

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2000

OR

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

Commission File Number 000-32085

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

Delaware
(State or other jurisdiction of
incorporation or organization)

36-3444974
(I.R.S. Employer
Identification No.)

2401 Commerce Drive, Libertyville, Illinois 60048
(Address of principal executive offices and zip code)

(847) 680-3515
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act:

Title of Class
Common Stock, \$0.01 par value per share

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 X No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of March 23, 2001 was approximately \$107,294,565. The number of outstanding shares of the registrant's Common Stock as of that date was 37,988,218.

Documents Incorporated by Reference: Portions of the Proxy Statement for the 2001 annual stockholders meeting are incorporated by reference into Part III.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

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2000 ANNUAL REPORT ON FORM 10-K

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Effective January 8, 2001, Allscripts, Inc. acquired Channelhealth Incorporated, and each became a wholly owned subsidiary of a new holding company, Allscripts Healthcare Solutions, Inc., which was originally incorporated in Delaware as Allscripts Holding, Inc. on July 11, 2000. As a result of the merger transaction, each outstanding share of Allscripts, Inc. common stock was converted into one share of Allscripts Healthcare Solutions, Inc. common stock. Allscripts, Inc. no longer files reports with the Securities and Exchange Commission, and its common stock is no longer listed on the Nasdaq National Market; however, Allscripts Healthcare Solutions, Inc. does file reports with the Securities and Exchange Commission, and its common stock is listed on the Nasdaq National Market under the symbol "MDRX". In this report, "we", "us", "our" and "Allscripts", when referring to events prior to January 8, 2001, refer to our wholly owned subsidiary and predecessor, Allscripts, Inc., and, when referring to subsequent time periods, refer to Allscripts Healthcare Solutions, Inc. and its wholly owned subsidiaries, Allscripts, Inc. and Channelhealth Incorporated, unless the context indicates otherwise.

TouchScript(R) and TeleMed(R) are registered trademarks of Allscripts, Inc., Channelhealth(R) is a registered trademark of Channelhealth Incorporated, and PATIENT ED(R) is a registered trademark of Medifor, Inc. Trademarks of Allscripts Healthcare Solutions, Inc. or one of its wholly owned subsidiaries used in this report include: Allscripts(TM), Clinical Works Modules(TM), e-Detailing(TM), FirstFill(TM), HealthFrame(TM), Integration Professional(TM), Physician Channel(TM), Physician Homebase(TM), Physicians Interactive(TM), Pocket Library(TM), TouchWorks(TM), TouchWorks Enterprise(TM) and TouchWorks

Professional(TM). All other trademarks, brand marks, trade names and registered marks used in this report are trademarks, brand marks, trade names or registered marks of their respective owners. Allscripts Healthcare Solutions, Inc. and its wholly owned subsidiaries own a number of additional trademarks, including registered trademarks, that are not referenced in this report.

PART I

Item 1. Business

General

We provide decision support solutions for physicians that are designed to improve the quality and cost effectiveness of healthcare. Our technology-based approach focuses on the point of care, where prescriptions and many other healthcare transactions originate, and creates an electronic dialogue between physicians and other participants in the healthcare delivery process, including patients, pharmacies, managed care organizations and pharmaceutical manufacturers. We believe physicians find our solutions attractive because incorporating these solutions into their office work flow can increase efficiency and profitability, reduce errors and improve the quality of patient care.

Our products are designed to provide real time information to enable better clinical decisions, streamline the care process to improve physician productivity, enhance the physician-patient relationship, and provide a measurable return on investment. We currently offer products in four categories: point-of-care decision support solutions, physician education, information products and prepackaged medications. Our TouchWorks software enables physicians to automate the most common clinical activities, including prescribing, dictation, charge capture, lab orders and results, patient education, and clinical notes. Our Physicians Interactive e-Detailing product enables healthcare professionals to learn about new healthcare products through the Internet and other multimedia technology. We also sell our prepackaged medications to physicians so they can offer their patients the convenience of receiving prescription medications in the physician's office.

Recent Developments

Since January 2000, we have made three acquisitions and signed three strategic agreements that have advanced our business.

- . IMS Health Incorporated, a leading provider of information solutions to the pharmaceutical and healthcare industries, and Allscripts signed a strategic alliance agreement on February 16, 2000. In December of 2000, we terminated the initial agreement and entered into a new agreement focused primarily on development and marketing of new Internet-based information solutions for the pharmaceutical industry.
- . Express Scripts, the nation's third largest pharmacy benefit manager, signed a strategic agreement with Allscripts on April 26, 2000. The agreement enables physicians who use Allscripts' TouchScript electronic prescribing software product to have real-time access to current formulary and clinical information at the point-of-care and provides funding for system installation.
- . Masterchart, a software developer of digital dictation, document management and integration technology products, was acquired on May 9, 2000.
- . Medifor, a leading provider of clinical software designed to help physicians more effectively communicate with patients, both at the point of care and via the Internet, was acquired on May 17, 2000.
- . Child Health Corporation of America (CHCA) and Allscripts signed an exclusive marketing agreement on October 26, 2000 designed to provide access to and advance sales of TouchScript to CHCA's customer base of 38

leading children's medical centers nationwide.

- . On January 8, 2001, Allscripts acquired Channelhealth, a business unit of IDX Systems. In addition to the acquisition, Allscripts and IDX entered into a 10-year strategic alliance whereby Allscripts became the exclusive provider of Internet and point-of-care clinical applications sold by IDX to physician practices, providing Allscripts access to IDX's current 118,000 physician practice management customers.

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The Allscripts Solution

Through our own internal development efforts and acquisitions, we have developed a variety of point-of-care solutions that enable physicians to provide higher quality healthcare and deliver it more cost effectively. Our TouchWorks software seamlessly integrates technology into the entire care process. The TouchWorks modules are accessed using wireless handheld or desktop workstation devices to automate prescribing, dictation, charge capture, documentation, orders and results, patient education and structured notes. The modules can be combined with a comprehensive tasking tool that helps physicians organize their practice flow.

The prescribing component of this physician-centered solution redesigns the pharmaceutical management process to benefit each participant. By providing access to real time information such as potential drug interactions and prior adverse reactions during the prescribing process, physicians reduce the amount of time spent clarifying and changing prescriptions. In addition, our system enables physicians to better manage financial risk and to increase practice revenue by providing the first fill of their most commonly prescribed medications to their patients at the point of care and can also reduce medication errors. Patients benefit from the convenience, immediacy and confidentiality of receiving prescription medications in the physician's office. Patients also gain access to valuable information that enables them to play a more active role in managing their healthcare. Managed care organizations benefit from higher physician compliance with their pharmacy guidelines, resulting in lower overall costs. Pharmacies benefit from improved communication with physicians, which enhances efficiency and reduces the likelihood of errors. We also believe that the new products and services that we intend to offer in the future will benefit additional participants in the healthcare delivery process.

We currently have products that enable physicians to learn more about the latest medications and new indications whenever it is convenient for them, seven days a week, 24 hours a day. Physicians can also acquire and access via our wireless handheld device clinical reference books that contain important medication data. Using our products, our clients can now also set up personal, secure webpages for their patients, through which they can communicate additional information on medical condition and engage in an electronic dialog. We intend to continue to enhance our current offerings by integrating new products and services that address other aspects of the physician's daily work flow.

We believe that the best way to improve the care management process is by focusing and automating the most labor intensive, time consuming aspects of care delivery--writing prescriptions, dictating notes and capturing charges. Having these modules available on a handheld, wireless device that offers real time connectivity, combined with our FirstFill option, enables us to provide an attractive set of benefits to our customers:

- . Ease of Use. TouchWorks is easy to use, enabling a physician to complete a prescription, dictate a note or document a charge very rapidly.
- . Accessibility. Physicians can instantly access TouchWorks from a variety of locations, including the exam room, hospital or home. They can also perform such important tasks as dictation and charge capture in an

offline mode and immediately transfer those files once they reconnect to the network.

- . Information. TouchWorks provides valuable, objective information prior to, during and after the care process, enabling physicians to provide higher quality care and deliver it more cost effectively.
- . Financial Opportunity. TouchWorks streamlines a very complicated and cumbersome paper based process that reduces overall costs and provides physicians with a significant financial opportunity.

Competitive Advantage

We believe that we have several advantages over our current and potential competitors:

- . Breadth of product offering. Our suite of decision support solutions, featuring a handheld wireless product that includes electronic prescribing, digital dictation, charge capture, and a collection of clinical

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reference material, encompasses virtually all of the administrative functions that a physician performs at the point of care.

- . Installed Base. Over 15,000 physicians purchase one or more of our products or solutions, including physicians associated with some of the country's most prestigious healthcare institutions.
- . Return on investment. Based on documented increase in productivity, quality of care improvement, and greater practice revenue opportunities, we believe we can provide our customers immediate and measurable value.
- . Strategic alliance with IDX Systems. Allscripts is the exclusive provider of point-of-care clinical applications to IDX's installed base of large physician practices nationwide, representing over 118,000 physician prospects for the TouchWorks solution. We also have a 10-year agreement with IDX that includes integration into IDX practice management systems and joint product development.
- . Managed Care Experience. Approximately 100 managed care payers and pharmacy benefit managers, including many of the country's largest, currently reimburse our physician customers for prescription medications dispensed in their offices.
- . Regulatory Experience. We have a thorough understanding of, and operating experience in, the dynamic and complex federal and state healthcare regulatory environment.
- . Management. Our management team has substantial experience in managing rapidly growing public companies that use technology to change business processes.

Current and Future Products and Services

Touchworks Professional is our point-of-care clinical productivity solution for smaller to mid-size physician practices. TouchWorks Professional provides electronic prescribing that reduces medication errors and routes transactions to local retail and mail order pharmacies, dictation that walks the physician through a template to properly chart a patient's visit, and charge capture that provides guidance to assist the physician in properly capturing the charges for the visit. The TouchWorks Professional solution is delivered on a wireless handheld personal digital assistant, or PDA, that will help physicians save time and improve the financial performance of their practice.

TouchWorks Enterprise is our point-of-care clinical productivity solution

for larger physician groups. An evolution of the ChannelHealth Clinical Works Modules, TouchWorks Enterprise modules address a critical set of clinical functions within the physician office--from task management and triage routing, dictation, transcription and documentation management, to prescription management and dispensing, ambulatory orders and results review.

Products/Modules -----	Description -----	Features -----
TouchWorks Professional TouchScript	Electronic prescribing	Drug utilization review Formulary checking Generic substitution SCRIPT standard prescription routing
Dictate	Digital dictation	Templates for documentation assistance
Charge	Automated encounter form	Easy to use template design
Pocket Library	Electronic clinical reference	Framework to add content easily
TouchWorks Enterprise Physician Homebase	Internet portal providing real time access to practice management and clinical functions	Links to clinically relevant content and continuing medical education
Workflow	Office automation and work-flow integration tools	Task lists for the physicians and their support teams
Charge	Automated encounter form	Easy to use template design
Document	Electronic dictation and document management	On-line tracking, viewing and printing capabilities
Prescribe	Medication management and prescription communication for ambulatory patients	Drug utilization review and plan-specific formulary checking
Results	Display of clinical results and text documents	Online result retrieval
Orders	Ordering of diagnostic tests, supplies and other items for ambulatory patients	Online ordering
Notes*	Structured clinical note creation and editing	Note creation and management
Allscripts FirstFill	Medication fulfillment at the point of care	Inventory management Online adjudication
e-Detailing	Internet-based drug education for physicians	Interactive education sessions
PATIENT ED	Personalized patient care plans	Private patient web page creation Over 900 preloaded templates
HealthFrame	Client/server and Internet-based inpatient document management and clinical data repository	Electronic document management Electronic document routing Electronic signature
Integration Professional	Interface engine	Template driven

*Not yet available.

Competition

Our industry is intensely competitive, rapidly evolving and subject to rapid technological change. A number of the companies that offer products or services that compete with one or more of our products or services have greater financial, technical, product development, marketing and other resources than we have. These organizations may be better known and may have more customers than we have. We may be unable to compete successfully against these organizations. We believe that we must gain significant market share with our products and services before our competitors introduce alternative products and services with features similar to ours.

We believe that there are no competitors in providing decision support solutions to physicians that offer a comprehensive solution with ease of use, accessibility, information content and financial opportunity for physicians comparable to ours. However, several organizations offer components that overlap with certain components of our solutions and may become increasingly competitive with us in the future.

We face competition from several types of organizations, including the following:

- . electronic prescribing product providers;
- . physician practice management systems suppliers;
- . electronic medical records providers;
- . healthcare electronic data interchange providers;
- . point-of-care dispensing providers; and
- . Internet information providers.

While many of these types of organizations are potential competitors, we believe that there are opportunities to establish strategic relationships, alliances or distribution agreements with some of them, and we intend to pursue these opportunities selectively. In addition, we expect that major software information systems companies and others specializing in the healthcare industry may offer products or services that are competitive with components of our solutions.

Governmental Regulation

As a participant in the healthcare industry, our operations and relationships are regulated by a number of federal, state and local governmental entities.

The use of our TouchScript software by physicians to perform electronic prescribing, electronic routing of prescriptions to pharmacies and dispensing is governed by state and federal law. States have differing prescription format requirements, which we have programmed into TouchScript. Many existing laws and regulations, when enacted, did not anticipate methods of e-commerce now being developed. Federal law and the laws of several states neither specifically permit nor specifically prohibit electronic transmission of prescription orders. Given the rapid growth of e-commerce in healthcare, and particularly the growth of the Internet, we expect many states, as well as the federal government, to directly address these areas with regulation in the near future.

Physician dispensing of medications for profit is allowed in all states except Utah and is prohibited, subject to extremely limited exceptions, in Massachusetts, Montana and Texas. In addition, New York and New Jersey allow physician dispensing of medications for profit, but limit the number of days' supply of all medications, subject to limited exceptions, that a physician can

dispense; several other states limit the number of days' supply of controlled substances that a physician may dispense. Many of the states allowing physician dispensing for profit have regulations relating to licensure, storage, labeling, record keeping and the degree of supervision required by the physician over support personnel who assist in the non-judgmental tasks associated with physician dispensing, like retrieving medication bottles and affixing labels. We regularly monitor these

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laws and regulations, in consultation with the governing agencies, to assist our customers in understanding them so that they can materially comply.

Congress enacted significant prohibitions against physician self-referrals in the Omnibus Budget Reconciliation Act of 1993. This law, commonly referred to as "Stark II," applies to physician dispensing of outpatient prescription drugs that are reimbursable by Medicare or Medicaid. Stark II, however, includes an exception for the provision of in-office ancillary services, including a physician's dispensing of outpatient prescription drugs, provided that the physician meets the requirements of the exception. We believe that the physicians who use our TouchScript system or dispense drugs distributed by us are doing so in material compliance with Stark II, either pursuant to the in-office ancillary services exception or another applicable exception.

As a repackager and distributor of drugs, we are subject to regulation by and licensure with the FDA, the DEA and various state agencies that regulate wholesalers or distributors. Among the regulations applicable to our repackaging operation are the FDA's "good manufacturing practices." We are subject to periodic inspections by regulatory authorities of our facilities, policies and procedures for compliance with applicable legal requirements. Because the FDA's good manufacturing practices were designed to govern the manufacture, rather than the repackaging, of drugs, we face legal uncertainty concerning the application of some aspects of these regulations and of the standards that the FDA will enforce.

As a distributor of prescription drugs to physicians, we and our customers are also subject to the federal anti-kickback statute, which applies to Medicare, Medicaid and other state and federal programs. The statute prohibits the solicitation, offer, payment or receipt of remuneration in return for referrals or the purchase of goods, including drugs, covered by the programs. The anti-kickback law provides a number of exceptions or "safe harbors" for particular types of transactions. We believe that our arrangements with our customers are in material compliance with the anti-kickback statute and relevant safe harbors. Many states have similar fraud and abuse laws, and we believe that we are in material compliance with those laws.

As part of our services provided to physicians, our system will electronically transmit claims for prescription medications dispensed by a physician to many patients' payers for immediate approval and reimbursement. Federal law provides that it is both a civil and a criminal violation for any person to submit a claim to any payer, including, for example, Medicare, Medicaid and all private health plans and managed care plans, seeking payment for any services or products that overbills or bills for items that have not been provided to the patient. We believe that we have in place policies and procedures to assure that all claims that are transmitted by our system are accurate and complete, provided that the information given to us by our customers is also accurate and complete.

Existing federal and state laws and regulations regulate the disclosure of confidential medical information, including information regarding conditions like AIDS, substance abuse and mental illness. In addition, the U.S. Department of Health and Human Services recently published rules regarding the disclosure of confidential medical information. The effective date of those regulations is uncertain. As part of the operation of our business, our customers do provide to us patient-identifiable medical information related to the prescription drugs that they prescribe and other aspects of patient treatment. We believe that we have policies and procedures to assure that any confidential medical

information we receive is handled in a manner that complies with all federal and state confidentiality requirements.

History

Allscripts was initially organized to repackage and sell pharmaceuticals to physicians for dispensing to their patients. When the current management team arrived at Allscripts in late 1997, it recognized the need for a new set of medication management solutions. The communication capabilities offered by the Internet, paired with our existing relationships with managed care organizations and with physicians, enabled us to create a new set of tools for the physician with a first-to-market advantage. Management immediately refocused Allscripts

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on information technology products rather than solely dispensing repackaged pharmaceuticals. In recent years, we have invested heavily in Internet and client/server software development to capture and leverage the value of electronic information to all parties in the healthcare equation: patients, physicians, managed care organizations, pharmacies and pharmaceutical manufacturers.

Employees

As of February 28, 2001, we employed 491 persons on a full-time basis, including 195 in customer service and support, 98 in general and administrative, 82 in sales and marketing, 55 in production and warehousing and 61 in product development. None of our employees is a member of a labor union or is covered by a collective bargaining agreement. We believe we have excellent relations with our employees.

Item 2. Properties

Our executive offices and state-of-the-art repackaging facilities are located in Libertyville, Illinois, in approximately 80,000 square feet of space under a lease that expires in June 2004. We lease space for a separate, smaller repackaging facility in Grayslake, Illinois, under a lease that expires in June 2002. We also maintain two other offices for sales, marketing, operations and development efforts in Port Townsend, Washington, with approximately 4,600 square feet combined under separate leases expiring in March 2001, with respect to which we are currently in discussions with the landlord to renew, and July 2002, respectively, and in Burlington, Vermont, with approximately 15,000 square feet under a lease that expires in January 2006. We believe that our facilities are adequate for our current operations.

Item 3. Legal Proceedings

Allscripts is a defendant in over 2,000 multi-defendant lawsuits brought by over 3,000 claimants involving the manufacture and sale of dexfenfluramine, fenfluramine and phentermine. The majority of these suits were filed in state courts in Texas beginning in August 1999. The plaintiffs in these cases claim injury as a result of ingesting a combination of these weight-loss drugs. In each of these suits, Allscripts is one of many defendants, including manufacturers and other distributors of these drugs. Allscripts does not believe it has any significant liability incident to the distribution or repackaging of these drugs, and it has tendered defense of these lawsuits to its insurance carrier for handling. In addition, while Allscripts has not yet conducted a review of all of the Texas suits, physician dispensing is generally prohibited in Texas and Allscripts has never distributed these drugs in Texas. Allscripts believes that it is unlikely that it is responsible for the distribution of the drugs at issue in many of these cases. The lawsuits are in various stages of litigation, and it is too early to determine what, if any, liability Allscripts will have with respect to the claims made in these lawsuits. If Allscripts' insurance coverage in the amount of \$16,000,000 per occurrence and \$17,000,000 per year in the aggregate is inadequate to satisfy any resulting liability, Allscripts will have to defend these lawsuits and be

responsible for the damages, if any, that Allscripts suffers as a result of these lawsuits. Allscripts does not believe that the outcome of these lawsuits will have a material adverse effect on its financial condition, results of operations or cash flows.

Between October 2000 and December 2000, four complaints were filed in the United States District Court for the Northern District of Illinois against Allscripts and its President and Chief Financial Officer, David B. Mullen. The complaints purported to be brought on behalf of a class of individuals who purchased the common stock of Allscripts during the period of July 27, 2000 through and including October 26, 2000 (the "Class Period"), and alleged violations of Section 10(b) and 20(a) of the Securities Exchange Act of 1934 based on the restatement of our financial results for the second quarter of 2000. The four complaints were deemed related, and the cases were reassigned and consolidated for all purposes before Judge Charles Kocoras, before whom the first filed case was pending. The consolidated action is entitled In re Allscripts, Inc. Securities

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Litigation, No. 00C6796 (N.D. Ill.) and includes all consolidated cases: Bredeson v. Allscripts, Inc. and David B. Mullen, Civ. No. 00C-6796 (N.D. Ill., filed on October 31, 2000), Karmazin v. Allscripts, Inc. and David B. Mullen, Civ. No. 00C-6864 (N.D. Ill., filed on November 2, 2000), Mohr v. Allscripts, Inc. and David B. Mullen, Civ. No. 00C-6992 (N.D. Ill., filed on November 6, 2000), Nadav v. Allscripts, Inc. and David B. Mullen, Civ. No. 00C-8126 (N.D. Ill., filed on December 26, 2000).

In January 2001, Lead Plaintiff and Lead Counsel were appointed in the consolidated case. On March 12, 2001, plaintiffs filed a Consolidated and Amended Class Action Complaint (the "Amended Complaint"). The Amended Complaint continues to name Allscripts and David B. Mullen as defendants and alleges violations of Section 10(b) and 20(a) of the Securities Exchange Act. Three additional defendants are named in the Amended Complaint: Glen E. Tullman, our Chairman of the Board and Chief Executive Officer, J. Peter Geerlofs, our Chief Medical Officer, and Philip J. Langley, formerly our Senior Vice President of Business Development/Field Services. The Amended Complaint purports to expand the Class Period in the consolidated case to include all individuals who purchased the common stock of Allscripts during the period from March 6, 2000 through and including February 27, 2001. The Amended Complaint is based on the previous allegations about the restatement of our financial results for the second quarter of 2000 and new allegations relating to, inter alia, the prospects for our TouchScript product.

We intend to move to dismiss the Amended Complaint, and Judge Kocoras has set June 2001 as the prospective ruling date. At this time, management is unable to determine the likely outcome of this matter or to reasonably estimate the amount of any potential loss with respect to this matter.

In addition, we are involved in litigation incidental to our business from time to time. 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, results of operations or prospects.

Item 4. Submission of Matters to a Vote of Security Holders

None.

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PART II

Item 5. Market for Registrant's Common Equity and Related Stockholder Matters

Public Market for Common Stock

Our common stock has been quoted on the Nasdaq National Market under the symbol "MDRX" since January 9, 2001. From July 23, 1999 until that time, the stock of Allscripts, Inc. traded on the Nasdaq National Market under the same symbol. Prior to July 23, 1999, there was no public market for the common stock. The following table sets forth, for the periods indicated, the high and low closing prices per share of the common stock of Allscripts Healthcare Solutions, Inc. and Allscripts, Inc. for the applicable periods as reported on the Nasdaq National Market.

	High	Low
	-----	-----
Year Ended December 31, 1999		
Third Quarter (since July 23, 1999).....	\$19.75	\$12.38
Fourth Quarter.....	49.50	10.88
Year Ended December 31, 2000		
First Quarter.....	86.00	44.63
Second Quarter.....	50.00	21.88
Third Quarter.....	29.31	13.13
Fourth Quarter.....	18.13	6.00
Year Ended December 31, 2001		
First Quarter (through March 23, 2001).....	11.66	4.63

On March 23, 2001, we had 517 holders of record of common stock. We have never declared or paid cash dividends on our common stock. We currently intend to retain all available funds and any future earnings for use in the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future.

Recent Unregistered Issuances of Common Stock

In the three months ended December 31, 2000, we issued 9,253 unregistered shares of common stock upon exercise of warrants for an aggregate exercise price of \$11,520. Exemption from registration is claimed pursuant to Sections 3(a)(9) and 4(2) of the Securities Act.

Item 6. Selected Financial Data

You should read the selected consolidated financial data shown below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included elsewhere in this report. The consolidated statement of operations data for the year ended December 31, 2000 and the consolidated balance sheet data at December 31, 2000 are derived from the consolidated financial statements audited by KPMG LLP that are included elsewhere in this report. The consolidated statements of operations data for the years ended December 31, 1998 and 1999 and the consolidated balance sheet data at December 31, 1999 are derived from the consolidated financial statements audited by PricewaterhouseCoopers LLP that are included elsewhere in this report. The consolidated statements of operations data for the years ended December 31, 1996 and 1997 and the balance sheet data at December 31, 1996, 1997 and 1998 are derived from audited financial statements that are not included in this report. The historical results are not necessarily indicative of results to be expected for any future period. The statements of operations data below reflect the pharmacy benefit management business that we sold in March 1999 as a discontinued operation.

	1996	1997	1998	1999	2000
(In thousands, except per share data)					
Statements of Operations Data:					
Revenue.....	\$33,462	\$ 30,593	\$23,682	\$ 27,586	\$ 54,983
Cost of revenue.....	23,390	21,117	17,320	21,909	42,518
Gross profit.....	10,072	9,476	6,362	5,677	12,465
Operating expenses:					
Selling, general and administrative expenses.....	11,599	13,869	12,658	20,656	42,733
Amortization of intangibles..	529	409	372	1,351	24,062
Write-off of acquired in-process research and development.....	--	--	--	--	13,729
Other operating expenses.....	1,034	2,568	430	319	450
Loss from operations.....	(3,090)	(7,370)	(7,098)	(16,649)	(68,509)
Interest income (expense), net.....	(1,301)	(1,621)	(596)	1,216	7,706
Other expense.....	(39)	--	--	--	(1,000)
Loss from continuing operations.....	(4,430)	(8,991)	(7,694)	(15,433)	(61,803)
Income (loss) from discontinued operations.....	1,489	(1,808)	970	642	83
Gain from sale of discontinued operations.....	--	--	--	3,547	4,353
Loss before extraordinary items.....	(2,941)	(10,799)	(6,724)	(11,244)	(57,367)
Extraordinary loss from early extinguishment of debt.....	--	--	(790)	--	--
Net loss.....	(2,941)	(10,799)	(7,514)	(11,244)	(57,367)
Accretion on mandatory redeemable preferred stock and accrued dividends on preferred stock.....	(923)	(923)	(2,415)	(2,198)	--
Net loss attributable to common stockholders.....	\$ (3,864)	\$ (11,722)	\$ (9,929)	\$ (13,442)	\$ (57,367)
Basic and diluted net loss from continuing operations per share, including accretion on mandatory redeemable preferred stock and accrued dividends on preferred stock.....	\$ (1.87)	\$ (3.35)	\$ (1.66)	\$ (1.20)	\$ (2.22)
Weighted average shares used in computing basic and diluted per share calculation.....	2,854	2,956	6,076	14,718	27,900
Balance Sheet Data (at period end):					
Cash, cash equivalents and marketable securities.....	\$ 665	\$ 205	\$ 718	\$ 55,610	\$119,837
Working capital.....	5,443	(3,023)	271	58,856	105,114
Intangible assets, net.....	11,043	4,578	3,702	3,575	149,690
Total assets.....	26,713	19,387	18,920	74,014	305,420
Long-term debt.....	15,093	11,276	59	59	--
Redeemable preferred stock....	9,796	10,719	32,547	--	--

Total stockholders' equity (deficit).....	(6,700)	(18,356)	(26,792)	67,364	290,975
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Other Operating Data:

Traditional revenue (1).....	\$33,462	\$ 30,593	\$22,338	\$ 17,892	\$ 20,184
E-commerce revenue (2).....	--	--	1,344	9,694	34,799
	-----	-----	-----	-----	-----
Revenue.....	\$33,462	\$ 30,593	\$23,682	\$ 27,586	\$ 54,983
	=====	=====	=====	=====	=====

- (1) Traditional revenue includes all non-e-commerce revenue and is derived from the sale through non-Internet channels of prescription medications and other medical products to physicians who do not use our software.
- (2) E-commerce revenue is derived primarily from the sale of prescription medications over the Internet to physicians who use our software or who order products from us primarily over the Internet. E-commerce revenue also includes revenue from software license fees, computer hardware sales and leases, and related services.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

You should read the following discussion and analysis together with "Selected Financial Data" and our consolidated financial statements and related notes included elsewhere in this report. This discussion contains certain forward-looking statements that involve risks, uncertainties and assumptions. You should read the cautionary statements made in this report as applying to related forward-looking statements wherever they appear in this report. Our actual results may be materially different from the results we discuss in the forward-looking statements due to certain factors, including those discussed in "Risk Factors" and other sections of this report.

Overview

We provide point-of-care medication management and physician decision support solutions that focus on addressing the needs of physicians, managed care payers and plans.

From our inception in 1986 through 1996, we focused almost exclusively on the sale of prepackaged medications to physicians, in particular those with a high percentage of fee-for-service patients. The advent of managed prescription benefit programs required providers to obtain reimbursement for medications dispensed from managed care organizations rather than directly from their patients. This new reimbursement methodology made it more difficult for our physician customers to dispense medications to their patient base.

