

**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 August 31, 2009

OR

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

Commission file number 000-32085

ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

36-4392754
(I.R.S. Employer
Identification Number)

222 Merchandise Mart, Suite 2024

Chicago, IL 60654

(Address of principal executive offices)

(866) 358-6869

(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

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 9, 2009, there were 145,131,594 shares of the registrant's \$0.01 par value common stock outstanding.

[Table of Contents](#)

Explanatory Note

On October 10, 2008, Allscripts Healthcare Solutions, Inc. (which changed its name to Allscripts-Misys Healthcare Solutions, Inc. on October 10, 2008, “Allscripts”) completed the transactions (the “Transactions”) contemplated by an Agreement and Plan of Merger dated as of March 17, 2008 by and among Misys plc, Misys Healthcare Systems, LLC (“MHS”), Allscripts and Patriot Merger Company, LLC. The Transactions are described in greater detail in this Form 10-Q. As a result of the Transactions, MHS became a wholly-owned subsidiary of Allscripts and Allscripts changed its fiscal year to end on May 31. Since the Transactions constituted a “reverse acquisition” for accounting purposes, the pre-acquisition combined financial statements of MHS are treated as the historical financial statements of Allscripts, with the results of legacy Allscripts being included for the full three months ended August 31, 2009 but not included in the three months ended August 31, 2008.

ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.

FORM 10-Q

INDEX

	<u>PAGE</u>
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements (unaudited)</u>	
<u>Consolidated Balance Sheets at August 31, 2009 and May 31, 2009</u>	3
<u>Consolidated Statements of Operations for the three months ended August 31, 2009 and 2008</u>	4
<u>Consolidated Statements of Cash Flows for the three months ended August 31, 2009 and 2008</u>	5
<u>Notes to Consolidated Financial Statements</u>	6
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	13
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	22
<u>Item 4. Controls and Procedures</u>	22
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	22
<u>Item 2. Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities</u>	22
<u>Item 5. Other Information</u>	23
<u>Item 6. Exhibits</u>	23
<u>SIGNATURES</u>	24

[Table of Contents](#)**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.****CONSOLIDATED BALANCE SHEETS**
(In thousands, except per share amounts)
(Unaudited)

	<u>August 31,</u> <u>2009</u>	<u>May 31,</u> <u>2009</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$84,849	\$71,159
Accounts receivable, net of allowance of \$6,597 and \$6,870 at August 31, 2009 and May 31, 2009, respectively	150,335	155,122
Deferred taxes, net	1,487	1,052
Inventories	2,324	2,583
Prepaid expenses and other current assets	<u>36,492</u>	<u>31,061</u>
Total current assets	275,487	260,977
Long-term marketable securities	2,072	2,267
Fixed assets, net	17,477	17,343
Software development costs, net	16,381	13,515
Intangible assets, net	222,437	227,766
Goodwill	417,911	418,431
Other assets	12,459	12,357
Total assets	<u>\$964,224</u>	<u>\$952,656</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$19,042	\$19,239
Accrued expenses	41,276	41,498
Accrued compensation and benefits	10,308	16,567
Deferred revenue	86,564	86,032
Other current liabilities	<u>1,197</u>	<u>792</u>
Total current liabilities	158,387	164,128
Long-term debt	39,995	63,699
Deferred taxes, net	24,083	20,368
Other liabilities	<u>4,191</u>	<u>4,091</u>
Total liabilities	226,656	252,286
Preferred stock:		
Undesignated, \$0.01 par value, 1,000 shares authorized, no shares issued and outstanding at August 31, 2009 and May 31, 2009	—	—
Common stock:		
\$0.01 par value, 199,000 shares authorized; 144,974 shares issued and outstanding at August 31, 2009; 142,397 shares issued and outstanding at May 31, 2009	1,449	1,423
Additional paid-in capital	870,487	846,257
Accumulated deficit	(134,359)	(147,291)
Accumulated other comprehensive income	<u>(9)</u>	<u>(19)</u>
Total stockholders' equity	<u>737,568</u>	<u>700,370</u>
Total liabilities and stockholders' equity	<u>\$964,224</u>	<u>\$952,656</u>

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

ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended	
	August 31,	
	2009	2008
Revenue:		
System sales	\$33,457	\$13,032
Professional services	15,918	7,404
Maintenance	59,419	36,670
Transaction processing and other	56,116	35,684
Total revenue	<u>164,910</u>	<u>92,790</u>
Cost of revenue:		
System sales	19,579	7,160
Professional services	15,503	6,475
Maintenance	20,949	15,136
Transaction processing and other	19,809	14,024
Total cost of revenue	<u>75,840</u>	<u>42,795</u>
Gross profit	89,070	49,995
Selling, general and administrative expenses	52,959	32,899
Research and development	11,978	7,958
Amortization of intangible assets	2,563	187
Income from operations	21,570	8,951
Interest expense	(685)	(77)
Interest income and other, net	101	11
Income before income taxes	20,986	8,885
Provision for income taxes	(8,054)	(3,514)
Net income	<u>\$12,932</u>	<u>\$5,371</u>
Net income per share—basic and diluted	<u>\$0.09</u>	<u>\$0.06</u>
Weighted-average shares of common stock outstanding used in computing basic net income per share	<u>146,357</u>	<u>82,886</u>
Weighted-average shares of common stock outstanding used in computing diluted net income per share	<u>149,963</u>	<u>82,886</u>

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

ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended	
	August 31,	
	2009	2008
Cash flows from operating activities:		
Net income	\$12,932	\$5,371
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,870	1,333
Stock-based compensation expense	3,326	786
Deferred taxes	3,291	625
Provision for doubtful accounts	879	1,253
Changes in operating assets and liabilities:		
Accounts receivable	3,908	(2,585)
Prepaid expenses and other assets	(5,423)	(1,440)
Inventories	259	1,224
Accounts payable	(197)	(297)
Accrued expenses	(132)	(1,391)
Accrued compensation and benefits	(6,465)	(5,296)
Deferred revenue	532	(433)
Other liabilities	(513)	—
Net cash provided by (used in) operating activities	<u>21,267</u>	<u>(850)</u>
Cash flows from investing activities:		
Capital expenditures	(1,132)	(236)
Capitalized software	(3,463)	—
Purchase of marketable securities	(3,990)	—
Sales and maturities of marketable securities	4,185	—
Net cash used in investing activities	<u>(4,400)</u>	<u>(236)</u>
Cash flows from financing activities:		
Proceeds from exercise of common stock options	811	—
Proceeds from employee stock purchase plan, net	566	—
Change in parent's net investment	—	4,364
Line of credit payments	—	(33,850)
Line of credit borrowings	—	31,450
Credit facility payments	(4,000)	—
Payments of capital lease obligations	(554)	(315)
Net cash (used in) provided by financing activities	<u>(3,177)</u>	<u>1,649</u>
Net increase in cash and cash equivalents	13,690	563
Cash and cash equivalents, beginning of period	71,159	325
Cash and cash equivalents, end of period	<u>\$84,849</u>	<u>\$888</u>

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

ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited, dollar and share amounts in thousands, except per-share amounts)

1. Summary of Significant Accounting Policies

Basis of Presentation

On October 10, 2008, in accordance with the transactions (the “Transactions”) contemplated by the Agreement and Plan of Merger dated as of March 17, 2008 by and among Misys plc, (“Misys”), Allscripts Healthcare Solutions, Inc. (“legacy Allscripts”), Misys Healthcare Systems (“MHS” or “legacy MHS”) and Patriot Merger Company, LLC (“Patriot”) a reverse merger was completed that consisted of (i) the cash payment to legacy Allscripts by an affiliate of Misys of approximately \$330,000 and (ii) the merger of Patriot with and into MHS, with MHS being the surviving company. As a result of the completion of the Transactions, MHS became a wholly-owned subsidiary of Allscripts-Misys Healthcare Solutions, Inc. (“Allscripts” or the “Company”). In connection with the closing of the Transactions, Allscripts issued an aggregate of 82,886 shares of its common stock to two subsidiaries of Misys, which as of the closing of the Transactions, represented approximately 56.8% of the number of outstanding shares of Allscripts common stock. The Transactions were accounted for under the purchase method of accounting for business combinations in accordance with accounting principles generally accepted in the United States. Under the purchase method of accounting, with MHS as the accounting “acquirer,” the assets and liabilities of legacy Allscripts were recorded, as of October 10, 2008, at their fair values and added to those of MHS, which are carried at their book values. Concurrent with the completion of the Transactions the newly combined entity was renamed Allscripts-Misys Healthcare Solutions, Inc.

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). The interim consolidated financial statements include the consolidated accounts of Allscripts-Misys Healthcare Solutions, Inc. and its wholly-owned subsidiaries with all significant intercompany transactions eliminated. In management’s opinion, all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods presented have been made. The Company derived its consolidated balance sheet at May 31, 2009 from the audited consolidated financial statements at that date. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to SEC rules and regulations. These financial statements should be read in conjunction with the consolidated financial statements for the year ended May 31, 2009 and the notes thereto in our Annual Report on Form 10-K for the year ended May 31, 2009. Operating results for the three months ended August 31, 2009 are not necessarily indicative of the results for the full year.

Results of operations include MHS for all periods presented and legacy Allscripts for periods subsequent to the completion of the Transactions on October 10, 2008. Since the Transactions constitute a reverse acquisition for accounting purposes, the pre-acquisition combined financial statements of MHS are treated as the historical financial statements of Allscripts. General corporate expenses incurred prior to October 10, 2008 and reported in the prior period financial statements contain allocations of operating costs between MHS and its former parent, Misys plc. These costs include executive salaries, accounting and legal fees, departmental costs for accounting, finance, legal, information technology, purchasing, marketing, human resources as well as other general overhead costs. These allocations were based on a variety of factors, dependent upon the nature of the costs being allocated, including revenues and number of employees. Management believes these allocations are made on a reasonable basis; however, the financial statements included herein may not necessarily reflect Allscripts results of operations, financial position and cash flows in the future or what its results of operations, financial position and cash flows would have been had MHS operated as a stand-alone entity prior to October 10, 2008.

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 EDI services. Revenue from prepackaged medications includes the sale of medications and pharmaceutical products. There was no prepackaged medications revenue during the three months ended August 31, 2009 or 2008 as the related business was disposed in the fourth quarter of fiscal year 2009 (see note 8) and was not part of MHS during the three months ended August 31, 2008 as this was a legacy Allscripts business.

Revenue from software licensing arrangements where the service element is not considered essential to the functionality of the other elements of the arrangement is accounted for under SOP 97-2, “Software Revenue Recognition,” as amended by SOP 98-9, “Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions.” Such revenue is recognized upon shipment of the software or as services are performed, provided persuasive evidence of an arrangement exists, fees are considered fixed and determinable, and collection of the receivable is considered 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 agreements that are deemed to have extended payment terms, revenue recognition is limited to amounts due and payable.

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 under American Institute of Certified Public Accountants Statement of Position (“SOP”) 81-1, “Accounting for Performance of Construction-Type Contracts and Certain Production-Type Contracts, as referenced in SOP 97-2.” Allscripts recognizes revenue on an input basis using actual hours worked as a percentage of total expected hours required by the arrangement, provided that the fee is fixed and 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 generally based upon contractual renewal rates. For agreements that are deemed to have extended payment terms, revenue is recognized using the input method but is limited to the amounts due and payable.

Revenue from certain value-added reseller (“VAR”) relationships in which software is directly sold to VARs is recognized upon delivery of the software in accordance with SOP 97-2 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 written and implied arrangement terms do not satisfy the criteria for revenue recognition.

ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited, dollar and share amounts in thousands, except per-share amounts)

Certain of our customer arrangements encompass multiple deliverables. We account for these arrangements in accordance with Emerging Issues Task Force (“EITF”) No. 00-21, “Accounting for Revenue Arrangements with Multiple Deliverables” (“EITF 00-21”). If the deliverables meet the separation criteria in EITF 00-21, the deliverables are separated into separate units of accounting, and revenue is allocated to the deliverables based on their fair values. The criteria specified in EITF 00-21 are that the delivered item has value to the customer on a stand-alone basis, there is objective and reliable evidence of the fair value of the undelivered item, and if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially in the control of the vendor. Applicable revenue recognition criteria are considered separately for each separate unit of accounting.

Management applies judgment to ensure appropriate application of EITF 00-21, including value allocation among multiple deliverables, determination of whether undelivered elements are essential to the functionality of delivered elements and timing of revenue recognition, among others. 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 EITF 00-21 criteria, which may cause Allscripts to adjust upward or downward the amount of revenue recognized under the arrangement.

In accordance with Emerging Issues Task Force Issue Number 01-14, Income Statement Characterization of Reimbursements Received for “Out-of-Pocket” Expenses Incurred (“EITF 01-14”), the Company records reimbursements for out-of-pocket expenses incurred as revenue in the statement of operations. These amounts totaled approximately \$1,273 and \$509 for the three months ended August 31, 2009 and 2008, respectively.

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 electronic data interchange (“EDI”) services is recognized as services are provided and is determined based on the volume of transactions processed. Revenue from the sale of prepackaged medications, net of provisions for estimated returns, is recognized upon shipment of the pharmaceutical products, the point at which the customer takes ownership and assumes risk of loss, when no performance obligations remain and collection of the receivable is probable. Allscripts offers the right of return on pharmaceutical products under various policies and estimates and maintains reserves for product returns based on historical experience following the provisions of FAS No. 48, “Revenue Recognition When Right of Return Exists.”

Fair Value

In September 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS 157, *Fair Value Measurements* (“FAS 157”). FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. FAS 157 affected how assets and liabilities are measured at fair value in the financial statements and required additional disclosures of fair value methods and assumptions. The fair values are categorized based upon the level of judgment associated with the inputs used to measure their value. Hierarchical levels, as defined in SFAS No. 157, are as follows:

Level 1: Inputs are unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date.

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.

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.

	Fair Value as of August 31, 2009	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Marketable securities-long term	\$2,072	\$2,072	\$—	\$—
Liabilities	—	—	—	—

Long-term marketable securities are valued using a market approach, based on quoted prices for the specific security from transactions in active exchange markets.

Subsequent Events

In May 2009, the FASB issued SFAS No. 165, "Subsequent Events" ("FAS 165"), which establishes general standards of accounting and disclosure for events that occur after the balance sheet date but before financial statements are issued. SFAS 165 is effective for interim and annual periods ending after June 15, 2009. FAS 165 requires that public entities evaluate subsequent events through the date that the financial statements are issued. Subsequent events have been evaluated as of October 13, 2009 and no further disclosures were required other than as disclosed in Note 11.

ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited, dollar and share amounts in thousands, except per-share amounts)

2. Business Combinations

Allscripts Healthcare Solutions, Inc. and Misys Healthcare Systems

On March 17, 2008, legacy Allscripts entered into the Merger Agreement with Misys, MHS and Patriot. On October 10, 2008, legacy Allscripts and MHS completed the Transactions. As a result of the completion of the Transactions, MHS became a wholly-owned subsidiary of legacy Allscripts in a reverse merger, Misys purchased \$330,000 of legacy Allscripts common stock and Misys obtained a controlling interest in legacy Allscripts. In connection with the closing of the Transactions, legacy Allscripts issued an aggregate of 82,886 shares of its common stock to two subsidiaries of Misys, which as of the closing of the Transactions, represented approximately 56.8% of the number of outstanding shares of Allscripts common stock. The combined company has a client base of approximately 160,000 U.S. physicians and 800 hospitals and is positioned to help physicians provide better patient care, manage their business more effectively and connect with their patients and other key healthcare stakeholders.

The Allscripts and MHS merger has been accounted for as a business combination under Statement of Financial Accounting Standards (“SFAS”) No. 141, “Business Combinations.” As MHS is the accounting acquirer, the historical financial statements are those of MHS. The assets acquired and liabilities assumed of Allscripts have been recorded at the date of acquisition at their respective fair values.

