4.4 In the event of the occurrence of a Constructive Discharge, Executive shall have the right to terminate Executive's employment hereunder and receive the benefits set forth in Section 4.5.1 below, upon delivery of written notice to Company no later than the close of business on the sixtieth (60th) day following the effective date of the Constructive Discharge; provided, however, that such termination shall not be effective until the expiration of thirty (30) days after receipt by Company of such written notice if Company has not cured such Constructive Discharge within the 30-day period. If Company so effects a cure, the Constructive Discharge notice shall be deemed rescinded and of no force or effect. Notwithstanding the foregoing, such notice and lapse of time shall not be required with respect to any event or circumstance which is the same or substantially the same as an event or circumstance with respect to which notice and an opportunity to cure has been given within the previous six (6) months. The Termination Date of a Constructive Discharge shall be the date of the Executive's "separation from service" (within the meaning of Treas. Reg. Section 1.409A-1(h)).

4.5 **Rights upon Termination**. Upon termination of Executive's employment and the Employment Period, the following shall apply:

4.5.1 **Termination by Company Without Cause or for Constructive Discharge**. If Company terminates Executive's employment and the Employment Period without Cause, or if Executive terminates Executive's employment and the Employment Period as a result of a Constructive Discharge, in each case either (x) prior to a Change of Control, or (y) after the second anniversary of a Change of Control, Executive shall be entitled to receive payment of any Base Salary amounts that have accrued but have not been paid as of the Termination Date, and the unpaid Performance Bonus, if any, with respect to the calendar year preceding the calendar year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner that it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period). In addition, subject to Sections 4.5.2 and 4.7, below, Company shall, subject to Section 7.14, be obligated to pay Executive (or provide Executive with) the following benefits as severance:

(i) an amount equal to Executive's Base Salary plus Executive's Target Performance Bonus, payable in twelve (12) equal monthly installments commencing on the Termination Date, such amount to be payable regardless of whether Executive obtains other employment and is compensated therefor (but only so long as Executive is not in violation of Section 5 hereof) (with the first two installments to be paid on the sixtieth (60th) day following the Termination Date and the remaining ten (10) installments being paid on the ten following monthly anniversaries of such date);

(ii) in the event of Executive's termination prior to his receipt of the Retention Bonus, an amount equal to the Retention Bonus, such amount to be paid on the sixtieth (60th) day following the Termination Date;

(iii) continuation of Executive's then current enrollment (including family enrollment, if applicable) in all health and/or dental insurance benefits set forth in Section 3.3.2 for a period of twelve (12) months following the Termination Date, with Executive's contribution to such plans as if Executive were employed by Company, such contributions to be paid by

Executive in the same period (e.g., monthly, bi-weekly, etc.) as all other employees of Company (but deductions from Executive's monthly severance payments may be deemed acceptable for this purpose in the discretion of Company); provided, however that Company may terminate such coverage if payment from Executive is not made within the COBRA grace period or ten (10) days of the date on which Executive receives written notice from Company that such payment is due, whichever period ends later; and provided, further, that such benefits may be discontinued earlier to the extent that Executive becomes entitled to comparable benefits from a subsequent employer; in addition, this benefit is contingent upon timely election of COBRA continuation coverage and will run concurrent with the COBRA period; and

(iv) in addition to the vesting provided to Executive pursuant to Section 3.5.2, upon the sixtieth (60th) day following the Termination Date (or, for awards subject to the satisfaction of a performance condition, subject to the satisfaction of such performance condition and upon the satisfaction of such performance condition (but no earlier than the sixtieth (60th) day following the Termination Date), and based on the level of performance achieved) a portion of any unvested stock option, restricted stock unit or other equity award granted to Executive shall vest, which portion shall be the number of shares equal to (a) plus (b) (such sum not to exceed the number of shares that result in the full vesting of any such award) as follows:

(a) the number of shares that would have vested to Executive per the applicable award as of the one-year anniversary of the Termination Date had Executive remained continuously employed by Company through such date; plus

(b) the number of shares resulting from the following formula: (x) the number of shares of such award that would vest on the normal vesting date of such award, multiplied by (y) a fraction, the numerator of which is the number of days elapsed since the last regular vesting date of such award (or the grant date, if no portion of such award has yet vested), and the denominator of which is the number of days between the last regular vesting date (or grant date, as the case may be) and the normal vesting date.