In 1997, under the direction of our new executive management team, we focused our efforts on the information aspects of medication management, including the development of technology tools necessary for electronic prescribing, routing of prescription information and submission of medication claims for managed care reimbursement. In January 1998, we introduced the first version of TouchScript that fully incorporated these features. At the same time, we redirected our sales and marketing efforts away from our traditional fee-for-service customer base to physicians who have a large percentage of managed care patients. We recognized that there is a larger market opportunity among physicians whose patients are covered by managed care plans because the portion of prescriptions covered by managed care plans is increasing relative to the portion of fee-for-service prescriptions. Further, we believe that our technology can give us a competitive advantage where more patients' prescriptions are covered by managed care plans because our products streamline the process by which physicians, managed care organizations and patients interact. In addition, we believe that the managed care market provides us with the opportunity to realize higher margins on our software products.

We currently derive our revenue from the sale of prepackaged medications, software licenses, computer hardware, electronic information and education products and related services. In the years ended December 31, 1998, 1999 and 2000, sales of prepackaged medications represented 97.8%, 92.3% and 71.1%, respectively, of total revenue.

Our shift in focus to physicians who desire technology-based services to operate successfully in a managed care environment and away from physicians with a high percentage of fee-for-service patients is reflected in the composition of our revenue, as depicted in the following table:

	Quarter Ended							
	1999				2000			
	March 31	June 30	Sept. 30	Dec. 31	March 31	June 30	Sept. 30	Dec. 31
	(Unaudited) (In thousands)							
Traditional revenue.....	\$5,235	\$4,537	\$4,035	\$4,085	\$4,443	\$ 4,993	\$ 5,134	\$ 5,614
E-commerce revenue.....	793	1,855	2,940	4,106	5,204	7,123	9,704	12,768
Total revenue.....	\$6,028	\$6,392	\$6,975	\$8,191	\$9,647	\$12,116	\$14,838	\$18,382

Traditional revenue includes all non-e-commerce revenue and is derived from the sale, through non-Internet channels, of prescription medications and other medical products to physicians who do not use our software. We expect traditional revenue to represent a decreasing percentage of total revenue in the future. E-commerce revenue is derived from the sale of prescription medications over the Internet to physicians who use our software or who order products from us primarily over the Internet. E-commerce revenue also includes technology related revenue for software subscriptions, licenses and related professional services, computer hardware sales and leases, transaction fees, e-detailing and related services. For the year ended December 31, 2000, sales of prepackaged medications represented 60.3% of e-commerce revenue. For the year ended December 31, 2000, 22.7% of e-commerce revenue represented medication sales over the Internet without the use of TouchScript ordering. While we expect a portion of future e-commerce revenue to continue to represent a shifting of traditional revenue, we anticipate that most of the future growth in e-commerce revenue will be generated by physician practice groups that are not currently our customers. Factors that we expect will attract future customers include an interest in physician dispensing, a desire to minimize financial risk imposed by managed care payers with respect to medications that they prescribe and concern about the potential liability associated with medication errors.

We believe that managed care prescription programs will continue to cover an increasing percentage of patients in the foreseeable future. This trend will have the effect of reducing the dispensing opportunities of our traditional dispensing customers because of their inability to submit claims electronically for reimbursement by managed care payers. This reduction in dispensing opportunities will reduce the revenue that we have historically recognized from these customers. Additionally, managed care programs impose reduced reimbursement rates for the medications dispensed to their plan participants, thus providing us with a dollar margin per prescription dispensed that is lower than we have historically experienced. Because TouchScript enables physicians to submit claims electronically for reimbursement by managed care payers, a large portion of the medications dispensed by our TouchScript customers is dispensed to managed care patients. Accordingly, we expect that the fastest growing portion of our business will provide margins with respect to the sale

of prepackaged medications that are lower than we have historically experienced. In addition, we expect that seasonal variances in demand for our products and services will continue. Historically, all other factors aside, our sales of prepackaged medications have been highest in the fall and winter months.

To maintain our position in a rapidly changing and increasingly competitive marketplace, we expect to continue to increase the number of our sales, sales support, product development and customer service personnel significantly, and, accordingly, we expect our operating expenses to continue to increase. In addition, we expect to amortize unearned compensation expense totaling approximately \$1,097,000 through December 31, 2003.

In addition to medication management, we believe that there are other aspects of the physician's daily work flow that can be effectively addressed through technology-focused solutions. We have enhanced and intend to continue to enhance our current offerings by integrating new products and services that address these needs. In furtherance of this strategy, in May 2000, we acquired MasterChart, Inc., a software developer providing dictation, integration and patient record technology, and Medifor, Inc., a provider of Internet-

delivered patient education. In connection with these acquisitions, we recorded goodwill and other intangible assets of approximately \$160,500,000, \$4,600,000 of which will be amortized over two years, and the balance of which will be amortized over five years. In 2000, we completed another acquisition that resulted in additional goodwill of approximately \$10,800,000, which is being amortized over two years.

In addition, on January 8, 2001, we acquired Channelhealth Incorporated in exchange for approximately 8,600,000 shares of our common stock with a fair value of approximately \$218,400,000 and approximately 493,000 common stock options with a fair value of approximately \$7,600,000 in replacement of outstanding Channelhealth common stock options. This acquisition will be accounted for as a purchase and we expect to record goodwill and other intangible assets equal to a substantial portion of the purchase price. Under current accounting rules, these intangible assets will be amortized over their estimated economic life, which ranges from five to 10 years. Additional stock-based consideration will be granted to the sellers of Channelhealth if certain revenue targets are achieved during 2002. Those revenue targets, if achieved, will result in the recording of additional purchase price at the time that the targets are met. We also anticipate that there will be additional cash required to fund the ongoing operations of Channelhealth.

We do not believe that inflation has had a material effect on our results of operations.

In the years ended December 31, 1998, 1999 and 2000, we recorded total unearned stock compensation of approximately \$407,000, \$1,850,000 and \$0, respectively, in connection with stock options granted during the period. These amounts represent the difference between the exercise price of stock option grants and the deemed fair market value of our common stock at the time of the grants. These amounts are being amortized over the vesting periods of the applicable options, resulting in approximately \$176,000, \$449,000 and \$535,000 in selling, general and administrative expenses for the years ended December 31, 1998, 1999 and 2000, respectively. Amortization of unearned compensation expense for each of the next three fiscal years is expected to be as follows:

Year Ended -----	Amount (In thousands) -----
December 31, 2001.....	\$496

December 31, 2002.....	485
December 31, 2003.....	116

In March 1999, in order to focus all of management's attention and resources on its physician medication management business and due to the significant resources necessary to remain competitive and sustain profitability in the pharmacy benefit management business, we sold substantially all of the assets, excluding cash and accounts receivable, of our pharmacy benefit management business. The total consideration was approximately \$7,500,000 in cash at closing and a contingent payment based upon achieving certain milestones for the one-year period following the closing. During the year ended December 31, 2000, we received a contingent payment of \$4,353,000, net of related expenses. This business had net sales of \$52,866,000 and \$14,292,000 in 1998 and 1999, respectively, while recording an operating profit of \$970,000, \$642,000 and \$83,000 in 1998, 1999 and 2000, respectively. The profit in 2000 was due to the recovery of certain receivables previously fully reserved. Our financial statements and the discussion in Management's Discussion and Analysis of Financial Condition and Results of Operations reflect the pharmacy benefit management business as a discontinued operation. In the years ended December 31, 1999 and 2000, we recognized gains on the sale of this business of \$3,547,000 and \$4,353,000, respectively, based upon the consideration received.

In 1999, we completed acquisitions through the issuance of 204,771 shares of our common stock with a value of approximately \$2,572,000 and a promissory note in the principal amount of \$650,000, bearing interest at 6% per year and payable upon the consummation of our initial public offering. We repaid the promissory note, including accrued interest of \$3,000, in August 1999.

On May 9, 2000, we acquired MasterChart, Inc., a software developer providing dictation, integration and patient record technology, in exchange for 1,617,873 shares of our common stock with a value of

approximately \$127,400,000 and cash of \$5,000,000. Approximately \$5,000,000 of the purchase price was allocated to the value of acquired in-process research and development that had no alternative future use and was charged against operations during the three months ended June 30, 2000. In addition, approximately \$4,600,000 of the purchase price was allocated to acquired software and is being amortized on a straight-line basis over two years, the software's estimated useful life. Trademarks and goodwill, totaling approximately \$125,600,000, are being amortized on a straight-line basis over five years.

On May 17, 2000, we acquired Medifor, Inc., a provider of Internet-delivered patient education. In exchange for all of the outstanding common and preferred A and B stock of Medifor, Allscripts issued 935,858 shares of its common stock with a fair value of approximately \$34,400,000. In addition, Allscripts issued 142,786 common stock options in replacement of Medifor common stock options with a fair value of approximately \$4,200,000. The fair value of the replacement common stock options was estimated using the Black-Scholes model. Approximately \$8,700,000 of the purchase price was allocated to the value of acquired in-process research and development that had no alternative future use and was charged against operations during the three months ended June 30, 2000. Trademarks and goodwill totaling \$30,300,000 are being amortized on a straight-line basis over five years.

In 2000, we completed another acquisition through the issuance of 87,484 shares of our common stock and a cash payment of \$8,000,000. The acquisition resulted in goodwill of approximately \$10,800,000, which is being amortized on a straight-line basis over two years.

On January 8, 2001, we completed the acquisition of Channelhealth Incorporated in exchange for 8,592,996 shares of common stock with a fair value of approximately \$218,400,000, the issuance of approximately 493,000 common stock options as replacement of outstanding Channelhealth common stock options

with a fair value of approximately \$7,600,000 and transaction costs totaling approximately \$4,750,000. We will pay additional stock-based consideration if certain revenue targets are achieved during 2002.

Results of Operations

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

	Year Ended December 31,		
	1998	1999	2000
Revenue.....	100.0%	100.0%	100.0%
Cost of revenue.....	73.1	79.4	77.3
Gross profit.....	26.9	20.6	22.7
Operating expenses:			
Selling, general and administrative expenses.....	53.5	74.9	77.7
Amortization of intangibles.....	1.6	4.9	43.8
Write-off of acquired in-process research and development.....	--	--	25.0
Other operating expenses.....	1.8	1.2	0.8
Loss from operations.....	(30.0)	(60.4)	(124.6)
Interest income (expense), net.....	(2.5)	4.4	14.0
Other expense, net.....	--	--	(1.8)
Loss from continuing operations.....	(32.5)	(56.0)	(112.4)
Income from discontinued operations.....	4.1	2.3	0.2
Gain from sale of discontinued operations.....	--	12.9	7.9
Loss before extraordinary items.....	(28.4)	(40.8)	(104.3)
Extraordinary loss from early extinguishment of debt..	(3.3)	--	--
Net loss.....	(31.7)%	(40.8)%	(104.3)%

Year Ended December 31, 2000 Compared to Year Ended December 31, 1999

Total revenue increased by 99% or \$27,397,000 from \$27,586,000 in 1999 to \$54,983,000 in 2000. E-commerce revenue increased by 259% or \$25,105,000 from \$9,694,000 in 1999 to \$34,799,000 in 2000. Traditional revenue increased by 13% or \$2,292,000 from \$17,892,000 in 1999 to \$20,184,000 in 2000.

The increase in e-commerce revenue reflects increased installations and utilization of TouchScript, a conversion of traditional revenue as a result of traditional customers adopting TouchScript and ordering products over the Internet, revenue generated from our e-Detailing product, revenue generated by our Medifor and MasterChart acquisitions, an increase in the percentage of brand drugs sold, which have a higher average selling price than their generic counterparts, general price inflation of brand and generic medications and revenue generated from information services. The increase in traditional revenue reflects general price inflation of brand and generic medications, and increased sales of pre-packaged medications to new customers obtained through internal business generation and acquisition and traditional revenue generated by a 1999 acquisition, offset partially by a conversion of traditional revenue to e-commerce, as outlined above.

Cost of revenue increased by 94% or \$20,609,000 from \$21,909,000 in 1999 to \$42,518,000 in 2000 due to increased revenue, higher depreciation expense due to an increase in the number of customers deploying Touchscript, increased amortization of acquired software, general price inflation of both brand and generic products, and increased operating costs at sites where we manage the dispensary on behalf of the physician. For the twelve months ended December 31, 2000, cost of revenue as a percentage of total revenue decreased from 79.4% in the prior year period to 77.3% principally due to higher relative margin contributions from our e-Detailing products, information services and software license fees, partially offset by increased depreciation, increased operating costs at sites where we manage the dispensary on behalf of the physician and a greater percentage of revenue coming from lower margin brand medications.

Selling, general and administrative expenses for the twelve months ended December 31, 2000 increased by 107% or \$22,077,000 from \$20,656,000 in 1999 to \$42,733,000 in 2000 due primarily to additional spending for sales and sales support personnel and related expenses needed to sell, implement and support TouchScript installations and our e-Detailing product, expenses related to MasterChart and Medifor operations that were acquired during May 2000 and TeleMed operations that were acquired during May 1999, additional spending for TouchScript and Internet product development personnel and related support expenses, and an increase in non-cash charges related to stock options issued to non-employees. As a result, selling, general and administrative expenses as a percentage of total revenue increased to 77.7% for the twelve months ended December 31, 2000 from 74.9% of total revenue in the prior year period.

Amortization of intangibles for the twelve months ended December 31, 2000 increased by \$22,711,000 from \$1,351,000 in 1999 to \$24,062,000 in 2000. The increase in amortization relates to the amortization of goodwill and other intangibles recorded in connection with acquisitions made during 2000, as well as the amortization of goodwill and other intangibles recorded in connection with acquisitions made during 1999. For the twelve months ended December 31, 2000, we recorded an expense for the immediate write-off of acquired in-process research and development related to the Medifor and MasterChart acquisitions in the amount of \$13,729,000.

Other operating expenses for the twelve months ended December 31, 2000 increased \$131,000 from \$319,000 to \$450,000. The expense in 2000 represents a special charge, consisting primarily of professional fees, related to our revision of interim period financial results.

Net interest income for the twelve months ended December 31, 2000 was \$7,706,000 as compared to net interest income of \$1,216,000 for the prior year period. The change relates to interest earned on the investment of net proceeds from our initial public offering in July 1999 and our public offering in March 2000, as well as the repayment of borrowings under our revolving credit facility with our commercial bank in July 1999.

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Other expenses for the twelve months ended December 31, 2000 of \$1,000,000 reflect a non-cash writedown of an investment in an early stage Internet software company focused on the college healthcare market.

We have recorded no provision or benefit for income taxes during 2000 because we currently anticipate that the annual effective income tax rate will be minimal or zero and we have fully reserved our net deferred tax assets.

The operating results of our pharmacy benefit management business, which we sold in March 1999, have been segregated from continuing operations and reported as a separate line item on the Consolidated Statements of Operations under the caption "Income from discontinued operations." Additionally, the gain we recognized from the sale of this business has been reported as a separate line item under the caption "Gain from sale of discontinued operations." The gain for the twelve months ended December 31, 2000 represents final payment of contingent consideration related to the sale. See "Discontinued Operations" section for a discussion of these operations.

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

Total revenue increased by 17% or \$3,904,000 from \$23,682,000 in 1998 to \$27,586,000 in 1999. E-commerce revenue increased by 621% or \$8,350,000 from \$1,344,000 in 1998 to \$9,694,000 in 1999. Traditional revenue decreased by 20% or \$4,446,000 from \$22,338,000 in 1998 to \$17,892,000 in 1999.

The increase in e-commerce revenue reflects a shifting of traditional revenue as a result of traditional customers ordering products over the Internet, as well as additional installations and increased use of TouchScript. The decrease in traditional revenue reflects a shifting of traditional revenue to e-commerce as outlined above and the attrition of traditional customers, as well as reduced levels of prepackaged medication dispensing by our traditional customers due to the increased penetration of managed care prescription programs. This decrease was partially offset by general price inflation of brand medications, an increase in the dispensing percentage of brand drugs, which have a considerably higher average selling price than their generic counterparts, and revenue generated by a 1999 acquisition.

Cost of revenue increased by 27% or \$4,589,000 from \$17,320,000 in 1998 to \$21,909,000 in 1999 due to a greater percentage of revenue coming from sales of higher cost brand products, increased revenue, increased operating costs at sites where we manage the dispensary on behalf of the physician and increased costs of technical support. Cost of revenue as a percentage of total revenue increased from 73.1% in 1998 to 79.4% in 1999 principally due to a greater percentage of revenue coming from lower margin brand products and increased operating costs at sites where we manage the dispensary on behalf of the physician. This percentage increase was partially offset by higher relative percentage margin contributions from software and TeleMed revenues.

Selling, general and administrative expenses increased by 63% or \$7,998,000 from \$12,658,000 in 1998 to \$20,656,000 in 1999 due primarily to additional spending for sales and sales support personnel as well as related expenses needed to sell, implement and support TouchScript installations, additional spending for TouchScript and Internet product development personnel and related support expenses, expenses related to TeleMed operations, increased recruiting expenses, increased legal costs and additional stock compensation expense. In 1999, we recorded unearned stock compensation of approximately \$1,850,000, representing the difference between the exercise price of stock option grants and the deemed fair market value of our common stock at the time of the grants. This amount will be amortized to expense over the vesting periods of the applicable grants and is expected to be fully amortized by 2003. We also incurred non-cash compensation expense of \$293,000 in 1999 related to stock options issued to consultants of Allscripts. As a result, selling, general and administrative expenses as a percentage of total revenue increased from 53.4% in 1998 to 74.9% in 1999.

Amortization of intangibles increased by 263% or \$979,000 from \$372,000 in 1998 to \$1,351,000 in 1999. The increase in amortization relates to the amortization of the goodwill recorded in the TeleMed acquisition, which was completed in May 1999, and the Shopping@Home acquisition, which was completed in June 1999.

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Other operating expenses decreased by 26% or \$111,000 from \$430,000 in 1998 to \$319,000 in 1999. Other operating expenses in 1999 of \$319,000 reflect a non-cash charge related to the issuance of common stock upon the closing of our initial public offering in accordance with a contingent payment obligation related to an acquisition we made in 1995. The 1998 expense consisted entirely of severance costs related to the refocusing of our sales efforts.

Net interest income for 1999 was \$1,216,000 as compared to net interest expense of \$596,000 for 1998. This increase relates to interest earned on the investment of net proceeds from our initial public offering in July 1999, the exchange of subordinated convertible debentures for redeemable preferred stock

in April 1998, the repayment of the term loan we had with our commercial bank in April 1998 and the repayment of borrowings on our revolving credit facility with our commercial bank in July 1999.

We have recorded no provision or benefit for income taxes for the twelve months ended December 31, 1999 because we anticipate that the annual effective income tax rate will be minimal or zero, and we have fully reserved all of our deferred tax assets.

The operating results of our pharmacy benefit management business, which we sold in March 1999, have been segregated from continuing operations and reported as a separate line item on the Consolidated Statements of Operations under the caption "Income from discontinued operations." Additionally, the gain we recognized from the sale of this business has been reported as a separate line item under the caption "Gain from sale of discontinued operations." See "Discontinued Operations" section for a discussion of these operations.

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Selected Quarterly Operating Results

Our quarterly results of operations have generally been seasonal, with a greater proportion of our revenue typically occurring in the first and fourth quarters. This seasonality is primarily attributable to the fact that more prescriptions are written in the winter months.

The following table shows our quarterly unaudited consolidated financial information for the eight quarters ended December 31, 2000 and each item as a percentage of total revenue. We have prepared this information on the same basis as the annual information presented in other sections of this report. In management's opinion, this information reflects all adjustments, all of which are of a normal recurring nature, that are necessary for a fair presentation of the results for these periods. You should not rely on the operating results for any quarter to predict the results for any subsequent period or for the entire fiscal year. You should be aware of possible variances in our future quarterly results. See "Risk Factors--Risks Related to Our Stock--Our quarterly operating results may vary."

	Quarter Ended							
	1999				2000			
	March 31	June 30	Sept. 30	Dec. 31	March 31	June 30	Sept. 30	Dec. 31
	(In thousands)							
Statements of Operations Data:								
Revenue.....	\$6,028	\$ 6,392	\$ 6,975	\$ 8,191	\$ 9,647	\$ 12,116	\$ 14,838	\$ 18,382
Cost of revenue.....	4,565	5,143	5,686	6,515	7,597	9,492	11,654	13,775
Gross profit.....	1,463	1,249	1,289	1,676	2,050	2,624	3,184	4,607
Operating expenses:								
Selling, general and administrative expenses.....	3,550	4,554	5,698	6,854	8,945	10,748	11,624	11,416
Amortization of intangibles.....	93	175	477	606	574	5,443	9,020	9,025
Write-off of acquired in-process research and development.....	--	--	--	--	--	13,729	--	--
Other operating expenses.....	--	--	319	--	--	--	--	450
Loss from operations....	(2,180)	(3,480)	(5,205)	(5,784)	(7,469)	(27,296)	(17,460)	(16,284)
Interest income (expense), net.....	(109)	(91)	603	813	1,183	2,272	2,247	2,004
Other expense, net.....	--	--	--	--	--	--	--	(1,000)
Loss from continuing operations.....	(2,289)	(3,571)	(4,602)	(4,971)	(6,286)	(25,024)	(15,213)	(15,280)

Income from discontinued operations.....	26	--	616	--	83	--	--	--
Gain from sale of discontinued operations.....	3,547	--	--	--	4,160	193	--	--
Net income (loss).....	\$1,284	\$(3,571)	\$(3,986)	\$(4,971)	\$(2,043)	\$(24,831)	\$(15,213)	\$(15,280)

Quarter Ended

(unaudited)

	1999				2000			
	March 31	June 30	Sept. 30	Dec. 31	March 31	June 30	Sept. 30	Dec. 31
As a Percentage of Revenue:								
Revenue.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue.....	75.7	80.5	81.5	79.5	78.7	78.3	78.6	74.9
Gross profit.....	24.3	19.5	18.5	20.5	21.3	21.7	21.4	25.1
Operating expenses:								
Selling, general and administrative expenses.....	58.9	71.3	81.6	83.7	92.7	88.8	78.3	62.1
Amortization of intangibles.....	1.5	2.7	6.8	7.4	6.0	44.9	60.8	49.1
Write-off of acquired in-process research and development.....	--	--	--	--	--	113.3	--	--
Other operating expenses.....	--	--	4.6	--	--	--	--	2.5
Loss from operations....	(36.1)	(54.5)	(74.5)	(70.6)	(77.4)	(225.3)	(117.7)	(88.6)
Interest income (expense), net.....	(1.8)	(1.4)	8.6	9.9	12.3	18.8	15.2	10.9
Other expense, net.....	--	--	--	--	--	--	--	(5.4)
Loss from continuing operations.....	(37.9)	(55.9)	(65.9)	(60.7)	(65.1)	(206.5)	(102.5)	(83.1)
Income from discontinued operations.....	0.4	--	8.8	--	0.8	--	--	--
Gain from sale of discontinued operations.....	58.8	--	--	--	43.1	1.5	--	--
Net income (loss).....	21.3%	(55.9)%	(57.1)%	(60.7)%	(21.2)%	(205.0)%	(102.5)%	(83.1)%

Discontinued Operations

The operating results of the pharmacy benefit management segment have been segregated from continuing operations and reported as a separate line item on the Consolidated Statements of Operations under the caption "Income from discontinued operations." Additionally, we have reclassified our prior financial statements to present the operating results of the pharmacy benefit management business as a discontinued operation.

Operating results from discontinued operations were as follows:

	1998	1999	2000
	-----	-----	----
	(In thousands)		
Revenue.....	\$52,866	\$14,292	\$--
Cost of revenue.....	49,313	13,378	--
Gross profit.....	3,553	914	--
Selling, general and administrative expenses.....	2,583	272	(83)

Operating income.....	970	642	83
Income from discontinued operations.....	\$ 970	\$ 642	\$ 83

Revenue from discontinued operations decreased by 73.0% or \$38,574,000 from \$52,866,000 in 1998 to \$14,292,000 in 1999 due to the sale of the pharmacy benefit management business in March 1999.

Cost of revenue decreased by 72.9% or \$35,935,000 from \$49,313,000 in 1998 to \$13,378,000 in 1999 due to the sale of the pharmacy benefit management business in 1999 as noted above. Cost of revenue as a percentage of revenue increased from 93.3% in 1998 to 93.6% in 1999.

Selling, general and administrative expenses decreased by \$2,311,000 or 89.5% from \$2,583,000 in 1998 to \$272,000 in 1999, primarily due to the sale of the pharmacy benefit management business in March 1999, as noted above. Selling, general and administrative expenses in 2000 included the recovery of certain receivables that were previously fully reserved.

Liquidity and Capital Resources

At December 31, 2000, our principal sources of liquidity consisted of \$76,513,000 of cash and cash equivalents and \$43,324,000 of marketable securities. Historically, our principal sources of funds were bank borrowings, the sale of subordinated debt, redeemable preferred stock and equity securities, and operating cash flow generated by our pharmacy benefit management business, which we sold in March 1999. We issued securities for net cash proceeds totaling \$8,930,000 in 1998, \$102,709,000 in 1999 and \$99,766,000 in 2000. We have used these capital resources to fund operating losses, working capital, capital expenditures, acquisitions and retirement of debt. At December 31, 2000, we had an accumulated deficit of \$119,375,000.

Net cash used in operating activities increased by \$12,286,000 from \$12,693,000 for 1999 to \$24,979,000 for 2000, of which \$4,277,000 relates to an increase in operating losses and \$8,009,000 reflects an increase in cash used for net working capital. Depreciation and amortization increased by \$26,115,000 to \$28,632,000 for the twelve months ended December 31, 2000, compared to \$2,517,000 for the twelve months ended December 31, 1999, primarily due to amortization expenses related to recent acquisitions. Accounts receivable increased by \$8,449,000 in the twelve months ended December 31, 2000, versus a decrease of \$4,828,000 in the same period last year, primarily due to increased sales volume in 2000 and the sale of the pharmacy benefit management business in March 1999. Interest receivable increased \$951,000 in the twelve months ended December 31, 2000, due to higher investments in cash equivalents and marketable securities. Inventories increased by \$1,525,000 in the twelve months ended December 31, 2000, versus an increase of \$1,353,000 for the same period last year due to increased levels of activity. Prepaid expenses and other assets increased by \$604,000 in 1999 to \$2,782,000 in 2000 primarily due to the capitalization of expenses related to the

Channelhealth acquisition, which was closed on January 8, 2001, and increased prepaid commissions and insurance. Accounts payable increased by \$2,366,000 in the twelve months ended December 31, 2000, versus a decrease of \$3,999,000 in the same period the previous year, primarily due to increased levels of activity and the sale of the pharmacy benefit management business in March 1999. Accrued expenses and deferred revenue increased by \$1,780,000 in the twelve months ended December 31, 2000, compared to a decrease of \$10,000 in the comparable 1999 period, primarily due to an increase in deferred revenue from e-detailing, information, dictation and document management products, as well as an increase in other accrued expenses due to increased sales volume in 2000. Accrued compensation increased \$540,000 in the twelve months ended December 31, 2000, versus an increase of \$261,000 in the same period in the prior year,

primarily due to an increase in commissions and incentive payments offset by a reduction in amounts owed to employees for unused vacation. During 2000, Allscripts also incurred non-cash charges of \$751,000 related to stock options issued to non-employees, \$13,729,000 related to the write-off of in-process research and development costs and \$1,000,000 related to the write-down of an investment.

Net cash used in investing activities increased to \$47,037,000 in the twelve months ended December 31, 2000 from \$11,959,000 in the same period in the prior year, primarily as a result of net cash used to invest in marketable securities of \$27,816,000 compared to \$15,049,000 for the same period in 1999. In addition, net cash used for acquisitions was \$13,223,000 for the twelve months ended December 31, 2000, compared to \$46,000 of net cash provided by acquisitions for the same period in 1999. Capital expenditures increased to \$9,351,000 for the twelve months ended December 31, 2000, compared to \$4,428,000 for the same period in 1999. The increased level of expenditures in 2000 relates to facilities expansion and improvements, increased purchases of TouchScript computer systems and an increase in capital outlays to accommodate new employees. Currently, we have no material commitments for capital expenditures, although we anticipate ongoing capital expenditures in the ordinary course of business.

On July 28, 1999, Allscripts completed the initial public offering of its common stock. Allscripts issued 7,000,000 shares of common stock at an initial public offering price of \$16.00 per share and all outstanding shares of convertible preferred stock automatically converted into 2,977,483 shares of common stock. The initial public offering resulted in gross proceeds of \$112,000,000; \$7,840,000 of which was applied to the underwriting discount and approximately \$1,451,000 of which was applied to related offering expenses. In addition, Allscripts used approximately \$34,745,000 of the proceeds to redeem all outstanding shares of its Series H, I and J Redeemable Preferred Stock, plus accrued dividends thereon, \$3,900,000 to repay advances under its revolving line of credit with its commercial bank and approximately \$653,000 to repay a promissory note, including accrued interest, issued as consideration for a 1999 acquisition.