The results of operations of legacy Allscripts are included in the accompanying consolidated statements of operations for periods subsequent to the date of the completion of the Transactions, October 10, 2008. The total purchase price for the acquisition is \$569,198 and is comprised of the following:

Fair value of Allscripts Healthcare Solutions, Inc. (62,998 Allscripts common shares at \$8.77, the closing stock price of Allscripts on October 10, 2008)	\$552,494
Share-based compensation value	10,567
Acquisition-related transaction costs	6,137
Total purchase price	<u>\$569,198</u>

The purchase price has been preliminarily allocated to the tangible and intangible assets acquired and liabilities assumed based on management’s estimates of their current fair values. Allscripts is in the process of resolving certain tax matters. The final valuation of net assets is expected to be completed as soon as possible, but no later than one year from the acquisition date in accordance with generally accepted accounting principles. Acquisition-related transaction costs include investment banking fees, loan commitment fees, legal and accounting fees and other external costs directly related to the Transactions.

The purchase price has been preliminarily allocated as follows:

Acquired cash and marketable securities	\$410,374
Accounts receivable, net	88,306
Prepaid expenses and other current assets	18,170
Fixed assets and other long-term assets	24,144
Goodwill	335,505
Intangible assets	236,600
Deferred tax liability, net	(29,629)
Accounts payable and accrued liabilities	(385,605)
Deferred revenue	(44,389)
Long-term debt	(80,602)
Other liabilities	(3,676)
Net assets acquired	<u>\$569,198</u>

Goodwill was determined based on the residual difference between the purchase price and the value assigned to tangible and intangible assets and liabilities, and is not deductible for tax purposes. Among the factors that contributed to a purchase price resulting in the recognition of goodwill were Allscripts’ history of profitability and high operating margins, strong sales force and overall employee base, and position in the healthcare information technology market.

We have allocated \$335,505 to goodwill and \$236,600 to intangible assets. Allocated intangible assets consists of \$180,600, \$53,000 and \$3,000 attributed to the clinical solutions, health solutions and prepackaged medications segments as of the date of the October 10, 2008 acquisition, respectively. Of the \$236,600 of acquired intangible assets, \$52,000 was assigned to registered trade names, which have an indefinite life and are not subject to amortization. The remaining \$184,600 of intangible assets acquired consist of the following: \$49,000 was assigned to service and maintenance contracts with a useful life of 20 years, \$44,000 was assigned to developed technology rights with a useful life of 7 years, \$3,000 was assigned to developed technology rights with a useful life of 4 years, \$38,000 was assigned to core technology with a useful life of 12 years, \$21,000 was assigned to customer relationships with a useful life of 20 years, \$15,000 was assigned to ASP contracts with a useful life of 13 years, \$7,000 was assigned to service and maintenance contract backlog with a useful life of 2 years, \$5,000 was assigned to provider relationships with a useful life of 15 years, \$2,000 was assigned to service backlog with a useful life of 3 years and \$300 was assigned to Allscripts’ non-compete agreement with a useful life of 1 year, and \$300 was assigned to favorable leasehold interests with a useful life of 6 years. The intangible assets are being amortized on a straight-line basis over their average useful lives.

ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited, dollar and share amounts in thousands, except per-share amounts)

The following unaudited pro forma information assumes the legacy Allscripts and MHS merger occurred at the beginning the period presented. The unaudited pro forma supplemental results have been prepared based on estimates and assumptions, which we believe are reasonable and are not necessarily indicative of the consolidated financial position or results of operations had the Transactions occurred at the beginning of the period being presented, nor of future results of operations. The unaudited pro forma results for the three months ended August 31, 2008 are as follows:

Total revenue	\$171,137
Net income	\$6,239
Earnings per share:	
Basic and diluted	\$0.08
Weighted average shares outstanding—basic and diluted	<u>82,886</u>

3. Comprehensive Income

Comprehensive income includes all changes in stockholders' equity during a period except those resulting from investments by owners and distributions to owners. The components of comprehensive income are as follows:

	Three Months Ended August 31,	
	2009	2008
Net income	\$12,932	\$5,371
Other comprehensive income:		
Net unrealized gain on marketable securities, net of tax	10	—
Comprehensive income	<u>\$12,942</u>	<u>\$5,371</u>

As of August 31, 2009 and May 31, 2009, the components of accumulated other comprehensive income, net of income tax, consist of net unrealized losses on Allscripts marketable securities.

4. Net Income Per Share

Allscripts accounts for net income per share in accordance with FAS No. 128, "Earnings per Share" ("FAS 128"). FAS 128 requires the presentation of "basic" income per share and "diluted" income per share. Basic income per share is computed by dividing the net income by the weighted-average shares of outstanding common stock including participating securities. 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 primarily of stock options, restricted stock unit awards and conversion of the Debentures.

The components of net earnings available for diluted per-share calculation and diluted weighted average common shares outstanding are as follows:

	Three Months Ended August 31,	
	2009	2008
Net earnings available for diluted per-share calculation:		
Net income	\$12,932	\$5,371
Interest expense on Debentures, net of tax	69	—
Net earnings available for diluted per-share calculation	<u>\$13,001</u>	<u>\$5,371</u>
	Three Months Ended August 31,	
	2009	2008
Weighted average shares outstanding:		
Basic		
Weighted average common stock outstanding	143,029	82,886
Participating securities	3,328	—
Total basic weighted average shares outstanding	<u>146,357</u>	<u>82,886</u>
Dilutive		
Basic weighted average shares outstanding	146,357	82,886
Dilutive effect of stock options and restricted stock unit awards	1,795	—
Dilutive effect of Debentures	1,811	—
Total dilutive weighted average shares outstanding	<u>149,963</u>	<u>82,886</u>

For the three months ended August 31, 2008, the basic and diluted share count includes only the shares issued to Misys plc in connection with the October 10, 2008 transactions. MHS did not have any shares outstanding prior to the merger, and therefore, the basic and diluted share count is comprised of the Allscripts shares issued on the October 10, 2008 acquisition date for all periods prior to the acquisition date as this

ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited, dollar and share amounts in thousands, except per-share amounts)

reflects the Allscripts shares equivalent of MHS equity prior to the acquisition. Total shares outstanding for purposes of determining the earnings per share for the three months ended August 31, 2009 are comprised of the total legacy Allscripts shares outstanding at the date of the Transactions and the total shares issued to Misys plc at the merger date.

In June 2008, the Financial Accounting Standards Board issued EITF No. 03-6-1, “Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities” (“EITF 03-6-1”). EITF 03-6-1 states that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents are “participating securities” as defined in EITF 03-6, Participating Securities and the Two-Class Method under FASB Statement No. 128, and therefore should be included in computing earnings per share using the two-class method. According to EITF 03-6-1, a share-based payment award is a participating security when the award includes nonforfeitable rights to dividends or dividend equivalents. We adopted EITF 03-6-1 on June 1, 2009, and its adoption is reflected in the weighted average share computation for the three month 2009 period. No participating securities existed in the three month 2008 period.

Under the provisions of EITF 04-8, the as-if converted 1,811 shares and interest expense related to Allscripts’ 3.5% Senior Convertible Debentures due 2024 were included in the three months ended August 31, 2009 as the effects were dilutive.

5. Other Assets

Perpetual License

On September 15, 2008, Allscripts reached an agreement (the “Agreement”) with iMedica (now Aprima Medical Software, Inc., or “Aprima”) which provides the Company a perpetual license for certain Aprima health and practice management software, marketed under the Allscripts’ MyWay brand. The perpetual license is being amortized over its estimated useful life of seven years. The net value of this perpetual license was \$9,436 and \$9,811 as of August 31, 2009 and May 31, 2009, respectively, and is included in other assets on the consolidated balance sheets. Amortization expense related to this license was \$375 and \$0 for the three months ended August 31, 2009 and 2008, respectively. On July 17, 2009, the Company and Aprima entered into an amendment to the Agreement to settle a dispute over certain of the Agreement terms with regard to resale of the perpetual license. As consideration for entering into this amendment, Allscripts paid Aprima \$2,000, which is reflected in selling, general and administrative expenses on the consolidated statement of operations for the three months ended August 31, 2009.

6. Long-Term Debt and Credit Facility

Long-term debt outstanding as of August 31, 2009 and May 31, 2009 consisted of the following:

	<u>August 31, 2009</u>	<u>May 31, 2009</u>
Long-term revolving Credit Facility, LIBOR plus 2.00% interest	\$39,995	\$43,995
3.5% Senior Convertible Debentures	—	19,704
Total long-term debt	<u>\$39,995</u>	<u>\$63,699</u>

Interest expense for the three months ended August 31, 2009 and 2008 was \$685 and \$77, respectively, which includes debt issuance cost amortization of \$88 and \$0, respectively.

Credit Facility

On December 31, 2007, Allscripts and its subsidiaries entered into a new credit agreement (the “Original Credit Facility”) with JPMorgan Chase Bank, N.A., as sole administrative agent, which provided for a total unsecured commitment of \$60,000 and matured on January 1, 2012. On August 15, 2008, Allscripts and its subsidiaries entered into an Amended and Restated Credit Agreement (the “First Amendment to Credit Facility”) with JPMorgan Chase Bank, N.A., as the sole administrative agent. The First Amendment to Credit Facility amended and restated the Original Credit Facility to provide for a total unsecured commitment of \$75,000 and matured on August 15, 2012. The First Amendment to Credit Facility was available in the form of letters of credit and revolving loans.

On February 10, 2009 Allscripts entered into a Second Amended and Restated Credit Agreement (the “Credit Facility”) among the Company, Allscripts, LLC, A4 Health Systems, Inc., A4 Realty, LLC, Extended Care Information Network, Inc. (“ECIN”) and Misys Healthcare Systems, LLC, as Borrowers, and the other parties from time to time joined as additional Borrowers, JPMorgan Chase Bank, N.A., as the sole administrative agent, JPMorgan Securities, Inc., as lead arranger, and Fifth Third Bank, as syndication agent and co-lead arranger. The Credit Facility amends and restates the First Amendment to Credit Facility entered into by the Borrowers on August 15, 2008.

The Credit Facility provides for a total unsecured commitment of \$125,000, an increase of \$50,000 from the First Amendment to Credit Facility, and matures on August 15, 2012. The Credit Facility may, subject to the terms and conditions set forth therein including the receipt of additional commitments from lenders, be increased up to a maximum amount not to exceed \$150,000. The Credit Facility is available in the form of letters of credit in an aggregate amount up to \$10,000 and revolving loans. On December 31, 2007, borrowings of \$50,000 were incurred to finance the acquisition of ECIN. The Credit Facility bears interest at LIBOR plus 2.00%, which rate is based upon the Company’s leverage ratio as of the last day of the most recently ended fiscal quarter or fiscal year.

As of August 31, 2009, \$39,995 in borrowings and \$5 in letters of credit were outstanding under the Credit Facility. As of August 31, 2009, the

interest rate on the Credit Facility was LIBOR plus 2.00%. There is no default under the Credit Facility as of August 31, 2009. The Credit Facility contains customary representations, warranties, covenants and events of default. The Credit Facility also contains certain financial covenants, including but not limited to, leverage and coverage ratios to be calculated on a quarterly basis.

ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited, dollar and share amounts in thousands, except per-share amounts)

Senior Convertible Debentures

In July 2004, Allscripts completed a private placement of \$82,500 of 3.50% Senior Convertible Debentures due 2024 (“Debentures”). Holders of \$54,632 principal amount of the Debentures exercised their right to convert the Debentures into an aggregate of 4,854 shares of Allscripts common stock by virtue of the Transactions. As a result of further actions taken by holders of the Debentures, discussed in greater detail below, there were no outstanding Debentures as of August 31, 2009.

On November 7, 2008, Allscripts launched an offer to purchase for cash all of the \$27,868 of Notes then outstanding at a purchase price equal to 100% of the principal amount of the Notes being repurchased (\$1,000 per each \$1,000 principal amount outstanding) plus any accrued and unpaid interest, pursuant to the terms of the indenture governing the Notes. The offer to purchase the outstanding Notes expired on December 9, 2008, with \$8,164 of the \$27,868 outstanding Notes being repurchased for cash.

During July 2009, Allscripts exercised its call option on the remaining \$19,704 of Debentures for redemption. As a result of the call exercised by Allscripts, the Holders of the Debentures had the right to convert the Debentures into common stock prior to payment redemption. During July and August 2009, Holders of all of the outstanding Debentures exercised their right to convert the Debentures into an aggregate of 2,451 shares of Allscripts common stock by virtue of the call option.

7. Income Taxes

On June 1, 2007, the Company adopted the provisions of FIN 48 (FASB Interpretation 48 amends Statement of Financial Standards 109) which clarifies the accounting for uncertainty in income taxes recognized in the enterprises’ financial statements in accordance with SPAS109. FIN 48 prescribes a recognition threshold of more-likely-than-not to be sustained upon examination for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on de-recognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. The Company’s policy for recording interest and penalties associated with tax audits is to record such items as a component of income taxes. In connection with the closing of the Transactions on October 10, 2008, the Company has unrecognized tax benefits of \$2,623 related to legacy Allscripts.

The provision for income taxes reflects the Company’s estimate of the effective tax rate expected to be applicable for the full fiscal year. The effective tax rate was 38.4% and 39.5% for the three months ended August 31, 2009 and 2008, respectively.

8. Business Segments

SFAS No. 131, “Disclosures about Segments of a Business Enterprise and Related Information”, establishes standards for reporting information about operating segments in annual financial statements and requires selected information about operating segments in interim financial reports issued to stockholders. Operating segments are defined as components of an enterprise for which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance.

Allscripts has organized its business around groups of similar customers, which resulted in three reportable segments: clinical solutions, health solutions and prepackaged medications. The clinical solutions segment derives its revenue from the sale of clinical and practice management solutions and related services to physicians. Clinical solutions include electronic medical records software, practice management software, related installation and training services, electronic claims administration services and the resale of related hardware. The health solutions segment derives its revenue from the sale of clinical and practice management solutions and related services to hospital providers. Health solutions include software, related installation and training services, and the resale of related hardware. The prepackaged medications segment derives its revenue from the prepackaged medications business, including wholesale medication sales and on-site medication dispensing. As noted below, the prepackaged medications business was disposed of in fiscal year 2009.

On March 16, 2009, Allscripts completed the sale of its Medications Services business pursuant to the Asset Purchase Agreement (the “Meds Agreement”) with A-S Medication Solutions LLC (“A-S”). Also at that time, Allscripts entered into a five-year marketing agreement (the “Marketing Agreement”) with A-S which requires that Allscripts provide various marketing services to A-S for compensation of \$900 per quarter. Allscripts has continuing obligations requiring substantive performance under the Marketing Agreement, including the use of the Allscripts trade name, promotion of the products and service offerings of A-S with existing and future Allscripts’ customers, participation in the development and promotion of joint marketing materials, sharing of certain customer and sales lead information, and other related marketing service obligations. As a result of the Meds Agreement, there was no activity in the prepackaged medications segment during the three months ended August 31, 2009. There was no activity in the prepackaged medications segment in the three months ended August 31, 2008 as this was a legacy Allscripts segment and the 2008 period includes only activity related to legacy MHS. During the three months ended August 31, 2009 and 2008, Allscripts recorded revenue in the clinical solutions segment of \$900 and \$0, respectively, for services provided under the Marketing Agreement.

The Company does not track its assets by segment. The Company does not allocate interest expense or income taxes to its operating segments. In addition, the Company records corporate selling, general, and administrative expenses and amortization of intangibles in its unallocated corporate costs. These costs are not included in the evaluation of the financial performance of the operating segments. Certain prior period amounts have been reclassified to conform to the current period presentation.

ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS—(Continued)
(Unaudited, dollar and share amounts in thousands, except per-share amounts)

	For the Three Months Ended August 31,	
	2009	2008
Revenue		
Clinical solutions	\$139,102	\$83,263
Health solutions	25,808	9,527
Total revenue	<u>\$164,910</u>	<u>\$92,790</u>
Income from operations		
Clinical solutions	\$37,676	\$17,789
Health solutions	12,524	2,666
Unallocated corporate expenses	(28,630)	(11,504)
Total income from operations	21,570	8,951
Interest expense	(685)	(77)
Interest income and other, net	101	11
Income from operations before income taxes	<u>\$20,986</u>	<u>\$8,885</u>

9. Related Parties

Misys plc

General corporate expenses of Misys Holdings, Inc. incurred prior to October 10, 2008, which were not directly related to legacy MHS, included certain corporate executives' salaries, accounting and legal fees, departmental costs for accounting, finance, legal, IT, purchasing, marketing, human resources as well as other general overhead costs. Selling, general and administrative expenses in the combined statements of operations include corporate expense allocations of \$3,746 for the three months ending August 31, 2008. All figures related to the three months ended August 31, 2009 reflect charges under the shared services agreement described below.

Shared Services Agreement

On March 1, 2009, Allscripts and Misys entered into a Shared Services Agreement dated as of March 1, 2009 and effective as of October 10, 2008 (the "Services Agreement"). The Services Agreement was approved by the Audit Committee of Allscripts' Board of Directors. The services being provided to Allscripts include: (1) human resource functions such as administration, selection of benefit plans and designing employee survey and training programs, (2) management services, (3) procurement services such as travel arrangements, disaster recovery and vendor management, (4) research and development services such as software development, (5) access to information technology, telephony, facilities and other related services at Misys' customer support center located in Manila, The Philippines; and (6) information system services such as planning, support and database administration. Allscripts is providing Misys with certain tax, facility space and payroll processing services. The Services Agreement has an initial one-year term from October 10, 2008 and may be renewed upon the mutual agreement of Misys and Allscripts. Subject to certain exceptions, a recipient of services may terminate services provided under the Services Agreement upon at least 45 days prior written notice. During the three months ended August 31, 2009, Allscripts incurred \$3,540 in selling, general and administrative expenses for services provided by Misys under the Services Agreement.

10. Recent Accounting Pronouncements

In September 2009, the FASB ratified EITF 08-1, "Revenue Arrangements with Multiple Deliverables" ("EITF 08-1"), which amends EITF 00-21 to require an entity to apply the relative selling price allocation method in order to estimate selling price for all units of accounting, including delivered items, when vendor-specific objective evidence or acceptable third-party evidence does not exist. EITF 08-1 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and shall be applied on a prospective basis. Earlier application is permitted as of the beginning of an entity's fiscal year. The Company is assessing the potential impact of EITF 08-1 on its consolidated financial position and results of operations.

In September 2009, the FASB ratified EITF 09-3, "Applicability of AICPA Statement of Position 97-2 to Certain Arrangements That Contain Software Elements" ("EITF 09-3"), which amends the scope of AICPA Statement of Position (SOP) 97-2, "Software Revenue Recognition" and EITF 03-5, "Applicability of AICPA Statement of Position 97-2 to Non-Software Deliverables in an Arrangement Containing More-Than-Incidental Software" to exclude all tangible products containing both software and non-software components that function together to deliver the product's essential functionality. EITF 09-3 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and shall be applied on a prospective basis. Earlier application is permitted as of the beginning of an entity's fiscal year. The Company is assessing the impact of EITF 09-3 on its consolidated financial position and results of operations.

11. Subsequent Event

On October 12, 2009, Allscripts and Misys executed a 30 day extension to the Services Agreement (see Note 9) during which time it is anticipated that a renewal of the original annual agreement will be negotiated and executed.

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

(In thousands, except per share amounts)

Overview

Merger Agreement

On October 10, 2008, in accordance with the transactions (the "Transactions") contemplated by the Agreement and Plan of Merger dated as of March 17, 2008 by and among Misys plc, ("Misys"), Allscripts Healthcare Solutions, Inc. ("legacy Allscripts"), Misys Healthcare Systems ("MHS" or "legacy MHS") and Patriot Merger Company, LLC ("Patriot") a reverse merger was completed that consisted of (i) the cash payment to legacy Allscripts by an affiliate of Misys of approximately \$330,000 and (ii) the merger of Patriot with and into MHS, with MHS being the surviving company. As a result of the completion of the Transactions, MHS became a wholly-owned subsidiary of Allscripts-Misys Healthcare Solutions, Inc. ("Allscripts" or the "Company"). In connection with the closing of the Transactions, Allscripts issued an aggregate of 82,886 shares of its common stock to two subsidiaries of Misys, which as of the closing of the Transactions, represented approximately 56.8% of the number of outstanding shares of Allscripts common stock. The Transactions were accounted for under the purchase method of accounting for business combinations in accordance with accounting principles generally accepted in the United States. Under the purchase method of accounting, with MHS as the accounting "acquirer," the assets and liabilities of legacy Allscripts were recorded, as of October 10, 2008, at their fair values and added to those of MHS, which are carried at their book values. Concurrent with the completion of the Transactions the newly combined entity was renamed Allscripts-Misys Healthcare Solutions, Inc.

Basis of Presentation

The Transactions constitute a reverse acquisition for accounting purposes. As such, the pre-acquisition combined financial statements of MHS are treated as the historical financial statements of Allscripts. Results of operations for the three months ended August 31, 2008 are the results of operations of MHS only.

Business Overview

Allscripts is a leading provider of clinical software, services, information and connectivity solutions that empower physicians and other healthcare providers to deliver best-in-class patient safety, clinical outcomes and financial results. Our businesses provide innovative solutions that inform physicians with just right, just in time information, connect physicians to each other and to the entire community of care, and transform healthcare, improving both the quality and efficiency of care. We provide various clinical software applications, including Electronic Health Records (EHR), practice management, revenue cycle management, clearinghouse services, electronic prescribing, Emergency Department Information System (EDIS), hospital care management and discharge management solutions, document imaging solutions, and a variety of solutions for home care and other post-acute facilities. We have reported our financial results utilizing two business segments: clinical solutions and health solutions.

Our clinical solutions segment includes both our Enterprise business for large physician practices and Integrated Delivery Networks, and our Professional business for smaller or independent physician practices, providing such practices with clinical and practice management software solutions and related services. Our award-winning EHR solutions are designed to enhance physician productivity using tablet PCs, wireless handheld devices or desktop workstations for the purpose of automating the most common physician activities, including prescribing, dictating, ordering lab tests and viewing results, documenting clinical encounters and capturing charges, among others. Our practice management solutions combine scheduling and revenue cycle management tools in a single package with functionality including rules-based appointment scheduling, multi-resource and recurring appointment features, referral and eligibility indicators, and appointment and claims management. Our electronic prescribing solutions include a Web-based stand-alone solution offered free-of-charge to any licensed prescriber, and solutions that are integrated into each of our EHRs. And our Web-based suite of revenue cycle management and clearinghouse services solutions – available on a stand-alone basis or integrated into our practice management solutions—address every step in the reimbursement cycle for healthcare organizations, clearinghouses and payers.

Our health system solutions segment provides offerings for hospitals that are seeking Emergency Department Information System (EDIS) and care management solutions, as well as post-acute facilities such as home health providers, hospices and skilled nursing facilities. Allscripts ED (formerly HealthMatics ED) is an EDIS that electronically streamlines processes for large hospital Emergency Departments, including tracking, triage, nurse and physician charting, disposition and reporting. EmSTAT, a legacy EDIS product, offers similar functionality for streamlining the Emergency Department care process in small hospitals. Allscripts Care Management (formerly Canopy and ECIN) is a Web-based solution that streamlines and speeds the patient care management process by automating utilization, case, discharge and quality management processes relating to patient hospital visits. Allscripts Post Acute solutions include: Referral Management, Referral Management Plus, Allscripts Mobile and Core System Integration. These solutions streamline the transition of care process between hospitals and post-acute care facilities. Our solution for home health providers is an integrated system that combines business, clinical, and scheduling features into a single package, providing home health, hospice, and private duty organizations with a user friendly product that enables staff to work more effectively both inside and outside the office.

We believe the combination of President Obama's leadership and vision, the standards provided by the Certification Commission for Healthcare Information Technology (CCHIT), and federal incentives that exist today for e-prescribing and pay-for-quality initiatives, will quickly make electronic health records as common as practice management systems in all provider offices. We believe the stimulus provided by the American Recovery and Reinvestment Act of 2009 (the "Stimulus") will be the single biggest driver of healthcare IT adoption in our industry's history since the requirement of electronic claims submissions. We believe that we are well positioned in the market to take advantage of the Stimulus and have begun to see a positive impact on new orders, particularly in our Enterprise business, in our quarter ended August 31, 2009. However, we believe that the impact on new orders of the Stimulus has been tempered by continued uncertainty around the Stimulus and related funding requirements and also due to the challenging economic conditions which have motivated customers and prospective customers to defer capital investments, conserve cash and move towards software subscription arrangements versus traditional licensing arrangements. We believe that the continuation of these challenging economic conditions and uncertainty around the Stimulus may continue during the remainder of our fiscal year 2010.

[Table of Contents](#)

The composition of our revenue by segment is as follows:

	For the Three Months Ended August 31,	
	2009	2008
Revenue		
Clinical solutions	\$ 139,102	\$ 83,263
Health solutions	25,808	9,527
Total revenue	<u>\$ 164,910</u>	<u>\$ 92,790</u>

Cost of revenue for Allscripts' clinical solutions segment consists primarily of salaries, bonuses and benefits of Allscripts billable professionals, third-party software costs, hardware costs, third-party transaction processing costs, amortization of acquired proprietary technology, depreciation and amortization and other direct engagement costs. Cost of revenue for Allscripts' health solutions segment consists primarily of salaries, bonuses and benefits of Allscripts billable professionals, third-party software costs, hardware costs, depreciation and amortization and other direct engagement costs. In addition, the cost of revenue for both segments includes certain services performed by Misys under a Shared Services Agreement.

Selling, general and administrative expenses consist primarily of salaries, bonuses and benefits for management and support personnel, commissions, facilities costs, depreciation and amortization, general operating expenses, non-capitalizable product development expenses and selling and marketing expenses. Selling, general and administrative expenses for each segment consist of expenses directly related to that segment. In addition, selling, general and administrative expenses include certain services performed by Misys under a Shared Services Agreement.

Research and development expenses consist primarily of salaries, bonuses and benefits, third party contractor costs and other costs directly related to development of new products and upgrading and enhancing existing products.

Amortization of intangibles consists of amortization of customer relationships, trade names and other intangibles acquired under purchase accounting related to the Transactions and the Medic, Payerpath and Amicore acquisitions.

Interest expense consists primarily of interest on our previously outstanding 3.50% Senior Convertible Debentures due 2024 (the "Debentures"), interest on capital leases and interest expense on our Second Amended and Restated Credit Agreement (the "Credit Facility"). Interest income and other consists primarily of interest earned on cash and marketable securities.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations discusses our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period.

Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

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 customer support and maintenance services. Revenue from Transaction Processing and Other includes Electronic Data Interchange ("EDI") services. Revenue from prepackaged medications includes the sale of medications and pharmaceutical products. There was no prepackaged medications revenue during the three months ended August 31, 2009 or 2008 as the related business was disposed in the fourth quarter of fiscal year 2009 and was not part of MHS during the three months ended August 31, 2008 as this was a legacy Allscripts business.

Revenue from software licensing arrangements where the service element is not considered essential to the functionality of the other elements of the arrangement is accounted for under SOP 97-2, "Software Revenue Recognition," as amended by SOP 98-9, "Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions." Such revenue is recognized upon shipment of the software or as services are performed, provided persuasive evidence of an arrangement exists, fees are considered fixed and determinable, and collection of the receivable is considered 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 agreements that are deemed to have extended payment terms, revenue recognition is limited to amounts due and payable.

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 under American Institute of Certified Public Accountants Statement of Position ("SOP") 81-1, "Accounting for Performance of Construction-Type Contracts and Certain Production-Type Contracts, as referenced in SOP 97-2." Allscripts recognizes revenue on an input basis using actual hours worked as a percentage of total expected hours required by the arrangement, provided that the fee is fixed and 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 generally based upon contractual renewal rates. For agreements that are deemed to have extended payment terms, revenue is recognized using the input method but is limited to the amounts due and payable.

[Table of Contents](#)

Revenue from certain value-added reseller (“VAR”) relationships in which software is directly sold to VARs is recognized upon delivery of the software in accordance with SOP 97-2 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 written and implied arrangement terms do not satisfy the criteria for revenue recognition.

Certain of our customer arrangements encompass multiple deliverables. We account for these arrangements in accordance with Emerging Issues Task Force (“EITF”) No. 00-21, “Accounting for Revenue Arrangements with Multiple Deliverables” (“EITF 00-21”). If the deliverables meet the separation criteria in EITF 00-21, the deliverables are separated into separate units of accounting, and revenue is allocated to the deliverables based on their fair values. The criteria specified in EITF 00-21 are that the delivered item has value to the customer on a stand-alone basis, there is objective and reliable evidence of the fair value of the undelivered item, and if the arrangement includes a general right of return relative to the delivered item, delivery or performance of the undelivered item is considered probable and substantially in the control of the vendor. Applicable revenue recognition criteria are considered separately for each separate unit of accounting.

Management applies judgment to ensure appropriate application of EITF 00-21, including value allocation among multiple deliverables, determination of whether undelivered elements are essential to the functionality of delivered elements and timing of revenue recognition, among others. 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 EITF 00-21 criteria, which may cause Allscripts to adjust upward or downward the amount of revenue recognized under the arrangement.

In accordance with Emerging Issues Task Force Issue Number 01-14, Income Statement Characterization of Reimbursements Received for “Out-of-Pocket” Expenses Incurred (“EITF 01-14”), the Company records reimbursements for out-of-pocket expenses incurred as revenue in the statement 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. Revenue from the sale of prepackaged medications, net of provisions for estimated returns, is recognized upon shipment of the pharmaceutical products, the point at which the customer takes ownership and assumes risk of loss, when no performance obligations remain and collection of the receivable is probable. Allscripts offers the right of return on pharmaceutical products under various policies and estimates and maintains reserves for product returns based on historical experience following the provisions of FAS No. 48, “Revenue Recognition When Right of Return Exists.”

Allowance for Doubtful Accounts Receivable

We rely on estimates to determine our bad debt expense and the adequacy of our allowance for doubtful accounts. These estimates are based on our historical experience and the industry in which we operate. If the financial condition of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances and related bad debt expense may be required.

Goodwill and Intangible Assets

We evaluate the value of intangible assets based upon the present value of the future economic benefits expected to be derived from the assets. We assess the impairment of the identifiable intangibles and goodwill annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. If we determine that the value of the intangible assets and goodwill may not be recoverable from future cash flows, a write-down of the value of the asset may be required.

We estimate the useful lives of our intangible assets and amortize the value over that estimated life. If the actual useful life is shorter than our estimated useful life, we will amortize the remaining book value over the remaining useful life or the asset may be deemed to be impaired and, accordingly, a write-down of the value of the asset may be required.

Software Capitalization

The carrying value of capitalized software is dependent upon the ability to recover its value through future revenue from the sale of the software. If we determine in the future that the value of the capitalized software could not be recovered, a write-down of the value of the capitalized software to its recoverable value may be required.

We estimate the useful life of our capitalized software and amortize the value over that estimated life. If the actual useful life is shorter than our estimated useful life, we will amortize the remaining book value over the remaining useful life or the asset may be deemed to be impaired and, accordingly, a write-down of the value of the asset may be required.

Income Taxes

We account for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes," which establishes financial accounting and reporting standards for the effect of income taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in an entity's financial statements or tax returns. Judgment is required in addressing the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns.