4.5.2 Severance Upon Termination following a Change of Control. If, within the period beginning on the date of a Change of Control through the second anniversary of the Change of Control, Executive terminates Executive's employment and the Employment Period pursuant to Section 4.4 or Company terminates Executive's employment pursuant to Section 4.3, then Executive shall, subject to Section 4.7, receive the payment and benefits provided in Section 4.5.1; provided, however, that (A) in place of the twelve (12) monthly payments provided for in Section 4.5.1(i), Executive shall receive a lump sum amount of cash equal to two (2) times the sum of (x) Executive's Base Salary plus (y) Executive's Target

Performance Bonus, with such lump sum paid on the sixtieth (60th) day following the Termination Date, such amount reduced by any payment received by Executive pursuant to Section 3.6, and (B) in place of the equity vesting provided for in Section 4.5.1(iv), all unvested equity awards held by Executive shall vest upon the Termination Date.

Anything in this Agreement to the contrary notwithstanding, if (A) a Change of Control occurs, (B) Executive's employment with Company is terminated by Company without Cause or if Executive terminates his employment as a result of a Constructive Discharge, in either case within one hundred eighty (180) days prior to the date on which the Change of Control occurs, and (C) it is reasonably demonstrated by Executive that such termination of employment or events constituting Constructive Discharge was (x) at the request of a third party who had taken steps reasonably calculated to effect a Change of Control or (y) otherwise arose in connection with or in anticipation of a Change of Control, then for all purposes of this Agreement such Change of Control shall be deemed to have occurred during the Employment Period and the Termination Date shall be deemed to have occurred after the Change of Control, so that Executive is entitled to the vesting and other benefits provided by this Section 4.5.2. If Executive is entitled to additional vesting of any equity awards that were cancelled as a result of Executive's termination of employment prior to the Change of Control, Company or its successor shall deliver to Executive the consideration Executive would have received in the Change of Control had the cancelled equity awards been outstanding and vested at the time of the Change of Control. Any additional amounts due Executive as a result of the application of this paragraph to a termination prior to a Change of Control shall be paid to Executive under this Section 4.5.2. in a lump sum on the sixtieth (60th) day following the Change of Control.

4.5.3 **Termination With Cause by Company or Without Constructive Discharge by Executive.** If Company terminates Executive's employment and the Employment Period with Cause, or if Executive terminates Executive's employment and the Employment Period other than as a result of a Constructive Discharge, Company shall be obligated to pay Executive (i) any Base Salary amounts that have accrued but have not been paid as of the Termination Date; and (ii) subject to Section 7.14, the unpaid Performance Bonus, if any, with respect to the calendar year preceding the calendar year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period).

4.5.4 **Termination Upon Death or Disability**. If Executive's employment and the Employment Period are terminated because of the death or disability of Executive, Company shall, subject to Section 7.14, be obligated to pay Executive or, if applicable, Executive's estate, the following amounts: (i) earned but unpaid Base Salary; and (ii) the unpaid Performance Bonus, if any, with respect to the calendar year preceding the calendar year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period).

4.6 **Effect of Notice of Termination**. Any notice of termination by Company, whether for Cause or without Cause, may specify that, during the notice period, Executive need not attend to any business on behalf of Company.

4.7 Requirement of a Release; Exclusivity of Severance Payments under this Agreement . As a condition to the receipt of the severance payments and termination benefits to be provided to Executive pursuant to this Section 4 upon termination of Executive's employment, Executive shall execute and deliver to Company (without revoking) a general release of employment claims against Company and its affiliates in a form reasonably satisfactory to Company within forty-five (45) days following the Termination Date (provided, that Executive shall not be required to release any rights under this Agreement). In addition, the severance payments and termination benefits to be provided to Executive pursuant to this Section 4 upon termination of Executive's employment shall constitute the exclusive payments in the nature of severance or termination pay or salary continuation which shall be due to Executive upon a termination of employment and shall be in lieu of any other such payments under any severance plan, program, policy or other arrangement which has heretofore been or shall hereafter be established by Company or any of its affiliates.