On March 10, 2000, we completed a public offering of 1,452,000 shares of our common stock at an initial price to the public of \$73.00 per share, resulting in gross proceeds of \$105,996,000, \$5,561,000 of which was applied to the underwriting discount and approximately \$669,000 of which was applied to related offering expenses. The remaining net proceeds of approximately \$99,766,000 were invested in short-term, interest-bearing, investment grade securities pending their use for general corporate purposes and working capital.

Net cash provided by financing activities increased to \$107,968,000 for the twelve months ended December 31, 2000, compared to \$64,495,000 for the twelve months ended December 31, 1999, primarily due to a \$34,745,000 payment in connection with the mandatory redemption of preferred stock, which occurred in 1999, and the receipt of \$9,983,000, net of related expenses, related to a private placement of common stock in March 2000.

At December 31, 2000, we had operating loss carryforwards available for federal income tax reporting purposes of approximately \$56,587,000 and expect to generate taxable losses in 2001. The operating loss carryforwards expire from 2002 to 2020. Our ability to use these operating loss carryforwards to offset future taxable income depends on a variety of factors, including possible limitations on usage under Internal Revenue Code Section 382. Section 382 imposes an annual limitation on the future utilization of operating loss carryforwards due to changes in ownership resulting from the issuance of common shares, stock options, warrants and preferred shares.

We believe that our existing cash, cash equivalents, and marketable securities will be sufficient to meet the anticipated cash needs of our current business for the next twelve months. However, any projections of future cash

needs and cash flows are subject to substantial uncertainty. We will, from time to time, consider the acquisition of, or investment in, complementary businesses, products, services and technologies, which might affect our liquidity requirements or cause us to issue additional equity or debt securities. There can be no assurance that financing will be available in the amounts or on terms acceptable to us, if at all.

Recent Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("FAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities." FAS 133, as amended, establishes methods of accounting for derivative financial instruments and hedging activities related to those instruments as well as other hedging activities, and is effective in the first quarter of 2001. We currently do not invest in derivative investments nor do we engage in hedging activities. We do not expect our adoption of FAS No. 133 to have a material effect on our financial position or results of operations.

In December 1999, the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin No. 101 ("SAB 101"), "Revenue Recognition in Financial Statements." SAB 101 summarizes certain of the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. The adoption of SAB 101 during the fourth quarter of 2000 did not have a material effect on our financial position or results of operations.

Risk Factors

You should carefully consider the risks and uncertainties described below and other information in this report. These are not the only risks and uncertainties that we face. Additional risks and uncertainties that we do not currently know about or that we currently believe are immaterial may also harm our business operations. If any of these risks or uncertainties occurs, it could have a material adverse effect on our business.

Risks Related to Allscripts Healthcare Solutions, Inc.

If physicians do not accept our products and services, our growth will be impaired.

Our business model depends on our ability to sell the TouchScript system and Physician Channel applications and services to physicians and other healthcare providers and to generate usage by a large number of physicians. We have not achieved this goal with previous or currently available versions of the TouchScript system or the Physician Channel applications and services. Physician acceptance of our products and services will require physicians to adopt different behavior patterns and new methods of conducting business and exchanging information. We cannot assure you that physicians will integrate our products and services into their office work flow or that participants in the pharmaceutical healthcare market will accept our products and services as a replacement for traditional methods of conducting healthcare transactions. Achieving market acceptance for our products and services will require substantial marketing efforts and the expenditure of significant financial and other resources to create awareness and demand by participants in the pharmaceutical healthcare industry. If we fail to achieve broad acceptance of our products and services by physicians and other healthcare participants or to position our services as a preferred method for pharmaceutical healthcare delivery and information management, our prospects for growth will be diminished.

We are currently experiencing losses and we may not become profitable in the future.

We are currently experiencing losses and cannot assure you that we will become profitable in the foreseeable future, if ever. For the year ended December 31, 2000, Allscripts, Inc. had a net loss of \$57,367,000. Historically, Channelhealth has also incurred significant net losses, and since

Channelhealth has

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only recently implemented its business strategy, we expect Channelhealth to continue to incur losses at least through 2001. Additionally, Channelhealth has spent significant amounts on research and development and sales and marketing efforts, and we expect these costs to continue. We cannot be certain that we will achieve profitability, and even if we do achieve profitability, we may be unable to sustain or increase our profitability in the future.

Because our business model is new and unproven, our operating history is not indicative of our future performance, and our business is difficult to evaluate.

Because we have not yet successfully implemented our business model, we do not have an operating history upon which you can evaluate our prospects, and you should not rely upon our past performance to predict our future performance. Since its inception as an independent company in September 1999, Channelhealth's operating activities have consisted largely of developing the software applications necessary to provide its services, and Channelhealth has only recently begun to sell its software and services to provider organizations. In addition, Channelhealth's long-term success will depend largely on the success of its strategic relationships and the strategic alliance between us and IDX. Channelhealth is still in the early stages of its current strategic relationships and we are unable to predict whether the goals of those relationships will be achieved. Channelhealth's limited operating history and limited experience with its strategic business partners make it difficult to evaluate its business and its prospects. Our operating history is not necessarily indicative of our future performance under our new business model. In attempting to implement our business model, we are significantly changing our business operations, sales and implementation practices, customer service and support operations and management focus. We are also facing new risks and challenges, including a lack of meaningful historical financial data upon which to plan future budgets, the need to develop strategic relationships and other risks described below.

We may face difficulties in integrating the operations and products of Channelhealth and Allscripts, Inc.

Channelhealth and Allscripts, Inc. operated separately until January 8, 2001. Our management team does not have experience with the combined business. Integration of product lines will involve consolidation of products with duplicative functionality, coordination of research and development activities and convergence of the technologies supporting the various products. We may not be able to integrate the products, product development, information systems and operations of Channelhealth and Allscripts, Inc. without a loss of key officers, employees, customers or suppliers, a loss of revenues or an increase in net loss, an increase in operating or other costs or other difficulties. In addition, we may not be able to realize the operating efficiencies, the material expansion of our customer base to IDX customers or the other benefits expected from the merger and related transactions such as our strategic alliance with IDX. Any unexpected costs or delays incurred in connection with this integration could have an adverse effect on our business, results of operations or financial condition.

The business separation of Channelhealth from IDX may impair assets.

The separation of Channelhealth from the rest of IDX's businesses, assets and liabilities pursuant to the asset purchase agreement between IDX and Channelhealth required the transfer of assets, including intellectual property rights, between Channelhealth and IDX. Some of these transfers may have triggered Channelhealth liabilities that are not yet known by Channelhealth. Generally, IDX will be responsible for these liabilities but IDX would not be required to indemnify Channelhealth for any losses that are consequential, in the nature of lost profits, diminution in value, damage to reputation or the like, special or punitive damages.

If we are unable to maintain existing relationships and create new relationships with managed care payers, our prospects for growth will suffer.

We rely on managed care organizations to reimburse our physician customers for prescription medications dispensed in their offices. While many of the leading managed care payers and pharmacy benefit managers

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currently reimburse our physicians for in-office dispensing, none of these payers is under a long-term obligation to do so. If we are unable to increase the number of managed care payers that reimburse for in-office dispensing, or if some or all of the payers who currently reimburse physicians decline to do so in the future, utilization of our products and, therefore, our growth will be impaired.

Our growth and revenues could suffer if we are unable to enter into and maintain relationships with IDX customers.

We seek to increase Channelhealth's subscriber base through targeting provider organizations that use IDX practice management systems or other IDX services, and affiliates of these organizations. Channelhealth's services use the Web Framework technology, which it licenses from IDX, and which enables its software applications and services to be tightly integrated with IDX practice management systems and provide real-time synchronization of data. If Channelhealth's relationship with IDX terminates, its services might not be as attractive to IDX customers and Channelhealth may not have access to this potential customer base, IDX might enter into arrangements that would allow Channelhealth's competitors to utilize IDX technology and IDX could compete against Channelhealth. If any of these situations were to occur, our expected revenues may be lower, our business may be harmed and our stock price may fall.

Our business will be harmed if we cannot maintain the strategic alliance agreement and the cross license agreement with IDX.

Upon completion of the mergers, we entered into a 10-year strategic alliance agreement with IDX pursuant to which we and IDX agreed to coordinate product development and align our respective marketing processes. Under this agreement IDX granted us the exclusive right to market, sell, license and distribute ambulatory point-of-care and clinical application products to IDX customers. This agreement does not, however, limit IDX's continued development and distribution of its own "LastWord" or radiology products and services. Our business strategy includes targeting current and prospective IDX customers and their affiliates. If we fail to successfully implement that business strategy, we may not be able to achieve projected results or support the price paid for Channelhealth. If the strategic alliance agreement is terminated, we would lose access to an important customer base. After the expiration or termination of the strategic alliance agreement, we may not be able to align with another company to market and distribute our products on as favorable a basis as that represented by the IDX strategic alliance. This would harm our growth and revenue. In addition, prior to the termination of this agreement, we cannot allow certain specified IDX direct competitors to market, distribute or sell our or Channelhealth's services, even if that agreement would benefit our business.

Also upon completion of the mergers, Channelhealth entered into an amended and restated cross license and software maintenance agreement with IDX pursuant to which Channelhealth granted IDX a license to use, market and sublicense its products combined with IDX products, and IDX granted Channelhealth a license to use, market and sublicense IDX software for use with Channelhealth products. If this agreement is terminated, Channelhealth will not have access to IDX software, which would harm our ability to integrate our services with IDX systems and provide real-time data synchronization. This would make Channelhealth's systems less desirable to IDX customers and would harm its business.

If we are unable to successfully introduce new products, our business prospects will be impaired.

The successful implementation of our business model depends on our ability to introduce new products and to introduce these new products on schedule. We cannot assure you that we will be able to introduce new products or our products currently under development on schedule, or at all. In addition, early releases of software often contain errors or defects. We cannot assure you that, despite our extensive testing, errors will not be found in our new product releases and services before or after commercial release, which would result in product redevelopment costs and loss of, or delay in, market acceptance. A failure by us to introduce planned products or other new products or to introduce these products on schedule could have a material adverse effect on our business prospects.

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Our business will not be successful unless we establish and maintain strategic relationships.

To be successful, we must establish and maintain strategic relationships with leaders in a number of healthcare and Internet industry segments. This is critical to our success because we believe that these relationships will enable us to:

- . extend the reach of our products and services to a larger number of physicians and to other participants in the healthcare industry;
- . develop and deploy new products;
- . further enhance the Allscripts and Channelhealth brands; and
- . generate additional revenue.

Entering into strategic relationships is complicated because some of our current and future strategic partners may decide to compete with us in some or all of our markets. In addition, we may not be able to establish relationships with key participants in the healthcare industry if we have relationships with their competitors. Moreover, many potential strategic partners have resisted, and may continue to resist, working with us until our products and services have achieved widespread market acceptance.

Once we have established strategic relationships, we will depend on our partners' ability to generate increased acceptance and use of our products and services. To date, we have established only a limited number of strategic relationships, and many of these relationships, are in the early stages of development and may not achieve the objectives that we seek. On June 8, 2000, Channelhealth and IDX entered into agreements with Healtheon/WebMD Corp. pursuant to which Healtheon/WebMD agreed to provide electronic transaction and content services to Channelhealth and IDX. Pursuant to the agreement, Healtheon/WebMD's content is to be integrated into Channelhealth's Physician Channel and Patient Channel Internet services. Healtheon/WebMD further committed to a multi-million dollar campaign promoting IDX and Channelhealth products and services that incorporate Healtheon/WebMD content and transactions. Healtheon/WebMD has recently informed IDX that it believes Channelhealth and IDX will be unable to perform their obligations to Healtheon/WebMD now that a strategic alliance between IDX and us has been consummated. Healtheon/WebMD also stated that it would seek to terminate the Channelhealth agreement and would propose a "restructured" relationship with IDX. We believe that Channelhealth's and IDX's performance will not be impaired by the strategic alliance with us and that Healtheon/WebMD does not have a basis for unilaterally terminating the Channelhealth agreement or restructuring the IDX agreement. In addition, pursuant to the strategic alliance agreement between IDX and us, we and IDX each agree not to take any action that would cause a default under or termination of the agreement between Channelhealth and Healtheon/WebMD.

We have limited experience in establishing and maintaining strategic relationships with healthcare and Internet industry participants. If we lose any of these strategic relationships or fail to establish additional relationships, or if our strategic relationships fail to benefit us as expected, we may not be able to execute our business plan, and our business will suffer. In the event the Healtheon/WebMD agreement is terminated, our expected revenues for 2001 may be significantly lower than currently anticipated, our business may be harmed and our stock price may fall.

If potential customers take a long time to evaluate the purchase of our products and services, we could incur additional selling expenses and require additional working capital.

The length of the sales cycle for our current TouchScript product and Physician Channel services depend on a number of factors, including the nature and size of the potential customer and the extent of the commitment being made by the potential customer, and is difficult to predict. Our marketing efforts with respect to large healthcare organizations generally involve a lengthy sales cycle due to these organizations' complex decision-making processes. If potential customers take longer than we expect to decide whether to purchase our solutions, our selling expenses could increase, and we may need to raise additional capital sooner than we would otherwise need to.

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If we cannot keep pace with advances in technology, our business could be harmed.

If we cannot adapt to changing technologies, our products and services may become obsolete, and our business could suffer. Because the Internet and healthcare information markets are characterized by rapid technological change, we may be unable to anticipate changes in our current and potential customers' requirements that could make our existing technology obsolete. Our success will depend, in part, on our ability to continue to enhance our existing products and services, develop new technology that addresses the increasingly sophisticated and varied needs of our prospective customers, license leading technologies and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of our proprietary technology entails significant technical and business risks. We may not be successful in using new technologies effectively or adapting our proprietary technology to evolving customer requirements or emerging industry standards.

Our future success depends upon our ability to grow, and if we are unable to manage our growth effectively, we may incur unexpected expenses and be unable to meet our customers' requirements.

We will need to expand our operations if we successfully achieve market acceptance for our products and services. We cannot be certain that our systems, procedures, controls and existing space will be adequate to support expansion of our operations. Our future operating results will depend on the ability of our officers and key employees to manage changing business conditions and to implement and improve our technical, administrative, financial control and reporting systems. An unexpectedly large increase in the volume or pace of traffic on our web site or the number of orders placed by customers may require us to expand and further upgrade our technology. We may not be able to project the rate or timing of increases in the use of our web site accurately or to expand and upgrade our systems and infrastructure to accommodate these increases. Difficulties in managing any future growth could have a significant negative impact on our business because we may incur unexpected expenses and be unable to meet our customers' requirements.

If we lose the services of our key personnel, we may be unable to replace them, and our business could be negatively affected.

Our success depends in large part on the continued service of our management and other key personnel and our ability to continue to attract, motivate and

retain highly qualified employees. In particular, the services of Glen E. Tullman, our Chairman and Chief Executive Officer, and David B. Mullen, our President and Chief Financial Officer, are integral to the execution of our business strategy. If one or more of our key employees leaves our employment we will have to find a replacement with the combination of skills and attributes necessary to execute our strategy. Because competition for skilled employees is intense, and the process of finding qualified individuals can be lengthy and expensive, we believe that the loss of the services of key personnel could negatively affect our business, financial condition and results of operations.

If we are unable to implement our acquisition strategy successfully, our ability to expand our product and service offerings and our customer base may be limited.

We regularly evaluate acquisition opportunities. Acquisitions involve numerous risks, including difficulties in the assimilation of the operations, services, products and personnel of the acquired company, the diversion of management's attention from other business concerns, entry into markets in which we have little or no direct prior experience, the potential loss of key employees of the acquired company and our inability to maintain the goodwill of the acquired businesses. In order to expand our product and service offerings and grow our business by reaching new customers, we may continue to acquire businesses that we believe are complementary. The successful implementation of this strategy depends on our ability to identify suitable acquisition candidates, acquire companies on acceptable terms, integrate their operations and technology successfully with our own and maintain the goodwill of the acquired business. We are unable to predict whether or when any prospective acquisition candidate will become available or the likelihood that any acquisition will be completed. Moreover, in pursuing acquisition opportunities, we may compete for acquisition

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targets with other companies with similar growth strategies. Some of these competitors may be larger and have greater financial and other resources than we have. Competition for these acquisition targets could also result in increased prices of acquisition targets.

Future acquisitions may result in potentially dilutive issuances of equity securities, the incurrence of additional debt, the assumption of known and unknown liabilities, the write off of software development costs and the amortization of expenses related to goodwill and other intangible assets, all of which could have a material adverse effect on our business, financial condition, operating results and prospects. We have taken, and in the future may take, charges against earnings in connection with acquisitions. The costs and expenses incurred may exceed the estimates upon which we based these charges.

Our business depends on our intellectual property rights, and if we are unable to protect them, our competitive position will suffer.

Our business plan is predicated on our proprietary systems and technology, including TouchScript and the Physician Channel applications and services. We protect our proprietary rights through a combination of trademark, trade secret and copyright law, confidentiality agreements and technical measures. We generally enter into non-disclosure agreements with our employees and consultants and limit access to our trade secrets and technology. We cannot assure you that the steps we have taken will prevent misappropriation of technology. Misappropriation of our intellectual property would have a material adverse effect on our competitive position. In addition, we may have to engage in litigation in the future to enforce or protect our intellectual property rights or to defend against claims of invalidity, and we may incur substantial costs as a result.

If we are deemed to infringe on the proprietary rights of third parties, we could incur unanticipated expense and be prevented from providing our products and services.

We could be subject to intellectual property infringement claims as the number of our competitors grows and the functionality of our applications overlaps with competitive products. While we do not believe that we have infringed or are infringing on any valid proprietary rights of third parties, an infringement claim has been asserted against us, and we cannot assure you that additional infringement claims will not be asserted against us or that those claims will be unsuccessful. We could incur substantial costs and diversion of management resources defending any infringement claims. Furthermore, a party making a claim against us could secure a judgment awarding substantial damages, as well as injunctive or other equitable relief that could effectively block our ability to provide products or services. In addition, we cannot assure you that licenses for any intellectual property of third parties that might be required for our products or services will be available on commercially reasonable terms, or at all.

Factors beyond our control could cause interruptions in our operations, which would adversely affect our reputation in the marketplace and our results of operations.

To succeed, we must be able to operate our systems without interruption. Certain of our communications and information services are provided through our service providers. Our operations are vulnerable to interruption by damage from a variety of sources, many of which are not within our control, including:

- . power loss and telecommunications failures;
- . software and hardware errors, failures or crashes;
- . computer viruses and similar disruptive problems; and
- . fire, flood and other natural disasters.

We have no comprehensive plans for these contingencies. Any significant interruptions in our services would damage our reputation in the marketplace and have a negative impact on our results of operations.

We may be liable for use of data we provide.

We provide data for use by healthcare providers in treating patients. Third-party contractors provide us with most of this data. Although no claims have been brought against us alleging injuries related to the use of our data, claims may be made in the future. While we maintain product liability insurance coverage in an amount that we believe is sufficient for our business, we cannot assure you that this coverage will prove to be adequate or will continue to be available on acceptable terms, if at all. A claim brought against us that is uninsured or under-insured could materially harm our financial condition.

If our security is breached, we could be subject to liability, and people could be deterred from using our services.

The difficulty of securely transmitting confidential information over the Internet has been a significant barrier to conducting e-commerce and engaging in sensitive communications over the Internet. Our strategy relies on the use of the Internet to transmit confidential information. We believe that any well-publicized compromise of Internet security may deter people from using the Internet for these purposes, and from using our system to conduct transactions that involve transmitting confidential healthcare information.

It is also possible that third parties could penetrate our network security or otherwise misappropriate patient information and other data. If this happens, our operations could be interrupted, and we could be subject to liability. We may have to devote significant financial and other resources to protect against security breaches or to alleviate problems caused by breaches.

We could face financial loss, litigation and other liabilities to the extent that our activities or the activities of third-party contractors involve the storage and transmission of confidential information like patient records or credit information. In addition, we could incur additional expenses when and if the new rules recently published by the U.S. Department of Health and Human Services regarding the use of personal information become effective.

If we are unable to obtain additional financing for our future needs, our growth prospects and our ability to respond to competitive pressures will be impaired.

We cannot be certain that additional financing will be available on favorable terms, or at all. If adequate financing is not available or is not available on acceptable terms, our ability to fund our expansion, take advantage of potential acquisition opportunities, develop or enhance services or products, or respond to competitive pressures would be significantly limited.

If our content and service providers fail to perform adequately, our reputation in the marketplace and results of operations could be adversely affected.

We depend on independent content and service providers for many of the benefits we provide through our TouchScript system and our Physician Channel applications and services, including the maintenance of managed care pharmacy guidelines, drug interaction reviews and the routing of transaction data to third-party payers. Any problems with our providers that result in interruptions of our services or a failure of our services to function as desired could damage our reputation in the marketplace and have a material adverse effect on our results of operations. We may have no means of replacing content or services on a timely basis or at all if they are inadequate or in the event of a service interruption or failure.

We also expect to rely on independent content providers for the majority of the clinical, educational and other healthcare information that we plan to provide on our web site. In addition, we will depend on our content providers to deliver high quality content from reliable sources and to continually upgrade their content in response to demand and evolving healthcare industry trends. Any failure by these parties to develop and maintain high quality, attractive content could impair the value of the Allscripts and Channelhealth brands and our results of operations.

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If third-party payers force us to reduce our prices, our results of operations could suffer.

We expect to derive a significant portion of our revenue from the sale, including over the Internet, of prepackaged medications to physicians. We may be subject to pricing pressures with respect to our future sales of prepackaged medications arising from various sources, including practices of managed care organizations and any governmental action requiring or allowing pharmaceutical reimbursement under Medicare. If our pricing of prepackaged medications experiences significant downward pressure, our business will be less profitable.

If we incur costs exceeding our insurance coverage in lawsuits pending against us or that are brought against us in the future, it could materially adversely affect our financial condition.

Allscripts is a defendant in numerous multi-defendant lawsuits involving the manufacture and sale of dexfenfluramine, fenfluramine and phentermine. In addition, Allscripts and certain members of management are defendants in shareholder class action litigation. While we do not believe we or our management have any significant liability in these lawsuits, in the event we or members of our management were found liable in these lawsuits or in any other lawsuits filed against us in the future, and if our insurance coverage were

inadequate to satisfy these liabilities, it could have a material adverse effect on our financial condition. See "Legal Proceedings".

If our principal supplier fails or is unable to perform its contract with us, we may be unable to meet our commitments to our customers.

We currently purchase a majority of the medications that we repackage from McKesson HBOC, Inc. We have an agreement with this supplier that expires in September 2001. If we do not meet certain minimum purchasing requirements, McKesson may increase the prices that we pay under this agreement, in which case we would have the option to terminate the agreement. Although we believe that there are a number of other sources of supply of medications, if McKesson fails or is unable to perform under our agreement, particularly at certain critical times during the year, we may be unable to meet our commitments to our customers, and our relationships with our customers could suffer.

Because of anti-takeover provisions under Delaware law and in our certificate of incorporation and by-laws, takeovers may be more difficult, possibly preventing you from obtaining optimal share price.

Certain provisions of Delaware law and our certificate of incorporation and bylaws could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from attempting to acquire, control of us. For example, our certificate of incorporation and by-laws provide for a classified Board of Directors and allow us to issue preferred stock with rights senior to those of the common stock without any further vote or action by the stockholders. In addition, we are subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which could have the effect of delaying or preventing a change in control of us.

Risks Related to Our Industry

If the healthcare environment becomes more restrictive, or we do not comply with healthcare regulations, our existing and future operations may be curtailed, and we could be subject to liability.

As a participant in the healthcare industry, our operations and relationships are regulated by a number of federal, state and local governmental entities. Because our business relationships with physicians are unique, and the healthcare electronic commerce industry as a whole is relatively young, the application of many state and federal regulations to our business operations is uncertain. It is possible that a review of our business practices or those of our customers by courts or regulatory authorities could result in a determination that could adversely affect us. In addition, the healthcare regulatory environment may change in a way that restricts our existing operations or our growth.

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- . Electronic Prescribing. The use of our TouchScript software by physicians to perform electronic prescribing, electronic routing of prescriptions to pharmacies and dispensing is governed by state and federal law. The application of these laws to our business is uncertain because many existing laws and regulations, when enacted, did not anticipate methods of e-commerce now being developed. The laws of many jurisdictions neither specifically permit nor specifically prohibit electronic transmission of prescription orders. Future regulation of these areas may adversely affect us.
- . Licensure. As a repackager and distributor of drugs, we are subject to regulation by and licensure with the United States Food and Drug Administration, the United States Drug Enforcement Administration and various state agencies that regulate wholesalers or distributors. Among the regulations applicable to our repackaging operation are the FDA's "good manufacturing practice" regulations. Because the FDA's good manufacturing practice regulations were designed to govern the manufacture, rather than the repackaging, of drugs, we face legal

uncertainty concerning the application of some aspects of these regulations and of the standards that the FDA will enforce. Both the FDA and the DEA have the right, at any time, to inspect our facilities and operations to determine if we are operating in compliance with the requirements for licensure and all applicable laws and regulations. Along with many other drug repackagers, we have received an FDA warning letter alleging violations of FDA regulations, including the good manufacturing practice regulations. We have implemented procedures intended to address many of the concerns raised by the FDA in that letter and believe that our compliance with FDA regulations meets or exceeds the standard in the drug repackaging industry. We also believe that we possess all licenses required to operate our business. If, however, we do not maintain all necessary licenses, or the FDA decides to substantially modify the manner in which it has historically enforced its good manufacturing practice regulations against drug repackagers or the FDA or DEA finds any violations during one of their periodic inspections, we could be subject to liability, and our operations could be shut down.

- . Physician Dispensing. Physician dispensing of medications for profit is allowed in all states except Utah and is prohibited, subject to extremely limited exceptions, in Massachusetts, Montana and Texas. In addition, New Jersey and New York allow physician dispensing of medications for profit, but limit the number of days' supply of all medications, subject to limited exceptions, that a physician may dispense; several other states limit the number of days' supply of controlled substances that a physician may dispense. Other states may enact legislation or regulations prohibiting or restricting physician dispensing.

The American Medical Association, through certain of its constituent bodies, has historically taken inconsistent positions on physician dispensing, alternately discouraging and supporting it. While the AMA's Council on Ethical and Judicial Affairs in 1986 discouraged physicians from regularly dispensing prescription pharmaceuticals, in 1987 the AMA's House of Delegates adopted the following resolution: "Resolved, that the American Medical Association support the physician's right to dispense drugs and devices when it is in the best interest of the patient and consistent with the AMA's ethical guidelines." This position was reaffirmed by the AMA House of Delegates in January 1997. The AMA's ethical guidelines provide in relevant part that "physicians may dispense drugs within their office practices provided there is no resulting exploitation of patients." While two recent Reports of the Council on Ethical and Judicial Affairs oppose the in-office sale of health-related products by physicians, these reports specifically exclude the sale of prescription items from their scope, although they do refer to the Council's 1986 Report.

- . Stark II. Congress enacted significant prohibitions against physician self-referrals in the Omnibus Budget Reconciliation Act of 1993. This law, commonly referred to as "Stark II," applies to physician dispensing of outpatient prescription drugs that are reimbursable by Medicare or Medicaid. We believe that the physicians who use our TouchScript system or dispense drugs distributed by us are doing so in material compliance with Stark II, either pursuant to an in-office ancillary services exception or another applicable exception. While our physician customers currently do not, to any significant degree, dispense drugs that are reimbursable by Medicare or Medicaid, if they were to and if it were determined

that the physicians who use our system or dispense pharmaceuticals purchased from us were not in compliance with Stark II, it could have a material adverse effect on our business, results of operations and prospects.

- . Drug Distribution. As a distributor of prescription drugs to physicians, we and our customers are also subject to the federal anti-kickback

statute, which applies to Medicare, Medicaid and other state and federal programs. The statute prohibits the solicitation, offer, payment or receipt of remuneration in return for referrals or the purchase of goods, including drugs, covered by the programs. The anti-kickback law provides a number of exceptions or "safe harbors" for particular types of transactions. We believe that our arrangements with our customers are in material compliance with the anti-kickback statute and relevant safe harbors. Many states have similar fraud and abuse laws, and we believe that we are in material compliance with those laws. If, however, it were determined that we were not in compliance with those laws, we could be subject to liability, and our operations could be curtailed.