[Table of Contents](#)

In addition, 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. The calculation of tax liabilities involves dealing with uncertainties in the application of complex tax regulations. In accordance with FIN 48, "Accounting for Uncertainty in Income Taxes—an Interpretation of FASB Statement No. 109" we recognize liabilities for anticipated tax audit issues based on our estimate of whether, and the extent to which, additional taxes may be required. If we ultimately determine that payment of these amounts is unnecessary, then we reverse the liability and recognize a tax benefit during the period in which we determine that the liability is no longer necessary. We also recognize tax benefits to the extent that it is more likely than not that our positions will be sustained if challenged by the taxing authorities. To the extent we prevail in matters for which liabilities have been established, or are required to pay amounts in excess of our liabilities, our effective tax rate in a given period may be materially affected. An unfavorable tax settlement would require cash payments and may result in an increase in our effective tax rate in the year of resolution. A favorable tax settlement would be recognized as a reduction in our effective tax rate in the year of resolution. We report interest and penalties related to uncertain income tax positions as income taxes.

Results of Operations

The following table shows, for the periods indicated, our results of operations expressed as a percentage of our revenue:

	Three Months Ended	
	August 31,	
	2009	2008
Revenue	100.0%	100.0%
Cost of revenue	46.0	46.1
Gross profit	54.0	53.9
Operating expenses:		
Selling, general and administrative expenses	32.1	35.5
Research and development	7.3	8.6
Amortization of intangibles	1.6	0.2
Income from operations	13.0	9.6
Interest expense	(0.4)	(0.1)
Interest and other income, net	0.1	—
Income from operations before income taxes	12.7	9.5
Provision for income taxes	(4.9)	(3.8)
Net income	7.8%	5.7%

Overview of Consolidated Results

Three Months Ended August 31, 2009 Compared to the Three Months Ended August 31, 2008

Revenue

Consolidated revenue increased \$72,120, or 77.7%, from \$92,790 during the three months ended August 31, 2008 to \$164,910 during the three months ended August 31, 2009. The increase for three months ended August 31, 2009 is primarily due to the inclusion of revenue contributed by legacy Allscripts due to the closing of the Transactions on October 10, 2008.

Excluding the revenue contributed by legacy Allscripts, the legacy MHS revenue declined in the three months ended August 31, 2009 as compared to the three months ended August 31, 2008. This decline was concentrated in systems sales and professional services in the legacy MHS clinical solutions segment and was as a direct result of a shift of new sales orders away from the legacy MHS products to the legacy Allscripts products where similar products existed in both legacy businesses. This shift was expected by management and is part of the overall integration strategy for the clinical solutions segment. Partially offsetting this decline in systems sales and services revenue was an increase in legacy MHS clinical solutions maintenance revenue as a result of continued growth in the customer base and annual price increases on existing contracts as well as modest growth in transaction services revenue. The net decline in revenue in the legacy MHS clinical solutions business was partially offset by revenue growth in the legacy MHS health solutions segment which experienced system sales and professional services revenue growth due to an increase in orders as well as growth in maintenance revenue as a result of continued growth in the customer base and annual price increases on existing contracts.

Gross Margin

Consolidated gross margin for the three months ended August 31, 2009 increased \$39,075, or 78.2%, from \$49,995 for the three months ended August 31, 2008 to \$89,070 in the three months ended August 31, 2009. Consolidated gross margin as a percentage of revenue for the three months ended August 31, 2009 and 2008 was 54.0% and 53.9%, respectively. The increase in gross margin in the three months ended August 31, 2009 is primarily due to the legacy Allscripts gross margin contribution which was not present in the comparable period in 2008.

Operating Income

Consolidated operating income increased \$12,619, or 141.0%, from \$8,951 during the three months ended August 31, 2008 to \$21,570 in the three months ended August 31, 2009. The increase in operating income for the three months ended August 31, 2009 is primarily due to the legacy Allscripts gross margin contribution which was not present in the comparable period in 2008. In addition to the impact of the addition of legacy Allscripts, contributing to the increase in operating income was the result of a lower research and development costs due to a reduction in

[Table of Contents](#)

third-party spending on legacy MHS software products. These cost savings were partially offset by higher selling, general and administrative costs related to a \$2,000 payment to Aprima (formerly iMedica) related to an amendment to our perpetual license agreement for our MyWay product and higher amortization of intangibles as a result of the Transactions which closed on October 10, 2008.

Segment Operations

Clinical Solutions

	Three Months Ended August 31,	
	2009	2008
Revenue:		
System sales	\$28,949	\$9,496
Professional services	12,863	5,783
Maintenance	51,147	32,300
Transaction processing and other	46,143	35,684
Total revenue	<u>139,102</u>	<u>83,263</u>
Total cost of revenue	<u>68,502</u>	<u>40,128</u>
Gross profit	70,600	43,135
Selling, general and administrative expenses	23,103	18,498
Research and development	9,821	6,848
Income from operations	<u>\$37,676</u>	<u>\$17,789</u>

Revenue

Total clinical solutions revenue for the three months ended August 31, 2009 increased \$55,839, or 67.1%, from \$83,263 during the three months ended August 31, 2008 to \$139,102 in the three months ended August 31, 2009. The revenue increase in the three months ended August 31, 2009 is primarily due to the clinical solutions revenue contributed by legacy Allscripts due to the closing of the Transactions on October 10, 2008. Excluding the revenue contributed by legacy Allscripts, the legacy MHS revenue declined in the three months ended August 31, 2009 as compared to the same period in 2008. This decline was concentrated in systems sales and professional services and was as a direct result of a shift of new sales orders away from the legacy MHS products to the legacy Allscripts products where similar products existed in both legacy businesses. This shift was expected by management and is part of the overall integration strategy for the clinical solutions segment. Partially offsetting this decline in systems sales and services revenue was an increase in legacy MHS clinical solutions maintenance revenue as a result of continued growth in the customer base and annual price increases on existing contracts as well as modest growth in transaction services revenue.

Gross Margin

Gross margin for the three months ended August 31, 2009 increased \$27,465, or 63.7%, from \$43,135 in the three months ended August 31, 2008 to \$70,600 in three months ended August 31, 2009. The increase in gross margin is primarily due to the clinical solutions margin contributed by legacy Allscripts as a result of the closing of the Transactions on October 10, 2008. Gross margin as a percentage of revenue was 50.8% and 51.8% for the three months ended August 31, 2009 and 2008, respectively. The slight decrease in gross margin as a percentage of revenue for the three months ended August 31, 2009 is primarily due to an increase in amortization cost associated with acquired technology related to the Transactions.

Selling, General and Administrative

Selling, general and administrative costs for the three months ended August 31, 2009 increased \$4,605, or 24.9%, from \$18,498 during the three months ended August 31, 2008 to \$23,103 in the three months ended August 31, 2009. The increase during the three months ended August 31, 2009 was primarily a result of the inclusion of legacy Allscripts due to the closing of the Transactions on October 10, 2008.

Research and Development

Research and development costs for the three months ended August 31, 2009 increased \$2,973, or 43.4%, from \$6,848 during the three months ended August 31, 2008 to \$9,821 in the three months ended August 31, 2009. The increase is primarily due to the inclusion of legacy Allscripts research and development activity as a result of the closing of the Transactions on October 10, 2008. This increase was partially offset by lower research and development costs in the legacy MHS business as a result of lower third party spend on legacy MHS products. Also offsetting the increase was an increase in the amount of expense eligible for capitalization driven by the closing of the Transactions on October 10, 2008, which resulted in an increase in projects undertaken that qualified for capitalization.

[Table of Contents](#)*Health Solutions*

	Three Months Ended	
	August 31,	
	2009	2008
Revenue:		
System sales	\$4,508	\$3,536
Professional services	3,055	1,621
Maintenance	8,272	4,370
Transaction processing and other	9,973	—
Total revenue	25,808	9,527
Total cost of revenue	7,338	2,667
Gross profit	18,470	6,860
Selling, general and administrative expenses	3,789	3,084
Research and development	2,157	1,110
Income from operations	\$12,524	\$2,666

Revenue

Total health solutions revenue for the three months ended August 31, 2009 increased \$16,281, or 170.9%, from \$9,527 during the three months ended August 31, 2008 to \$25,808 in the three months ended August 31, 2009. The revenue increase in the three months ended August 31, 2009 is primarily due to the health solutions revenue contributed by legacy Allscripts as a result of the closing of the Transactions on October 10, 2008. Excluding the impact on revenue contributed by legacy Allscripts, the increase in revenue was related to legacy MHS health solutions which experienced an increase in system sales and professional services revenue due to an increase in orders as well as growth in maintenance revenue primarily as a result of continued growth in the customer base and annual price increases on existing contracts.

Gross Margin

Gross margin for the three months ended August 31, 2009 increased \$11,610, or 169.2%, from \$6,860 in the three months ended August 31, 2008 to \$18,470 in the three months ended August 31, 2009. Gross margin as a percentage of revenue for the three months ended August 31, 2009 and 2008 was 71.6% and 72.0%, respectively. The gross margin increase in the three months ended August 31, 2009 is primarily due to the health solutions margin contributed by legacy Allscripts as a result of the closing of the Transactions on October 10, 2008. The decrease in gross margin as a percentage of revenue for the three months ended August 31, 2009 is attributable to the margin mix associated with the legacy Allscripts products which have margins that tend to be lower than legacy MHS and due to an increase in amortization cost associated with acquired technology related to the Transactions.

Selling, General and Administrative

Selling, general and administrative costs for the three months ended August 31, 2009 increased \$705 or 22.9%, from \$3,084 in the three months ended August 31, 2008 to \$3,789 in the three months ended August 31, 2009. The increase during the three months ended August 31, 2009 was primarily a result of the inclusion of legacy Allscripts due to the closing of the Transactions on October 10, 2008.

Research and Development

Research and development costs for the three months ended August 31, 2009 increased \$1,047, or 94.3% from \$1,110 during the three months ended August 31, 2008 to \$2,157 in the three months ended August 31, 2009. The increase is primarily due to the additional research and development costs contributed by legacy Allscripts from the closing of the Transactions.

Unallocated Corporate Expenses

Unallocated corporate expenses for the three months ended August 31, 2009 increased by \$14,750, from \$11,317 in the three months ended August 31, 2008 to \$26,067 in the three months ended August 31, 2009. The increase during the three months ended August 31, 2009 was primarily a result of the inclusion of legacy Allscripts due to the closing of the Transactions on October 10, 2008. Also contributing to the increase was expense related to a \$2,000 payment to Aprima (formerly iMedica) related to an amendment to our perpetual license agreement for our MyWay product.

Amortization of Intangibles

Amortization of intangibles for the three months ended August 31, 2009 increased \$2,376, from \$187 during the three months ended August 31, 2008 to \$2,563 in the three months ended August 31, 2009. The increase was due to the intangible amortization recorded in conjunction with the closing of the Transactions.

Interest Expense and Interest Income and Other, Net

Interest expense for the three months ended August 31, 2009 increased \$608, from \$77 in the three months ended August 31, 2008 to \$685 during the three months ended August 31, 2009. This increase is primarily due to interest expense related to Allscripts' 3.50% Senior Convertible Debentures due 2024 (the "Debentures") as well as interest on the Credit Facility.

During July 2009, Allscripts exercised its call option on the remaining \$19,704 of Debentures for redemption. As a result of the call exercised by Allscripts, the holders of the Debentures had the right to convert the Debentures into common stock prior to payment redemption. During July and August 2009, holders of all of the outstanding Debentures exercised their right to convert the Debentures into an aggregate of 2,451 shares of Allscripts common stock

by virtue of the call option.

[Table of Contents](#)

Interest income and other, net, for the three months ended August 31, 2009 increased \$90, from \$11 during the three months ended August 31, 2008 to \$101 during the three months ended August 31, 2009. Interest income and other consists primarily of interest earned on Allscripts' cash and marketable securities balances. The increase in interest income and other is primarily due to an increase in the cash and marketable securities balance related to the completion of the Transactions on October 10, 2008.

Income Tax Expense

Allscripts recorded an income tax provision of \$8,054 and \$3,514 for the three months ended August 31, 2009 and 2008, respectively, which reflects an effective tax rate of 38.4% and 39.5% for the three months ended August 31, 2009 and 2008, respectively. The decrease in the effective tax rate is primarily due to the resolution of certain discrete items during the 2009 three month period. The annual effective tax rate for fiscal year 2010 is expected to be approximately 40%.

Liquidity and Capital Resources

As of August 31, 2009 and 2008, our principal sources of liquidity consisted of cash, cash equivalents and marketable securities of \$86,921 and \$888, respectively. The increase in our cash balance is reflective of the following:

Operating Cash Flow Activities

	Three Months Ended August 31,	
	2009	2008
Net income	\$12,932	\$5,371
Non-cash adjustments to net income	16,366	3,997
Cash used in changes in operating assets and liabilities	(8,031)	(10,218)
Net cash provided by (used in) operating activities	<u>\$21,267</u>	<u>\$(850)</u>

During the three months ended August 31, 2009, operating activities provided \$21,267 of cash compared to a use of cash of \$850 from operating activities in the comparable period in 2008. This increase of \$22,117 reflects an increase in net income, after adjusting for non-cash items of \$16,366, primarily due to the contribution by legacy Allscripts from the closing of the Transactions on October 10, 2008. Net changes in operating assets and liabilities improved by \$2,187 during the three months ended August 31, 2009 as compared to the same period in 2008. This net operating cash flow benefit was primarily due to an improvement in cash provided from accounts receivable partially offset by a timing related increase in cash used in prepaid expenses and other assets.

Investing Cash Flow Activities

	Three Months Ended August 31,	
	2009	2008
Capital expenditures	\$(1,132)	\$(236)
Capitalized software	(3,463)	—
Sales and maturities of marketable securities, net	195	—
Net cash used in investing activities	<u>\$(4,400)</u>	<u>\$(236)</u>

During the three months ended August 31, 2009 we used \$4,400 of cash from investing activities, compared to cash used of \$236 in the comparable period in 2008. The increase in cash used in investing activities was a result of an increase in capital expenditures and the amount of software development expenses that qualified for capitalization, primarily due to the nature of the development activity subsequent to the Transactions.

Financing Cash Flow Activities

	Three Months Ended	
	August 31,	
	2009	2008
Proceeds from stock options and employee stock purchase plan	\$1,377	\$—
Change in parent's net investment	—	4,364
Net payments on debt instruments	(4,554)	(2,715)
Net cash (used in) provided by financing activities	<u>\$(3,177)</u>	<u>\$1,649</u>

During the three months ended August 31, 2009 we used \$3,177 in net cash from financing activities, compared to \$1,649 of cash provided in the comparable period of 2008. This increase in cash used in financing activities of \$4,826 was attributable to a decrease of cash provided from the parent's net investment account as Misys capital contributions ceased upon closing of the Transactions, as well as an increase in net payments on debt instruments caused by the debt contributed by legacy Allscripts upon completion of the Transactions, partially offset by cash provided by proceeds from legacy Allscripts stock option and employee stock purchase plan activity which did not exist prior to closing of the Transactions.

Future Capital Requirements

On February 10, 2009 Allscripts entered into a Second Amended and Restated Credit Agreement (the "Credit Facility") among the Company, Allscripts, LLC, A4 Health Systems, Inc., A4 Realty, LLC, Extended Care Information Network, Inc. ("ECIN") and Misys Healthcare Systems, LLC, as Borrowers, and the other parties from time to time joined as additional Borrowers, JPMorgan Chase Bank, N.A., as the sole administrative agent, JPMorgan Securities, Inc., as lead arranger, and Fifth Third Bank, as syndication agent and co-lead arranger. The Credit Facility provides for a total unsecured commitment of \$125,000, an increase of \$50,000 from the First Amendment to Credit Facility, and matures on August 15, 2012. The Credit Facility may, subject to the terms and conditions set forth therein including the receipt of additional commitments from lenders, be increased up to a maximum amount not to exceed \$150,000. The Credit Facility is available in the form of letters of credit in an aggregate amount up to \$10,000 and revolving loans. The Credit Facility bears interest at LIBOR plus 2.00% which rate is based on Allscripts' leverage ratio as of the last day of the most recently ended fiscal quarter or fiscal year.