5. Restrictive Covenants.

The growth and development of Company and its affiliates and subsidiaries (collectively, " **Allscripts**") depends to a significant degree on the possession and protection of its customer list, customer information and other confidential and proprietary information relating to Allscripts' products, services, methods, pricing, costs, research and development and marketing. All Allscripts employees and others engaged to perform services for Allscripts have a common interest and responsibility in seeing that such customer information and other confidential information is not disclosed to any unauthorized persons or used other than for Allscripts' benefit. This Section 5 expresses a common understanding concerning Company's and Executive's mutual responsibilities. Therefore, in consideration for Company's agreement to employ Executive and grant Executive access to its confidential information and customer relationships, and for other good and valuable consideration from Company, including, without limitation, compensation, benefits, raises, bonus payments or promotions, the receipt and sufficiency of which are hereby acknowledged, Executive covenants and agrees as follows, which covenant and agreement is essential to this Agreement and Executive's employment with Company:

5.1 Non-Solicitation; No-Hire. Executive acknowledges that the identity and particular needs of Allscripts' customers are not generally known in the health care information technology and consulting industry and were not known to Executive prior to Executive's employment with Allscripts; that Allscripts has near permanent relationships with, and a proprietary interest in the identity of, its customers and their particular needs and requirements; and that documents and information regarding Allscripts' pricing, sales, costs and specialized requirements of Allscripts' customers are highly confidential and constitute trade secrets. Accordingly, Executive covenants and agrees that during the Employment Period and for a period of twelve (12) months after the Termination Date, regardless of the reason for such termination, Executive will not, except on behalf of Allscripts during and within the authorized scope of Executive's employment with Allscripts, directly or indirectly: (i) call on, solicit or otherwise deal with any accounts, customers or prospects of Allscripts which Executive called upon, contacted, solicited, sold to, or about which Executive learned Confidential Information (as defined herein) while employed by Allscripts, for the purpose of soliciting, selling and/or providing, to any such account, customer or prospect, any products or services similar to or in competition with any products or services then-being represented or sold by Allscripts; and (ii) solicit, or accept if offered to Executive, with or without solicitation, the services of any person who is an employee of Allscripts, nor solicit any employee of Allscripts to terminate employment with Allscripts, nor agree to hire on behalf of Executive or any entity or other person any employee of Allscripts into employment with Executive or any other person or entity. Executive agrees not to solicit, directly or indirectly, such accounts, customers, prospects or employees for Executive or for any other person or entity. For purposes of this paragraph, "**prospects**" means entities or individuals which have had more than de minimus contact with Allscripts in the context of entering into a relationship with Allscripts being a provider of products or services to such entity or individual.

5.2 **Non-Interference with Business Relationships**. Executive covenants and agrees that during the Employment Period and for a period of twelve (12) months after the Termination Date, regardless of the reason for such termination, Executive will not interact with any person or entity with which Allscripts has a business relationship, or with which Allscripts is preparing to have a business relationship, with the intent of affecting such relationship or intended relationship in a manner adverse to Allscripts.

5.3 **Non-Competition**. Executive agrees that during the Employment Period and for a period of twelve (12) months after the Termination Date, regardless of the reason for such termination, Executive shall not, directly or indirectly, for Executive's own benefit or for the benefit of others, render services for a Competing Organization in connection with Competing Products or Services anywhere within the Restricted Territory. These prohibitions apply regardless of where such services physically are rendered.

For purposes of this Agreement, "**Competing Products or Services**" means products, processes, or services of any person or organization other than Allscripts, in existence or under development, which are substantially the same, may be substituted for, or applied to substantially the same end use as any product, process, or service of Allscripts with which Executive works or worked during the time of Executive's employment with Allscripts or about which Executive acquires or acquired Confidential Information through Executive's work with Allscripts.

For purposes of this Agreement, "**Competing Organization**" means persons or organizations, including Executive, engaged in, or about to become engaged in research or development, production, distribution, marketing, providing or selling of a Competing Product or Service.

For purposes of this Agreement, "**Restricted Territory**" means either: (i) during Executive's employment with Allscripts, anywhere in the world; or (ii) after cessation of Executive's employment with Allscripts, then, in descending order of preference based on legal enforceability, (A) within the United States (including its territories) and within each country in which Allscripts has conducted business or directed material resources in soliciting business in the prior twenty-four (24) month period, (B) within the United States (including its territories) and within any other country that at any time was within the scope of Executive's employment with Allscripts, (C) within any country that at any time during the last two (2) years of Executive's employment with Allscripts was within the scope of such employment, or (D) within any geographic region(s) that at any time during the last two (2) years of Executive's employment with Allscripts was within the scope of such employment. Executive agrees that in the event a court determines the length of time or the geographic area or activities prohibited under this Section 5 are too restrictive to be enforceable, the court may reduce the scope of the restriction to the extent necessary to make the restriction enforceable.