- . Claims Transmission. As part of our services provided to physicians, our system will electronically transmit claims for prescription medications dispensed by a physician to many patients' managed care organizations and payers for immediate approval and reimbursement. Federal law provides that it is both a civil and a criminal violation for any person to submit a claim to any payer, including, for example, Medicare, Medicaid and all private health plans or managed care plans seeking payment for any services or products that have not been provided to the patient or overbilling for services or products provided. We have in place policies and procedures that we believe assure that all claims that are transmitted by our system are accurate and complete, provided that the information given to us by our customer is also accurate and complete. If, however, we do not follow those procedures and policies, or they are not sufficient to prevent inaccurate claims from being submitted, we could be subject to liability.
- . Patient Information. Existing federal and state laws and regulations regulate the disclosure of confidential medical information, including information regarding conditions like AIDS, substance abuse and mental illness. In addition, the U.S. Department of Health and Human Services recently published rules regarding the disclosure of confidential medical information. There is uncertainty as to when those rules will be effective and how they will be interpreted. Further, the rules and their interpretation are subject to change from time to time. In the event that the rules are interpreted in a way that requires material change to the way in which Allscripts does business, it could have a material adverse effect on our business, results of operations and prospects. As part of the operation of our business, our customers do provide to us patient-identifiable medical information related to the prescription drugs that they prescribe and other aspects of patient treatment. We have policies and procedures that we believe assure compliance with all federal and state confidentiality requirements for handling of confidential medical information we receive. If, however, we do not follow those procedures and policies, or they are not sufficient to prevent the unauthorized disclosure of confidential medical information, we could be subject to liability, fines and lawsuits, or our operations could be shut down.

The Bush Administration has announced that it intends to propose broad Medicare reform legislation that would make available to Medicare recipients a subsidized prescription drug benefit. While no federal price controls are included in the current version of the proposed legislation, any legislation that reduces physician incentives to dispense medications in their offices could adversely affect physician acceptance of our products. We cannot predict whether or when future health care reform initiatives at the federal or state level or other initiatives affecting our business will be proposed, enacted or implemented or what impact those initiatives may have on our business, financial condition or results of operations.

If the new and rapidly evolving Internet and electronic healthcare information markets fail to develop as quickly as expected, our business prospects will be impaired.

The Internet and electronic healthcare information markets are in the early stages of development and are rapidly evolving. A number of market entrants have introduced or developed products and services that are

competitive with one or more components of the solutions we offer. In addition, several companies have recently introduced or announced their intention to introduce electronic prescribing products. We expect that additional companies will continue to enter these markets. In new and rapidly evolving industries, there is significant uncertainty and risk as to the demand for, and market acceptance of, recently introduced products and services. Because the markets for our products and services are new and evolving, we are not able to predict the size and growth rate of the markets with any certainty. We cannot assure you that markets for our products and services will develop or that, if they do, they will be strong and continue to grow at a sufficient pace. If markets fail to develop, develop more slowly than expected or become saturated with competitors, our business prospects will be impaired.

Consolidation in the healthcare industry could adversely affect our business.

Many healthcare industry participants are consolidating to create integrated healthcare delivery systems with greater market power. As provider networks and managed care organizations consolidate, competition to provide products and services like ours will become more intense, and the importance of establishing relationships with key industry participants will become greater. These industry participants may try to use their market power to negotiate price reductions for our products and services. If we were forced to reduce our prices, our business would become less profitable unless we were able to achieve corresponding reductions in our expenses.

If the Internet infrastructure does not continue to improve, our ability to use the Internet on a large scale could be compromised.

If the Internet continues to experience significant growth in the number of users and the level of use, then the Internet infrastructure may not be able to continue to support the demands placed on it. The Internet may not prove to be a viable commercial medium because of inadequate development of the necessary infrastructure, lack of timely development of complementary products like high speed modems, delays in the development or adoption of new standards and protocols required to handle increased levels of Internet activity or increased government regulation. Because our business plan relies heavily on the viability of the Internet, our business will suffer if growth of the Internet does not meet our expectations.

Risks Related to Our Stock

The public market for our common stock has been and may continue to be volatile.

The market price of our common stock is highly volatile and could fluctuate significantly in response to various factors, including:

- . actual or anticipated variations in our quarterly operating results;
- . announcements of technological innovations or new services or products by us or our competitors;
- . changes in financial estimates by securities analysts;
- . conditions and trends in the electronic healthcare information, Internet, e-commerce and pharmaceutical markets; and
- . general market conditions and other factors.

In addition, the stock markets, especially the Nasdaq National Market, have experienced extreme price and volume fluctuations that have affected the market prices of equity securities of many technology companies, and Internet-related companies in particular. These fluctuations have often been unrelated or disproportionate to operating performance. These broad market factors may materially affect the trading price of our common stock. General economic,

political and market conditions like recessions and interest rate fluctuations may also have an adverse effect on the market price of our common stock.

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Volatility in the market price for our common stock may result in the filing of securities class action litigation. On October 26, 2000, Allscripts, Inc. announced that its previously reported revenues for the second quarter of 2000 were being revised from \$12,616,000 to \$12,116,000. Between October 2000 and December 2000, four complaints were filed in the United States District Court for the Northern District of Illinois against Allscripts and its President and Chief Financial Officer, David B. Mullen. The complaints purported to be brought on behalf of a class of individuals who purchased the common stock of Allscripts during the period of July 27, 2000 through and including October 26, 2000 (the "Class Period"), and alleged violations of Section 10(b) and 20(a) of the Securities Exchange Act of 1934 based on the restatement of our financial results for the second quarter of 2000. The four complaints were deemed related, and the cases were reassigned and consolidated for all purposes before Judge Charles Kocoras, before whom the first filed case was pending. The consolidated action is entitled *In re Allscripts, Inc. Securities Litigation*, No. 00C6796 (N.D. Ill.) and includes all consolidated cases: *Bredeson v. Allscripts, Inc. and David B. Mullen*, Civ. No. 00C-6796 (N.D. Ill., filed on October 31, 2000), *Karmazin v. Allscripts, Inc. and David B. Mullen*, Civ. No. 00C-6864 (N.D. Ill., filed on November 2, 2000), *Mohr v. Allscripts, Inc. and David B. Mullen*, Civ. No. 00C-6992 (N.D. Ill., filed on November 6, 2000), *Nadav v. Allscripts, Inc. and David B. Mullen*, Civ. No. 00C-8126 (N.D. Ill., filed on December 26, 2000).

In January 2001, Lead Plaintiff and Lead Counsel were appointed in the consolidated case. On March 12, 2001, plaintiffs filed a Consolidated and Amended Class Action Complaint (the "Amended Complaint"). The Amended Complaint continues to name Allscripts and David B. Mullen as defendants and alleges violations of Section 10(b) and 20(a) of the Securities Exchange Act. Three additional defendants are named in the Amended Complaint: Glen E. Tullman, our Chairman of the Board and Chief Executive Officer, J. Peter Geerlofs, our Chief Medical Officer, and Philip J. Langley, formerly our Senior Vice President of Business Development/Field Services. The Amended Complaint purports to expand the Class Period in the consolidated case to include all individuals who purchased the common stock of Allscripts during the period from March 6, 2000 through and including February 27, 2001. The Amended Complaint is based on the previous allegations about the restatement of our financial results for the second quarter of 2000, and new allegations relating to, inter alia, the prospects for our TouchScript product.

We intend to move to dismiss the Amended Complaint, and Judge Kocoras has set June 2001 as the prospective ruling date. At this time, management is unable to determine the likely outcome of this matter or to reasonably estimate the amount of any potential loss with respect to this matter.

Our quarterly operating results may vary.

The quarterly operating results of our subsidiaries have varied in the past, and we expect that our quarterly operating results will continue to vary in future periods depending on a number of factors, including seasonal variances in demand for our products and services, the sales, installation and implementation cycles for our TouchScript system and Physician Channel applications and services and other factors described in this "Risk Factors" section of this report. For example, all other factors aside, sales of our prepackaged medications have historically been highest in the fall and winter months. We expect to increase activities and spending in substantially all of our operational areas. We base our expense levels in part upon our expectations concerning future revenue, and these expense levels are relatively fixed in the short term. If we have lower revenue, we may not be able to reduce our spending in the short term in response. Any shortfall in revenue would have a direct impact on our results of operations. For these and other reasons, we may not meet the earnings estimates of securities analysts or investors, and our stock

price could suffer.

We may have substantial sales of our common stock that could cause our stock price to fall.

Allscripts, Inc.'s common stock began trading on the Nasdaq National Market on July 23, 1999; however, until recently there have been a limited number of shares trading in the public market. A substantial number of our shares have become eligible for public sale, and sales of a substantial number of shares of our common stock could cause our stock price to fall.

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Because our executive officers and directors have substantial control of our voting stock, takeovers not supported by them will be more difficult, possibly preventing you from obtaining optimal share price.

The control of a significant amount of our stock by insiders could adversely affect the market price of our common stock. Our executive officers and directors beneficially own or control 18,362,158 shares or 47.5% of the outstanding common stock. If our executive officers and directors choose to act or vote together, they will have the power to influence significantly all matters requiring the approval of our stockholders, including the election of directors and the approval of significant corporate transactions. Without the consent of these stockholders, we could be prevented from entering into transactions that could be beneficial to us.

Safe Harbor for Forward-Looking Statements

This report and statements we make or our representatives make contain forward-looking statements that involve risks and uncertainties, including those discussed above and elsewhere in this report. We develop forward-looking statements by combining currently available information with our beliefs and assumptions. These statements often contain words like believe, expect, anticipate, intend, contemplate, seek, plan, estimate or similar expressions. Forward-looking statements do not guarantee future performance. Recognize these statements for what they are and do not rely upon them as facts.

Forward-looking statements involve risks, uncertainties and assumptions, including, but not limited to, those discussed above and elsewhere in this report. We make these statements under the protection afforded them by Section 21E of the Securities Exchange Act of 1934, as amended. Because we cannot predict all of the risks and uncertainties that may affect us, or control the ones we do predict, these risks and uncertainties can cause our results to differ materially from the results we express in our forward-looking statements.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

As of December 31, 2000, we did not own any derivative financial instruments but we were exposed to market risks, primarily changes in U.S. interest rates. As of December 31, 2000, we had cash, cash equivalents and marketable securities in financial instruments of \$119,837,000. Maturities range from less than one month to approximately 12 years, with the majority being less than one year. 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, a decrease in interest rates of 1.0% would cause a corresponding decrease in our annual interest income by approximately \$1,198,000.

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Item 8. Financial Statements and Supplementary Data

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders
Allscripts Healthcare Solutions, Inc.:

We have audited the accompanying consolidated balance sheet of Allscripts Healthcare Solutions, Inc. and subsidiaries (the Company) as of December 31, 2000, and the related consolidated statements of operations, stockholders' equity (deficit) and comprehensive income (loss), and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Allscripts Healthcare Solutions, Inc. and subsidiaries as of December 31, 2000 and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ KPMG LLP

Chicago, Illinois
February 23, 2001, except for note 14,
as to which the date is March 12, 2001

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors and
Stockholders of Allscripts
Healthcare Solutions, Inc.

In our opinion, the consolidated balance sheet as of December 31, 1999 and the related consolidated statements of operations, of cash flows and of stockholders' equity (deficit) and comprehensive income (loss) for each of the two years in the period ended December 31, 1999 listed in the index appearing under Item 14(a)(1) on page 67 present fairly, in all material respects, the financial position, results of operations and cash flows of Allscripts Healthcare Solutions, Inc. (formerly Allscripts, Inc.) and its subsidiaries at December 31, 1999 and for each of the two years in the period ended December 31, 1999, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion. We have not audited the consolidated financial statements of Allscripts Healthcare Solutions, Inc. and subsidiaries for any period subsequent to December 31, 1999.

/s/ PricewaterhouseCoopers LLP

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 31,	
	1999	2000
ASSETS		
Current assets:		
Cash and cash equivalents.....	\$ 40,561	\$ 76,513
Marketable securities.....	15,049	20,663
Accounts receivable, net of allowances of \$3,743 in 1999 and \$4,384 in 2000.....	5,126	13,850
Interest receivable.....	340	1,291
Inventories.....	3,585	5,290
Prepaid and other current assets.....	786	1,724
	-----	-----
Total current assets.....	65,447	119,331
Long-term marketable securities.....	--	22,661
Fixed assets, net.....	4,940	11,792
Intangible assets, net.....	3,575	149,690
Other assets.....	52	1,946
	-----	-----
Total assets.....	\$ 74,014	\$ 305,420
	=====	=====
LIABILITIES		
Current liabilities:		
Accounts payable.....	\$ 4,352	\$ 7,269
Accrued expenses.....	337	2,546
Accrued compensation.....	1,327	2,525
Deferred revenue.....	575	1,877
	-----	-----
Total current liabilities.....	6,591	14,217
Long-term debt.....	59	--
Other non-current liabilities.....	--	228
	-----	-----
Total liabilities.....	6,650	14,445
	-----	-----
STOCKHOLDERS' EQUITY		
Preferred stock:		
Undesignated, \$0.01 par value, 1,000,000 shares authorized, no shares issued and outstanding at December 31, 1999 and December 31, 2000.....	--	--
Common stock:		
\$0.01 par value, 75,000,000 shares authorized, 24,221,537 shares issued, 24,187,072 shares outstanding at December 31, 1999; 150,000,000 shares authorized, 29,138,619 shares issued, 29,104,154 shares outstanding at December 31, 2000.....	242	291
278,646 shares issued and held pursuant to business combinations at December 31, 2000.....	--	3
Additional paid-in capital.....	130,830	411,081
Unearned compensation.....	(1,632)	(1,097)
Treasury stock at cost: 34,465 common shares at December 31, 1999 and December 31, 2000.....	(68)	(68)
Accumulated deficit.....	(62,008)	(119,375)

Accumulated other comprehensive income.....	--	140
	-----	-----
Total stockholders' equity.....	67,364	290,975
	-----	-----
Total liabilities and stockholders' equity.....	\$ 74,014	\$ 305,420
	=====	=====

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

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ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Year ended December 31,		
	1998	1999	2000
	-----	-----	-----
Revenue.....	\$23,682	\$ 27,586	\$ 54,983
Cost of revenue.....	17,320	21,909	42,518
	-----	-----	-----
Gross profit.....	6,362	5,677	12,465
Selling, general and administrative expenses.....	12,658	20,656	42,733
Amortization of intangibles.....	372	1,351	24,062
Write-off of acquired in-process research and development.....	--	--	13,729
Other operating expenses.....	430	319	450
	-----	-----	-----
Loss from operations.....	(7,098)	(16,649)	(68,509)
Interest income (expense), net.....	(596)	1,216	7,706
Other expense.....	--	--	(1,000)
	-----	-----	-----
Loss from continuing operations.....	(7,694)	(15,433)	(61,803)
Income from discontinued operations.....	970	642	83
Gain from sale of discontinued operations.....	--	3,547	4,353
	-----	-----	-----
Loss before extraordinary item.....	(6,724)	(11,244)	(57,367)
Extraordinary loss from early extinguishment of debt.....	(790)	--	--
	-----	-----	-----
Net loss.....	(7,514)	(11,244)	(57,367)
Accretion of mandatory redemption value of preferred shares and accrued dividends on preferred shares.....	(2,415)	(2,198)	--
	-----	-----	-----
Net loss attributable to common stockholders.....	\$ (9,929)	\$ (13,442)	\$ (57,367)
	=====	=====	=====
Per share data--basic and diluted:			
Loss from continuing operations (including accretion and accrued dividends on preferred shares).....	\$ (1.66)	\$ (1.20)	\$ (2.22)
Income from discontinued operations.....	0.16	0.04	0.00
Gain from sale of discontinued operations.....	--	0.25	0.16
Extraordinary loss.....	(0.13)	--	--
	-----	-----	-----
Net loss attributable to common stockholders....	\$ (1.63)	\$ (0.91)	\$ (2.06)
	=====	=====	=====
Weighted average shares of common stock outstanding used in computing basic and diluted			

public offering, net of offering expenses.....	7,000,000	70	102,639		102,709
Payment of fractional shares in connection with reverse stock split.....			(6)		(6)
Issuance of 4,699,130 shares of common stock under warrant agreements.....	4,699,130	47	367		414
Issuance of 19,958 shares of common stock under a contingent payment obligation.....	19,958	0	319		319
Conversion of convertible preferred stock to common stock at initial public offering. (8,718,768) (8,719) 2,977,483		30	8,689		--
Other capital contribution....			12		12
Unearned compensation expense.....			1,850	(1,850)	--
Compensation expense.....				449	449
Expense related to options granted to non- employees.....			293		293
Cumulative dividends in arrears on Series H redeemable preferred stock.			(407)		(407)
Cumulative dividends in arrears on Series I redeemable preferred stock.			(425)		(425)
Cumulative dividends in arrears on Series J redeemable preferred stock.			(572)		(572)
Accretion of mandatory redemption value of preferred stock.....			(794)		(794)
Net loss for the year ended December 31, 1999.....				(11,244)	(11,244)

Comprehensive
Income (Loss)
Total

Balance at
December 31,
1997..... \$ --
Issuance of
4,597,070 common
shares in Series
I Unit Offering.
Issuance of
336,532 common
shares under
option
agreements.....
Issuance of
1,326,652
warrants in
connection with
exchange of
subordinated
convertible
debentures for
Series J
redeemable
preferred stock.
Unearned
compensation
expense.....
Compensation
expense.....
Cumulative
dividends in
arrears on
Series H
redeemable
preferred stock.
Cumulative
dividends in
arrears on
Series I
redeemable
preferred stock.
Cumulative
dividends in
arrears on
Series J
redeemable
preferred stock.
Accretion of

mandatory redemption value of preferred stock..... Issuance costs of Series I Unit Offering..... Net loss for the year ended December 31, 1998..... (7,514)

Balance at December 31, 1998..... (7,514)

Issuance of 204,771 shares of common stock in connection with acquisition.... Issuance of 961,541 shares of common stock under option agreements..... Expense related to warrants granted to non-employee..... Issuance of 7,000,000 shares of common stock in initial public offering, net of offering expenses..... Payment of fractional shares in connection with reverse stock split..... Issuance of 4,699,130 shares of common stock under warrant agreements..... Issuance of 19,958 shares of common stock under a contingent payment obligation..... Conversion of convertible preferred stock to common stock at initial public offering. Other capital contribution.... Unearned compensation expense..... Compensation expense..... Expense related to options granted to non-employees..... Cumulative dividends in arrears on Series H redeemable preferred stock. Cumulative dividends in arrears on Series I redeemable preferred stock. Cumulative dividends in arrears on Series J redeemable preferred stock. Accretion of mandatory redemption value of preferred stock..... Net loss for the year ended December 31, 1999..... (11,244)

Preferred Stock		Common Stock		Additional Paid-In Capital	Unearned Compensation	Treasury Stock		Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Shares	Amount	Shares	Amount			Shares	Amount			

Balance at December 31, 1999.....	--	--	24,221,537	242	130,830	(1,632)	34,465	(68)	(62,008)	--	67,364
Issuance of 214,794 shares of common stock to IMS.....			214,794	2	9,981						9,983
Issuance of 2,641,215 shares of common stock in connection with acquisitions and option conversions.....			2,641,215	26	169,044						169,070
Issuance of 1,452,000 shares of common stock in public offering, net of offering expenses.....			1,452,000	15	99,751						99,766
Issuance of 844,083 shares of common stock under option agreements.....			844,083	8	714						722
Issuance of 43,636 shares of common stock under warrant agreements.....			43,636	1	19						20
Compensation expense.....						535					535
Compensation expense--non-employee.....					751						751
Other, net.....					(9)						(9)
Comprehensive income (loss):											
Net loss for the year ended December 31, 2000.....									(57,367)		(57,367)
Other comprehensive income--unrealized gain on marketable securities, net of tax of \$93...										140	140
Balance at December 31, 2000.....	--	\$--	29,417,265	\$294	\$411,081	\$(1,097)	34,465	\$(68)	\$(119,375)	\$140	\$290,975

Comprehensive
Income (Loss)
Total

Balance at December 31, 1999..... (11,244)

Issuance of 214,794 shares of common stock to IMS.....
 Issuance of 2,641,215 shares of common stock in connection with acquisitions and option conversions.....
 Issuance of 1,452,000 shares of common stock in public offering, net of offering expenses.....
 Issuance of 844,083 shares of common stock under option agreements.....
 Issuance of 43,636 shares of common stock under warrant agreements.....
 Compensation expense.....
 Compensation expense--non-employee.....
 Other, net.....
 Comprehensive income (loss):
 Net loss for the

year ended December 31, 2000.....	(57,367)
Other comprehensive income- unrealized gain on marketable securities, net of tax of \$93...	140
Balance at December 31, 2000.....	\$ (57,227)

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

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ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year ended December 31,		
	1998	1999	2000
Cash flows from operating activities:			
Net loss.....	\$ (7,514)	\$ (11,244)	\$ (57,367)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization.....	1,531	2,517	28,632
Gain on sale of discontinued operations.....	--	(3,547)	(4,353)
Expense from issuance of equity instruments to non-employees.....	--	323	751
Write off of in process research and development.....	--	--	13,729
Extraordinary loss.....	791	--	--
Write-down of investment.....	--	--	1,000
Non-cash compensation expense.....	176	449	535
Exchange of debentures in satisfaction of accrued interest.....	439	--	--
Other non-cash charges.....	--	319	--
Provision for doubtful accounts.....	1,241	(633)	980
Changes in assets and liabilities, net of effects of acquisitions:			
(Increase) decrease in accounts receivable..	(1,186)	4,828	(8,449)
(Increase) in interest receivable.....	--	--	(951)
(Increase) in inventories.....	(348)	(1,353)	(1,525)
(Increase) decrease in prepaids and other current assets.....	154	(604)	(2,782)
(Decrease) increase in accounts payable....	1,131	(3,999)	2,366
(Decrease) increase in accrued compensation.	(464)	261	540
(Decrease) increase in accrued expenses and deferred revenue.....	(116)	(10)	1,780
Increase in other non-current liabilities...	--	--	135
Net cash used in operating activities.....	(4,165)	(12,693)	(24,979)
Cash flows from investing activities:			
Capital expenditures.....	(884)	(4,428)	(9,351)
Purchase of marketable securities.....	--	(15,049)	(61,112)
Maturities of marketable securities.....	--	--	33,296

Proceeds from sale of discontinued operations...	--	7,472	4,353
Cash provided by (used for) acquisitions, net of acquired cash.....	--	46	(13,223)
Purchase of investment.....	--	--	(1,000)
	-----	-----	-----
Net cash used in investing activities.....	(884)	(11,959)	(47,037)
	-----	-----	-----
Cash flows from financing activities:			
Proceeds from public offering, net.....	--	102,709	99,766
Borrowings under line of credit.....	4,000	1,400	--
Payments under line of credit.....	(2,500)	(5,400)	(2,464)
Proceeds from Series I Unit Offering.....	8,930	--	--
Payments for preferred stock redemptions.....	--	(34,745)	--
Payment of notes payable.....	--	(650)	(59)
Proceeds from exercise of common stock warrants.	--	414	20
Repayment of term loan.....	(4,693)	--	--
Proceeds from issuance of common stock to IMS...	--	--	9,983
Proceeds from exercise of common stock options..	57	806	722
Share and debt issue costs.....	(232)	(45)	--
Other capital contribution.....	--	12	--
Payment of fractional shares.....	--	(6)	--
	-----	-----	-----
Net cash provided by financing activities.	5,562	64,495	107,968
	-----	-----	-----
Net increase in cash and cash equivalents.....	513	39,843	35,952
Cash and cash equivalents, beginning of year.....	205	718	40,561
	-----	-----	-----
Cash and cash equivalents, end of year.....	\$ 718	\$ 40,561	\$ 76,513
	=====	=====	=====

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

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ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Nature of Business

Allscripts Healthcare Solutions, Inc. (formerly Allscripts, Inc.) and its wholly owned subsidiaries, Allscripts Pharmacy Centers, Inc., Prescription Management Company, Inc., Physician Dispensing Systems, Inc., TeleMed Corp., Compumed, Inc., Masterchart, Inc., Medifor, Inc., Allscripts, Inc. and Channelhealth Incorporated, which was acquired January 8, 2001, (altogether referred to as "Allscripts"), provide physicians with decision support systems designed to improve the quality and cost effectiveness of healthcare. Allscripts grants uncollateralized credit to its customers. Allscripts operates in one industry segment. As its product offerings evolve, the manner in which its activities are internally reported and its decisions are made could change. Allscripts will continually evaluate its determination of operating segments.

2. Summary of Significant Accounting Policies

Principles of Consolidation

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

Cash, Cash Equivalents and Marketable Securities

Cash and cash equivalents balances at December 31, 1999 and December 31, 2000 consist of cash and highly liquid corporate debt securities with maturities at the time of purchase of less than 90 days. Allscripts' cash, cash

equivalents, short term marketable securities and long-term marketable securities are invested in overnight repurchase agreements, money market funds and corporate debt securities. The carrying value of our cash equivalents, short-term marketable securities and long-term marketable securities is as follows:

	December 31,	
	-----	-----
	1999	2000
	-----	-----
	(in thousands)	
Cash equivalents:		
Overnight repurchase agreements.....	\$ 290	\$ --
Money market funds.....	16,578	15
Corporate debt securities.....	22,066	68,620
	-----	-----
	38,934	68,635
Short-term marketable securities:		
Corporate debt securities.....	15,049	20,663
Long-term marketable securities:		
Corporate debt securities (contractual lives ranging from 1-12 years).....	--	22,661
	-----	-----
Total cash equivalents and marketable securities.....	\$53,983	\$111,959
	=====	=====

Gross unrealized gains were \$24,000 and \$209,000 under current and long-term marketable securities, respectively, as of December 31, 2000. Gross unrealized gains and losses were immaterial at December 31, 1999. Gross realized gains and losses were immaterial for the years ended December 31, 1999 and 2000. Management determines the appropriate classification of debt and equity securities at the time of purchase and reevaluates the designation at each balance sheet date. Marketable debt and equity securities are classified as available-for-sale and are carried at their fair value, with the unrealized gains and losses reported net-of-tax in a separate component of stockholders' equity. Realized gains and losses and declines in value judged to be other-than-temporary on available-for-sale securities are included in interest income. The cost of securities sold is based on specific identification. Interest and dividends on securities classified as available-for-sale are included in interest income.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Inventories

Inventories, which consist primarily of finished goods, are carried at the lower of cost or market with cost being determined using the specific identification method.

Fixed Assets

Fixed assets are stated at cost. Depreciation and amortization are computed on the straight-line method over the estimated useful lives of the related assets. Upon asset retirement or other disposition, cost and the related accumulated depreciation are removed from the accounts, and gain or loss is included in the consolidated statements of operations. Amounts expended for repairs and maintenance are charged to operations as incurred.

Website Costs

Allscripts' website costs consist of the costs to develop features that enable users to perform functions on-line, hosting costs and costs to develop content and graphics. Allscripts has adopted the provisions of the American Institute of Certified Public Accountants' Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." At December 31, 1999 and 2000, approximately \$0 and \$286,000, respectively, was capitalized for the development of Allscripts' website and was included in property and equipment. These costs are being amortized over the expected life of the website, which is two years. Costs associated with content changes and maintenance incurred subsequent to the launch of the website have been expensed as incurred.

Intangible Assets

Intangible assets, which are stated at cost, consist of software rights, customer lists, trademarks and goodwill. Allscripts' policy is to amortize intangible assets using the straight-line method over the remaining estimated economic life of those assets, including the period being reported on.

Long-Lived Assets and Long-Lived Assets to Be Disposed Of

Allscripts accounts for long-lived assets in accordance with the provisions of FAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." This Statement requires that long-lived assets and certain identifiable intangibles be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Software Development Costs

Allscripts capitalizes purchased software that is ready for service and software development costs incurred from the time technological feasibility of the software is established until the software is ready for use. Research and development costs and other computer software maintenance costs related to software development are expensed as incurred. Upon the establishment of technological feasibility for previous versions of TouchScript, related software development costs were capitalized. However, these costs were written off because the recoverability was uncertain since market acceptance of TouchScript had not been achieved. Development costs incurred subsequent to the establishment of technological feasibility but prior to general release of the current version of TouchScript were not significant. Software development costs of \$771,000, \$1,417,000 and \$3,774,000 have been expensed in 1998, 1999 and 2000, respectively. The costs of purchased software are amortized using the straight-line method over three years.

Debt Issuance Costs

Costs attributable to the issuance of significant debt are deferred and amortized on a straight-line basis over the term of the related debt.

Income Taxes

Deferred tax assets or liabilities are established for temporary differences between financial and tax reporting bases and for tax carryforward items and are subsequently adjusted to reflect changes in tax rates expected to be in effect when the temporary differences reverse. A valuation allowance is established for any deferred tax asset for which realization is not likely.

Stock Based Compensation

Allscripts follows Statement of Financial Accounting Standards No. 123, "Accounting for Stock Based Compensation" (FAS 123). As allowed by FAS 123, Allscripts has elected to continue to account for its stock based compensation programs according to the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, compensation expense has been recognized to the extent of employee or director services rendered based on the intrinsic value of compensatory options or shares granted under the plans. Allscripts has adopted the disclosure provisions required by FAS 123.

Revenue Recognition

Allscripts' revenue is primarily derived from the sale of medications for dispensing at the point of care. Allscripts offers the right of return on pharmaceutical products under various policies and estimates and maintains reserves for product returns. Revenue from the sale of medications is recognized upon shipment of the pharmaceutical products when no obligations remain and collection of the receivable, net of provisions for estimated returns, is probable.