We believe that our cash, cash equivalents and marketable securities of \$86,921 as of August 31, 2009, our future cash flows from operations, and our borrowing capacity under our Credit Facility, taken together, provide adequate resources to fund ongoing operating cash requirements for the next twelve months, including any additional common stock repurchases under our open market program or the Repurchase Agreement, funding interest payments on our debt instruments, contractual obligations, including the Shared Services Agreement dated as of March 1, 2009 with Misys, and investment needs of our current business. 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, 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.

As of August 31, 2009, we had \$85,005 of available borrowings under our \$125,000 Credit Facility. There can be no assurance that we will be able to draw on the full available balance of our \$125,000 Credit Facility if the financial institution that has extended credit commitments to us becomes unwilling or unable to fund such borrowings.

During July 2009, Allscripts exercised its call option on the remaining \$19,704 of Debentures for redemption. As a result of the call exercised by Allscripts, the Holders of the Debentures had the right to convert the Debentures into common stock prior to payment redemption. During July and August 2009, Holders of all of the outstanding Debentures exercised their right to convert the Debentures into an aggregate of 2,451 shares of Allscripts common stock by virtue of the call option.

[Table of Contents](#)

Contractual Obligations, Commitments and Off Balance Sheet Arrangements

Allscripts has 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 Allscripts' consolidated financial statements but are required to be disclosed.

In connection with the Chicago corporate facilities lease agreement, Allscripts has provided to the lessor an unconditional irrevocable letter of credit in favor of the lessor in the amount of \$500 as security for the full and prompt performance by Allscripts under the lease agreement. The letter of credit may be drawn upon by the lessor and retained, used or applied by lessor for the purpose of curing any monetary default or defaults of Allscripts under the lease. The letter of credit provides for an expiration date of one year from the commencement date of the lease, and will automatically extend for additional successive one-year periods through the term of the lease. As of August 31, 2009, no amounts had been drawn on the letter of credit. We have other letters of credit as security for full and prompt performance under various contractual arrangements.

Recent Accounting Pronouncements

In September 2009, the FASB ratified EITF 08-1, "Revenue Arrangements with Multiple Deliverables" ("EITF 08-1"), which amends EITF 00-21 to require an entity to apply the relative selling price allocation method in order to estimate selling price for all units of accounting, including delivered items, when vendor-specific objective evidence or acceptable third-party evidence does not exist. EITF 08-1 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and shall be applied on a prospective basis. Earlier application is permitted as of the beginning of an entity's fiscal year. The Company is assessing the potential impact of EITF 08-1 on its consolidated financial position and results of operations.

In September 2009, the FASB ratified EITF 09-3, "Applicability of AICPA Statement of Position 97-2 to Certain Arrangements That Contain Software Elements" ("EITF 09-3"), which amends the scope of AICPA Statement of Position (SOP) 97-2, "Software Revenue Recognition" and EITF 03-5, "Applicability of AICPA Statement of Position 97-2 to Non-Software Deliverables in an Arrangement Containing More-Than-Incidental Software" to exclude all tangible products containing both software and non-software components that function together to deliver the product's essential functionality. EITF 09-3 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010 and shall be applied on a prospective basis. Earlier application is permitted as of the beginning of an entity's fiscal year. The Company is assessing the impact of EITF 09-3 on its consolidated financial position and results of operations.

CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. Forward-looking statements include all statements other than those made solely with respect to historical fact. Forward-looking statements may be identified by words such as "believes", "expects", "anticipates", "estimates", "projects", "intends", "should", "seeks", "future", "continue", or the negative of such terms, or other comparable terminology. Forward-looking statements are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and are based on our beliefs as well as assumptions made by and information currently available to us. Such forward-looking statements are subject to numerous risks, uncertainties, assumptions and other factors that are difficult to predict and that could cause actual results to vary materially from those expressed in or indicated by them.

Factors that could cause actual results to differ materially include, but are not limited to:

- the volume and timing of systems sales and installations, the length of sales cycles and the installation process and the possibility that 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;
- competitive pressures including product offerings, pricing and promotional activities;
- our ability to establish and maintain strategic relationships;
- undetected errors or similar problems in our software products;
- the implementation and speed of acceptance of the electronic record provisions of the American Recovery and Reinvestment Act of 2009;
- compliance with existing laws, regulations and industry initiatives and future changes in laws or regulations in the healthcare industry, including possible regulation of the Company's software by the U.S. Food and Drug Administration;
- the possibility of product-related liabilities;
- our ability to attract and retain qualified personnel;
- maintaining our intellectual property rights and litigation involving intellectual property rights;
- risks related to third-party suppliers and our ability to obtain, use or successfully integrate third-party licensed technology;
- the outcome of any legal proceeding that has been or may be instituted against Allscripts, Misys or MHS and others;
- risks that the Transactions disrupt current plans and operations and potential difficulties in employee retention as a result of the Transactions;

[Table of Contents](#)

- the ability to successfully integrate MHS into Allscripts;
- the ability to recognize the benefits of the Merger;
- legislative, regulatory and economic developments; and
- those factors discussed in “Risk Factors” in Allscripts’ periodic filings with the SEC.

Because forward-looking statements are subject to assumptions and uncertainties, actual results 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 (Dollars in thousands)

As of August 31, 2009, we did not own any derivative financial instruments, but we were exposed to market risks, primarily changes in U.S. and LIBOR interest rates. Allscripts is exposed to the risk that our earnings and cash flows could be adversely impacted by fluctuations in interest rates due to the cash borrowed under our bank Credit Facility. Based upon our balance of \$39,995 of debt against our Credit Facility as of August 31, 2009, an increase in interest rates of 1.0% would cause a corresponding increase in our annual interest expense of approximately \$400.

As of August 31, 2009, we had cash, cash equivalents and marketable securities in financial instruments of \$86,921. Declines in interest rates over time will reduce our interest income from our investments. Based upon our balance of cash, cash equivalents and marketable securities as of August 31, 2009, a decrease in interest rates of 1.0% would cause a corresponding decrease in our annual interest income of approximately \$869.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

As of August 31, 2009, our management, including our Chief Executive Officer and 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 Chief Financial Officer have concluded that our disclosure controls and procedures are adequate and effective.

Changes in Internal Control

There has been no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

We are from time to time involved in litigation incidental to our respective businesses. Other than as noted below, we are not currently involved in any litigation in which we believe an adverse outcome would have a material adverse effect on our business, financial condition or results of operations.

On September 15, 2008, Allscripts received notice that LaSalle Bank N.A., solely in its capacity as indenture trustee (“LaSalle”), filed a complaint in the Supreme Court of the State of New York, County of New York, on behalf of the holders of Allscripts’ 3.50% Convertible Senior Debentures Due 2024 seeking payment of the “Additional Shares” (as defined in the Indenture dated as of July 6, 2004 between LaSalle and Allscripts) in connection with the Transactions. On October 29, 2008, Allscripts filed a motion to dismiss the complaint. On March 30, 2009, the court granted Allscripts’ motion to dismiss in part and denied the motion in part. On July 21, 2009, the remaining count of LaSalle’s claim was dismissed with prejudice. The period for LaSalle to appeal the dismissal of its causes of action has passed.

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. The complaint alleges that during the class period, the Company, Glen Tullman and William Davis made materially false and misleading statements regarding the Company’s financial condition and prospects, and on that basis the complaint asserts violations of federal securities laws. The plaintiff seeks to recover the price declines in Allscripts’ common stock that occurred on November 8, 2007, when the Company released its third quarter 2007 financial results, and on February 13, 2008, when the Company released full year 2007 results. On October 5, 2009, David Robb moved for appointment as Lead Plaintiff and for approval of selection of lead and liaison counsel. The Company believes the allegations made in the complaint are without merit and it intends to vigorously defend against the complaint.

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

None.

[Table of Contents](#)

Item 5. Other Information

Incentive Plan

On October 8, 2009, at the 2009 annual meeting of stockholders (the “Annual Meeting”), Allscripts’ stockholders approved the Allscripts-Misys Healthcare Solutions, Inc. Incentive Plan (the “Bonus Plan”), which had been previously approved by the Company’s Board of Directors, subject to stockholder approval.

The following paragraphs provide a summary of the principal terms of the Bonus Plan, which is qualified in its entirety by reference to the actual Bonus Plan, which is set forth in its entirety as Exhibit 10.2 to this Quarterly Report on Form 10-Q and is incorporated by reference herein.

Under the Bonus Plan, payment of awards to participating employees is subject to the attainment of specific performance goals established by the Compensation Committee for a specified period, and other terms and conditions that may be established by the Compensation Committee.

Upon attainment of the relevant performance goals, a participant will be eligible to receive an award in cash. Performance goal targets will be expressed in terms of an objective formula or standard which may be based on an employee’s base salary, or a multiple thereof, at the time or immediately before the performance goals for such period were established. In all cases, the Compensation Committee has the sole and absolute discretion to reduce the amount of any payment under the Bonus Plan that would otherwise be made to any participant or to decide that no payment shall be made. No participant will receive a payment under the Bonus Plan with respect to any period having a value in excess of \$3,000,000.

1993 Plan Amendments

At the Annual Meeting, Allscripts’ stockholders also approved two amendments to the Allscripts Healthcare Solutions, Inc. Amended and Restated 1993 Stock Incentive Plan (the “1993 Plan”). First, stockholders approved an amendment to increase the number of shares available for issuance under the 1993 Plan by 7,140,209 shares, to 21,593,489. Second, Allscripts’ stockholders approved an amendment to Section 9 of the 1993 Plan, including the performance criteria set forth therein. The 1993 Plan permits awards of a variety of equity-based incentives, including stock options, stock appreciation rights, restricted stock and restricted stock units. The Compensation Committee of the Board of Directors administers the 1993 Plan and selects eligible persons who will receive grants under the 1993 Plan from those individuals performing services for or on behalf of Allscripts. This description of the 1993 Plan, and the amendments thereto, is qualified in its entirety by reference to the actual 1993 Plan, which is filed as Exhibit 10.3 to this Quarterly Report on Form 10-Q and is incorporated by reference herein.

Performance-Based Restricted Stock Unit Awards

On July 31, 2009, Allscripts granted, subject to stockholder approval, performance-based restricted stock units to the following executive officers of the Company, in the following amounts (assuming target level of performance):

Glen Tullman	65,293 performance-based restricted stock units
Lee Shapiro	31,341 performance-based restricted stock units
Eileen McPartland	58,038 performance-based restricted stock units
William J. Davis	21,764 performance-based restricted stock units
Laurie A.S. McGraw	23,215 performance-based restricted stock units
R.L. (Vern) Davenport	14,510 performance-based restricted stock units

The closing price of Allscripts common stock on July 31, 2009 was \$17.23 per share. At the Annual Meeting, stockholder approval in respect of these awards was obtained. The performance measures under the performance-based restricted stock units are based on both adjusted income from operations (which is calculated as GAAP income from operations plus an add back of deal related amortization and one-time costs related to the transactions completed with Misys plc on October 10, 2008) and revenue.

Shared Services Agreement

On October 12, 2009, Allscripts and Misys executed a 30 day extension to the Shared Services Agreement dated as of March 1, 2009 and effective as of October 10, 2008 (the “Services Agreement”). Please refer to Note 9 of Item 1 Part 1 of this report for a more detailed summary of the Services Agreement. During the 30 day extension period, it is anticipated that a renewal of the Services Agreement will be negotiated and executed by Allscripts and Misys.

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 October 13, 2009.

ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.

By: /s/ WILLIAM J. DAVIS

William J. Davis
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

Date: October 13, 2009

INDEX TO EXHIBITS

Exhibit 10.1	Employment Agreement dated as of June 1, 2009 by and between Allscripts-Misys Healthcare Solutions, Inc. and Eileen McPartland (incorporated by reference from Exhibit 10.1 to the Company's Current Report on Form 8-K/A filed on August 11, 2009)
Exhibit 10.2	Allscripts-Misys Healthcare Solutions, Inc. Incentive Plan (filed herewith)
Exhibit 10.3	Allscripts-Misys Healthcare Solutions, Inc. Amended and Restated 1993 Stock Incentive Plan (filed herewith)
Exhibit 10.4	Form of Performance Based Restricted Stock Unit Award Agreement (filed herewith)
Exhibit 31.1	Rule 13a - 14(a) Certification of Chief Executive Officer (filed herewith)
Exhibit 31.2	Rule 13a - 14(a) Certification of Chief Financial Officer (filed herewith)
Exhibit 32.1	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer (filed herewith)

**ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS INC.
INCENTIVE PLAN**

I. Purposes

The purposes of the Allscripts-Misys Healthcare Solutions Inc. Incentive Plan (the “Plan”) are to retain and motivate the officers and other employees of Allscripts-Misys Healthcare Solutions Inc. and its subsidiaries who have been designated by the Committee to participate in the Plan for a specified Performance Period by providing them with the opportunity to earn incentive payments based upon the extent to which specified performance goals have been achieved or exceeded for the Performance Period. It is intended that all amounts payable to Participants who are “covered employees” within the meaning of Section 162(m) of the Code will constitute “qualified performance-based compensation” within the meaning of U.S. Treasury regulations promulgated thereunder, and the Plan and the terms of any Awards hereunder shall be so interpreted and construed to the maximum extent possible.

II. Definitions

“**Annual Base Salary**” shall mean for any Participant an amount equal to the rate of annual base salary in effect or approved by the Committee or other authorized person at the time or immediately before performance goals are established for a Performance Period, including any base salary that otherwise would be payable to the Participant during the Performance Period but for his or her election to defer receipt thereof.

“**Applicable Period**” shall mean, with respect to any Performance Period, a period commencing on or before the first day of the Performance Period and ending not later than the earlier of (a) the 90th day after the commencement of the Performance Period and (b) the date on which twenty-five percent (25%) of the Performance Period has been completed. Any action required to be taken within an Applicable Period may be taken at a later date if permissible under Section 162(m) of the Code or U.S. Treasury regulations promulgated thereunder.

“**Award**” shall mean an award to which a Participant may be entitled under the Plan if the performance goals for a Performance Period are satisfied. An Award may be expressed in U.S. dollars or pursuant to a formula that is consistent with the provisions of the Plan.

“**Board**” shall mean the Board of Directors of the Company.

“**Code**” shall mean the Internal Revenue Code of 1986, as amended.

“**Committee**” shall mean a subcommittee of the Compensation Committee of the Board comprised of the members of the Compensation Committee of the Board that are “outside directors” within the meaning of Section 162(m) of the Code, or such other committee designated by the Board that satisfies any then applicable requirements of the principal national stock exchange on which the common stock of the Company is then traded to constitute a compensation committee, and which consists of two or more members of the Board, each of whom is an “outside director” within the meaning of Section 162(m) of the Code.

“**Company**” shall mean Allscripts-Misys Healthcare Solutions Inc., a Delaware corporation, and any successor thereto.

“**Participant**” shall mean an officer or other employee of the Company or any of its subsidiaries who is designated by the Committee to participate in the Plan for a Performance Period, in accordance with Article III.

“Performance Period” shall mean any period commencing on or after June 1, 2009 for which performance goals are established pursuant to Article IV. A Performance Period may be coincident with one or more fiscal years of the Company or a portion of any fiscal year of the Company.

“Plan” shall mean the Allscripts-Misys Healthcare Solutions Inc. Incentive Plan as set forth herein, as it may be amended from time to time.

III. Administration

3.1. General. The Plan shall be administered by the Committee, which shall have the full power and authority to interpret, construe and administer the Plan and Awards granted hereunder (including in each case reconciling any inconsistencies, correcting any defaults and addressing any omissions). The Committee’s interpretation, construction and administration of the Plan and all its determinations hereunder shall be final, conclusive and binding on all persons for all purposes.