5.4 **Reasonableness of Restriction**. Executive acknowledges that the foregoing non-solicitation, non-competition and non-interference restrictions placed upon Executive are necessary and reasonable to avoid the improper disclosure or use of Confidential Information, and that it has been made clear to Executive that Executive's compliance with Section 5 of this Agreement is a material condition to Executive's employment by Company. Executive further acknowledges and agrees that, if Executive breaches any of the requirements of Section 5.1, 5.2 or 5.3, the twelve (12) month restricted period set forth therein shall be tolled during the time of such breach.

Executive further acknowledges and agrees that Allscripts has attempted to impose the restrictions contained hereunder only to the extent necessary to protect Allscripts from unfair competition and the unauthorized use or disclosure of Confidential Information. However, should the scope or enforceability of any restrictive covenant be disputed at any time, Executive specifically agrees that a court may modify or enforce the covenant to the full extent it believes to be reasonable under the circumstances existing at the time.

5.5 **Non-Disclosure**. Executive further agrees that, other than as needed to fulfill the authorized scope of Executive's duties with Allscripts, Executive will not during the Employment Period or thereafter use for himself or for others or divulge or convey to any other person (except those persons designated by Allscripts) any Confidential Information obtained by Executive during the period of Executive's employment with Allscripts. Executive agrees to observe all Company policies and procedures concerning such Confidential Information. Executive agrees that, except as may be permitted by written Company policies, Executive will not remove from Company's premises any of such Confidential Information without the written authorization of Company. Executive's obligations under this Agreement will continue with respect to Confidential Information until such information becomes generally available from public sources through no fault of Executive's. During the Employment Period and thereafter Executive shall not disclose to any person the terms and conditions of Executive's employment by Allscripts, except: (i) to close family members, (ii) to legal and accounting professionals who require the information to provide a service to Executive, (iii) as required by law or (iv) in order to inform a prospective or actual subsequent employer of Executive's duties and obligations under this Agreement. If Executive is requested, becomes legally compelled by subpoena or otherwise, or is required by a regulatory body to make any disclosure that is prohibited by this Section 5.5, Executive will promptly notify Company so that Allscripts may seek a protective order or other appropriate remedy if Allscripts deems such protection or remedy necessary under the circumstances. Subject to the foregoing, Executive may furnish only that portion of Confidential Information that Executive is legally compelled or required to disclose. The restrictions set forth herein are in addition to and not in lieu of any obligations Executive may have by law with respect to Confidential Information, including any obligations Executive may have under the Uniform Trade Secrets Act and/or similar statutes as applicable in the state of Executive's residence and/or the state of Executive's primary work location.

5.6 **Definition of Confidential Information**. As used herein, "**Confidential Information**" shall include, but is not limited to, the following categories of information, knowledge, or data currently known or later developed or acquired relating to Allscripts' business or received by Allscripts in confidence from or about third parties, in each case when the same is not in the public domain or otherwise publicly available (other than as result of a wrongful act of an agent or employee of Allscripts):

5.6.1 Any information concerning Allscripts' products, business, business relationships, business plans or strategies, marketing plans, contract provisions, actual or prospective suppliers or vendors, services, actual or anticipated research or development, new product development, inventions, prototypes, models, solutions, discussion guides, documentation, techniques, actual or planned patent applications, technological or engineering data, formulae, processes, designs, production plans or methods, or any related technical or manufacturing know-how or other information;

5.6.2 Any information concerning Allscripts' financial or profit data, pricing or cost formulas, margins, marketing information, sales representative or distributor lists, or any information relating to corporate developments (including possible acquisitions or divestitures);

5.6.3 Any information concerning Allscripts' current or prospective customer lists or arrangements, equipment or methods used or preferred by Allscripts' customers, or the patients of customers;

5.6.4 Any information concerning Allscripts' use of computer software, source code, object code, or algorithms or architecture retained in or related to Allscripts' computer or computer systems;

5.6.5 Any personal or performance information about any Allscripts' employee;

5.6.6 Any information supplied to or acquired by Allscripts under an obligation to keep such information confidential, including without limitation Protected Health Information (PHI) as that term is defined by the Health Insurance Portability and Accountability Act (HIPAA);

5.6.7 Any information, whether or not designated as confidential, obtained or observed by Executive or other Allscripts employees during training sessions related to Executive's work for Allscripts; and

5.6.8 Any other information treated as trade secrets or otherwise confidential by Allscripts.

Executive hereby acknowledges that some of this information may not be a "trade secret" under applicable law. Nevertheless, Executive agrees not to disclose it.