Revenue is also generated from sales of software licenses and related consulting services as well as from subscriptions for software and hardware. Allscripts recognizes revenue in accordance with the provisions of Statement of Position ("SOP") No. 97-2, "Software Revenue Recognition", as amended by SOP 98-9. SOP 97-2 generally requires revenue earned on software arrangements involving multiple elements to be allocated to each element based on the relative fair value of those elements. The fair value of an element must be based on objective evidence specific to the vendor. If the vendor does not have evidence of fair value for all the elements in a multi-element arrangement, all revenue from the arrangement is deferred until such evidence exists or until all elements are delivered, unless evidence of fair value is available for all undelivered elements, then revenue related to the delivered elements can be recognized using the residual value method prescribed by SOP 98-9. Revenue from software licensing arrangements is principally recognized upon delivery. Revenue from consulting services is recognized in the period in which services are performed. Allscripts defers the recognition of all revenue until collectibility is probable, persuasive evidence of an arrangement exists, prices of the products and services being sold are supported by vendor specific objective evidence, and payments are fixed and determinable. Revenue from subscription agreements for software and related hardware is recognized ratably over the term of the subscription period beginning after the software and hardware have been delivered and installed and customer training has been completed. However, no revenue is recognized for subscription agreements where payment of the related fee is refundable or subject to performance of future obligations. Revenue from the sale of hardware is recognized upon shipment of the product.

In December 1999, the U.S. Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements" (SAB 101). SAB 101 summarizes certain of the SEC's views in applying generally accepted accounting principles to revenue recognition in financial statements. The adoption of SAB 101 during the quarter ended December 31, 2000 did not have a material effect on Allscripts' financial position or results of operations.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Manufacturer Rebates

Rebates from suppliers are recorded as a reduction of cost of revenue and are recognized on an estimated basis upon shipment of the product to customers. The difference between the amount estimated and the amount actually received is reflected prospectively as a change of estimate. These revisions have not been material.

Advertising Costs

Allscripts recognizes substantially all advertising costs as incurred. Advertising expense was \$0, \$118,000 and \$1,006,000 in 1998, 1999 and 2000, respectively.

Comprehensive Income

During 1998, Allscripts adopted Statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" (FAS 130). FAS 130 establishes standards for the reporting and display of comprehensive income and its components in a full set of general purpose financial statements. Allscripts has reported unrealized gains/(losses) on certain investments as other comprehensive income.

Net Loss Per Share

Allscripts accounts for net loss per share in accordance with Statement of Financial Accounting Standards No. 128, "Earnings per Share" (FAS 128). FAS 128 requires the presentation of "basic" loss per share and "diluted" loss per share. Basic loss per share is computed by dividing the net loss attributable to common stockholders by the weighted average shares of outstanding common stock. For purposes of calculating diluted earnings per share, the denominator includes both the weighted average shares of common stock outstanding and dilutive potential common stock.

In accordance with FAS 128, basic and diluted net loss per share has been computed using the weighted average number of shares of common stock outstanding during the period. Allscripts has excluded the impact of all outstanding warrants and options to purchase shares of common stock, all outstanding convertible preferred shares and debentures on an if-converted basis and contingent share payment obligations from the calculation of diluted loss per share because all such securities are antidilutive for all periods presented.

On July 28, 1999, Allscripts consummated an initial public offering of its common stock. Upon the closing of the offering, all of the outstanding shares of Allscripts' convertible preferred stock were automatically converted into 2,977,483 shares of common stock. Additionally, 19,958 shares of common stock were issued upon the closing of the offering, pursuant to a contingent share payment obligation.

Shares of common stock issuable from securities that could potentially dilute basic earnings per share in the future that were not included in the computation of earnings per share because their effect was anti-dilutive were as follows at December 31:

	Year Ended December 31,		

	1998	1999	2000

	-----	-----	-----
	(In thousands)		
Stock options.....	2,697	2,587	3,728
Warrants.....	4,892	64	19
Convertible notes.....	14	14	--
Convertible preferred stock.....	8,719	--	--
	-----	-----	-----
Total.....	16,322	2,665	3,747
	=====	=====	=====

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Additionally, the net loss applicable to common stockholders for the years ended December 31, 1998, 1999 and 2000 would have been decreased by adding back interest expense related to the convertible notes of approximately \$282,000, \$5,000 and \$0, respectively.

Fair Value of Financial Instruments

Cash and cash equivalents and marketable securities are reported at their fair values in the balance sheets with the corresponding mark-to-market adjustments recorded as other comprehensive income in stockholders' equity. The carrying amounts reported in the balance sheets for accounts receivable and accounts payable approximate their fair values due to the short-term nature of these financial instruments. The fair value of the long-term debt is estimated based on current interest rates available to Allscripts for debt instruments with similar terms, degrees of risk and remaining maturities. The carrying value of the long-term debt approximates its fair value.

Concentration of Credit Risk

Financial instruments that potentially subject Allscripts to a concentration of credit risk consist of cash and cash equivalents, marketable securities and trade receivables. Allscripts maintains its cash balances with one major commercial bank and its cash equivalents and marketable securities in interest-bearing, investment-grade securities.

Allscripts sells its products and services to healthcare providers. Credit risk with respect to trade receivables is generally diversified due to the large number of customers and their dispersion across the United States. To reduce credit risk, Allscripts performs ongoing credit evaluations of its customers and their payment histories. In general, Allscripts does not require collateral from its customers, but it does enter into advance deposit, security or guarantee agreements if appropriate.

The provision for doubtful accounts aggregated \$1,241,000 and \$980,000 in 1998 and 2000, respectively. Allscripts recorded a net credit to income aggregating \$633,000 in 1999 due to the collection of receivables, which had been reserved as being uncollectable in previous periods.

Use of Estimates

Accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at year end and the reported amounts of revenue and expenses during the year. Actual results could differ from these estimates.

Reclassifications

Certain reclassifications have been made in the prior period financial statements to conform to the current period.

3. Statements of Operations Information

Other operating expenses consist of the following for the years ended December 31:

	1998	1999	2000
	----	----	----
	(In thousands)		
Management reorganization and shutdown costs.....	\$430	\$--	\$--
Settlement of contingent payment obligation.....	--	319	--
Expenses related to revision of interim financial statements.....	--	--	450
	----	----	----
	\$430	\$319	\$450
	=====	=====	=====

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The management reorganization and shutdown costs relate to severance costs associated with reductions in force and other severance arrangements. In 1998, ten administrative and nine sales employees were affected by the reorganization. As of December 31, 1999, all payments provided for had been made.

A summary of management reorganization and shutdown costs and related payments is as follows:

	1998	1999	2000
	----	----	----
	(In thousands)		
Beginning balance.....	\$181	\$273	\$--
Expense.....	430	--	--
Payments.....	(338)	(273)	--
	----	----	----
Ending balance.....	\$273	\$--	\$--
	=====	=====	=====

The settlement of contingent payment obligation in 1999 reflects a non-cash charge related to the issuance of 19,958 shares of common stock upon the closing of the initial public offering in settlement of a contingent obligation related to an acquisition Allscripts made in 1995.

As a result of restating Allscripts' financial results for the quarter ended June 30, 2000, a number of charges including professional fees, were incurred.

Other non-operating expense for the twelve months ended December 31, 2000 of \$1,000,000 reflects a non-cash writedown of an investment in an early stage Internet software company focused on the college healthcare market.

4. Acquisitions

In 1999, Allscripts completed acquisitions through the issuance of 204,771 shares of its common stock valued at approximately \$2,572,000 and a promissory note in the principal amount of \$650,000, bearing interest at 6% per year and payable upon the consummation of an initial public offering. The business combinations were accounted for using the purchase method of accounting, and the results of operations have been included in the consolidated financial statements subsequent to the dates of acquisition. The acquisitions resulted in goodwill of approximately \$3,830,000, which represents the excess of the purchase price over the fair value of the acquired net assets and which is being amortized on a straight-line basis over two years. The promissory note, including accrued interest of \$3,000, was repaid in August 1999.

On May 9, 2000, Allscripts acquired MasterChart, Inc., a software developer providing dictation, integration and patient record technology. In exchange for all of the outstanding common stock of MasterChart, Allscripts issued 1,617,873 shares of its common stock with a value of approximately \$127,400,000 and paid cash of approximately \$5,000,000. The business combination was accounted for using the purchase method of accounting and MasterChart's results of operations have been included in the consolidated financial statements subsequent to the date of acquisition. Approximately \$5,000,000 of the purchase price was allocated to the value of acquired in-process research and development that had no alternative future use and was charged against operations during the three months ended June 30, 2000. In addition, approximately \$4,600,000 of the purchase price was allocated to acquired software and is being amortized on a straight-line basis over two years, the software's estimated useful life. Trademarks and goodwill, totaling approximately \$125,600,000, are being amortized on a straight-line basis over five years. Goodwill represents the excess of the purchase price over the fair market value of the net assets acquired.

On May 17, 2000, Allscripts acquired Medifor, Inc., a provider of computerized patient and physician education products. In exchange for all of the outstanding common and preferred A and B stock of Medifor, Allscripts issued 935,858 shares of its common stock with a fair value of approximately \$34,400,000. In addition, Allscripts issued 142,786 common stock options in replacement of Medifor common stock options with a fair value of approximately \$4,200,000. The fair value of the replacement common stock options was

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

estimated using the Black-Scholes model. The business combination was accounted for using the purchase method of accounting and Medifor's results of operations have been included in the consolidated financial statements subsequent to the date of acquisition. Approximately \$8,700,000 of the purchase price was allocated to the value of acquired in-process research and development that had no alternative future use and was charged against operations during 2000. Trademarks and goodwill totaling \$30,300,000 are being amortized on a straight-line basis over five years. Goodwill represents the excess of the purchase price over the fair value of the net assets acquired.

The income approach was the primary technique utilized in valuing the purchased in-process research and development. The income approach focuses on the income producing capability of the acquired assets and best represents the present value of the future economic benefits expected to be derived from these assets. The approach included, but was not limited to, an analysis of (i) the expected cash flows attributable to the in-process research and development projects; (ii) the risks associated with achieving such cash flows; (iii) the completion costs for the projects, and (iv) the stage of the completion of each project.

Pursuant to the terms of the MasterChart and Medifor purchase agreements, certain shares of Allscripts' common stock were not delivered at the

acquisition dates. It is anticipated that all undelivered shares will be delivered by March 31, 2001.

In 2000, Allscripts completed another acquisition through the issuance of 87,484 shares of its common stock with a value of approximately \$3,000,000 and a payment of \$8,000,000 in cash. The business combination was accounted for using the purchase method of accounting, and the results of operations have been included in the consolidated financial statements subsequent to the date of acquisition. The acquisition resulted in goodwill of approximately \$10,800,000, which represents the excess of the purchase price over the fair value of the acquired net assets and which is being amortized on a straight-line basis over two years. The operating results of this acquisition were not material.

The following unaudited pro forma consolidated results of operations for the years ended December 31, 1999 and 2000 assume the MasterChart, Inc. and Medifor, Inc. acquisitions occurred as of January 1 of each year after giving effect to purchase accounting adjustments. These pro forma financial statements have been prepared for comparative purposes only and do not purport to be indicative of what Allscripts' operating results would have been had the acquisitions actually taken place at the beginning of each of the periods presented, nor are they necessarily indicative of future consolidated operating results. The pro forma information below excludes the impact of non-recurring charges related to an immediate expensing of acquired in-process research and development, as well as the impact of charges from stock-based compensation recognized by MasterChart in connection with the acquisition.

The pro forma weighted average shares used in computing unaudited pro forma basic and diluted loss per share include 1,617,873 and 935,858 shares issued as consideration for the MasterChart and Medifor acquisitions, respectively, as if they had been issued as of January 1 of each period presented.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

	Year Ended December 31,	
	----- 1999	2000 -----
	(unaudited) (In thousands, except per share data)	
Revenue.....	\$ 31,792	\$ 56,703
Loss from continuing operations.....	(51,570)	(75,475)
Income from discontinued operations.....	642	83
Gain from sale of discontinued operations.....	3,547	4,353
Net loss.....	(47,381)	(71,039)
Net loss attributable to common stockholders.....	(49,579)	(71,039)
Per share data--basic and diluted:		
Loss from continuing operations (including accretion and accrued dividends on preferred shares).....	\$ (3.11)	\$ (2.61)
Income from discontinued operations.....	0.04	0.00
Gain from sale of discontinued operations.....	0.20	0.15
	-----	-----
Net loss attributable to common stockholders.....	\$ (2.87)	\$ (2.46)
	=====	=====

Weighted average shares of common stock outstanding
used in computing unaudited pro forma basic and
diluted net loss per share..... 17,272 28,851
=====

5. Fixed Assets

Fixed assets as of December 31 consist of the following:

	Estimated Useful Life	1999	2000
	-----	-----	-----
(In thousands)			
Office furniture and equipment.....	2-7 years	\$ 4,466	\$ 7,093
Service assets.....	2 years	3,844	10,619
Production and warehouse equipment.....	7 years	1,088	1,159
Leasehold improvements.....	4 years	952	1,477
Website development costs.....	2 years	--	286
Construction in progress.....	--	57	--
		-----	-----
		10,407	20,634
Less accumulated depreciation and amortization.....		5,467	8,842
		-----	-----
Fixed assets, net.....		\$ 4,940	\$11,792
		=====	=====

Depreciation and amortization expense was approximately \$563,000, \$980,000 and \$3,411,000 in 1998, 1999 and 2000, respectively.

Service assets include equipment placed with customers for their use in running Allscripts' software. At December 31, 1999 and 2000, service assets included \$1,296,000 and \$2,970,000, respectively, of assets at physician sites in various stages of installation for which depreciation had not begun. Amounts deemed necessary to reserve for writedowns to fair value on returned equipment are included in accumulated depreciation and amortization.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

6. Intangible Assets

Intangible assets as of December 31 consist of the following:

	Estimated Useful Life	1999	2000
	-----	-----	-----
(In thousands)			
Acquired software.....	2-3 years	\$ 81	\$ 4,678
Trademarks.....	5 years	--	26,104
Customer lists.....	4-5 years	3,563	3,563
Goodwill.....	2-8 years	12,044	152,656
		-----	-----
		15,688	187,001

Less accumulated amortization.....	12,113	37,311
	-----	-----
Intangibles, net.....	\$ 3,575	\$149,690
	=====	=====

Goodwill increased by \$140,600,000 in 2000 due to the acquisitions described in Note 4.

7. Notes Payable

Through April 16, 1998, Allscripts maintained a credit arrangement with a commercial bank consisting of two components, a revolving credit facility and a term loan. The revolving credit facility permitted borrowings up to \$10,000,000, limited by certain eligible working capital requirements. Borrowings under the revolving credit facility were collateralized by accounts receivable, inventories, equipment and other assets.

On April 16, 1998, Allscripts signed a revolving credit agreement with a commercial bank. As amended, the revolving credit facility permitted borrowings up to \$10,000,000, limited by certain eligible working capital requirements. Interest is at prime plus 0.5%. Borrowings under the revolving credit facility are collateralized by accounts receivable, inventory, equipment and other assets. The revolving credit facility expired on April 16, 2000.

Under the revolving credit agreement, Allscripts was required to maintain certain financial ratios, including minimum net working capital, minimum EBITDA and minimum capital funds. The agreement also prohibited the payment of dividends. No outstanding borrowings existed under the line at December 31, 1999, and no amounts were available for borrowing at that date due to certain covenant violations.

8. Long-Term Obligations

On April 30, 1996, Allscripts completed a \$10,000,000 financing in the form of 8.0% convertible subordinated debentures due April 30, 2001. Interest on the debentures was payable semiannually. The debentures could be converted into 2,683,152 common shares of Allscripts at a conversion price equal to \$4.2024. The debentures were convertible at the option of the holder. Under the terms of the debenture agreements, Allscripts' ability to pay dividends was restricted under certain circumstances.

In conjunction with the issuance of the Series I Preferred and common stock, the majority of the outstanding subordinated convertible debentures were exchanged for 1,803,838 shares of Series J Preferred. In connection with this exchange, Allscripts also issued to the Series J Preferred stockholders 1,326,652 detachable warrants to purchase shares of common stock of Allscripts for \$0.06 per share. The warrants had an expiration date of five years from the date of closing of the sale of Series I Preferred (see Note 11). The balance of the outstanding convertible subordinated debentures was paid-off in January 2000.

An extraordinary loss of \$790,000 was recorded in the consolidated statement of operations for the year ended December 31, 1998, consisting of the writeoff of deferred financing costs related to Allscripts'

convertible subordinated debentures in connection with their exchange for shares of Series J Preferred and warrants.

Long-term obligations as of December 31 consist of the following:

1999 2000

 (In thousands,
 except per
 share amounts)

Convertible subordinated debentures issued April 30, 1996;
 due April 30, 2001; interest at 8.0% payable semiannually
 on April 30 and October 31, potentially increasing 0.5%
 on each such interest record date to a maximum of 1.5%;
 convertible into 13,985 common shares at December 31,
 1999 at \$4.2024..... \$ 59 \$ --
 =====

9. Income Taxes

The U.S. Federal statutory tax rate differs from Allscripts' effective tax rate for the years ended December 31 are as follows:

	1998	1999	2000
	-----	-----	-----
U.S. Federal statutory tax rate.....	(34.0)%	(34.0)%	(34.0)%
Items affecting Federal income tax rate:			
Amortization of nondeductible goodwill.	1.3	3.4	11.9
Acquired in-process research and development.....	--	--	8.1
Other, net.....	1.2	(0.9)	1.2
Valuation allowance.....	31.5	31.5	12.8
	-----	-----	-----
Effective income tax rate.	-- %	-- %	-- %
	=====	=====	=====

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and liabilities for the years ended December 31 are as follows (in thousands):

	1999	2000
	-----	-----
Deferred tax assets:		
Net operating loss carryforwards.....	\$ 17,222	\$ 22,041
Allowance for doubtful accounts.....	1,553	1,707
Acquisition costs.....	362	340
Accrued expenses.....	329	97
Deferred compensation.....	--	407
Goodwill amortization.....	--	186
Inventory.....	--	62
Property, plant, and equipment.....	110	296
Other.....	62	34
	-----	-----
Total deferred tax assets.....	19,638	25,170
Less: valuation allowance.....	(19,638)	(15,003)
	-----	-----

Net deferred tax assets.....	\$	--	\$ 10,167
		-----	-----
Deferred tax liabilities:			
Acquired intangibles.....	\$	--	\$ 10,073
Website development costs.....		--	94
		-----	-----
Total deferred tax liabilities.....		--	10,167
		-----	-----
Net deferred tax assets (liabilities).....	\$	--	\$ --
		=====	=====

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

The valuation allowance as of January 1, 1999 was \$15,284,000. The net change in the total valuation allowance for the years ended December 31, 1999 and 2000 is an increase of \$4,354,000 and a decrease of \$4,635,000, respectively. The decrease in the valuation allowance in 2000 is also affected by a decrease attributable to acquired net deferred tax liabilities of \$11,973,000.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible.

At December 31, 2000, Allscripts has operating loss carry forwards available for Federal income tax reporting purposes of approximately \$56,587,000. The operating loss carryforwards expire between 2002 and 2020. Allscripts' ability to utilize these operating loss carryforwards to offset future taxable income is dependent on a variety of factors, including possible limitations on usage pursuant to Internal Revenue Code Section (IRC) 382. IRC 382 imposes an annual limitation on the future utilization of operating loss carryforwards due to changes in ownership resulting from the issuance of common stock, stock options, warrants and convertible preferred stock.

10. Redeemable Preferred Shares

The Series H Preferred shares were voting, nonparticipating and had a liquidation preference upon dissolution of Allscripts of \$6.462 per share plus an amount equal to all unpaid dividends accrued thereon. The Series H Preferred shares were senior to Series A, Series B, Series C, Series D, Series F and Series G Preferred shares with respect to the liquidation preference.

The shares were entitled to cumulative, quarterly dividends of 8.0% accruing from the date of issuance and payable beginning September 15, 1998 and then payable quarterly thereafter. Mandatory redemption of shares (at \$6.462 per share) in the proportion of 10%, 10%, 10%, and 70% of the total number of shares originally issued was initially scheduled to begin on September 15, 1998 and occur annually thereafter through 2001, respectively.

In connection with the 8% convertible subordinated debenture offering described in Note 8, the terms of the Series H Preferred were amended. Pursuant to such amendment, on September 15, 1998, Allscripts was required to begin paying dividends quarterly. Allscripts was required to redeem shares of Series H Preferred with a redemption value of \$6.16 million and all accrued dividends thereon on September 15, 2001.

In conjunction with the issuance of \$8,930,000 of Series I Preferred on April 16, 1998, the terms of the Series H Preferred were amended to extend the maturity date five years from the closing of the sale of the Series I

Preferred. Allscripts was required to redeem shares of Series H Preferred equal to \$8,800,000 plus all accrued dividends (\$3,007,000 at December 31, 1998 or \$2.21 per share) five years from the closing of the sale of Series I Preferred. In consideration of the change in terms therein, Allscripts issued 916,651 warrants to purchase shares of common stock of Allscripts for \$0.06 per share to the holders of Series H Preferred. The warrants will expire five years from the date of the closing of the sale of Series I Preferred. The Series H Preferred shares were redeemed at \$8,800,000 plus accrued unpaid dividends, upon completion of the initial public offering of Allscripts common stock on July 28, 1999.

On April 16, 1998, Allscripts effected the private placement of Series I Preferred and common stock of Allscripts for \$8,930,000. The common stock component, 4,597,070 shares, represented 24.4% of Allscripts' common stock at April 16, 1998, assuming exercise of all options and warrants and the conversion of all convertible preferred stock into common stock. Based upon an independent appraisal, \$1,009,000 was allocated to the value of the common stock issued in the Series I Unit Offering. The difference, \$733,000, between the

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

amount initially recorded for the redeemable preferred stock and its redemption value was accreted over the life of the Series I Preferred shares such that the Series I Preferred shares were reflected at redemption value at the date of redemption on July 28, 1999. The Series I Preferred shares were voting and had a liquidation preference upon dissolution of Allscripts of \$6.462 per share plus an amount equal to all unpaid dividends accrued thereon. The Series I Preferred shares were in parity with the Series J Preferred shares and senior to Series A, Series B, Series C, Series D, Series F, Series G and Series H Preferred shares with respect to liquidation preference.

A cumulative dividend on the Series I Preferred accrued at a rate of 8.5% per annum. The Series I Preferred shares were redeemed at \$8,654,000 plus accrued unpaid dividends on July 28, 1999.

In conjunction with the issuance of the Series I Preferred and common stock, substantially all of the outstanding subordinated convertible debentures were exchanged for 1,803,838 shares of Series J Preferred. The Series J Preferred shares were voting and had a liquidation preference upon dissolution of Allscripts of \$6.462 per share plus an amount equal to all unpaid dividends accrued thereon.

A cumulative dividend on the Series J Preferred accrued at a rate of 8.5% per annum. The Series J Preferred shares were redeemed at \$11,656,000 plus accrued unpaid dividends on July 28, 1999.

11. Stockholders' Equity

Preferred Shares

The Series A, Series B, Series C, Series D, Series F and Series G Preferred shares were voting, nonparticipating, convertible, and had a liquidation preference upon dissolution of Allscripts equal to \$1.00, \$3.75, \$3.20, \$4.50, \$1.25 and \$4.50 per share, respectively. The Series G Preferred shares were senior to the Series A, Series B, Series C, Series D and Series F Preferred shares in respect to the liquidation preference. The Series C, Series D and Series F Preferred shares were senior to the Series A and Series B Preferred shares in respect to the liquidation preference. These preferred shareholders had the option to convert their shares into common shares at prescribed rates. Automatic conversion of all convertible preferred shares into 2,977,483 shares of common stock occurred upon the closing of the initial public offering of Allscripts common stock on July 28, 1999.

Common Stock

During 1999, Allscripts' Board of Directors authorized and its shareholders approved a one-for-six reverse common stock split. Consequently, all common share and per share information in the accompanying financial statements has been adjusted to reflect the reverse stock split.

On July 28, 1999, Allscripts completed the initial public offering of its common stock. Allscripts issued 7,000,000 shares of common stock at an initial public offering price of \$16.00 per share and all outstanding shares of convertible preferred stock automatically converted into 2,977,483 shares of common stock. The initial public offering resulted in gross proceeds of \$112,000,000, \$7,840,000 was applied to the underwriting discount and approximately \$1,451,000 was applied to related offering expenses. In addition, Allscripts used approximately \$34,745,000 of the proceeds to redeem all outstanding shares of its Series H, I and J Redeemable Preferred Stock, plus accrued dividends thereon, \$3,900,000 to repay advances under its revolving line of credit with its commercial bank and approximately \$653,000 to repay a promissory note, including accrued interest, issued as consideration for a 1999 acquisition.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

During February 2000, Allscripts sold IMS Health Incorporated 214,794 shares of Allscripts common stock for a purchase price of \$9,983,000, net of related expenses of \$17,000.

On March 10, 2000, Allscripts completed a public offering of 1,452,000 shares of its common stock, at an offering price of \$73.00 per share. The public offering resulted in gross proceeds of \$105,996,000, \$5,561,000 of which was applied to the underwriting discount and approximately \$669,000 of which was applied to related offering expenses. The remaining net proceeds of approximately \$99,766,000 were invested in interest-bearing, investment grade securities.

Warrants

In conjunction with the 1996 convertible subordinated debenture offering, the term loan guaranteed by a stockholder was amended to extend the maturity date to April 30, 1998. In exchange for extending its guaranty of such term debt, Allscripts issued warrants to purchase an aggregate of 279,175 common shares with a strike price of \$4.2024. The warrants expire April 30, 2001. Because the exercise price of the warrants exceeded the per share value implied by the convertible subordinated debenture offering, no value was ascribed to the warrants. At December 31, 2000, 10,713 warrants were outstanding, all of which were fully vested and exercisable.

As a condition to the Series I Unit Offering, Allscripts amended the maturity date of the Series H Preferred stock and exchanged the subordinated convertible debentures for shares of Series J Preferred stock. In exchange for these concessions, Allscripts issued detachable warrants to the holders of Series H Preferred stock and holders of Series J Preferred stock to receive in the aggregate 916,651 and 1,326,652 shares of common stock, respectively. Based upon an independent appraisal, \$165,000 was allocated to the warrants issued to the Series H Preferred stockholders, and the net loss attributable to the common stockholders in 1998 was increased by this amount. Based upon an independent appraisal, \$239,000 was assigned to the value of the warrants issued to the Series J Preferred stockholders. The warrants carry a strike price of \$0.06 and expire in April 2003. At December 31, 2000, 1,876 warrants issued to Series H Preferred stockholders and 2,528 warrants issued to Series J Preferred stockholders were outstanding, all of which were fully vested and

exercisable.

During 1999, Allscripts issued a fully vested warrant to purchase 3,333 shares of common stock at \$3.00 per share to a non-employee for services rendered. Allscripts assigned a value of \$9.00 to the warrant and accordingly recorded expense in the amount of \$30,000 in 1999. These warrants expire ten years after issuance. In addition, during 1999, Allscripts issued a performance-based warrant to another non-employee to purchase 8,333 shares of common stock at \$3.00 per share. This warrant expired during 2000.

All of the above warrants may be exercised with payment of cash or the surrender of additional warrants, such warrants to be valued by the excess of fair market value of a common share on the day of exercise over the warrant purchase price. For the year ended December 31, 1999 and 2000, 4,165,057 and 25,954, respectively, shares of common stock were issued through the cashless exercise of warrants. Warrants to purchase 140,834 shares of common stock in 1999 and 45 shares of common stock in 2000 were surrendered to exercise these warrants, such warrants being valued at the excess of fair market value of a common share on the day of exercise over the warrant exercise price. The net value surrendered, determined by the difference between the market price on the date of exercise and the exercise price, was approximately \$1,399,000 and \$2,000 in 1999 and 2000, respectively. The value of the net shares issued has been included in par value of common stock and additional paid-in capital in the accompanying consolidated balance sheet.

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ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

At December 31, 2000, Allscripts has reserved 18,450 shares of common stock for issuance upon the exercise of warrants.

12. Stock Option Plans

At December 31, 2000, options to purchase 7,393,489 shares of common stock were authorized under Allscripts' Amended and Restated 1993 Stock Incentive Plan. The exercise price for shares under this plan is determined by Allscripts' Board of Directors at the date of grant. All options must be exercised within ten years of the date of grant. The plan provides for exercise of options by payment of cash or surrender of common stock. Options vest on various schedules, primarily on a straight-line basis over three and four year periods from the date of grant, and in certain circumstances upon a change in control. In January 2001, the Board of Directors approved the Allscripts' Healthcare Solutions, Inc. 2001 Nonstatutory Stock Option Plan. The plan provides for the issuance of up to 2,000,000 options to purchase common stock. The plan will be administered by the Compensation Committee of the Board of Directors. The plan covers employees of Allscripts or its affiliates (excluding, however, any employee who is also serving as an officer or director of Allscripts or an affiliate) designated by the Board or the Compensation Committee as being eligible under the plan and non-employee consultants or contractors. The exercise price, term and vesting period of option issued under this plan are determined by the Compensation Committee at the time of grant.