3.2. Powers and Responsibilities. The Committee shall have the following discretionary powers, rights and responsibilities in addition to those described in *Section 3.1*.

- (a) to designate within the Applicable Period the Participants for a Performance Period;
- (b) to establish within the Applicable Period the performance goals and targets and other terms and conditions that are to apply to each Participant’s Award;
- (c) to determine in writing prior to the payment with respect to any Award that the performance goals for a Performance Period and other material terms applicable to the Award have been satisfied;
- (d) subject to Section 409A of the Code, to determine whether, and under what circumstances and subject to what terms, an Award is to be paid on a deferred basis, including whether such a deferred payment shall be made solely at the Committee’s discretion or whether a Participant may elect deferred payment; and
- (e) to adopt, revise, suspend, waive or repeal, when and as appropriate, in its sole and absolute discretion, such administrative rules, guidelines and procedures for the Plan as it deems necessary or advisable to implement the terms and conditions of the Plan.

3.3. Delegation of Power. The Committee may delegate some or all of its power and authority hereunder to the Chief Executive Officer or other executive officer of the Company as the Committee deems appropriate; *provided, however*, that with respect to any person who is a “covered employee” within the meaning of Section 162(m) of the Code or who, in the Committee’s judgment, is likely to be a covered employee at any time during the applicable Performance Period or during any period in which an Award may be paid following a Performance Period, only the Committee shall be permitted to (a) designate such person to participate in the Plan for such Performance Period, (b) establish performance goals and Awards for such person, and (c) certify the achievement of such performance goals.

IV. Performance Goals

4.1. Establishing Performance Goals. The Committee shall establish within the Applicable Period of each Performance Period one or more objective performance goals (the outcome of which, when established, shall be substantially uncertain) for each Participant or for any group of Participants (or both). Performance goals shall be based exclusively on one or more of the following objective corporate-wide or subsidiary, division, operating unit or individual measures: earnings per share; earnings before interest and taxes (“EBIT”); earnings before interest, taxes, depreciation and amortization (“EBITDA”); earnings as determined other than in accordance with

generally accepted accounting principles (“GAAP”); stock price; financial return ratios, consisting of return on equity, return on assets and return on invested capital; the ratio of EBIT to capital; the ratio of EBITDA to capital; net income; operating income; revenues; profit margin; cash flow(s); expense reduction; working capital ratios; achievement of balance sheet or income statement objectives; successful implementation of strategic initiatives; customer satisfaction measures; and successful integration of acquisitions. Each such goal may be expressed on an absolute or relative basis and may include comparisons based on current internal targets, the past performance of the Company (including the performance of one or more subsidiaries, divisions, or operating units) or the past or current performance of other companies (or a combination of such past and current performance). In the case of earnings-based measures, in addition to the ratios specifically enumerated above, performance goals may include comparisons relating to capital (including, but not limited to, the cost of capital), stockholders’ equity, shares outstanding, assets or net assets, or any combination thereof. With respect to Participants who are not “covered employees” within the meaning of Section 162(m) of the Code and who, in the Committee’s judgment, are not likely to be covered employees at any time during the applicable Performance Period or during any period in which an Award may be paid following a Performance Period, the performance goals established for the Performance Period may consist of any objective or subjective corporate-wide or subsidiary, division, operating unit or individual measures, whether or not listed herein. Performance goals shall be subject to such other special rules and conditions as the Committee may establish at any time within the Applicable Period; *provided, however*, that to the extent such goals relate to Awards to “covered employees” within the meaning of Section 162(m) of the Code, such special rules and conditions shall not be inconsistent with the provisions of Treasury regulation Section 1.162-27(e) or any successor regulation describing “qualified performance-based compensation.”

4.2. Impact of Extraordinary Items or Changes in Accounting. The measures utilized in establishing performance goals under the Plan shall, to the extent applicable (i.e., if the relevant performance goal is based on a GAAP measure), be determined in accordance with GAAP and in a manner consistent with the methods used in the Company’s audited consolidated financial statements, without regard to (a) extraordinary or other nonrecurring or unusual items, as determined by the Company’s independent public accountants in accordance with GAAP, (b) changes in accounting, as determined by the Company’s independent public accountants in accordance with GAAP, or (c) special charges, such as restructuring or impairment charges, unless, in each case, the Committee decides otherwise within the Applicable Period or as otherwise required under Section 162(m) of the Code.

V. Terms of Awards

5.1. Performance Goals and Targets. At the time performance goals are established for a Performance Period, the Committee also shall establish an Award opportunity for each Participant or group of Participants, which shall be based on the achievement of one or more specified targets of performance goals. The targets shall be expressed in terms of an objective formula or standard which may be based upon the Participant’s Annual Base Salary or a multiple thereof. In all cases the Committee shall have the sole and absolute discretion to reduce the amount of any payment with respect to any Award that would otherwise be made to any Participant or to decide that no payment shall be made. With respect to each Award, the Committee may establish terms regarding the circumstances in which a Participant will be entitled to payment notwithstanding the failure to achieve the applicable performance goals or targets (*e.g.*, where the Participant’s employment terminates due to death or disability or where a change in control of the Company occurs); *provided, however*, that with respect to any Participant who is a “covered employee” within the meaning of Section 162(m) of the Code, the Committee shall not establish any such terms that would cause an Award payable upon the achievement of the performance goals not to satisfy the conditions of Treasury regulation Section 1.162-27(e) or any successor regulation describing the “qualified performance-based compensation.”

5.2. Payments. At the time the Committee determines an Award opportunity for a Participant, the Committee shall also establish the payment terms applicable to such Award. Such terms shall include when such payments will be made; *provided, however*, that the timing of such payments shall in all instances either

(A) satisfy the conditions of an exception from Section 409A of the Code (*e.g.*, the short-term deferrals exception described in Treasury Regulation Section 1.409A-1(b)(4)), or (B) comply with Section 409A of the Code and *provided, further*, that in the absence of such terms regarding the timing of payments, such payments shall occur no later than the later of (1) the 15th day of the third month of the calendar year following the calendar year in which the Participant's right to payment ceased being subject to a substantial risk of forfeiture, and (2) the 15th day of the third month of the Company's fiscal year following the Company's fiscal year in which the Participant's right to payment ceased being subject to a substantial risk of forfeiture.

5.3. Maximum Awards. No Participant shall receive a payment under the Plan with respect to any Performance Period having a value in excess of \$3,000,000, which maximum amount shall be proportionately adjusted with respect to Performance Periods that are less than or greater than one year in duration.

VI. General

6.1. Effective Date. The Plan shall be submitted to the stockholders of the Company for approval at the 2009 annual meeting of stockholders and, if approved by the affirmative vote of a majority of the shares of common stock present in person or represented by proxy at such meeting, shall become effective for Performance Periods beginning on and after June 1, 2009. No Performance Period shall extend beyond May 31, 2014. In the event that the Plan is not approved by the stockholders of the Company, the Plan shall be null and void with respect to Participants who are "covered employees" within the meaning of Section 162(m) of the Code.

6.2. Amendments and Termination. The Board may amend the Plan as it shall deem advisable, subject to any requirement of stockholder approval required by applicable law, rule or regulation, including Section 162(m) of the Code. The Board may terminate the Plan at any time.

6.3. Non-Transferability of Awards. No award under the Plan shall be transferable other than by will, the laws of descent and distribution or pursuant to beneficiary designation procedures approved by the Company. Except to the extent permitted by the foregoing sentence, no award may be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of any such award, such award and all rights thereunder shall immediately become null and void.

6.4. Tax Withholding. The Company shall have the right to require, prior to the payment of any amount pursuant to an award made hereunder, payment by the Participant of any Federal, state, local or other taxes which may be required to be withheld or paid in connection with such award.

6.5. No Right of Participation or Employment. No person shall have any right to participate in the Plan. Neither the Plan nor any award made hereunder shall confer upon any person any right to continued employment by the Company or any subsidiary or affiliate of the Company or affect in any manner the right of the Company or any subsidiary or affiliate of the Company to terminate the employment of any person at any time without liability hereunder.

6.6. Designation of Beneficiary. If permitted by the Company, a Participant may file with the Committee a written designation of one or more persons as such Participant's beneficiary or beneficiaries (both primary and contingent) in the event of the Participant's death.

Each beneficiary designation shall become effective only when filed in writing with the Committee during the Participant's lifetime on a form prescribed by the Committee. The spouse of a married Participant domiciled in a community property jurisdiction shall join in any designation of a beneficiary other than such spouse. The filing with the Committee of a new beneficiary designation shall cancel all previously filed beneficiary designations.

If a Participant fails to designate a beneficiary, or if all designated beneficiaries of a Participant predecease the Participant, then each outstanding award shall be payable to the Participant's executor, administrator, legal representative or similar person.

6.7. Governing Law. The Plan and each award hereunder, and all determinations made and actions taken pursuant thereto, to the extent not otherwise governed by the Code or the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

6.8. Other Plans. Payments pursuant to the Plan shall not be treated as compensation for purposes of any other compensation or benefit plan, program or arrangement of the Company or any of its subsidiaries, unless either (a) such other plan provides that compensation such as payments made pursuant to the Plan are to be considered as compensation thereunder or (b) the Board or the Committee so determines in writing. Neither the adoption of the Plan nor the submission of the Plan to the Company's stockholders for their approval shall be construed as limiting the power of the Board or the Committee to adopt such other incentive arrangements as it may otherwise deem appropriate.

6.9. Binding Effect. The Plan shall be binding upon the Company and its successors and assigns and the Participants and their beneficiaries, personal representatives and heirs. If the Company becomes a party to any merger, consolidation or reorganization, then the Plan shall remain in full force and effect as an obligation of the Company or its successors in interest, unless the Plan is amended or terminated pursuant to Section 6.2.

6.10. Unfunded Arrangement. The Plan shall at all times be entirely unfunded and no provision shall at any time be made with respect to segregating assets of the company for payment of any benefit hereunder. No Participant shall have any interest in any particular assets of the Company or any of its affiliates by reason of the right to receive a benefit under the Plan and any such Participant shall have only the rights of an unsecured creditor of the Company with respect to any rights under the Plan.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.
1993 STOCK INCENTIVE PLAN
(As Amended and Restated Effective October 8, 2009)

1. *History and Effective Date.* On September 14, 1993, the Board of Directors of Allscripts-Misys Healthcare Solutions, Inc., successor-by-merger to Allscripts, Inc. (the "Company"), approved the adoption of the Company's 1993 Stock Incentive Plan (the "Plan"), which was amended and restated on June 7, 1999 and has been subsequently amended thereafter, including effective February 28, 2007. The Company had previously adopted the Incentive Stock Option Plan (the "Initial Option Plan"), a 1990 Stock Option Plan (the "1990 Plan"), a Consultant Option Plan (the "Consultant Plan") and an Amended and Restated 1993 Eligible Director Stock Option Plan (the "Director Plan") (the Initial Option Plan, 1990 Plan, Consultant Plan and Director Plan being collectively referred to herein as the "Predecessor Plans"). Following the adoption of the Plan, shares attributable to awards that were forfeited or cancelled under the Predecessor Plans were added back to the shares available for awards under this Plan.

Effective June 28, 1999 the Company effected a reverse split of its common shares, \$0.01 par value per share (the "Common Shares"), pursuant to which each Common Share was converted into one-sixth of a Common Share (the "Reverse Split"), and all references in this Plan to numbers of Common Shares shall reflect the Reverse Split.

2. *Purpose; Types of Awards.* The purpose of the Plan is to provide a means whereby the Company may, through the grant of equity-based incentives to key individuals who perform services for or on behalf of the Company (such as employees, officers, Eligible Directors, consultants and agents of the Company), attract and retain persons of ability as key individuals and motivate such persons to exert their best efforts on behalf of the Company. "Eligible Directors" means members of the Board of Directors of the Company who are not employees or officers of the Company or of any other entity and who do not own beneficially, or are not affiliated with an entity that owns beneficially 10% or more of the Company's outstanding voting securities on the date when Stock Incentives are to be granted to such persons under the Plan. The Plan authorizes the grant to such key individuals of the Company of equity-based incentives in the form of (a) incentive stock options ("ISOs") to purchase Common Shares that are intended to qualify under Section 422 of the Internal Revenue Code of 1986, as amended from time to time (the "Code"), (b) nonqualified stock options to purchase Common Shares that are not intended to qualify under Code Section 422 ("Nonqualified Options"), (c) stock appreciation rights ("SARs"), (d) Common Shares, the vesting of which is subject to restrictions and conditions ("Restricted Stock"), and (e) the right to receive Common Shares in the future, provided that certain restrictions and conditions are satisfied ("Restricted Stock Units"). ISOs and Nonqualified Options are referred to collectively under the Plan as "Options." Options, SARs, Restricted Stock and Restricted Stock Units are referred to collectively as "Stock Incentives" under the Plan.

3. *Number of Shares Available Under Plan.* Stock Incentives may be granted by the Company from time to time to key individuals who perform services for or on behalf of the Company (such recipients being hereafter referred to as "grantees"). The maximum number of Common Shares that may be issued pursuant to all grants under this Plan shall not exceed 21,593,489, plus shares attributable to awards that were forfeited or cancelled under the Predecessor Plans. The Common Shares issued upon exercise of Stock Incentives granted under this Plan may be authorized and unissued shares or shares held by the Company in its treasury, or both. Any shares subject to a Stock Incentive that lapses, expires, terminates, is forfeited or is cancelled under the Plan or any Predecessor Plan without the issuance of Common Shares (including, if applicable, Common Shares that are not issued because they were used to satisfy tax withholding or payment of the exercise price of a Stock Incentive), shall again become available for issuance of Stock Incentives under the Plan. In no event shall the number of Common Shares underlying Stock Incentives granted hereunder to any individual in any twelve-month period exceed 3,000,000 Common Shares.

4. *Administration.* This Plan shall be administered by the Compensation Committee (the "Committee") as appointed by the Board of Directors of the Company (the "Board"). To the extent that the Board deems it necessary or desirable, each member of the Committee shall qualify as a "non-employee director" within the meaning of Rule 16b-3 under the Securities Exchange Act of 1934, and as an "outside director" within the meaning of Section 162(m) of the Code.

The Committee may interpret the Plan, prescribe, amend, and rescind any rules and regulations necessary or appropriate for the administration of the Plan, and make such other determinations and take such other action as it deems necessary or advisable, except, as otherwise expressly reserved in the Plan to the Board.

The Committee may employ such legal counsel, consultants and agents as it may deem desirable for the administration of the Plan and may rely upon any opinion received from any such counsel or consultant and any computation received from any such consultant or agent.

No member or former member of the Committee shall be liable for any action or determination made in good faith with respect to the Plan or any Stock Incentive awarded under it. To the maximum extent permitted by applicable law, each member or former member of the Committee shall be indemnified and held harmless by the Company against any cost or expense (including counsel fees) or liability (including any sum paid in settlement of a claim with the approval of the Company) arising out of any act or omission to act in connection with the Plan unless arising out of such member's or former member's own fraud or bad faith. Such indemnification shall be in addition to any rights of indemnification the members or former members may have as directors or under the By-Laws of the Company.

5. *Eligibility and Awards.* The Committee shall, subject to the limitations of the Plan, have full power and discretion to establish selection guidelines; to select eligible persons for participation; and to determine the form of grant, either in the form of Options, SARs, Restricted Stock or Restricted Stock Units, or combinations thereof, the number of Common Shares subject to the grant, the fair market value of the Common Shares, when necessary, the restriction and forfeiture provisions relating to Common Shares, the time and conditions of vesting or exercise, the conditions, if any, under which time of vesting or exercise may be accelerated, the conditions, form, time, manner and terms of payment of any award, and all other terms and conditions of the grant; *provided, however,* that ISOs shall not be granted to any individual who is not an employee of the Company. Each Stock Incentive award under the Plan shall be evidenced by a written agreement setting forth the terms and conditions applicable to such award, as determined by the Committee in its sole discretion.