5.7 **Inventions, Discoveries, and Work for Hire**. Executive recognizes and agrees that all ideas, works of authorship, inventions, patents, copyrights, designs, processes (e.g., development processes), methodologies (e.g., development methodologies), machines, manufactures, compositions of matter, enhancements, and other developments or improvements and any derivative works based thereon, including, without limitation, potential marketing and sales relationships, research, plans for products or services, marketing plans, computer software (including source code and object code), computer programs, original works of authorship, characters, know-how, trade secrets, information, data, developments, discoveries, improvements, modifications, technology and algorithms, whether or not subject to patent or copyright protection (the "**Inventions**") that (i) were made, conceived, developed, authored or created by Executive, alone or with others, during the time of Executive's employment, whether or not during working hours, that relate to the business of Allscripts or to the actual or demonstrably anticipated research or development of Allscripts, (ii) were used by Executive or other personnel of Allscripts during the time of Executive's employment, even if such Inventions were made, conceived, developed, authored or created by Executive prior to the start of Executive's employment, (iii) are made, conceived, developed, authored or created by Executive, alone or with others, within two (2) years from the Termination Date and that relate to the business of Allscripts or to the actual or demonstrably anticipated research or development of Allscripts, or (iv) result from any work performed by Executive for Allscripts, (collectively with (i)-(iii), the "**Company Inventions**") are the sole and exclusive property of Company.

Notwithstanding the foregoing, Company Inventions do not include any Inventions made, conceived, developed, authored or created by Executive, alone or with others, for which no equipment, supplies, facility or trade secret information of Allscripts was used and which were developed entirely on Executive's own time, unless (1) the Invention relates (A) to the business of Allscripts, or (B) to the actual or demonstrably anticipated research or development of Allscripts, or (2) the Company Invention results from any work performed by Executive for Allscripts.

For the avoidance of doubt, Executive expressly disclaims any and all right title and interest in and to all Company Inventions. Executive acknowledges that Executive has and shall forever have no right, title or interest in or to any patents, copyrights, trademarks, industrial designs or other rights in connection with any Company Inventions.

Executive hereby assigns to Company all present and future right, title and interest Executive has or may have in and to the Company Inventions. Executive further agrees that (i) Executive will promptly disclose all Company Inventions to Allscripts; and (ii) all of the Company Inventions, to the extent protectable under copyright laws, are "works made for hire" as that term is defined by the Copyright Act, 17 U.S.C. § 101, *et seq*.

At the request of and without charge to Company, Executive will do all things deemed by Company to be reasonably necessary to perfect title to the Company Inventions in Company and to assist in obtaining for Company such patents, copyrights or other protection in connection therewith as may be provided under law and desired by Company, including but not limited to executing and signing any and all relevant applications, assignments, or other instruments. Executive further agrees to provide, at Company' request, declarations or affidavits and to give testimony, in depositions, hearings or trials, in support of inventorship. These obligations continue even after the Termination Date. Company agrees that Executive will be reimbursed for reasonable expenses incurred in providing such assistance to Company. In the event Company is unable, after reasonable effort, to secure Executive's signature on any document or documents needed to apply for or prosecute any patent, copyright or other right or protection relating to any Company Invention, for any reason whatsoever, Executive hereby irrevocably designates and appoints Company and its duly authorized officers and agents as Executive's agent and attorney-in-fact to act for and on Executive's behalf to execute and file any such application or other document and to do all other lawfully permitted acts to further the prosecution and issuance of patents, copyrights, or similar protections thereon with the same legal force and effect as if executed by Executive.

For purposes of this Agreement, a Company Invention shall be deemed to have been made during Executive's employment if, during such period, the Company Invention was conceived, in part or in whole, or first actually reduced to practice or fixed in a tangible medium during Executive's employment with Company. Executive further agrees and acknowledges that any patent or copyright application filed within one (1) year after the Termination Date shall be presumed to relate to a Company Invention made during the term of Executive's employment unless Executive can provide evidence to the contrary.

5.8 Prior Employment. Executive hereby agrees that during the course and scope of the employment relationship with Company, Executive shall neither disclose nor use any confidential information, invention, or work of authorship derived from, developed or obtained in any prior employment relationship, and understands that any such disclosure or use would be injurious to the economic and legal interests of Company. Executive represents he has informed Company of, and provided Company with copies of, any non-competition, non-solicitation, confidentiality, work-for-hire or similar agreements to which Executive is subject or may be bound. Executive further represents and agrees that, if any prior employer commences any legal proceeding in connection with any restrictive covenant, non-solicitation, non-disclosure, or non-competition agreement, (i) Executive shall be entirely responsible for his own legal fees in connection with the defense of same; and (ii) Executive shall indemnify and hold harmless Company, its affiliates, suppliers, vendors, customers and clients from any costs and liability arising therefrom including, but not limited to, legal fees, expenses, licenses, royalty payments, and any other damages.