In May 1998, in conjunction with the closing of the Series I Unit Offering the Board of Directors approved the cancellation and reissuance of options to purchase 1,481,916 shares of Allscripts' common stock. The options covered by the grant all have an exercise price of \$0.06 per share.

Total stock-based compensation expense included in selling, general and administration expenses related to options issued to employees for the years ended 1998, 1999 and 2000 was \$176,000, \$449,000 and \$535,000, respectively.

At December 31, 2000, Allscripts has reserved 3,728,327 shares of common stock for issuance upon exercise of outstanding options and 1,678,906 shares of

common stock are available for future issuance under the Amended and Restated 1993 Stock Incentive Plan.

Had Allscripts elected to apply the provisions of FAS 123 regarding recognition of compensation expense to the extent of the calculated fair value of stock options granted, reported net loss and net loss attributable to common stockholders per share would have been increased as follows:

	1998	1999	2000
	-----	-----	-----
	(In thousands, except per share data)		
Net loss, as reported.....	\$(7,514)	\$(11,244)	\$(57,367)
Pro forma net loss.....	\$(7,649)	\$(11,375)	\$(66,390)
Net loss per share attributable to common stockholders--basic and diluted, as reported.....	\$ (1.63)	\$ (0.91)	\$ (2.06)
Pro forma net loss per share attributable to common stockholders--basic and diluted.....	\$ (1.66)	\$ (0.92)	\$ (2.38)

Under FAS 123, compensation expense representing fair value of the option grant is recognized over the vesting period.

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ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

For purposes of the FAS 123 pro forma net loss and net loss per share calculation, the fair value of each option grant is estimated as of the date of grant using the Black-Scholes option pricing model. The weighted average assumptions used in determining fair value as disclosed for FAS 123 are shown in the following table:

	1998	1999	2000
	----	----	----
Risk-free interest rate.....	5.15%	5.82%	6.20%
Option life (years).....	4	4	4
Dividend rate.....	-- %	-- %	-- %

No expected volatility factor has been used in determining the fair value of options granted prior to Allscripts' initial public offering, while a volatility factor of 87% has been used in valuing options granted subsequent to the initial public offering and prior to December 31, 1999 and 140% for option grants issued in 2000.

Option activity for the years ended December 31, 1998, 1999 and 2000 is as follows:

Options Outstanding	Weighted Average Exercise Price	Options Exercisable
-----	-----	-----

Balance at December 31,			
1997.....	2,730,357	\$ 2.04	1,100,948
Options granted.....	1,985,165	0.06	
Options exercised.....	(336,532)	0.18	
Options forfeited.....	(198,291)	1.62	
Options canceled.....	(1,483,576)	1.34	

Balance at December 31,			
1998.....	2,697,123	0.68	1,434,122
Options granted.....	1,025,440	9.56	
Options exercised.....	(961,541)	0.84	
Options forfeited.....	(173,544)	1.19	

Balance at December 31,			
1999.....	2,587,478	4.10	984,426
Options granted.....	2,190,558	24.83	
Options exercised.....	(844,083)	0.86	
Options forfeited.....	(205,626)	13.36	

Balance at December 31,			
2000.....	3,728,327	\$16.51	979,661
	=====		

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ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

For the years ended December 31, 1998, 1999 and 2000 the weighted average fair value of options granted was \$0.19, \$7.97 and \$22.96, respectively. Information regarding options outstanding at December 31, 2000 is as follows:

Exercise Prices	Number of Options Outstanding	Weighted Average Remaining Contractual Life (in years)	Number of Options Exercisable
-----	-----	-----	-----
\$ 0.06	553,279	7.53	403,546
1.15	46,049	9.38	46,049
1.50	134,559	4.42	134,559
2.16	4,800	5.66	4,800
2.34	35,984	6.05	33,346
3.00	233,042	8.25	85,241
6.12	8,622	9.38	8,622
6.88	290,000	9.96	--
11.25	344,600	8.80	89,506
12.69	163,875	8.61	49,325
12.76	13,717	9.38	13,717
13.27	26,852	9.38	26,852
13.31	90,000	9.74	--
13.78	34,953	9.38	29,651
13.93	5,858	9.38	5,858
14.69	40,000	8.75	10,000
14.88	1,672	9.79	1,672
15.31	2,303	9.38	2,303
15.38	53,000	8.69	9,500
15.51	538	9.38	--
16.00	37,499	8.56	9,377
16.59	1,782	9.38	1,782
16.64	1,393	9.38	1,393
21.25	942,850	9.56	62
21.88	66,000	9.31	--
44.63	595,100	9.09	12,500
	-----		-----
	3,728,327		979,661
	=====		=====

In August 1999, Allscripts granted options to purchase an aggregate of 30,000 shares of common stock to non-employees in exchange for future services. These options have an exercise price of \$12.69 per share and became fully vested as of February 3, 2000. Selling, general and administrative expenses for the years ended December 31, 1999 and 2000 include \$293,000 and \$741,000, respectively, in expense relating to these options. In October 2000, Allscripts granted options to purchase 1,672 shares of common stock to a consultant in exchange for services rendered. Selling, general and administrative expenses for the year ended December 31, 2000 include \$10,000 in expense relating to these options.

13. Lease Commitments

Allscripts conducts its operations from leased premises and with equipment acquired under several operating leases. Total rent expense from continuing operations was approximately \$599,000, \$579,000 and \$935,638 in 1998, 1999 and 2000, respectively.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Future minimum rental payments for the next five years are as follows (in thousands):

Year Ending December 31, -----	
2001.....	\$ 868
2002.....	837
2003.....	807
2004.....	411
2005.....	--

Total future minimum lease payments.....	\$2,923 =====

14. Contingencies

The pharmaceutical repackaging industry is subject to stringent federal and state regulations. Allscripts' repackaging operations are regulated by the Food and Drug Administration as if Allscripts were a manufacturer. Allscripts is also subject to regulation by the Drug Enforcement Administration in connection with the packaging and distribution of controlled substances.

Allscripts is a defendant in over 2,000 multi-defendant lawsuits brought by over 3,000 claimants involving the manufacture and sale of dexfenfluramine, fenfluramine and phentermine. The majority of these suits were filed in state courts in Texas beginning in August 1999. The plaintiffs in these cases claim injury as a result of ingesting a combination of these weight-loss drugs. In each of these suits, Allscripts is one of many defendants, including manufacturers and other distributors of these drugs. Allscripts does not believe it has any significant liability incident to the distribution or repackaging of these drugs, and it has tendered defense of these lawsuits to its insurance carrier for handling. In addition, while Allscripts has not yet conducted a review of all of the Texas suits, since physician dispensing is generally prohibited in Texas and Allscripts has never distributed these drugs

in Texas, Allscripts believes that it is unlikely that it is responsible for the distribution of the drugs at issue in many of these cases. The lawsuits are in various stages of litigation, and it is too early to determine what, if any, liability Allscripts will have with respect to the claims made in these lawsuits. If Allscripts' insurance coverage in the amount of \$16,000,000 per occurrence and \$17,000,000 per year in the aggregate is inadequate to satisfy any resulting liability, Allscripts will have to defend these lawsuits and be responsible for the damages, if any, that Allscripts suffers as a result of these lawsuits. Allscripts does not believe that the outcome of these lawsuits will have a material adverse effect on its financial condition, results of operations or cash flows.

Between October and December 2000, four complaints were filed in the United States District Court for the Northern District of Illinois against Allscripts and its President and Chief Financial Officer, David B. Mullen. The complaints purported to be brought on behalf of a class of individuals who purchased the common stock of Allscripts during the period of July 27, 2000 through and including October 26, 2000 (the "Class Period") and alleged violations of Section 10(b) and 20(a) of the Securities Exchange Act of 1934 based on Allscripts' restatement of its financial results for the second quarter of 2000. The four complaints were deemed related, and the cases were reassigned and consolidated for all purposes before Judge Charles Kocoras, before whom the first filed case was pending. The consolidated action is entitled *In re Allscripts, Inc. Securities Litigation*, No. 00C6796 (N.D. Ill.) and includes all consolidated cases: *Bredeson v. Allscripts, Inc. and David B. Mullen*, Civ. No. 00C-6796 (N.D. Ill., filed on October 31, 2000), *Karmazin v. Allscripts, Inc. and David B.*

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ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Mullen, Civ. No. 00C-6864 (N.D. Ill., filed on November 2, 2000), *Mohr v. Allscripts, Inc. and David B. Mullen*, Civ. No. 00C-6992 (N.D. Ill., filed on November 6, 2000), *Nadav v. Allscripts, Inc. and David B. Mullen*, Civ. No. 00C-8126 (N.D. Ill., filed on December 26, 2000).

In January 2001, Lead Plaintiff and Lead Counsel were appointed in the consolidated case. On March 12, 2001, plaintiffs filed a Consolidated and Amended Class Action Complaint (the "Amended Complaint"). The Amended Complaint continues to name Allscripts and David B. Mullen as defendants and alleges violations of Section 10(b) and 20(a) of the Securities Exchange Act. Three additional defendants are named in the Amended Complaint: Glen E. Tullman, Allscripts' Chairman of the Board and Chief Executive Officer, J. Peter Geerlofs, Allscripts' Chief Medical Officer, and Philip J. Langley, formerly Allscripts' Senior Vice President of Business Development/Field Services. The Amended Complaint purports to expand the Class Period in the consolidated case to include all individuals who purchased the common stock of Allscripts during the period from March 6, 2000 through and including February 27, 2001. The Amended Complaint is based on the previous allegations regarding Allscripts' restatement of its financial results for the second quarter of 2000 and new allegations relating to, *inter alia*, the prospects for the TouchScript product.

Allscripts intends to move to dismiss the Amended Complaint, and Judge Kocoras has set June 2001 as the prospective ruling date. At this time, management is unable to determine the likely outcome of this matter or to reasonably estimate the amount of any potential loss with respect to this matter.

In addition, Allscripts is from time to time subject to legal proceedings and claims that arise in the normal course of its business. In the opinion of management, the amount of ultimate liability with respect to these actions will not have a material adverse effect on Allscripts' consolidated financial condition, results of operations or cash flows.

15. Savings Plan

Effective January 1, 1993, employees of Allscripts who meet certain eligibility requirements can participate in Allscripts' 401(k) Savings and Investment Plan. Under the plan, Allscripts may, at its discretion, match the employee contributions. Allscripts recorded expenses from continuing operations related to its matching contributions in 1998, 1999 and 2000 of \$37,000, \$60,000 and \$184,000, respectively.

16. Discontinued Operations

On March 18, 1999, Allscripts signed a definitive agreement to sell certain assets of its pharmacy benefit management operation to Pharmacare Management Services, Inc., Pharmacare Direct, Inc., and Procure Pharmacy, Inc. The sale closed on March 31, 1999. The aggregate purchase price was \$15,400,000, payable in the form of an up-front payment at closing of \$7,000,000 and a contingent payment of up to \$8,400,000 payable within 10 business days after the first anniversary of the closing date. Additionally, the buyers purchased the inventory at Allscripts' net cost, approximately \$500,000, while Allscripts retained the remaining working capital. The contingent payment was based upon the number of prescription fillings (including original fillings and subsequent refills) for the one-year period following the closing. In May 2000, Allscripts received payment of \$4,353,000, net of related expenses, as final payment of the contingent consideration.

The operating results of the pharmacy benefit management segment have been segregated from continuing operations and reported as a separate line item on the Consolidated Statements of Operations under the caption "Income from discontinued operations." Additionally, Allscripts has reclassified its prior years' financial statements to present the operating results of the pharmacy benefit management operations as a discontinued operation.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

Operating results from discontinued operations were as follows:

	1998	1999	2000
	-----	-----	----
	(In thousands)		
Revenue.....	\$52,866	\$14,292	\$--
Cost of revenue.....	49,313	13,378	--
	-----	-----	----
Gross profit.....	3,553	914	--
Selling, general and administrative expenses.....	2,583	272	(83)
	-----	-----	----
Income from discontinued operations.....	\$ 970	\$ 642	\$ 83
	=====	=====	=====

Included in revenue is \$2,982,000, \$375,000 and \$0 in 1998, 1999 and 2000, respectively, from Anthem, Inc., a related party (see Note 18).

For the twelve months ended December 31, 1999 and 2000, Allscripts recognized a gain on the sale of this business of \$3,547,000 and \$4,353,000, respectively, which has been reported as a separate line item on the Consolidated Statement of Operations under the caption "Gain from sale of discontinued operations, net of income tax expense." The gain in 2000 represents final payment of contingent consideration related to the sale, net

of certain transaction costs.

The components of assets and liabilities of discontinued operations included in Allscripts' consolidated balance sheets at December 31 are as follows:

	1999	2000

	(In thousands)	
Assets:		
Accounts receivable.....	\$ 95	\$ 4
Other.....	145	--
	-----	-----
Total assets.....	240	4
Liabilities.....	226	317
	-----	-----
Net.....	\$ 14	\$ (313)
	=====	=====

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(Continued)

17. Supplemental Cash Flow Information

	1998	1999	2000

	(In thousands, except share and per share amounts)		
Interest paid.....	\$ 294	\$ 231	\$ --
Income taxes paid.....	--	--	--
Noncash investing and financing activity:			
Accretion of mandatory redemption value of preferred shares.....	323	794	--
In connection with the Series I Unit Offering, issuance of 1,803,838 shares of Series J Redeemable Preferred shares and 1,326,661 warrants in exchange for Allscripts' outstanding convertible subordinated debentures (in the aggregate principal amount of \$11,219,000) plus accrued interest thereon through April 15, 1998 (\$437,000 in aggregate).....	11,656	--	--
In connection with the 1999 acquisitions, issuance of 204,771 shares of common stock valued at an aggregate amount of approximately \$2,572,000 and the issuance of a 6% promissory note in the principal amount of \$650,000 in exchange for net tangible liabilities of \$637,000.....	--	3,222	--
In connection with the acquisition of MasterChart, Inc., issuance of 1,617,873 shares of common stock valued at an aggregate amount of approximately \$127,400,000 and \$5,000,000 in cash, in exchange for all outstanding common stock of MasterChart, Inc. ..	--	--	127,400
In connection with the acquisition of Medifor, Inc., issuance of 935,858 shares of common stock valued at an aggregate amount of approximately \$34,400,000 and issuance of 142,786 common stock option replacements of Medifor common stock options with a fair value of approximately \$4,200,000, in exchange for all			

outstanding common and preferred A and B stock of Medifor.....	--	--	38,600
In connection with other 2000 acquisitions, issuance of 87,484 shares of common stock valued at an aggregate amount of approximately \$3,000,000 and \$8,000,000 in cash in exchange for net tangible assets of \$274,000.....	--	--	3,000
In connection with Allscripts' initial public offering, conversion of 8,718,768 shares of preferred stock into 2,977,483 shares of common stock.....	--	8,719	--
Cumulative dividends in arrears on redeemable preferred shares.....	1,927	1,404	--

18. Related Party Transactions

From June 1997 through March 1999, Allscripts provided pharmacy benefit management services for Anthem, Inc. One of Allscripts' directors is Chairman of the Board of Anthem.

One of Allscripts' directors was a partner in the law firm of Green, Stewart, Farber & Anderson, P.C., which Allscripts retained to provide legal services. Expense related to services provided by this law firm was \$44,000, \$33,000 and \$55,000 in 1998, 1999 and 2000, respectively.

19. Subsequent Events

On January 8, 2001, Allscripts acquired Channelhealth Incorporated in exchange for 8,592,996 shares of common stock with a fair value of approximately \$218,400,000, the issuance of approximately 493,000 common stock options as replacement of Channelhealth common stock options with a fair value of approximately \$7,600,000 and transaction costs totaling approximately \$4,750,000. Allscripts will pay additional stock-based consideration if certain revenue targets are achieved during 2002, resulting in the recording of additional purchase price at the time that the targets are met.

In connection with the Channelhealth acquisition, Channelhealth and Allscripts, Inc. each became a wholly owned subsidiary of a new holding company, Allscripts Healthcare Solutions, Inc. As a result of the merger transaction, each outstanding share of Allscripts Inc. common stock was converted into one share of Allscripts Healthcare Solutions, Inc. common stock. Allscripts Inc. no longer files reports with the Securities and Exchange Commission, and its common stock is no longer listed on the Nasdaq National Market; however, Allscripts Healthcare Solutions, Inc. does file reports with the Securities and Exchange Commission, and its common stock is listed on the Nasdaq National Market under the symbol "MDRX".

In conjunction with the acquisition of Channelhealth, Allscripts assumed the Channelhealth 1999 Stock Option and Incentive Plan. Channelhealth reserved 2,500,000 shares of common stock for issuance under the plan. On the closing date, January 8, 2001, there were a total of 1,461,166 options granted under the plan at varying exercise prices. These options will be converted to options in Allscripts based upon the predetermined conversion rate. Accordingly, there will be approximately 493,000 options to purchase Allscripts common stock at exercise prices ranging from \$26.74 to \$68.31. Options to purchase 415,635 shares of Allscripts common stock are fully vested on the closing date. Options generally expire ten years after issuance.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders

Allscripts Healthcare Solutions, Inc.:

Under date of February 23, 2001, except for note 14 as to which the date is March 12, 2001, we reported on the consolidated balance sheet of Allscripts Healthcare Solutions, Inc. and subsidiaries (Company) as of December 31, 2000, and the related consolidated statements of operations, stockholders' equity (deficit) and comprehensive income (loss), and cash flows for the year then ended. In connection with our audit of the aforementioned consolidated financial statements, we also audited the related financial statement schedule as listed in the accompanying index. The financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audit.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Chicago, Illinois
February 23, 2001

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REPORT OF INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Board of Directors of Allscripts
Healthcare Solutions, Inc.:

Our audits of the consolidated financial statements referred to in our report dated February 17, 2000 appearing in this Form 10-K also included an audit of the financial statement schedule for each of the two years in the period ended December 31, 1999 listed in Item 14(a)(2) of this Form 10-K. In our opinion, this financial statement schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. We have not audited the financial statement schedule of Allscripts Healthcare Solutions, Inc. (formerly Allscripts, Inc.) and subsidiaries for any period subsequent to December 31, 1999.

/s/ PricewaterhouseCoopers LLP

Chicago, Illinois
February 17, 2000

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ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND SUBSIDIARIES

VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

Schedule II

	Beginning Balance	Charged to Expense	Deductions (Write-offs)	Ending Balance
	-----	-----	-----	-----
	(In thousands)			
Allowance for accounts receivable				
Year ended December 31, 1998....	\$ 3,432	\$1,241	\$ (150)	\$ 4,523
Year ended December 31, 1999....	4,523	(633)	(147)	3,743

Year ended December 31, 2000....	3,743	980	(339)	4,384
Valuation allowance for deferred tax assets				
Year ended December 31, 1998....	13,588	1,696	--	15,284
Year ended December 31, 1999....	15,284	4,354	--	19,638
Year ended December 31, 2000....	19,638	7,338	(11,973) (1)	15,003

(1) Deduction related to net deferred tax liabilities established in connection with acquisitions made in 2000.

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Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

On December 21, 2000, Allscripts dismissed PricewaterhouseCoopers LLP (PWC) as Allscripts' independent accountant. At the recommendation of its audit committee, the board of directors of Allscripts authorized the dismissal of PWC.

The reports of PWC on Allscripts' consolidated financial statements as of and for the two years ended December 31, 1998 and 1999 did not contain an adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

During Allscripts' two fiscal years ended December 31, 1999, and in the interim period from January 1, 2000 through December 21, 2000, there were no disagreements with PWC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of PWC, would have caused them to make reference thereto in their report of the financial statements for those years.

During Allscripts' two fiscal years ended December 31, 1999 and in the interim period from January 1, 2000 through December 21, 2000, there were no "reportable events" as defined in Item 304(a)(1)(v) of Regulation S-K promulgated under the Securities Exchange Act of 1934 except that in connection with PWC's review of Allscripts' financial statements for the quarter ended September 30, 2000, PWC advised Allscripts of the existence of a material weakness relating to the controls surrounding contract administration. To immediately address this concern, Allscripts, among other things, hired a contract attorney, who serves as a full-time Contract Administrator with the responsibility for the retention, review, analysis, monitoring and maintenance of individual customer contracts. Management and the audit committee believe that the concerns expressed by PWC have been adequately addressed through the actions taken by Allscripts.

Allscripts provided PWC with a copy of the disclosures made in its Current Report on Form 8-K dated December 21, 2000 and filed with the Securities and Exchange Commission on December 28, 2000 (the "Form 8-K") and requested that PWC furnish Allscripts with a letter addressed to the Securities and Exchange Commission stating whether PWC agrees with the statements made by Allscripts in response to Item 304(a) of Regulation S-K and, if not, stating the respects in which PWC does not agree. A copy of that letter is filed as Exhibit A to the Form 8-K.

At the recommendation of the audit committee, the board authorized the engagement of KPMG LLP as Allscripts' new independent accountants to audit and report on the financial statements for the fiscal year ending December 31, 2000 and to act, on a continuing basis, as Allscripts' independent accountant. On December 21, 2000, Allscripts requested that KPMG LLP be engaged as its independent accountants, and KPMG LLP accepted the engagement on December 28, 2000.

During the two fiscal years ended December 31, 1999 and in the interim period from January 1, 2000 through December 21, 2000, Allscripts did not

consult with KPMG LLP regarding either the application of accounting principles to a specified transaction, either completed or proposed, or the types of audit opinion that might be rendered on Allscripts' financial statements. In addition, Allscripts did not consult with KPMG LLP regarding any matter that was the subject of a disagreement or a reportable event within the meaning of Item 304 of Regulation S-K.

PART III

Item 10. Directors and Executive Officers of the Registrant

Information regarding directors, executive officers and other key employees is included under the captions "Election of Directors" and "Executive Officers" in Allscripts' proxy statement for the 2001 Annual Meeting of Stockholders and is incorporated by reference herein.

Information regarding Section 16(a) reporting compliance is included under the caption "Section 16(a) Beneficial Ownership Reporting Compliance" in Allscripts' proxy statement for the 2001 Annual Meeting of Stockholders and is incorporated by reference herein.

Item 11. Executive Compensation

Information regarding executive and director compensation is included under the captions "Executive Compensation" and "Director Compensation" in Allscripts' proxy statement for the 2001 Annual Meeting of Stockholders and is incorporated by reference herein.

Item 12. Security Ownership of Certain Beneficial Owners and Management

Information regarding security ownership is included under the caption "Ownership of Allscripts Common Stock" in Allscripts' proxy statement for the 2001 Annual Meeting of Stockholders and is incorporated by reference herein.

Item 13. Certain Relationships and Related Party Transactions

Information regarding certain relationships and related party transactions is included under the caption "Certain Relationships and Related Party Transactions" in Allscripts' proxy statement for the 2001 Annual Meeting of Stockholders and is incorporated by reference herein.

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a)(1) Financial Statements

The following consolidated financial statements of Allscripts Healthcare Solutions, Inc. and its subsidiaries are included in Part II of this report:

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Comprehensive Income (Loss) for the years ended December 31, 1998, 1999 and 2000.....	38
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(a) (2) Financial Statement Schedules

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(a) (3) List of Exhibits

Exhibit Number -----	Description -----	Reference -----
2.1	Form of Plan of Merger between Allscripts, Inc. and Allscripts, Inc., an Illinois corporation.	Incorporated herein by reference from the Allscripts, Inc. Registration Statement on Form S-1 as part of Amendment No. 4 filed on July 20, 1999 (SEC file no. 333-78431)
2.2	Agreement and Plan of Merger, dated as of March 13, 2000, among Allscripts, Inc., MC Acquisition Corp., MasterChart, Inc. and certain shareholders of MasterChart, Inc., together with a list of exhibits and schedules thereto. Such exhibits and schedules are not filed, but the Registrant undertakes to furnish a copy of any such exhibit or schedule to the Securities and Exchange Commission upon request.	Incorporated herein by reference from the Allscripts, Inc. Current Report on Form 8-K filed on May 24, 2000, as amended on July 24, 2000 and July 25, 2000
2.3	Amendment No. 1 to Agreement and Plan of Merger, dated as of May 9, 2000, by and among Allscripts Inc., MC Acquisition Corp., MasterChart, Inc. and certain shareholders of MasterChart, Inc.	Incorporated herein by reference from the Allscripts, Inc. Current Report on Form 8-K filed on May 24, 2000, as amended on July 24, 2000 and July 25, 2000
2.4	Agreement and Plan of Merger, dated as of April 12, 2000, among Allscripts, Inc., WebDoc Acquisition Corp., Medifor, Inc. and certain shareholders of Medifor, Inc., together with a list of exhibits and schedules thereto. Such exhibits and schedules are not filed, but the Registrant	Incorporated herein by reference from the Allscripts, Inc. Current Report on Form 8-K filed on May 31, 2000, as amended on July 25, 2000

Exhibit Number -----	Description -----	Reference -----
	undertakes to furnish a copy of any such exhibit or schedule to the Securities and Exchange Commission upon request.	
2.5	Agreement and Plan of Merger, dated as of July 13, 2000, by and among Allscripts Holding, Inc., Allscripts, Inc., Bursar Acquisition, Inc., Bursar Acquisition No. 2, Inc., IDX Systems Corporation and Channelhealth	Incorporated herein by reference from the Allscripts, Inc. Current Report on Form 8-K filed on July 27, 2000

Incorporated.

- | | | |
|-------|---|--|
| 2.6 | First Amendment to Agreement and Plan of Merger, entered into as of November 29, 2000, by and among Allscripts Holding, Inc., Allscripts, Inc., Bursar Acquisition, Inc., Bursar Acquisition No. 2, Inc., IDX Systems Corporation and Channelhealth Incorporated. | Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Registration Statement on Form S-4 as part of Amendment No. 1 filed on December 7, 2000 (SEC file no. 333-49568) |
| 3.1 | Amended and Restated Certificate of Incorporation of Allscripts Healthcare Solutions, Inc. (formerly named Allscripts Holding, Inc.). | Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Registration Statement on Form S-4 as part of Amendment No. 1 filed on December 7, 2000 (SEC file no. 333-49568) |
| 3.2 | Certificate of Amendment of Amended and Restated Certificate of Incorporation of Allscripts Healthcare Solutions, Inc. (formerly named Allscripts Holding, Inc.). | Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Registration Statement on Form S-4 as part of Amendment No. 1 filed on December 7, 2000 (SEC file no. 333-49568) |
| 3.3 | Certificate of Amendment of Amended and Restated Certificate of Incorporation of Allscripts Healthcare Solutions, Inc. (formerly named Allscripts Holding, Inc.). | Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Registration Statement on Form S-4 as part of Amendment No. 1 filed on December 7, 2000 (SEC file no. 333-49568) |
| 3.4 | Bylaws of Allscripts Healthcare Solutions, Inc. (formerly named Allscripts Holding, Inc.). | Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Registration Statement on Form S-4 as part of Amendment No. 1 filed on December 7, 2000 (SEC file no. 333-49568) |
| 10.1+ | Amended and Restated 1993 Stock Incentive Plan, as amended May 10, 2000. | Incorporated herein by reference from the Allscripts, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 |
| 10.2 | Asset Purchase Agreement, dated as of March 19, 1999, by and among Allscripts, Inc., PharmaCare Management Services, Inc., PharmaCare Direct, Inc. and ProCare Pharmacy, Inc. | Incorporated herein by reference from the Allscripts, Inc. Registration Statement on Form S-1 as part of Amendment No. 1 filed on June 7, 1999 (SEC file no. 333-78431) |
| 10.3 | Twelfth Restated Registration Agreement dated as of June 18, 1999, by and among Allscripts, Inc., those Holders of Allscripts, Inc. Series A Preferred, Series B Preferred, Series C Preferred, Series D Preferred, Series F Preferred and | Incorporated herein by reference from the Allscripts, Inc. Registration Statement on Form S-1 as part of Amendment No. 2 filed on June 29, 1999 (SEC file no. 333-78431) |

Exhibit Number	Description	Reference
-----	-----	-----
	Series G Preferred listed in Schedule I attached thereto, the Holders of the Extension Guaranty Warrants listed in Schedule II thereto, the Holders of the 1996 Extension Guaranty Warrants listed in Schedule II thereto, those Holders of Common listed in Schedule III thereto, the Holders of Series H Warrants and H Unit Common listed in Schedule IV thereto, the Holders of Extension Series H Warrants listed in Schedule IV	

thereto, the Holders of I Unit Common listed in Schedule V thereto and the Holders of Debenture Warrants listed in Schedule VI thereto.