6. *Terms and Conditions of Options.* Each Option granted under the Plan shall be subject to the following terms and conditions, and to such other terms and conditions as the Committee may deem appropriate, which shall be specified in the Option agreement:

(a) *Term.* Each Option agreement shall specify the period for which the Option is exercisable and shall provide that the Option shall expire at the end of such period.

(b) *Exercise Price.* The per share exercise price of each Option shall be determined by the Committee at the time the Option is granted and shall not be less than the fair market value of a share on the grant date.

(c) *Exercise of Options.* No part of any Option may be exercised until the grantee has satisfied the conditions (*e.g.*, such as remaining in the employ of the Company for a certain period of time), if any, specified by the Committee. An Option may be exercised, to the extent exercisable by its terms, at such time or times as may be determined by the Committee. The Committee, in its sole discretion, shall establish the terms and conditions, regarding the period of time, if any, that an Option may be exercised following a grantee's termination of service with the Company. If an Option is granted in tandem with an SAR, exercise of the Option shall result in termination of the related SAR with respect to the shares exercised, and vice versa.

(d) *Payment of Purchase Price Upon Exercise of an Option.* Upon the exercise of an Option, the purchase price shall be paid in cash or, if the Committee so provides, in Common Shares of the Company valued at their fair market value on the date of exercise, or in any combination of cash or Common Shares.

For purposes of the Plan, “fair market value” means, as of any date, if the Common Shares are actively traded or quoted on an established market (such as a national securities exchange or the National Association of Securities Dealers Automated Quotation System (“Nasdaq”)), the closing price of the Common Shares on such date or, if the shares are not actively traded or quoted in an established market, the value that the Committee determines is the fair market value in good faith and in its sole discretion. In addition, in lieu of paying the purchase price upon the exercise of a Nonqualified Option in cash or in Common Shares of the Company, a grantee of a Nonqualified Option may pay the purchase price of the shares subject to such Nonqualified Option by authorizing the Company to withhold whole Common Shares of the Company that would otherwise be delivered to the grantee, valued at their fair market value on the date of exercise, in an amount not in excess of the aggregate purchase price (or the portion thereof elected by the grantee); provided, however, that such authority to authorize the withholding of Common Shares shall only apply in connection with the exercise of Nonqualified Options prior to the consummation of the transactions contemplated by the Agreement and Plan of Merger dated as of March 17, 2008 by and among Misys plc, Misys Healthcare Systems, LLC, Allscripts Healthcare Solutions Inc. and Patriot Merger Company, LLC (the “Merger Agreement”). Any fraction of a Common Share that would be required for the payment of such purchase price shall be disregarded and the remaining amount due shall be paid in cash by the grantee

(e) *Special Rules Applicable to ISOs*. In addition to the foregoing, ISOs shall be subject to the following special rules:

- (i) An ISO must be granted within ten years of the date this amendment and restatement of this Plan was adopted by the Board.
- (ii) The term of the ISO may not be more than ten years from the date the ISO is granted (five years, in the case of a person who owns, directly or indirectly, within the meaning of Section 424(d) of the Code, stock representing more than 10% of the voting power of all classes of stock of the Company on the date the ISO is granted).
- (iii) The per share exercise price of an ISO shall not be less than the fair market value (or if granted to a person who owns, directly or indirectly, within the meaning of Section 424(d) of the Code, stock representing more than 10% of the voting power of all classes of stock of the Company, 110% of fair market value) (but in no event less than the par value) of the Common Shares of the Company on the date the ISO is granted.
- (iv) No ISO may be granted under the Plan to any employee if in the calendar year in which the ISO is first exercisable the aggregate fair market value (determined as of the date of grant) of Common Shares of the Company for which such employee has been granted ISOs that first become exercisable in such calendar year exceeds \$100,000.
- (v) If the grantee dies, his or her ISO may be exercised, to the extent that the grantee could have done so at the date of death, by the person or persons to whom the grantee’s rights under the ISO pass by will or applicable law, or if no such person has such right, by the grantee’s executors or administrators, at any time, or from time to time, for up to one year after the date of the grantee’s death (as the Committee may specify in the Option agreement), but not later than the expiration date specified in the Option agreement.
- (vi) If a grantee’s employment with the Company terminates because of permanent disability, the grantee may exercise his or her ISO, to the extent exercisable at the date of such termination, at any time, or from time to time, within one year of such termination, but not later than the expiration date specified in the Option agreement. For purposes of the Plan, the term “permanent disability” means the permanent incapacity of a grantee to perform the usual duties of his or her employment by reason of physical or mental impairment. Permanent disability shall be deemed to exist when so determined by the Committee based upon a written opinion of a licensed physician who has been approved by the Committee.

(vii) If a grantee's employment with the Company terminates for any reason other than death or permanent disability, the grantee may exercise his or her ISO, to the extent exercisable at the date of such termination, at any time, or from time to time, during the three month period following such termination date, but not later than the expiration date specified in the Option agreement.

To the extent that any Option granted under the Plan is intended to be an ISO, but does not satisfy the requirements of Code Section 422, such Option shall be treated as a Nonqualified Option.

(f) *Repricing.* Except for adjustments pursuant to paragraph 12 (relating to adjustments to shares), the purchase price for any outstanding Option granted under the Plan may not be decreased after the date of grant nor may an outstanding Option granted under the Plan be surrendered to the Company as consideration for the grant of a new Option with a lower exercise price, without the approval of the Company's stockholders.

7. *Terms and Conditions of SARs.* A grantee who is awarded a SAR shall have the right to receive cash or Common Shares having a fair market value equal to the appreciation in market value of a stated number of Common Shares from the date of grant. Each SAR granted under the Plan shall be subject to the following terms and conditions, and to such other terms and conditions as the Committee may deem appropriate, which shall be specified in the SAR agreement.

(a) *Term.* Each SAR agreement shall specify the period for which the SAR is exercisable and shall provide that the SAR shall expire at the end of such period. SARs may be granted in tandem with or with reference to an Option, in which event the grantee may elect to exercise either the Option or the SAR (as to the same Common Shares subject to the Option and the SAR), or the SAR may be granted independently of a related Option. A SAR shall be exercisable not more than ten years after the date of grant if granted in tandem with or with reference to an ISO.

(b) *Exercise of SARs.* No part of any SAR may be exercised until the grantee has satisfied the conditions (e.g., such as remaining in the employ of the Company for a certain period of time), if any, specified by the Committee. A SAR may be exercised, to the extent exercisable by its terms, at such time or times as may be determined by the Committee. The Committee, in its sole discretion, shall establish the terms and conditions, regarding the period of time, if any, that a SAR may be exercised following a grantee's termination of service with the Company. If a SAR is granted in tandem with an Option, exercise of the SAR shall result in termination of the related Option with respect to the number of shares exercised, and vice versa.

(c) *Payment.* Upon exercise of a SAR, the grantee shall be paid the excess of the then fair market value of the number of shares to which the SAR relates over the fair market value of such number of shares at the date of grant of the SAR or of the related Option, as the case may be. Such excess shall be paid in cash or in Common Shares having a fair market value equal to such excess, or a combination thereof, as the Committee shall determine.

8. *Terms and Conditions of Restricted Stock and Restricted Stock Units.* The Committee may award a grantee Restricted Stock or Restricted Stock Units, as determined by the Committee in its sole discretion. For purposes of the Plan, "Restricted Stock" is a grant of Common Shares, and a "Restricted Stock Unit" is the grant of the right to receive Common Shares in the future, with such Common Shares, or right to future delivery, subject to a risk of forfeiture or other restrictions. The period beginning on the date of grant of Restricted Stock or Restricted Stock Units and ending on the date of vesting of such stock or units, is referred to as the "Restricted Period."

(a) *Eligibility; Terms of Awards.* The Committee shall designate the grantees to whom Restricted Stock or Restricted Stock Units are to be awarded and the number of Common Shares or units that are subject to each such award, subject to such restrictions, limitations and conditions as the Committee, in its sole discretion, deems appropriate, as set forth in the Restricted Stock agreement applicable to the award.

(b) *Restricted Period*. During the Restricted Period with respect to an award of Restricted Stock, in addition to the other terms and conditions established by the Committee, the following terms and conditions shall apply:

(i) The shares of Restricted Stock may not be sold, transferred, pledged, assigned or otherwise alienated or hypothecated until the termination of the applicable Restricted Period or for such period of time as shall be established by the Committee and as shall be specified in the Restricted Stock agreement, or upon earlier satisfaction of other conditions as specified by the Committee in its sole discretion and set forth in the Restricted Stock agreement. All rights with respect to the Restricted Stock granted to a grantee under the Plan shall be exercisable during his or her lifetime only by such grantee.

(ii) The grantee shall be treated as the owner of shares of Restricted Stock (but not Restricted Stock Units) and shall have the right to vote such shares and shall be entitled to receive all dividends and other distributions paid with respect to the Restricted Stock. If any such dividends or distributions are paid in Common Shares or other property, such shares or property shall be subject to the same restrictions as the shares of Restricted Stock with respect to which they were paid.

(iii) Each certificate representing shares of Restricted Stock granted pursuant to the Plan shall bear the following legend, in addition to such other legends as the Committee deems appropriate, including those to reflect restrictions under applicable Federal or state securities law:

“The sale or other transfer of the shares of stock represented by this certificate, whether voluntary, involuntary or by operation of law, is subject to certain restrictions on transfer set forth in the Allscripts-Misys Healthcare Solutions, Inc. 1993 Stock Incentive Plan, as amended, and rules and administration adopted pursuant to such Plan, and a Restricted Stock Agreement. A copy of the Plan, such rules and such Restricted Stock Agreement may be obtained from the Secretary of Allscripts-Misys Healthcare Solutions, Inc.”

(c) *Removal of Restrictions*. Except as otherwise provided in the Plan or a Restricted Stock agreement, after the last day of the Restricted Period with respect to all or a portion of the Restricted Stock, the shares that are no longer subject to the Restricted Period shall become freely transferable by the grantee. As soon as practicable after the end of the Restricted Period, a new or additional certificate for such shares without the legend set forth in paragraph 8(b) shall be delivered to the grantee. Restricted Stock Units for which the Restricted Period has ended may be paid in cash, Common Shares, or any combination thereof, as determined by the Committee.

9. *Performance Based Awards*. The Committee may designate whether any Stock Incentive granted to any grantee is intended to be “performance-based compensation” as that term is used in Section 162(m) of the Code. Any such Stock Incentives designated as intended to be “performance-based compensation” shall be conditioned on the achievement of one or more performance measures, to the extent required by Code Section 162(m). Performance goals shall be based exclusively on one or more of the following objective corporate-wide or subsidiary, division, operating unit or individual measures: earnings per share; earnings before interest and taxes (“EBIT”); earnings before interest, taxes, depreciation and amortization (“EBITDA”); earnings as determined other than in accordance with generally accepted accounting principles (“GAAP”); stock price; financial return ratios, consisting of return on equity, return on assets and return on invested capital; the ratio of EBIT to capital; the ratio of EBITDA to capital; net income; operating income; revenues; profit margin; cash flow(s); expense reduction; working capital ratios; achievement of balance sheet or income statement objectives; successful implementation of strategic initiatives; customer satisfaction measures; and successful integration of acquisitions. Each such goal may be expressed on an absolute or relative basis and may include comparisons based on current internal targets, the past performance of the Company (including the performance of one or more subsidiaries, divisions, or operating units) or the past or current performance of other companies (or a combination of such past and current performance). In the case of earnings-based measures, in addition to the ratios specifically enumerated above, performance goals may include comparisons relating to capital (including, but not limited to,

the cost of capital), stockholders' equity, shares outstanding, assets or net assets, or any combination thereof. For Stock Incentives that are intended to be performance-based compensation under this paragraph 9, the grant of the Stock Incentive and the establishment of the performance measures shall be made during the period required under Code Section 162(m). With respect to Participants who are not "covered employees" within the meaning of Section 162(m) of the Code and who, in the Committee's judgment, are not likely to be covered employees at any time during the applicable Performance Period or during any period in which a Stock Incentive may be paid following a Performance Period, the performance goals established for the Performance Period may consist of any objective or subjective corporate-wide or subsidiary, division, operating unit or individual measures, whether or not listed herein. Performance goals shall be subject to such other special rules and conditions as the Committee may establish at any time within the Applicable Period; provided, however, that to the extent such goals relate to Stock Incentives to "covered employees" within the meaning of Section 162(m) of the Code, such special rules and conditions shall not be inconsistent with the provisions of Treasury regulation Section 1.162-27(e) or any successor regulation describing "qualified performance-based compensation. The number of Common Shares which may be issued in any fiscal year with respect to Restricted Stock or Restricted Stock Units that are intended to be performance-based compensation under this paragraph 9 shall not exceed 3,000,000 shares.

The measures utilized in establishing performance goals under the Plan shall, to the extent applicable (i.e., if the relevant performance goal is based on a GAAP measure), be determined in accordance with GAAP and in a manner consistent with the methods used in the Company's audited consolidated financial statements, without regard to (a) extraordinary or other nonrecurring or unusual items, as determined by the Company's independent public accountants in accordance with GAAP, (b) changes in accounting, as determined by the Company's independent public accountants in accordance with generally accepted accounting principals, or (c) special charges, such as restructuring or impairment charges, unless, in each case, the Committee decides otherwise within the Applicable Period or as otherwise required under Section 162(m) of the Code.

For purposes of this paragraph 9:

"Applicable Period" shall mean, with respect to any Performance Period, a period commencing on or before the first day of the Performance Period and ending not later than the earlier of (a) the 90th day after the commencement of the Performance Period and (b) the date on which twenty-five percent (25%) of the Performance Period has been completed. Any action required to be taken within an Applicable Period may be taken at a later date if permissible under Section 162(m) of the Code or U.S. Treasury regulations promulgated thereunder.

"Performance Period" shall mean any period commencing on or after June 1, 2009 for which performance goals are established pursuant to this paragraph 9. A Performance Period may be coincident with one or more fiscal years of the Company or a portion of any fiscal year of the Company.

10. *Transferability.* Except as provided in this paragraph 10, no Stock Incentive may be assigned or otherwise transferred. Each Stock Incentive granted under the Plan shall be transferable by will and by the laws of descent and distribution. In addition, under such rules and procedures as the Committee may establish and subject to the discretion of the Committee, the grantee of a Nonqualified Option may transfer such Option, without value, to a member of the grantee's immediate family or to a trust or partnership for the benefit of the grantee or his or her immediate family, provided that (i) the applicable Option agreement expressly so permits and (ii) the grantee provides such documentation or information concerning any such transfer or transferee as the Committee may reasonably request. Any Option held by a transferee shall be subject to the same terms and conditions that applied immediately prior to the transfer. No ISO may be assigned or otherwise transferred in any manner.

11. *No Rights as a Stockholder.* No grantee shall have any rights as a stockholder with respect to any Common Shares underlying Stock Incentives granted under the Plan prior to the date, if any, Common Shares are issued in the grantee's name.

12. *Adjustments in Event of Change in Common Shares*. If during the term of this Plan, there shall be any change in the Company's Common Shares through a merger, consolidation, reorganization, recapitalization or otherwise, or if there shall be a dividend on the Company's Common Shares, payable in Common Shares, or if there shall be a stock split, combination or other change in the Company's issued Common Shares, the Common Shares available under this Plan shall be increased or decreased proportionately to give effect to such change in the Common Shares and the number of shares subject to then existing Stock Incentives and, if applicable, the exercise price thereof, shall be proportionately adjusted so that upon the issuance of Common Shares pursuant to such Stock Incentives, the person receiving such Common Shares will receive the securities which would have been received if the issuance of Common Shares pursuant to the Stock Incentives had occurred immediately prior to such merger, consolidation, reorganization, recapitalization, dividend, stock split, combination or other change provided, however, in the event of a merger, consolidation, or similar event with another corporation, all or any portion of the Stock Incentives may be cancelled by the Committee on or immediately prior to the effective date of the applicable transaction, if the Committee gives reasonable advance notice of the cancellation to each affected grantee and either: (i) the grantee is permitted to exercise the Stock Incentive, where applicable, for a reasonable period prior to the effective date of the cancellation; or (ii) the grantee receives payment or other benefits that the Committee determines to be reasonable compensation for the value of the cancelled Stock Incentives. Each such Stock Incentive shall be adjusted to nearest whole share, rounding downwards. In no event shall any fractional share become subject to a Stock Incentive issued hereunder.