5.9 Return of Data. In the event of the termination of Executive's employment with Company for any reason whatsoever, Executive agrees to deliver promptly to Company all formulas, correspondence, reports, computer programs and similar items, customer lists, marketing and sales data and all other materials pertaining to Confidential Information, and all copies thereof, obtained by Executive during the period of Executive's employment with Company which are in Executive's possession or under his control. Executive further agrees that he will not make or retain any copies of any of the foregoing and will so represent to Company upon termination of his employment.

5.10 Non-Disparagement. Executive agrees that during the Employment Period and for a period of twenty-four (24) months thereafter, Executive will not make any statement, nor imply any meaning through Executive's action or inaction, if such statement or implication would be adverse to the interests of Allscripts, its customers or its vendors or may reasonably cause any of the foregoing embarrassment or humiliation; nor will Executive otherwise cause or contribute to any of the foregoing being held in disrepute by the public or any other Allscripts customer(s), vendor(s) or employee(s). The restrictions of this Section 5.10 shall apply to, but are not limited to, communication via the Internet, any intranet, or other electronic means, such as social media web sites, electronic bulletin boards, blogs, email messages, text messages or any other electronic message.

5.11 Injunctive Relief and Additional Remedies for Breach . Executive further expressly acknowledges and agrees that any breach or threatened breach of the provisions of this Section 5 shall entitle Allscripts, in addition to any other legal remedies available to it, to obtain injunctive relief, to prevent any violation of this Section 5 without the necessity of Allscripts posting bond or furnishing other security and without proving special damages or irreparable injury. Executive recognizes, acknowledges and agrees that such injunctive relief is necessary to protect Allscripts' interest. Executive understands that in addition to any other remedies available to Allscripts at law or in equity or under this Agreement for violation of this Agreement, other agreements or compensatory or benefit arrangements Executive has with Allscripts may include provisions that specify certain consequences thereunder that will result from Executive's violation of this Agreement, which consequences may include repaying Allscripts or foregoing certain equity awards or monies, and any such consequences shall not be considered by Executive or any trier of fact as a forfeiture, penalty, duplicative remedy or exclusive remedy. Notwithstanding Section 7.9, the exclusive venue for any action for injunctive or declaratory relief with respect to this Section 5 shall be the state or federal courts located in Cook County, Illinois. Company and Executive hereby irrevocably consent to any such courts' exercise of jurisdiction over them for such purpose.

5.12 Notification to Third Parties. Company may, at any time during or after the termination of Executive's employment with Company, notify any person, corporation, partnership or other business entity employing or engaging Executive or evidencing an intention to employ or engage Executive as to the existence and provisions of this Agreement.

6. No Set-Off or Mitigation. Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be affected by any set-off, counterclaim, recoupment, defense or other claim, right or action which Company may have against Executive or others. In no event shall Executive be obligated to seek other employment or take any other action by way of mitigation of the amounts payable to Executive under any of the provisions of this Agreement and, except as otherwise provided herein, such amounts shall not be reduced whether or not Executive obtains other employment.

7. Miscellaneous.

7.1 Valid Obligation. This Agreement has been duly authorized, executed and delivered by Company and has been duly executed and delivered by Executive and is a legal, valid and binding obligation of Company and of Executive, enforceable in accordance with its terms.

7.2 No Conflicts. Executive represents and warrants that the performance by Executive of Executive's duties hereunder will not violate, conflict with, or result in a breach of any provision of any agreement to which Executive is a party.

7.3 Applicable Law. This Agreement shall be construed in accordance with the laws of the State of Illinois, without reference to Illinois' choice of law statutes or decisions.

7.4 Severability. The provisions of this Agreement shall be deemed severable, and the invalidity or unenforceability of any one or more of the provisions hereof shall not affect the validity or enforceability of any other provision. In the event any clause of this Agreement is deemed to be invalid, the parties shall endeavor to modify that clause in a manner which carries out the intent of the parties in executing this Agreement.