- | | | |
|--------|---|--|
| 10.4 | Industrial Building Lease dated April 30, 1997 between G2 Limited Partnership and Allscripts, Inc. | Incorporated herein by reference from the Allscripts, Inc. Registration Statement on Form S-1 filed on May 14, 1999 (SEC file no. 333-78431) |
| 10.5 | Lease Agreement between American National Bank and Trust Company of Chicago, as Trustee, and Allscripts, Inc. dated September 1996, as amended December 31, 1999. | Incorporated herein by reference from the Allscripts, Inc. Registration Statement on Form S-1 as part of Amendment No. 1 filed on February 18, 2000 (SEC file no. 333-95521) |
| 10.6+ | Employment Agreement effective August 1, 1997 between Allscripts, Inc. and Glen E. Tullman. | Incorporated herein by reference from the Allscripts, Inc. Registration Statement on Form S-1 filed on May 14, 1999 (SEC file no. 333-78431) |
| 10.7+ | Employment Agreement effective August 1, 1997 between Allscripts, Inc. and David B. Mullen. | Incorporated herein by reference from the Allscripts, Inc. Registration Statement on Form S-1 filed on May 14, 1999 (SEC file no. 333-78431) |
| 10.8+ | Agreement dated May 1, 1995 between Allscripts, Inc. and John G. Cull. | Incorporated herein by reference from the Allscripts, Inc. Registration Statement on Form S-1 filed on May 14, 1999 (SEC file no. 333-78431) |
| 10.9 | Form of TouchScript Master License Agreement. | Incorporated herein by reference from the Allscripts, Inc. Registration Statement on Form S-1 filed on May 14, 1999 (SEC file no. 333-78431) |
| 10.10 | Supply Agreement dated August 27, 1998 between McKesson U.S. Health Care and Allscripts, Inc. | Incorporated herein by reference from the Allscripts, Inc. Registration Statement on Form S-1 as part of Amendment No. 1 filed on June 7, 1999 (SEC file no. 333-78431) |
| 10.11 | Asset Purchase Agreement dated June 30, 1999 by and among Allscripts, Inc. and Shopping@Home, Inc., Glen Tullman, Lee Shapiro, Stanley Crane and Joseph E. Carey. | Incorporated herein by reference from the Allscripts, Inc. Registration Statement on Form S-1 as part of Amendment No. 4 filed on July 20, 1999 (SEC file no. 333-78431) |
| 10.12+ | Employment Agreement, effective August 2, 1999, between Allscripts, Inc. and Joseph E. Carey. | Incorporated herein by reference from the Allscripts, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 1999 |

- | Exhibit
Number
----- | Description
----- | Reference
----- |
|----------------------------|---|--|
| 10.13+ | Employment Agreement dated as of April 5, 2000 by and between Allscripts, Inc. and Lee A. Shapiro. | Incorporated herein by reference from the Allscripts, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2000 |
| 10.14 | Stock Rights and Restrictions Agreement by and between Allscripts Healthcare Solutions, Inc. and IDX Systems Corporation dated as of January 8, 2001. | |
| 10.15 | Strategic Alliance Agreement by and between Allscripts Healthcare Solutions, Inc. and IDX Systems Corporation dated as of January 8, 2000. | |

- 10.16 Asset Purchase Agreement, dated as of July 13, 2000, by and between Channelhealth Incorporated and IDX Systems Corporation. Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Registration Statement on Form S-4 as part of Amendment No. 1 filed on December 7, 2000 (SEC file no. 333-49568)
- 10.17 Amended and Restated Cross License and Software Maintenance Agreement by and between IDX Systems Corporation and Channelhealth Incorporated dated January 8, 2001.
- 21.1 Subsidiaries
- 23.1 Consent of KPMG LLP
- 23.2 Consent of PricewaterhouseCoopers LLP

 +Indicates management contract or compensatory plan.

(b) Reports on Form 8-K

Current report on Form 8-K filed December 28, 2000, which included disclosure under Item 4 relating to Allscripts' change in its independent accountants.

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 March 30, 2001.

ALLSCRIPTS HEALTHCARE SOLUTIONS,
 INC.

/s/ David B. Mullen
 By: _____
 David B. Mullen
 President and Chief Financial
 Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below on March 30, 2001 by the following persons on behalf of the Registrant in the capacities indicated.

Signature -----	Title -----
/s/ Glen E. Tullman ----- Glen E. Tullman	Chairman and Chief Executive Officer (Principal Executive Officer)
/s/ David B. Mullen ----- David B. Mullen	President, Chief Financial Officer and Director (Principal Financial Officer)
/s/ John G. Cull ----- John G. Cull	Senior Vice President, Finance, Treasurer and Secretary (Principal Accounting Officer)
/s/ Philip D. Green ----- Philip D. Green	Director

/s/ M. Fazle Husain Director

M. Fazle Husain

/s/ Michael J. Kluger Director

Michael J. Kluger

/s/ L. Ben Lytle Director

L. Ben Lytle

/s/ Edward M. Philip Director

Edward M. Philip

/s/ Richard E. Tarrant Director

Richard E. Tarrant

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INDEX TO EXHIBITS

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2000, by and among Allscripts Holding, Inc., Allscripts, Inc., Bursar Acquisition, Inc., Bursar Acquisition No. 2, Inc., IDX Systems Corporation and Channelhealth Incorporated.

Inc. Registration Statement on Form S-4 as part of Amendment No. 1 filed on December 7, 2000 (SEC file no. 333-49568)

3.1 Amended and Restated Certificate of Incorporation of Allscripts Healthcare Solutions, Inc. (formerly named Allscripts Holding, Inc.).

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10.3	Twelfth Restated Registration Agreement dated as of June 18, 1999, by and among Allscripts, Inc., those Holders of Allscripts, Inc. Series A Preferred, Series B Preferred, Series C Preferred, Series D Preferred, Series F Preferred and Series G Preferred listed in Schedule I attached thereto, the Holders of the Extension Guaranty Warrants listed in Schedule II thereto, the Holders of the 1996 Extension Guaranty Warrants listed in Schedule II thereto, those Holders of Common listed in Schedule III thereto, the Holders of Series H Warrants and H Unit Common listed in Schedule IV thereto, the Holders of Extension Series H Warrants listed in Schedule IV thereto, the Holders of I Unit Common listed in Schedule V thereto and the Holders of Debenture Warrants listed in Schedule VI thereto.	Incorporated herein by reference from the Allscripts, Inc. Registration Statement on Form S-1 as part of Amendment No. 2 filed on June 29, 1999 (SEC file no. 333-78431)

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- 10.5 Lease Agreement between American National Bank and Trust Company of Chicago, as Trustee, and Allscripts, Inc. dated September 1996, as amended December 31, 1999. Incorporated herein by reference from the Allscripts, Inc. Registration Statement on Form S-1 as part of Amendment No. 1 filed on February 18, 2000 (SEC file no. 333-95521)

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Exhibit Number -----	Description -----	Reference -----
10.6+	Employment Agreement effective August 1, 1997 between Allscripts, Inc. and Glen E. Tullman.	Incorporated herein by reference from the Allscripts, Inc. Registration Statement on Form S-1 filed on May 14, 1999 (SEC file no. 333-78431)
10.7+	Employment Agreement effective August 1, 1997 between Allscripts, Inc. and David B. Mullen.	Incorporated herein by reference from the Allscripts, Inc. Registration Statement on Form S-1 filed on May 14, 1999 (SEC file no. 333-78431)
10.8+	Agreement dated May 1, 1995 between Allscripts, Inc. and John G. Cull.	Incorporated herein by reference from the Allscripts, Inc. Registration Statement on Form S-1 filed on May 14, 1999 (SEC file no. 333-78431)
10.9	Form of TouchScript Master License Agreement.	Incorporated herein by reference from the Allscripts, Inc. Registration Statement on Form S-1 filed on May 14, 1999 (SEC file no. 333-78431)
10.10	Supply Agreement dated August 27, 1998 between McKesson U.S. Health Care and Allscripts, Inc.	Incorporated herein by reference from the Allscripts, Inc. Registration Statement on Form S-1 as part of Amendment No. 1 filed on June 7, 1999 (SEC file no. 333-78431)
10.11	Asset Purchase Agreement dated June 30, 1999 by and among Allscripts, Inc. and Shopping@Home, Inc., Glen Tullman, Lee Shapiro, Stanley Crane and Joseph E. Carey.	Incorporated herein by reference from the Allscripts, Inc. Registration Statement on Form S-1 as part of Amendment No. 4 filed on July 20, 1999 (SEC file no. 333-78431)
10.12+	Employment Agreement, effective August 2, 1999, between Allscripts, Inc. and Joseph E. Carey.	Incorporated herein by reference from the Allscripts, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 1999
10.13+	Employment Agreement dated as of April 5, 2000 by and between Allscripts, Inc. and Lee A. Shapiro.	Incorporated herein by reference from the Allscripts, Inc. Quarterly Report on Form 10-Q for the quarter ended June 30, 2000
10.14	Stock Rights and Restrictions Agreement by and between Allscripts Healthcare Solutions, Inc. and IDX Systems Corporation dated as of January 8, 2001.	
10.15	Strategic Alliance Agreement by and between Allscripts Healthcare Solutions, Inc. and IDX Systems Corporation dated as of January 8, 2000.	
10.16	Asset Purchase Agreement, dated as of July 13, 2000, by and between Channelhealth Incorporated and IDX Systems Corporation.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Registration Statement on Form S-4 as part of Amendment No. 1 filed on

Exhibit Number -----	Description -----	Reference -----
10.17	Amended and Restated Cross License and Software Maintenance Agreement by and between IDX Systems Corporation and Channelhealth Incorporated dated January 8, 2001.	
21.1	Subsidiaries	
23.1	Consent of KPMG LLP	
23.2	Consent of PricewaterhouseCoopers LLP	

+Indicates management contract or compensatory plan.

STOCK RIGHTS AND RESTRICTIONS AGREEMENT

by and between

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

and

IDX SYSTEMS CORPORATION

Dated as of January 8, 2001

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STOCK RIGHTS AND RESTRICTIONS AGREEMENT

STOCK RIGHTS AND RESTRICTIONS AGREEMENT (the "Agreement"), dated as of January 8, 2001, between Allscripts Healthcare Solutions, Inc., a Delaware corporation ("Allscripts") and IDX Systems Corporation, a Vermont corporation ("IDX").

RECITALS:

A. After giving effect to the Closing, IDX owns 7,497,838 shares of Allscripts Common Stock (together with any additional Allscripts Voting Shares that IDX or any Affiliate of IDX may from time to time own, the "IDX Shares").

B. After giving effect to the Closing, Richard E. Tarrant ("R.E.T."). is the initial IDX Designee.

C. The Boards of Directors of Allscripts and IDX deem it advisable to establish (i) insofar as concerns IDX, certain rights and restrictions with respect to Allscripts Business Combination Transactions and the IDX Shares and (ii) insofar as concerns Allscripts, certain restrictions with respect to IDX Business Combination Transactions and any securities of IDX having voting power under ordinary circumstances with respect to the election of directors of IDX that Allscripts may hold from time to time.

ACCORDINGLY, premises considered, the parties have entered into this Agreement.

1. DEFINITIONS. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Affiliate" shall mean, with respect to any specified Person, any other Person, directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" (including, with correlative meanings, "controlling," "controlled by," and "under common control with") means the power to direct or cause the direction of the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract, or otherwise and, with respect to a corporation or partnership,

control shall mean direct or indirect ownership of more than fifty percent (50%) of the voting stock or general partnership interest or voting interest in any such corporation or partnership. Notwithstanding anything to the contrary in this definition, Affiliates of IDX who were stockholders of Channelhealth Incorporated ("Channelhealth") immediately prior to the Closing shall not be considered "Affiliates" for purposes of Recital A (definition of "IDX Shares") and Sections 2.2, 2.4 (other than Section 2.4(a)), 2.5, 2.6 and 4.2 hereof.

(b) "Acceptance Notice" shall have the meaning set forth in Section 2.6(b).

(c) "Applicable Percentage" shall mean 2%.

(d) "Allscripts" shall have the meaning set forth in the first paragraph of this Agreement; and the term "Allscripts" shall include Allscripts and its Affiliates unless the context otherwise requires.

(e) "Allscripts Business Combination Transaction" shall mean a merger, consolidation, "business combination" as defined in Section 203 of the DGCL as in effect on the date hereof, compulsory share exchange, recapitalization or other transaction in which Allscripts is a constituent corporation or to which Allscripts is a party and pursuant to which the Allscripts Voting Shares are exchanged for cash, securities or other property or a sale of all or substantially all of the assets of Allscripts and its Subsidiaries, taken as a whole; provided, however, that none of the following shall be deemed an Allscripts Business Combination Transaction for purposes of this Agreement: (i) a merger, consolidation, compulsory share exchange, recapitalization or other transaction in which the Beneficial Ownership of the capital stock of Allscripts or the surviving corporation of the transaction (or of the ultimate parent of Allscripts or of such surviving corporation) immediately after the consummation of such transaction is substantially the same as the ownership of the capital stock of Allscripts immediately prior to the consummation of the transaction or (ii) a merger (A) in which Allscripts is the surviving corporation, (B) in which all Allscripts Voting Shares immediately prior to the consummation of such merger remain outstanding immediately after the consummation thereof, (C) as a result of the consummation of which no Person will Beneficially Own a majority of the Allscripts Fully Diluted Shares and (D) following the consummation of which the Allscripts Continuing Directors (which, for the purposes of this clause (e), shall include the IDX Designee) will represent a majority of the Board of Directors of Allscripts.

(f) "Allscripts Common Stock" shall mean Allscripts' common stock, par value \$0.01 per share, and any shares of common stock or similar securities into which the common stock of Allscripts are hereafter reclassified into or exchanged for.

(g) "Allscripts Continuing Director" shall mean (i) any member of the Board of Directors of Allscripts, while such Person is a member of such Board of Directors, who (A) was a member of the Board of Directors of Allscripts prior to the date hereof or (B) is recommended or elected to the Board of Directors by a majority of the Allscripts Continuing Directors to fill a vacancy arising as a result of an increase in the number of directors of Allscripts occurring after the date hereof and (ii) any successor of an Allscripts Continuing Director, while such successor is a member of the Board of Directors of Allscripts, who is recommended or elected to succeed the Allscripts Continuing Director by a majority of the Allscripts Continuing Directors. Notwithstanding anything to the contrary in this definition, for purposes of this Agreement, the IDX Designee shall not be considered an Allscripts Continuing Director.

(h) "Allscripts Exchangeable Security" shall mean a security of any type, including but not limited to debt, equity, warrants or other rights, issued by Allscripts or representing the right to acquire Allscripts Voting Shares from Allscripts upon exchange, conversion or exercise thereof.

(i) "Allscripts Fully Diluted Shares" shall mean, at any time, the sum of (i) the Allscripts Voting Shares then outstanding plus (ii) the number of Allscripts Voting Shares reserved for issuance or issuable in connection with

the exercise, exchange or conversion of options, warrants or securities of Allscripts then outstanding that are at such time exercisable or exchangeable for Allscripts Voting Shares or are convertible into Allscripts Voting Shares.

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(j) "Allscripts Voting Shares" shall mean the Allscripts Common Stock and any other securities of Allscripts having voting power under ordinary circumstances with respect to the election of directors of Allscripts.

(k) "Beneficially Own" shall have the meaning assigned to such term in Rule 13d-3 under the Exchange Act in effect on the date hereof. "Beneficial Owner" and "Beneficial Ownership" shall have correlative meanings.

(l) "Closing" shall have the meaning assigned to such term in the Merger Agreement.

(m) "Current Price" shall have the meaning set forth in Section 2.4(i).

(n) "DGCL" shall have the meaning set forth in Section 2.1(c).

(o) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended, or any successor federal statute as in effect from time to time.

(p) "Expenses" shall have the meaning set forth in Section 2.5(j)(v).

(q) "IDX" shall have the meaning set forth in the first paragraph hereof; and the term "IDX" shall include IDX and its Affiliates unless the context otherwise requires or as otherwise specified in the definition of "Affiliate."

(r) "IDX Business Combination Transaction" shall mean a merger, consolidation, "business combination" as defined in Section 203 of the DGCL as in effect on the date hereof, compulsory share exchange, recapitalization or other transaction in which IDX is a constituent corporation or to which IDX is a party and pursuant to which the IDX Voting Shares are exchanged for cash, securities or other property or a sale of all or substantially all of the assets of IDX and its Subsidiaries, taken as a whole; provided, however, that none of the following shall be deemed an IDX Business Combination Transaction for purposes of this Agreement: (i) a merger, consolidation, compulsory share exchange, recapitalization or other transaction in which the Beneficial Ownership of the capital stock of IDX or the surviving corporation of the transaction (or of the ultimate parent of IDX or of such surviving corporation) immediately after the consummation of such transaction is substantially the same as the ownership of the capital stock of IDX immediately prior to the consummation of the transaction or (ii) a merger (A) in which IDX is the surviving corporation, (B) in which all IDX Voting Shares immediately prior to the consummation of such merger remain outstanding immediately after the consummation thereof, (C) as a result of the consummation of which no Person will Beneficially Own a majority of the IDX Fully Diluted Shares and (D) following the consummation of which the IDX Continuing Directors will represent a majority of the Board of Directors of IDX.

(s) "IDX Common Stock" shall mean IDX's common stock, par value \$0.01 per share, and any shares of common stock or similar securities into which the common stock of IDX are hereafter reclassified into or exchanged for.

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(t) "IDX Continuing Director" shall mean (i) any member of the Board of Directors of IDX, while such Person is a member of such Board of Directors, who (A) was a member of the Board of Directors of IDX prior to the date hereof or (B) is recommended or elected to the Board of Directors by a majority of the IDX Continuing Directors to fill a vacancy arising as a result of an increase in the number of directors of IDX occurring after the date hereof and (ii) any

successor of an IDX Continuing Director, while such successor is a member of the Board of Directors of IDX, who is recommended or elected to succeed the IDX Continuing Director by a majority of the IDX Continuing Directors.

(u) "IDX Designee" shall have the meaning set forth in Section 2.2(a) hereof.

(v) "IDX Exchangeable Security" shall mean a security of any type, including but not limited to debt, equity, warrants or other rights, issued by IDX or representing the right to acquire IDX Voting Shares from IDX upon exchange, conversion or exercise thereof.

(w) "IDX Fully Diluted Shares" shall mean, at any time, the sum of (i) the IDX Voting Shares then outstanding plus (ii) the number of IDX Voting Shares reserved for issuance or issuable in connection with the exercise, exchange or conversion of options, warrants or securities of IDX then outstanding that are at such time exercisable or exchangeable for IDX Voting Shares or are convertible into IDX Voting Shares.

(x) "IDX Shares" shall have the meaning set forth in Recital A.

(y) "IDX Voting Shares" shall mean the IDX Common Stock and any other securities of IDX having voting power under ordinary circumstances with respect to the election of directors of IDX.

(z) "Insolvency Laws" shall have the meaning set forth in Section 5.7(a)(ii).

(aa) "Market Price" shall have the meaning set forth in Section 2.4(h).

(bb) "Maximum Number" shall have the meaning set forth in Section 2.4(j)(ii).

(cc) "Merger Agreement" shall mean the Agreement and Plan of Merger, dated as of July 13, 2000, among Allscripts, Allscripts, Inc., Bursar Acquisition, Inc., Bursar Acquisition No. 2, Inc., IDX and Channelhealth.

(dd) "Notice of Arranged Transfer" shall have the meaning set forth in Section 2.4(h)(i).

(ee) "Notice of Block Purchase" shall have the meaning set forth in Section 2.4(i)(i).

(ff) "Notice of Block Transfer" shall have the meaning set forth in Section 2.4(i)(i).

(gg) "Notice of Proposed Transfer" shall have the meaning set forth in Section 2.4(h)(i).

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(hh) "Offer Notice" shall have the meaning set forth in Section 2.6(b).

(ii) "Per Share Market Value" means on any particular date (i) the last sale price per share of the Allscripts Common Stock on such date on the principal stock exchange on which the Allscripts Common Stock has been listed or, if there is no such price on such date, then the last price on such exchange on the date nearest preceding such date, or (ii) if the Allscripts Common Stock is not listed on any stock exchange, the final bid price for a share of Allscripts Common Stock in the over-the-counter market, as reported by The Nasdaq Stock Market at the close of business on such date, or the last sales price if such price is reported and final bid prices are not available, or (iii) if the Allscripts Common Stock is not quoted on The Nasdaq Stock Market, the bid price for a share of Allscripts Common Stock in the over-the-counter market as reported by the National Quotation Bureau Incorporated (or any similar

organization or agency succeeding to its functions of reporting prices), or (iv) if the Allscripts Common Stock is no longer publicly traded, as determined by one of the investment banking firms listed on Schedule I, as selected by IDX.

(jj) "Person" shall mean any individual, firm, partnership, association, group (as such term is defined in Section 13(d)(3) of the Exchange Act, as in effect on the date hereof), corporation, trust, business trust or other entity, and includes any successor (by merger or otherwise) of any such entity.

(kk) "Piggyback Registration" shall have the meaning set forth in Section 2.4(j)(i).

(ll) "Piggyback Registration Request" shall have the meaning set forth in Section 2.4(j)(i).

(mm) "Private Placement" shall mean a Transfer of IDX Shares pursuant to a transaction not involving a Public Offering; provided, however, that (i) the sale of IDX Shares pursuant to a tender or exchange offer is not a Private Placement; (ii) a Private Placement shall not include a Transfer to any Person who, directly or indirectly, has as one of its material businesses the provision of healthcare information and/or point of care clinical applications and devices (a "Allscripts Competitor") if, as a result of such Transfer, such Allscripts Competitor would Beneficially Own such number of Allscripts Voting Shares as would constitute 10% or more of the then outstanding Allscripts Voting Shares, unless any such Allscripts Competitor acquiring such amount of securities enters into an agreement with Allscripts limiting the Transfer of such shares on substantially the same terms as this Agreement, except that the term of such agreement shall be 10 years from the date of such agreement; and (iii) a Private Placement shall not include a Transfer of IDX Shares to any Person if following such Transfer such Person Beneficially Owns more than 10% of the then outstanding Allscripts Voting Shares unless such Person enters into an agreement with Allscripts with terms and conditions restricting the Transfer of such shares substantially similar to those contained herein, except that the term of such agreement shall be for 10 years from the date of such agreement. IDX shall be entitled to rely on a representation of the proposed recipient in determining whether a Transfer to such recipient qualifies as a Private Placement under clauses (ii) and (iii) of the preceding sentence.

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(nn) "Public Offering" shall mean a firm commitment underwritten public offering pursuant to a registration statement that has been declared effective by the SEC under the Securities Act.

(oo) "Rule 144" shall mean Rule 144 adopted by the SEC under the Securities Act, or any successor rule.

(pp) "SEC" shall mean the Securities and Exchange Commission.

(qq) "Securities Act" shall mean the Securities Act of 1933, as amended, or any successor federal statute as in effect from time to time.

(rr) "Specified Price" shall have the meaning set forth in Section 2.4(i).

(ss) "Subsidiary" shall mean, with respect to any Person, any other Person of which at least a majority of the voting power of the voting equity securities or voting equity interest is owned, directly or indirectly, by such Person.

(tt) "Target Price" shall have the meaning set froth in Section 2.4(h).

(uu) "Trading Day" means (i) a day on which the Allscripts Common Stock is traded on the principal stock exchange on which the Allscripts Common Stock has been listed, or (ii) if the Allscripts Common Stock is not listed on

any stock exchange, a day on which the Allscripts Common Stock is quoted in the over-the-counter market, as reported by The Nasdaq Stock Market, or (iii) if the Allscripts Common Stock is not quoted on The Nasdaq Stock Market, a day on which the Allscripts Common Stock is quoted in the over-the-counter market as reported by the National Quotation Bureau Incorporated (or any similar organization or agency succeeding to its functions of reporting prices).

(vv) "Transfer" shall have the meaning set forth in Section 2.4 hereof.

2. SHARE RIGHTS AND RESTRICTIONS

2.1 LIMITATION ON CERTAIN TRANSACTIONS

(a) (i) Except as otherwise permitted by this Agreement, IDX agrees that IDX shall not, during the period from the date of this Agreement until its termination, (A) engage, or propose to engage, in any Allscripts Business Combination Transaction with Allscripts, or (B) make any proposal to Allscripts, the Board of Directors of Allscripts or the stockholders of Allscripts with respect to a tender offer or exchange offer for Allscripts Voting Shares or a liquidation of Allscripts, unless either (x) such transaction shall have been approved by a majority of the Allscripts Continuing Directors or (y) on the date when such transaction is proposed, no IDX Designee shall be serving on the Board of Directors of Allscripts and IDX and its Affiliates collectively shall Beneficially Own less than 5% of the then outstanding Allscripts Voting Shares.

(ii) Except as otherwise permitted by this Agreement, Allscripts agrees that Allscripts shall not, during the period from the date of this Agreement until its termination,

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(A) engage, or propose to engage, in any IDX Business Combination Transaction with IDX, or (B) make any proposal to IDX, the Board of Directors of IDX or the stockholders of IDX with respect to a tender offer or exchange offer for IDX Voting Shares or a liquidation of IDX, unless either (x) such transaction shall have been approved by a majority of the IDX Continuing Directors or (y) on the date when such transaction is proposed, Allscripts and its Affiliates collectively shall Beneficially Own less than 5% of the then outstanding IDX Voting Shares.

(b) (i) Except as otherwise permitted by this Agreement, IDX agrees that IDX shall not, during the period from the date of this Agreement until its termination, (i) request or solicit any Person (A) to make a tender or exchange offer for Allscripts Voting Shares or (B) to make a proposal for an Allscripts Business Combination Transaction, unless either (x) a majority of the Allscripts Continuing Directors shall have approved of IDX taking such action or (y) no IDX Designee shall be serving on the Board of Directors of Allscripts and IDX and its Affiliates collectively shall Beneficially Own less than 5% of the then outstanding Allscripts Voting Shares.

(ii) Except as otherwise permitted by this Agreement, Allscripts agrees that Allscripts shall not, during the period from the date of this Agreement until its termination, (i) request or solicit any Person (x) to make a tender or exchange offer for IDX Voting Shares or (y) to make a proposal for an IDX Business Combination Transaction, unless either (1) a majority of the IDX Continuing Directors shall have approved of Allscripts taking such action or (2) Allscripts and its Affiliates collectively shall Beneficially Own less than 5% of the then outstanding IDX Voting Shares.

(c) In connection with the Merger Agreement, Allscripts' Board of Directors has taken all action to assure that (i) no state takeover statute or similar statute will apply to the Merger Agreement or to any of the transactions contemplated in the Merger Agreement or the items referenced in subclauses (A) or (B) of Section 2.3(a) and (ii) Section 203 of the DGCL will not apply to the Merger Agreement or any of the transactions contemplated in the Merger Agreement or the items referenced in subclauses (A) or (B) of Section 2.3(a). Further,

Allscripts has no "poison pill" or takeover defense mechanism other than Article Twelfth of Allscripts' Certificate of Incorporation. Allscripts shall not amend or modify any of the foregoing actions nor shall Allscripts implement any new, additional, amended or modified poison pill or takeover defense mechanism, unless, in each and every such case, provision shall be made to exclude IDX and its Affiliates from all effects thereof.

(d) Allscripts and IDX agree that the operative provisions, as presently in effect, of Section 203 of the DGCL will apply to any Allscripts Business Combination Transaction and any IDX Business Combination Transaction covered by Section 203 between IDX and its Affiliates and Allscripts, or Allscripts and its Affiliates and IDX, for the term of this Agreement, notwithstanding that the operative provisions of such Section 203 might otherwise be applicable for a shorter period of time.

2.2 ALLSCRIPTS BOARD OF DIRECTORS

(a) From and after the date hereof and until the earlier of (i) termination of this Agreement and (ii) the date that IDX and its Affiliates shall Beneficially Own fewer than

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1,874,459 shares of Allscripts Common Stock (subject to equitable adjustment in the event of any stock split, stock dividend, reverse stock split or similar event affecting the Allscripts Common Stock after the date of this Agreement), then, in connection with each election of directors of Allscripts, whether at an annual or special meeting, Allscripts will nominate, and, subject to the fiduciary obligations of the Allscripts directors, solicit proxies for, in accordance with its procedures for the nomination of, and solicitation of proxies for, management-slate directors, an individual designated by IDX (such individual who, at any time, is or was designated by IDX for purposes of this Agreement is referred to herein as the "IDX Designee"). Upon the earlier of (i) termination of this Agreement and (ii) the date that IDX and its Affiliates shall Beneficially Own fewer than 1,874,459 shares of Allscripts Common Stock (subject to equitable adjustment in the event of any stock split, stock dividend, reverse stock split or similar event affecting the Allscripts Common Stock after the date of this Agreement), IDX shall cause any IDX Designee then serving as a director of Allscripts to resign immediately unless otherwise requested by Allscripts.

(b) The director initially designated by IDX as the IDX Designee is R.E.T. Allscripts shall provide IDX with 30 days' prior written notice of any intended mailing of a notice to stockholders for a meeting at which directors are to be elected. IDX shall give written notice to Allscripts, no later than 10 days prior to such mailing, of the Person designated pursuant to Section 2.2(a) as nominee for election as director. Allscripts agrees to nominate and recommend for election as director the individual designated, or to be designated, pursuant to Section 2.2(a). If IDX shall fail to give notice to Allscripts as provided above, it shall be deemed that the IDX Designee then serving as director shall be the IDX Designee for election.