13. *Compliance with Other Laws and Regulations*. The Plan, the grant and exercise of Stock Incentives thereunder, and the obligation of the Company to sell and deliver Common Shares under such Stock Incentives, shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required. If at any time the Committee shall determine in its discretion that the listing, registration or qualification of the shares covered by the Plan upon any national securities exchange or under any state or federal law, or the consent or approval of any government regulatory body, is necessary or desirable as a condition of, or in connection with, the sale or purchase of shares under the Plan, no shares will be delivered unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained, or otherwise provided for, free of any conditions not acceptable to the Committee. If shares are not required to be registered, but are exempt from registration, upon transfer of any shares pursuant to the exercise or vesting of a Stock Incentive, the Company may require each grantee, to represent that the shares are being acquired for investment only and not with a view to their sale or distribution, and to make such other representations deemed appropriate by counsel to the Company. Stock certificates evidencing unregistered shares acquired upon exercise of Stock Incentives shall bear any legend required by applicable state securities laws and a restrictive legend substantially as follows:

The securities represented hereby have not been registered under the Securities Act of 1933, as amended (the "Act"), and may not be transferred in the absence of such registration or an opinion of counsel acceptable to the Company that such transfer will not require registration under such Act.

14. *No Rights to Continued Employment*. The Plan and any Stock Incentive granted under the Plan shall not confer upon any grantee any right with respect to employment or the continuance of employment by the Company, nor shall they affect in any way the right of the Company to terminate the grantee's relationship with the Company (including his or her employment) at any time.

15. *Withholding*. The Committee in its discretion may cause to be made as a condition precedent to the payment of any cash or stock, appropriate arrangements for the withholding of any federal, state, local or foreign taxes. A grantee may elect to satisfy the withholding requirement in connection with the exercise of a Nonqualified Option, in whole or in part, by authorizing the Company to withhold whole Common Shares of the Company that would otherwise be delivered to the grantee, valued at their fair market value on the date of exercise of such Nonqualified Option, not in excess of any applicable withholding taxes; provided, however, that the Common Shares of the Company to be withheld may not have an aggregate fair market value in excess of the amount determined by applying the minimum statutory rate; and provided further that such authority to authorize

the withholding of Common Shares shall only apply in connection with the exercise of Nonqualified Options prior to the consummation of the transactions contemplated by the Merger Agreement. Any fraction of a Common Share that would be required to satisfy such withholding requirement shall be disregarded and the remaining amount due shall be paid in cash by the grantee.

16. *Amendment, Suspension and Discontinuance*. The Board may from time to time amend, suspend or discontinue the Plan; provided, however, no action of the Board may, without the approval of the Company's stockholders (a) increase the number of shares reserved for Stock Incentives pursuant to paragraph 3; (b) permit granting of any ISO at any option price less fair market value at the date of grant; (c) change the class of individuals eligible to receive Stock Incentives; (d) permit the granting of Stock Incentives after the termination date provided for in paragraph 17; or (e) materially (within the meaning of rules of Nasdaq) change the terms of the Plan.

17. *Term of Plan*. This Plan shall terminate and no Stock Incentive shall be granted after April 23, 2014; provided that any Stock Incentives granted prior to such date may be exercised in accordance with their terms.

18. *Governing Law*. The Plan shall be governed by and construed in accordance with the laws of the State of Illinois.

ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.

Form of Performance-Based Restricted Stock Unit Award Agreement

THIS AGREEMENT is made as of _____, 200__ (the “Grant Date”), by and between Allscripts-Misys Healthcare Solutions, Inc., a Delaware corporation (“Company”), and «First_Name» «Last_Name» («Last_Name»)

WHEREAS, «Last_Name» is expected to perform valuable services for the Company and the Company considers it desirable and in its best interests that «Last_Name» be given a proprietary interest in the Company and an incentive to advance the interests of the Company by possessing performance-based units that are settled in shares of the Company’s Common Stock, \$.01 par value per share (the “Common Stock”), in accordance with the Company’s Amended and Restated 1993 Stock Incentive Plan (the “Plan”).

NOW THEREFORE, in consideration of the foregoing premises, it is agreed by and between the parties as follows:

1. **Grant of Restricted Stock Units.**

- (a) **Grant.** Subject to the terms and conditions set forth in this Agreement and the Plan, the Company hereby grants to «Last_Name» an award of performance-based restricted stock units (the “Restricted Stock Unit Award”), which shall vest and become unrestricted in accordance with Section 2 hereof.
- (b) **Transferability.** Performance-based restricted stock units subject to the Performance-Based Restricted Stock Unit Award and not then vested and unrestricted may not be sold, transferred, pledged, assigned, alienated, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process, except in accordance with the terms of the Plan. Upon any attempt to so sell, transfer, assign, pledge, alienate, hypothecate or encumber, or otherwise dispose of such performance-based restricted stock units, in each case other than in accordance with the Plan, the Performance-Based Restricted Stock Unit Award shall immediately become null and void.

2. **Vesting.**

- (a) **Performance-Based Vesting.** Subject to paragraphs (b) and (c) of this Section 2, the Performance-Based Restricted Stock Unit Award shall vest and become unrestricted in accordance with Exhibit A hereto.
- (b) **Accelerated Vesting.** If a Change of Control (as hereinafter defined) occurs, and, prior to the Change of Control, the Company or representatives of the third party effecting the Change of Control (as applicable) do not offer «Last_Name» a Comparable Job (as hereinafter defined) following the Change of Control and, on or within ten (10) days following the Change of Control, «Last_Name» terminates «Last_Name»’s employment, then, so long as «Last_Name» has remained continuously employed from the date of this Agreement through the date of a Change of Control, the portion of the Restricted Stock Unit Award which has not become vested and unrestricted under Section 2(a) at the date of such event shall immediately vest and become unrestricted with respect to the target level of the performance-based restricted stock units subject to this Performance-Based Restricted Stock Unit Award simultaneously with the consummation of the Change of Control. A “Change of Control” shall mean and be determined to have occurred upon any one of the following events: (i) the date of acquisition by any person or group other than Misys plc (“Parent”) or any affiliate of Parent or any subsidiary of the Company (or any employee benefit plans (or related trust) of the Company or any of its subsidiaries or Parent) acquires beneficial ownership of securities possessing more than thirty percent (30%) of the total combined voting power of the 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 the date of this Agreement (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 date of this Agreement 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 definition, 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 Securities Exchange Act of 1934 (the “1934 Act”)); 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; provided, however, that in no event shall the acquisition by any person or group of the beneficial ownership of any amount of stock or voting securities of Parent (including an acquisition by a merger, reorganization or consolidation) constitute a Change of Control. 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 of control event, it shall not be deemed a Change of Control for purposes of this Agreement. For purposes of this Agreement, a “Comparable Job” shall mean employment following the Change of Control (i) with substantially the same duties and responsibilities as were held by «Last_Name» prior to the Change of Control (excluding, for this purpose, changes following the Change of Control (x) to

«Last_Name»'s reporting responsibilities and (y) arising by reason of the Company ceasing to be a public company), (ii) at the same location at which «Last_Name» provides services prior to the Change of Control or a location within fifty (50) miles of such location and (iii) at the same or increased base salary and target performance bonus levels as were in effect prior to the Change of Control.

- (c) **Settlement of Performance-Based Restricted Stock Units.** Upon the date performance-based restricted stock units subject to this Agreement become vested and unrestricted, one share of Common Stock shall be issuable for each performance-based restricted stock unit that vests on such date, subject to the terms and conditions of the Plan and this Agreement. Thereafter, the Company will transfer such shares of Common Stock to «Last_Name» upon satisfaction of any required tax withholding obligations.
3. **No Rights as Stockholder; Dividend Equivalents.** «Last_Name» shall not have any rights of a stockholder of the Company with respect to any shares of Common Stock issuable upon the vesting of performance-based restricted stock units subject to this Agreement (including the right to vote and to receive dividends and other distributions paid with respect to shares of Common Stock), unless and until, and only to the extent, the Performance-Based Restricted Stock Unit Award is settled by the issuance of such shares of Common Stock to «Last_Name». Notwithstanding the foregoing, until such time as the restrictions lapse, or the performance-based restricted stock units subject to this Agreement are cancelled, whichever occurs first, the Company will pay «Last_Name» a cash amount equal to the target number of performance-based restricted stock units subject to restriction under this Agreement times the per share amount of any cash dividend payment made to stockholders of the Company's Common Stock, with such payments to be made reasonably promptly after the payment date of each such cash dividend.
4. **Termination of Unvested Performance-Based Restricted Stock Unit Award.** Subject to the terms of any written employment agreement between the Company or its affiliates and «Last_Name» (which vesting terms in such employment agreement shall prevail over the terms of this Agreement), if «Last_Name»'s employment with the Company is terminated for any reason, the portion of the Performance-Based Restricted Stock Unit Award which is not vested and unrestricted as of the date of termination shall be forfeited by «Last_Name» and such portion shall be cancelled by the Company. «Last_Name» irrevocably grants to the Company the power of attorney to transfer any unvested units and shall promptly return this Agreement to the Company for cancellation and agrees to execute any document required by the Company in connection with such forfeiture. Such cancellation shall be effective regardless of whether «Last_Name» returns this Agreement.
5. **Adjustment in Event of Happening of Condition.**
- In the event that there is any change in the number of issued shares of Common Stock of the Company without new consideration to the Company (such as by stock dividends or stock split-ups), then the number of unvested and restricted shares subject to this Performance-Based Restricted Stock Unit Award shall be adjusted in proportion to such change in issued shares.
- If the outstanding shares of Common Stock of the Company shall be combined, or be changed into another kind of stock of the Company or into equity securities of another corporation, whether through recapitalization, reorganization, sale, merger, consolidation, etc. (where such event is not a Change of Control as defined in Section 2(b) above) the Company shall cause adequate provision to be made whereby the unvested performance-based restricted stock units subject to this Agreement shall be adjusted equitably so that the securities received upon vesting shall be the same as if the vesting had occurred immediately prior to such recapitalization, reorganization, sale, merger, consolidation, etc.
- Notwithstanding the foregoing, in the event of a sale of the Company through a merger, consolidation or sale of all or substantially all of its assets where all or part of the consideration is cash or property (other than equity securities of another corporation) and where such event is not a Change of Control as defined in Section 2(b) above (a "Transaction"), the Performance-Based Restricted Stock Unit Award shall be assumed or an award of equivalent value shall be substituted by the successor corporation or a parent or subsidiary of the successor corporation. In the event that the successor corporation refuses to assume or substitute for the Performance-Based Restricted Stock Unit Award, then simultaneously with the consummation of the Transaction, «Last_Name» shall fully vest in the Performance-Based Restricted Stock Unit Award at the target level and such performance-based restricted stock units subject to the Performance-Based Restricted Stock Unit Award shall become unrestricted. For the purposes of this Section 5, the Performance-Based Restricted Stock Unit Award shall be considered assumed if, following the Transaction, the Performance-Based Restricted Stock Unit Award confers the right to receive, for each performance-based restricted stock unit subject to the Performance-Based Restricted Stock Unit Award and unvested immediately prior to the Transaction, the consideration (whether stock, cash, or other securities or property) received in the Transaction by holders of Common Stock held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares).
6. **No Right to Continued Employment.** This Agreement shall not be construed as giving «Last_Name» the right to be retained in the employ of the Company.
7. **Provisions of Plan.** This Performance-Based Restricted Stock Unit Award is granted pursuant to, and subject to the terms and conditions of, the Plan (which is incorporated herein by reference). In the event a provision of this Agreement conflicts with the Plan, the terms of the Plan will prevail. «Last_Name» acknowledges receiving a copy of the Plan and this Agreement. Any capitalized term not defined herein shall have the same meaning as in the Plan.
8. **Withholding of Taxes.** The Company shall be entitled, if necessary or desirable, to withhold from any amounts due and payable by the Company to «Last_Name» (or to secure payment from «Last_Name» in lieu of withholding) the amount of any withholding or other tax due from the Company with respect to any Common Stock which becomes vested and unrestricted under this Agreement, and the Company may defer such issuance until such amounts are paid or withheld. «Last_Name» may elect to satisfy his or her obligation to advance the amount of any required income or other withholding taxes (the "Required Tax Payments") by any of the following means: (1) a cash payment to the Company, (2) delivery (either actual delivery or by attestation procedures established by the Company) to the Company of previously owned whole shares of Common Stock (for which «Last_Name» has good title, free and clear of all liens and encumbrances) having a Fair Market Value (as defined in the Plan), determined as of the date the obligation to withhold or pay taxes first arises in connection with the Performance-Based Restricted Stock Unit Award (the "Tax Date"), equal to the Required Tax Payments, (3) authorizing the Company to

withhold from the shares of Common Stock otherwise to be delivered to the holder pursuant to the Performance-Based Restricted Stock Unit Award, a number of whole shares of Common Stock having a Fair Market Value, determined as of the Tax Date, equal to the Required Tax Payments, (4) a cash payment by a broker-dealer acceptable to the Company through whom «Last_Name» has sold the shares with respect to which the Required Tax Payments have arisen or (5) any combination of (1), (2) and (3). The Compensation Committee shall have sole discretion to disapprove of an election pursuant to any of clauses (2)-(5) for any holder who is not a director or an “officer” (as defined in Rule 16a-1(f) under the 1934 Act). Shares of Common Stock to be delivered or withheld may not have a Fair Market Value in excess of the minimum amount of the Required Tax Payments. Any fraction of a share of Common Stock which would be required to satisfy such an obligation shall be disregarded and the remaining amount due shall be paid in cash by the holder. No certificate representing a share of Common Stock shall be delivered until the Required Tax Payments have been satisfied in full.

9. **Binding Effect.** This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrator, successors and assigns.
10. **Stockholder Approval.** This Agreement shall be null and void and of no further force or effect unless, prior to the first anniversary of the Grant Date, the stockholders of the Company shall have approved (a) an amendment to the Plan increasing the number of shares available thereunder in excess of the amount required to make the award hereunder and (b) the performance measures set forth in the Plan (collectively, the “Approvals”). Notwithstanding anything in this Agreement or any other agreement to the contrary, in no event shall the performance-based restricted stock units subject to this Agreement vest prior to obtaining the Approvals and, if any event occurs which would require such vesting, such vesting shall be delayed until such time, if ever, as the Approvals are obtained.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed on the day and year first above written.

ALLSCRIPTS-MISYS HEALTHCARE SOLUTIONS, INC.

By:

Name: Glen E. Tullman

«First_Name» «Last_Name»

Certification

I, Glen E. Tullman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allscripts-Misys 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 fiscal quarter (the registrant's fourth fiscal 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: October 13, 2009

/s/ Glen E. Tullman

Chairman and Chief Executive Officer

Certification

I, William J. Davis, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allscripts-Misys 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 fiscal quarter (the registrant's fourth fiscal 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: October 13, 2009

/s/ William J. Davis
Chief Financial Officer

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-Misys 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 August 31, 2009, 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 August 31, 2009, fairly presents, in all material respects, the financial condition and results of operations of Allscripts-Misys Healthcare Solutions, Inc.

Dated as of this 13th day of October, 2009.

/s/ GLEN E. TULLMAN

Glen E. Tullman
Chief Executive Officer

/s/ WILLIAM J. DAVIS

William J. Davis
Chief Financial Officer

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