7.5 No Waiver. The waiver of a breach of any provision of this Agreement by any party shall not be deemed or held to be a continuing waiver of such breach or a waiver of any subsequent breach of any provision of this Agreement or as nullifying the effectiveness of such provision, unless agreed to in writing by the parties.

7.6 Notices. All demands, notices, requests, consents and other communications required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by facsimile machine (with a confirmation copy sent by one of the other methods authorized in this Section), or by commercial overnight delivery service, to the parties at the addresses set forth below:

To Company:	Allscripts Healthcare Solutions, Inc. 222 Merchandise Mart Plaza Suite 2024 Chicago, IL 60654 Attention: Company Secretary or General Counsel
To Executive:	At the address or fax number most recently contained in Company’s records

Notices shall be deemed given upon the earliest to occur of (i) receipt by the party to whom such notice is directed, if hand delivered; (ii) if sent by facsimile machine, on the day (other than a Saturday, Sunday or legal holiday in the jurisdiction to which such notice is directed) such notice is sent if sent (as evidenced by the facsimile confirmed receipt) prior to 5:00 p.m. Central Time and, if sent after 5:00 p.m. Central Time, on the day (other than a Saturday, Sunday or legal holiday in the jurisdiction to which such notice is directed) after which such notice is sent; or (iii) on the first business day (other than a Saturday, Sunday or legal holiday in the jurisdiction to which such notice is directed) following the day the same is deposited with the commercial carrier if sent by commercial overnight delivery service. Each party, by notice duly given in accordance therewith may specify a different address for the giving of any notice hereunder.

7.7 Assignment of Agreement. This Agreement shall be binding upon and inure to the benefit of Executive and Company, their respective successors and permitted assigns and Executive’s heirs and personal representatives. Neither party may assign any rights or obligations hereunder to any person or entity without the prior written consent of the other party. This Agreement shall be personal to Executive for all purposes.

7.8 Supersession; Entire Agreement; Amendments. This Agreement supersedes and replaces in all respects any prior employment agreements, oral or otherwise. Except as otherwise provided herein, this Agreement contains the entire understanding between the parties, and there are no other agreements or understandings between the parties with respect to

Executive's employment by Company and Executive's obligations thereto. Executive acknowledges that Executive is not relying upon any representations or warranties concerning Executive's employment by Company except as expressly set forth herein. No amendment or modification to the Agreement shall be valid except by a subsequent written instrument executed by the parties hereto.

7.9 **__Dispute Resolution and Arbitration__**. The following procedures shall be used in the resolution of disputes:

7.9.1 **__Dispute__**. In the event of any dispute or disagreement between the parties under this Agreement (excluding an action for injunctive or declaratory relief as provided in Section 5.11), the disputing party shall provide written notice to the other party that such dispute exists. The parties will then make a good faith effort to resolve the dispute or disagreement. If the dispute is not resolved upon the expiration of fifteen (15) days from the date a party receives such notice of dispute, the entire matter shall then be submitted to arbitration as set forth in Section 7.9.2.

7.9.2 **__Arbitration__**. If the dispute or disagreement between the parties has not been resolved in accordance with the provisions of Section 7.9.1 above, then any such controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration to be held in Chicago, Illinois, in accordance with the rules of the American Arbitration Association then in effect. Any decision rendered herein shall be final and binding on each of the parties and judgment may be entered thereon in the appropriate state or federal court. The arbitrators shall be bound to strict interpretation and observation of the terms of this Agreement. Company shall pay the costs of arbitration.

7.10 **__Survival__**. For avoidance of doubt, the provisions of Sections 4.5, 5 and 7 of this Agreement shall survive the expiration or earlier termination of the Employment Period.

7.11 **__Headings__**. Section headings used in this Agreement are for convenience of reference only and shall not be used to construe the meaning of any provision of this Agreement.

7.12 **__Counterparts__**. This Agreement may be executed in counterparts, each of which shall be deemed an original, but both of which together shall constitute one and the same instrument.

7.13 **__Taxes__**. Executive shall be solely responsible for taxes imposed on Executive by reason of any compensation and benefits provided under this Agreement and all such compensation and benefits shall be subject to applicable withholding.

7.14 **__Section 409A of the Code__**. It is intended that this Agreement will comply with Section 409A of the Code (and any regulations and guidelines issued thereunder) to the extent the Agreement is subject thereto, and the Agreement shall be interpreted on a basis consistent with such intent. If an amendment of the Agreement is necessary in order for it to comply with Section 409A, the parties hereto will negotiate in good faith to amend the Agreement in a manner that preserves the original intent of the parties to the extent reasonably possible. No action or failure by Company in good faith to act, pursuant to this Section 7.14, shall subject Company to any claim, liability, or expense, and Company shall not have any obligation to indemnify or otherwise protect Executive from the obligation to pay any taxes pursuant to Section 409A of the Code.

In addition, notwithstanding any provision to the contrary in this Agreement, if Executive is deemed on the date of Executive's "separation from service" (within the meaning of Treas. Reg. Section 1.409A-1(h)) to be a "specified employee" (within the meaning of Treas. Reg. Section 1.409A-1(i)), then with regard to any payment that is required to be delayed pursuant to Section 409A(a)(2)(B) of the Code (the " **Delayed Payments**"), such payment shall not be made prior to the earlier of (i) the expiration of the six (6) month period measured from the date of Executive's "separation from service" and (ii) the date of Executive's death. Any payments due under this Agreement other than the Delayed Payments shall be paid in accordance with the normal payment dates specified herein. In no case will the delay of any of the Delayed Payments by Company constitute a breach of Company's obligations under this Agreement. For the provision of payments and benefits under this Agreement upon termination of employment, reference to Executive's "termination of employment" (and corollary terms) with Company shall be construed to refer to Executive's "separation from service" from Company (as determined under Treas. Reg. Section 1.409A-1(h), as uniformly applied by Company) in tandem with Executive's termination of employment with Company.

In addition, to the extent that any reimbursement or in-kind benefit under this Agreement or under any other reimbursement or in-kind benefit plan or arrangement in which Executive participates during the term of Executive's employment under this Agreement or thereafter provides for a "deferral of compensation" within the meaning of Section 409A of the Code, (i) the amount eligible for reimbursement or in-kind benefit in one calendar year may not affect the amount eligible for reimbursement or in-kind benefit in any other calendar year (except that a plan providing medical or health benefits may impose a generally applicable limit on the amount that may be reimbursed or paid), (ii) the right to reimbursement or an in-kind benefit is not subject to liquidation or exchange for another benefit, and (iii) subject to any shorter time periods provided herein, any such reimbursement of an expense or in-kind benefit must be made on or before the last day of the calendar year following the calendar year in which the expense was incurred.

If the sixty (60)-day period following a "separation from service" begins in one calendar year and ends in a second calendar year (a " **Crossover 60-Day Period**"), then any severance payments that would otherwise occur during the portion of the Crossover 60-Day Period that falls within the first year will be delayed and paid in a lump sum during the portion of the Crossover 60-Day Period that falls within the second year.

7.15 Payment by Subsidiaries. Executive acknowledges and agrees that Company may satisfy its obligations to make payments to Executive under this Agreement by causing one or more of its subsidiaries to make such payments to Executive. Executive agrees that any such payment made by any such subsidiary shall fully satisfy and discharge Company's obligation to make such payment to Executive hereunder (but only to the extent of such payment).

[Signature page follows]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the Signing Date.

W. David Morgan

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

By: Glen Tullman
Title: Chief Executive Officer

Exhibit 31.1

Certification

I, Glen E. Tullman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allscripts Healthcare Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2012

/s/ Glen E. Tullman

Chief Executive Officer

Certification

I, W. David Morgan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allscripts Healthcare Solutions, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent quarter (the registrant's fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's Board of Directors (or persons performing the equivalent functions):
   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting, which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 9, 2012

/s/ W. David Morgan
Interim Chief Financial Officer

Exhibit 32.1

The following statement is being made to the Securities and Exchange Commission solely for purposes of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350), which carries with it certain criminal penalties in the event of a knowing or willful misrepresentation.

Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549

Re: Allscripts Healthcare Solutions, Inc.

Ladies and Gentlemen:

In accordance with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 USC 1350), each of the undersigned hereby certifies that:

(i) this Quarterly Report on Form 10-Q for the quarter ended September 30, 2012, which this statement accompanies, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(ii) the information contained in this quarterly report on Form 10-Q for the quarter ended September 30, 2012, fairly presents, in all material respects, the financial condition and results of operations of Allscripts Healthcare Solutions, Inc.

Dated as of this 9th day of November, 2012.

/s/ GLEN E. TULLMAN	/s/ W. David Morgan
Glen E. Tullman	W. David Morgan
Chief Executive Officer	Interim Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to Allscripts Healthcare Solutions, Inc. and will be retained by Allscripts Healthcare Solutions, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.