(c) Except as otherwise provided herein, at all times (i) when there is an IDX Designee on Allscripts' Board of Directors and IDX and its Affiliates shall Beneficially Own 5,623,379 or more shares of Common Stock (subject to equitable adjustment in the event of any stock split, stock dividend, reverse stock split or similar event affecting the Allscripts Common Stock after the date of this Agreement), and (ii) such designee is R.E.T., the IDX Designee shall be elected as the sole Vice Chairman of the Allscripts Board of Directors, which shall be a non-executive position.

(d) In the event that any IDX Designee shall cease to serve as a director for any reason (other than as set forth in Section 2.2(a)), the vacancy resulting thereby shall be filled by the remaining directors of Allscripts in accordance with its Certificate of Incorporation, Bylaws and applicable law by a new IDX Designee and such new IDX Designee shall thereafter serve until the expiration of the term of the IDX Designee replaced by such new IDX Designee.

(e) Notwithstanding anything to the contrary contained herein, no IDX Designee may be a Person who previously has been a director of Allscripts and was properly removed for cause from the Board of Directors of Allscripts or a Person who has been convicted of a felony or a crime involving moral turpitude.

(f) The IDX Designee will be furnished with all information that is provided to all other directors of Allscripts (in their capacities as such) at the same time as such information is furnished to such other directors (in their capacities as such).

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(g) IDX shall cause the IDX Designee serving as a director of Allscripts to comply with the retirement policies of Allscripts as in effect on the date hereof (a copy of which is attached as Exhibit A) or as hereafter amended or modified from time to time by the Board of Directors of Allscripts or its stockholders; provided, however, that no such amendment or modification to such policies shall be binding upon IDX or the IDX Designee unless the IDX Designee shall have voted in favor of such amendment or modification at the meeting, or in the action in lieu of a meeting, of the Board of Directors of Allscripts at or in which it is considered.

(h) IDX shall make the initial IDX Designee reasonably available for initial marketing ("road show") efforts undertaken by Allscripts in connection with the Merger Agreement and for subsequent meetings with customers of the Channelhealth business (which shall occur not less frequently than once per month).

2.3 LIMITATION ON ACQUISITION OF ADDITIONAL VOTING SHARES BY IDX

(a) From and after the date hereof, IDX shall not acquire any Allscripts Voting Shares, other than the IDX Shares owned by IDX as of the date hereof and after giving effect to the Closing, (i) without the prior written consent of a majority of the Allscripts Continuing Directors or (ii) pursuant to Article III of the Merger Agreement; provided, however, that nothing in this Section 2.3(a) shall limit IDX's power and right (A) to purchase or acquire shares as a result of any stock dividend or stock split, reclassification of the Allscripts Common Stock, or the exercise or conversion of any security received by IDX from Allscripts in respect of the IDX Shares, or (B) to acquire shares of Allscripts Common Stock or any Allscripts Exchangeable Security pursuant to Section 2.6 or to convert, exchange or exercise any such Allscripts Exchangeable Security.

(b) From and after the date hereof, Allscripts shall not acquire any IDX Voting Shares without the prior written consent of a majority of the IDX Continuing Directors; provided, however, that nothing in this Section 2.3(b) shall limit Allscripts' power and right (i) to purchase or acquire shares as a result of any stock dividend or stock split, reclassification of the IDX Common Stock, or the exercises or conversion of any security received by Allscripts from IDX in respect of any IDX securities that Allscripts may hold or (ii) to acquire shares of IDX Common Stock, or the exercise or conversion of any security received by Allscripts in respect of any IDX securities that Allscripts may hold or any IDX Exchangeable Security pursuant to Section 2.6 or to convert, exchange or exercise any such IDX Exchangeable Security.

(c) Notwithstanding anything to the contrary contained herein, in the event IDX shall effect a sale of any IDX Shares, IDX shall be entitled to acquire additional Voting Shares, without the necessity of obtaining prior written consent, up to an aggregate amount that would cause IDX to hold the same amount of Voting Shares as IDX held after giving effect to the Closing, and the obligations of Allscripts set forth in Section 2.2 shall be reinstated, if applicable; provided, however, that (i) IDX may not undertake to acquire such additional Voting Shares until the end of the six month period immediately following any such sale, (ii) in no event will IDX be entitled to reinstate the obligations of Allscripts set forth in Section 2.2(b) once such obligations are terminated and (iii) IDX will be restricted from making any further sales of IDX

Shares until the end of the thirty day period immediately following the acquisition of any additional Voting Shares pursuant to this Section 2.3(c).

2.4 RESTRICTIONS ON TRANSFER. From and after the date hereof until the termination of this Agreement, IDX and its Affiliates shall not sell, transfer, write options on or otherwise convey (when used as a verb, "Transfer" and, any sale, transfer, writing of options on or other conveyance, a "Transfer") Beneficial Ownership of any Allscripts Voting Shares (including Allscripts Voting Shares subject to Allscripts Exchangeable Securities), without the prior written consent of a majority of the Allscripts Continuing Directors, except that, in any event, any and all of the following Transfers shall be permitted:

(a) One or more Transfers to an Affiliate of IDX; provided, however, that each such Affiliate agrees in writing with Allscripts to be bound by the same restrictions as are applicable to IDX hereunder.

(b) One or more Transfers to Allscripts or to a Subsidiary of Allscripts (pursuant to a tender offer or otherwise).

(c) One or more Transfers pursuant to a merger, consolidation or compulsory share exchange, in which Allscripts is a constituent corporation.

(d) One or more Transfers made as a pro rata dividend or distribution to the holders of the common stock of IDX or its Affiliates; provided, however, unless such dividend or distribution is to the public stockholders of IDX, such holders agree in writing with Allscripts to be bound by the same restrictions as IDX hereunder.

(e) One or more Transfers to any Person (other than IDX or any of its Affiliates) who shall have commenced a tender or exchange offer for shares of Allscripts Common Stock if, at the time of public announcement of the tender or exchange offer: (i) IDX and its Affiliates collectively Beneficially Own less than 5% of the then outstanding Allscripts Voting Shares and no IDX Designee is serving on the Allscripts Board of Directors, or (ii) IDX and its Affiliates collectively Beneficially Own more than 5% of the then outstanding Allscripts Voting Shares and a majority of the Allscripts Continuing Directors recommend to the holders of the shares of Allscripts Common Stock that such holders accept such tender or exchange offer.

(f) From and after the following anniversaries of the date of this Agreement, IDX and its Affiliates may, collectively, Transfer the following percentages of the IDX Shares in one or more Private Placements and/or transactions described below in Sections 2.4(g) or 2.4(h):

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PERCENTAGE OF
IDX SHARES

ANNIVERSARY OF THIS AGREEMENT -----	PERMITTED TO TRANSFER* INCREMENTAL* -----	AGGREGATE* -----
First	25%	25%
Second	25%	50%
Third	25%	75%
Fourth	25%	100%

*These time restrictions and percentages will also apply to any shares of Allscripts Common Stock acquired by IDX

and its Affiliates pursuant to Article III of the Merger Agreement, which will result in additional IDX Shares that can be Transferred based on the percentage limitations being applied to a greater number of IDX Shares.

In any month, no more than 16.6667% of the IDX Shares eligible to be Transferred during the then current year may be sold by IDX and its Affiliates pursuant to this Section 2.4(f). IDX and its Affiliates shall not be permitted to cumulate, or carry forward for Transfer in subsequent periods, either (i) unsold maximum monthly eligible share Transfer amounts from month to month during any particular year or (ii) unsold maximum annual eligible share Transfer amounts from year to year.

(g) Subject to Section 2.4(f), one or more Transfers in accordance with Rule 144; provided, however, that no Transfers shall be permitted pursuant to Rule 144 except through one of the market makers in Allscripts' Common Stock listed on Schedule II or as otherwise previously approved in writing by Allscripts.

(h) (i) During each of the periods (A) from and after the first anniversary of the date hereof through the second anniversary of the date hereof and (B) from and after the third anniversary of the date hereof through the fourth anniversary of the date hereof, IDX may deliver a written notice to Allscripts that IDX desires to Transfer in a single transaction either 50% or 100% of the maximum aggregate number of its IDX Shares that it would be permitted to Transfer in that period, which notice (the "Notice of Proposed Transfer") must set forth (A) the number of IDX Shares that IDX desires to Transfer (which number must equal either 50% or 100% of the maximum aggregate number of shares that it would be permitted to Transfer in that period) and (B) the price at which IDX would be willing to Transfer such shares (the "Target Price"). The Notice of Proposed Transfer shall constitute an offer by IDX, which shall be irrevocable for a period of 10 days following receipt of such notice by Allscripts, to permit Allscripts to arrange for the purchase of such shares by a purchaser selected by Allscripts in its sole discretion for cash at a price per share equal to the average of the Per Share Market Value of such shares for the five Trading Days immediately preceding (and excluding) the date that Allscripts delivers a written notice to IDX (the "Notice of Arranged Transfer") that Allscripts has arranged for such purchase at such price per share (the "Market Price"); provided, however, that

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IDX shall have no obligation to Transfer any of its IDX Shares to the proposed purchaser if the proposed purchase price per share does not equal at least 90% of the Target Price.

(ii) The consummation of such purchase shall take place on such date, not later than 10 days after receipt of the Notice of Arranged Transfer by IDX, as Allscripts and IDX shall select. Upon the consummation of such purchase, (A) IDX shall deliver the certificate or certificates evidencing the IDX Shares so purchased duly endorsed in blank for transfer or accompanied by written instruments of transfer in form satisfactory to the purchaser duly executed by IDX, free and clear of any liens, encumbrances and claims and (B) the purchaser shall simultaneously with the delivery of the certificate or certificates evidencing the IDX Shares so purchased pay to IDX the aggregate Market Price of such shares.

(iii) Allscripts shall have no obligation to deliver a Notice of Arranged Transfer in response to any Notice of Proposed Transfer delivered by IDX, and the decision as to whether to deliver any Notice of Arranged Transfer shall be made by Allscripts in the exercise of its sole discretion. In the event that Allscripts shall have received a Notice of Proposed Transfer from IDX but shall not have given a Notice of Arranged Transfer to IDX with respect thereto prior to the expiration of the 10-day period following receipt of such Notice of Proposed Transfer, nothing in this Section 2.4(h) shall limit the right of IDX to Transfer any IDX Shares that are not to be purchased pursuant to a Notice of Arranged Transfer, but otherwise subject to and in accordance with

the time, percentage and other restrictions set forth in Section 2.4(f).

(i) (i) From and after the fifth anniversary of the date hereof, IDX agrees not to effect any Transfer of IDX Shares in any single transaction involving a number of such shares representing in excess of 2.5% of the then issued and outstanding shares of Allscripts Common Stock unless and until IDX delivers a written notice to Allscripts that IDX intends to effect such Transfer, which notice (a "Notice of Block Transfer") must set forth (A) the number of IDX Shares that IDX desires to Transfer, or maximum and minimum number of, such shares and (B) the price per share at which IDX would be willing to Transfer such shares (the "Specified Price"). The Notice of Block Transfer shall constitute an offer by IDX, which shall be irrevocable for a period of 10 days following receipt of such notice by Allscripts, to permit Allscripts to arrange for the purchase of the maximum number (but not fewer than the minimum number) of such shares by a purchaser selected by Allscripts in its sole discretion for cash at a price per share equal to the average of the Per Share Market Value of such shares for the five Trading Days immediately preceding (and excluding) the date that Allscripts delivers a written notice to IDX (the "Notice of Block Purchase") that Allscripts has arranged for such purchase at such price per share (the "Current Price"); provided, however, that IDX shall have no obligation to Transfer any of its IDX Shares to the proposed purchaser if the Current Price does not equal at least 90% of the Specified Price offered in the Notice of Block Transfer.

(ii) The consummation of such purchase shall take place on such date, not later than 10 days after receipt of the Notice of Block Purchase by IDX, as Allscripts and IDX shall select. Upon the consummation of such purchase, (A) IDX shall deliver the certificate or certificates evidencing the IDX Shares so purchased duly endorsed in blank for transfer or accompanied by written instruments of transfer in form satisfactory to the purchaser duly executed by IDX, free and clear of any liens, encumbrances and claims and (B) the purchaser

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shall simultaneously with the delivery of the certificate or certificates evidencing the IDX Shares so purchased pay to IDX the aggregate Current Price of such shares.

(iii) Allscripts shall have no obligation to deliver a Notice of Block Purchase in response to any Notice of Block Transfer delivered by IDX, and the decision as to whether to deliver any Notice of Block Purchase shall be made by Allscripts in the exercise of its sole discretion. In the event that Allscripts shall have received a Notice of Block Transfer from IDX but shall not have given a Notice of Block Purchase to IDX with respect thereto prior to the expiration of the 10-day period following receipt of such Notice of Block Transfer, nothing in this Section 2.4(i) shall limit the right of IDX to Transfer any IDX Shares that are not to be purchased pursuant to a Notice of Block Purchase.

(j) (i) During the period from and after the third anniversary of the date hereof through the fourth anniversary of the date hereof, if Allscripts proposes to file a registration statement under the Securities Act with respect to a primary firm commitment underwritten public offering of Allscripts Common Stock (a "Piggyback Registration"), it shall give written notice of such proposed filing to IDX as soon as practicable, but in no event fewer than 20 days before the anticipated filing date. Allscripts shall include in such registration all IDX Shares with respect to which Allscripts has received a written request for inclusion within 10 days after the giving of Allscripts' notice (a "Piggyback Registration Request"); provided, however, that Allscripts may in its sole discretion restrict the number of IDX Shares so requested for inclusion to the maximum aggregate number of such shares that IDX would be permitted to sell in such period after the date that Allscripts gives notice of its intention to effect a Piggyback Registration.

(ii) If the managing underwriters of the Piggyback Registration advise IDX that, in their opinion, the number of shares requested to be included

in such registration exceeds the maximum number that can be included in such offering without adversely affecting the marketability of the offering (the "Maximum Number"), IDX will limit the number of shares included in such registration to the Maximum Number, and the shares registered shall be selected in the following order of priority: (A) first, the shares of Allscripts Common Stock Allscripts proposes to Transfer, and (B) second, the IDX Shares covered by the Piggyback Registration Request and other shares requested to be included in such registration based upon rights under agreements outstanding on the date hereof; provided, however, that if shares of Common Stock are being offered for the account of Persons other than IDX, the proportion by which the amount of IDX Shares intended to be offered for the account of IDX is reduced shall not exceed the proportion by which the amount of shares of Allscripts Common Stock intended to be offered for the account of such other Persons is reduced.

(iii) IDX may not participate in any Piggyback Registration unless it (A) agrees to sell its shares of Allscripts Common Stock on the basis provided in any underwriting arrangements approved by Allscripts, (B) completes and executes all questionnaires, powers of attorney, custody arrangements, indemnities, underwriting agreements and other documents reasonably required under the terms of such underwriting arrangements and this Agreement, and (C) furnishes in writing to Allscripts such information regarding IDX and other information as Allscripts may from time to time request or as may be legally required in connection with such registration; provided, however, that IDX shall not be required to make any

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representations or warranties in connection with any such registration other than representations and warranties as to (x) its ownership of its IDX Shares to be Transferred free and clear of all liens, encumbrances and claims, (y) IDX's power and authority to effect such Transfer, and (z) such matters pertaining to compliance with securities laws as may be reasonably requested; provided further, however, that the obligation of IDX to indemnify pursuant to any such underwriting agreements shall be several, not joint and several, among such Persons selling securities, and the liability of IDX will be in proportion to, and provided further that such liability will be limited to, the net amount received by IDX from the sale of the IDX Shares pursuant to such registration.

(iv) In connection with any Piggyback Registration, Allscripts will enter into such agreements (including an underwriting agreement) as are customary in transactions of the kind contemplated by the intended method or methods of distribution set forth in the Piggyback Registration Statement and reasonably acceptable to Allscripts, and take such other actions as are reasonably necessary in connection therewith in order to expedite or facilitate the Piggyback Registration; and (A) make such representations and warranties with respect to the Piggyback Registration Statement or any post-effective amendment or supplement thereto, prospectus or any amendment or supplement thereto, and documents incorporated by reference, if any, to IDX and the underwriters of the Piggyback Registration in form, substance, and scope as are customary in connection with transactions of such kind; (B) if requested by the managing underwriters of the Piggyback Registration, obtain an opinion of outside counsel to Allscripts in customary form and covering matters of the type customarily covered by such an opinion, addressed to such underwriters named in the underwriting agreement and dated the date of the closing of the sale of the shares covered by the Piggyback Registration Statement; (C) if requested by the managing underwriters of the Piggyback Registration, obtain a "comfort" letter (or, if a "comfort" letter may not be delivered under applicable accounting pronouncements or standards, a single "procedures" letter) and a single update thereof from each of the independent certified public accountants who have certified the most recent audited financial statements that are incorporated by reference in the Piggyback Registration Statement, which letters shall be addressed to the underwriters of the Piggyback Registration, such letter or letters to be in customary form and covering such matters of the type customarily covered by "comfort" letters of such type; (D) deliver such documents and certificates as may be reasonably requested by IDX and the underwriters of the Piggyback Registration to evidence compliance with any conditions contained in the underwriting agreement or other agreements entered

into by Allscripts; and (E) undertake such obligations relating to expense reimbursement as provided in Section 2.4(j)(v) and indemnification and contribution obligations for the benefit of IDX of the type customarily undertaken by issuers in connection with "piggyback" registrations.

(v) In connection with any Piggyback Registration, Allscripts agrees to bear and to pay, or cause to be paid, promptly upon request being made therefor, all expenses incident to Allscripts' performance of, or compliance with, this Section 2.4(j), including, without limitation: (A) all SEC and any National Association of Securities Dealers registration and filing fees and expenses, (B) all fees and expenses in connection with the qualification of the shares covered by any Piggyback Registration Statement for offering and sale under state securities or "blue sky" laws, including reasonable fees and disbursements of counsel for any underwriter in connection with such qualifications, (C) all expenses relating to the preparation, printing, distribution and reproduction of any Piggyback Registration Statement, each prospectus included

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therein or prepared for distribution pursuant thereto, each amendment or supplement to the foregoing, the certificates representing the shares covered by such Piggyback Registration Statement and all other documents relating hereto, (D) internal expenses of Allscripts, including, without limitation, all salaries and expenses of Allscripts' officers and employees performing legal or accounting duties, (E) fees, disbursements and expenses of Allscripts' counsel and its other advisors and experts and independent certified public accountants of Allscripts (including the expenses of any opinions or "comfort" letters required by or incident to such performance and compliance) and (F) the fees and expenses incurred in connection with the listing of the shares covered by the Piggyback Registration Statement on the Nasdaq Stock Market, Inc. or any other stock exchange or dealer quotation system on which the Allscripts Common Stock shall at such time be listed or traded (collectively, the "Expenses"). To the extent that any Expenses are incurred, assumed or paid by IDX or any underwriter of shares covered by the Piggyback Registration Statement, Allscripts shall reimburse IDX for the full amount of the Expenses so incurred, assumed or paid promptly after receipt of a written request therefor, which shall specify in reasonable detail the nature and amount of the Expenses. Notwithstanding the foregoing, IDX shall pay, or cause to be paid, as appropriate, (A) all underwriting discounts and commissions attributable to the sale of the shares covered by the Piggyback Registration Statement by or on behalf of IDX, (B) the fees, disbursements and expenses of its counsel in connection with the offering and sale of such shares and (C) all transfer taxes applicable to the sale of such shares.

2.5 VOTING OF IDX SHARES. Except as provided below, during the term of this Agreement, IDX and its Affiliates shall be entitled to vote on all matters all of its or their IDX Shares in its or their complete discretion. Notwithstanding the foregoing, IDX and its Affiliates shall vote all such shares in accordance with the recommendation of the majority of the Allscripts Continuing Directors on any matter that (i) constitutes an Allscripts Business Combination Transaction, (ii) would involve a change of control of Allscripts (for purposes of this section a change in control shall mean the acquisition by a Person other than IDX or its Affiliates of Beneficial Ownership of more than 50% of the then outstanding Allscripts Voting Shares), (iii) involves the issuance by Allscripts of securities for its own account for cash, or (iv) involves any acquisition by Allscripts, whether through merger, share exchange, purchase of assets or otherwise unless (A) the average of the Per Share Market Value for Allscripts' Common Stock for the 90 Trading Days immediately preceding (and excluding) the date on which the matter is voted upon is less than \$14.5625 per share (such amount to be appropriately adjusted to give effect to stock splits, reverse splits, stock dividends, reclassifications and share exchanges since the date hereof) and (B) there shall exist no continuing and uncured default by IDX of any of its obligations under this Agreement, the Merger Agreement, the Strategic Alliance Agreement, the Facilities Lease Agreement or the Cross License Agreement (as such terms are defined in the Merger Agreement), which default shall have resulted in a material adverse effect on the business,

properties, results of operations, prospects, condition (financial or otherwise) or Per Share Market Value of Allscripts' Common Stock in which case, if both conditions described in subclauses (A) and (B) are satisfied, IDX and its Affiliates shall be entitled to vote on each matter described in the foregoing clauses (i) through (iv) all of its or their IDX Shares in its or their complete discretion.

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2.6 RIGHT TO PARTICIPATE IN CERTAIN ISSUANCES BY ALLSCRIPTS.

(a) If, when, and for so long as, IDX and its Affiliates Beneficially Own shares of Allscripts Common Stock that would constitute, after giving effect to the proposed transaction (but not prior to the proposed transaction), less than the Applicable Percentage of the then outstanding shares of Allscripts Common Stock, Allscripts shall not issue any shares of Allscripts Common Stock or any Allscripts Exchangeable Securities, for any consideration or in any type of transaction, unless Allscripts shall have first complied with, in the case of an issuance other than pursuant to a Public Offering, the provisions of Section 2.6(b) or, in the case of a Public Offering, the provisions of Section 2.6(c).

(b) If Allscripts determines to issue any shares of Allscripts Common Stock or any Allscripts Exchangeable Security, other than in a Public Offering, then Allscripts shall provide written notice of such determination to IDX, which notice shall include all the terms of such issuance and shall offer to IDX the right to purchase, at the same price and on the same terms as Allscripts proposes to issue such shares of Allscripts Common Stock or Allscripts Exchangeable Security to others (or, if Allscripts proposes to issue such shares of Allscripts Common Stock or any Allscripts Exchangeable Security other than for cash, at a cash price equal to the current market price of the Allscripts Common Stock or if an Allscripts Exchangeable Security, such value to be determined by agreement between Allscripts or IDX, or if the parties are unable to agree, by an investment banking firm or other asset valuation firm of national reputation selected by IDX from Schedule I attached hereto (as such Schedule I may be amended in writing from time to time by both Allscripts and IDX) with the consent of a majority of the Allscripts Continuing Directors, which consent shall not be unreasonably withheld, the cost of which shall be borne by Allscripts) a number or amount of the shares of Allscripts Common Stock or Allscripts Exchangeable Securities proposed to be issued determined by dividing the aggregate number of outstanding shares of Allscripts Common Stock then Beneficially Owned by IDX by the total number of shares of Allscripts Common Stock then outstanding (the "Offer Notice"). If IDX determines to accept the offer contained in the Offer Notice, IDX shall deliver a written notice to Allscripts indicating its acceptance within 10 days after its receipt of the Offer Notice, which notice shall indicate whether IDX has accepted such offer in whole or in part, and, if accepted in part, the number or amount of shares of Allscripts Common Stock or Allscripts Exchangeable Securities as to which such offer has been accepted (an "Acceptance Notice"). Any acceptance of the offer contained in an Offer Notice by delivery of an Acceptance Notice shall be irrevocable and shall constitute a commitment by IDX to purchase from Allscripts, and by Allscripts to sell to IDX, the number or amount of shares of Allscripts Common Stock or Allscripts Exchangeable Securities covered by such Acceptance Notice upon the terms contained in the Offer Notice.

1. If at any time and from time to time, (i) Allscripts determines to issue any Allscripts Voting Shares or any Allscripts Exchangeable Security in a Public Offering, and (ii) as a result thereof IDX and its Affiliates would Beneficially Own less than the Applicable Percentage of the then to be outstanding Allscripts Voting Shares, then (A) Allscripts shall provide written notice of such determination to IDX, which notice shall include the proposed size and other terms of such issuance, to the extent then known, the name or names of any managing underwriter or placement agent(s) and the date when it is proposed that any such issuance will be made, and (B) Allscripts shall either sell

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directly or cause the underwriters or placement agent(s) to offer to IDX the right to purchase from Allscripts directly or from the underwriters or placement agent(s), at the applicable offering price, a number or amount of the Allscripts Voting Shares, Allscripts Exchangeable Securities or other securities proposed to be issued that, if purchased by IDX, would permit IDX and its Affiliates to Beneficially Own a number of Voting Shares determined by dividing the aggregate number of outstanding shares of Allscripts Common Stock then Beneficially Owned by IDX by the total number of shares of Allscripts Common Stock then outstanding.

3. RESTRICTIONS ON TRANSFER. From and after the date of Closing and until the expiration of the six month period following the Closing, R.E.T. shall not Transfer any shares of Common Stock Beneficially Owned by R.E.T. in his individual capacity, unless and until such time as Glen E. Tullman ("G.E.T.") shall Transfer any shares of Common Stock Beneficially Owned by G.E.T. in his individual capacity.

4. STOCK CERTIFICATES AND OTHER RESTRICTIONS.

4.1 ENDORSEMENT OF CERTIFICATES.

(a) All certificates representing IDX Shares shall, subject to Section 4.1(c), bear the following legend:

"THIS CERTIFICATE IS SUBJECT TO THE PROVISIONS OF A STOCK RIGHTS AND RESTRICTIONS AGREEMENT BETWEEN ALLSCRIPTS HEALTHCARE SOLUTIONS, INC. AND IDX SYSTEMS CORPORATION DATED AS OF JANUARY 8, 2001. A COPY OF SUCH AGREEMENT IS ON FILE AT THE PRINCIPAL BUSINESS OFFICE OF ALLSCRIPTS HEALTHCARE SOLUTIONS, INC."

(b) After such time as the legend set forth in Section 4.1(a) is no longer required hereunder (including without limitation as a result of the termination of this Agreement in accordance with its terms) or if the securities represented by a certificate have been registered under the Securities Act pursuant to an effective registration statement or are to be sold pursuant to Rule 144, or if Allscripts shall have been furnished with an opinion of counsel, which opinion shall be reasonably satisfactory to counsel for Allscripts, that registration under the Securities Act is not required, as the case may be, then, in any such event, upon the request of IDX, Allscripts shall cause such certificate or certificates to be exchanged for a certificate or certificates that do not bear any legend.

4.2 IMPROPER TRANSFER. Any attempt by IDX or its Affiliates to Transfer any IDX Shares other than in accordance with this Agreement shall be null and void and neither Allscripts nor any transfer agent for such securities shall be required to give any effect to such attempted Transfer in its stock records.

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5. GENERAL PROVISIONS.

5.1 REPRESENTATIONS AND WARRANTIES.

(a) Allscripts represents and warrants to IDX that (i) Allscripts is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder, (ii) the execution and delivery of this Agreement by Allscripts and the consummation by Allscripts of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of Allscripts and no other corporate proceedings on the part of Allscripts are necessary to authorize this Agreement or any of the transactions contemplated hereby, and (iii) this Agreement has been duly executed and delivered by Allscripts and constitutes a valid and binding obligation of Allscripts, and, assuming this Agreement constitutes a valid and binding obligation of IDX, is enforceable against Allscripts in

accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance and similar laws affecting creditors' rights generally from time to time and to general principles of equity.

(b) IDX represents and warrants to Allscripts that (i) IDX is a corporation duly organized, validly existing and in good standing under the laws of the State of Vermont and has the corporate power and authority to enter into this Agreement and to carry out its obligations hereunder, (ii) the execution and delivery of this Agreement by IDX and the consummation by IDX of the transactions contemplated hereby have been duly authorized by all necessary corporate action on the part of IDX and no other corporate proceedings on the part of IDX are necessary to authorize this Agreement or any of the transactions contemplated hereby, and (iii) this Agreement has been duly executed and delivered by IDX and constitutes a valid and binding obligation of IDX, and, assuming this Agreement constitutes a valid and binding obligation of Allscripts, is enforceable against IDX in accordance with its terms, subject to applicable bankruptcy, reorganization, insolvency, moratorium, fraudulent conveyance and similar laws affecting creditors' rights generally from time to time and to general principles of equity.

5.2 AMENDMENT AND MODIFICATION; WAIVER OF COMPLIANCE. This Agreement may be amended or waived only by written instrument duly executed by the parties. In the event of the amendment or modification of this Agreement in accordance with its terms, the Board of Directors of Allscripts shall adopt any amendment to the Bylaws of Allscripts that may be required as a result of such amendment or modification to this Agreement, and, if required, shall propose any amendment to its Certificate of Incorporation that may be required as a result of such amendment or modification to this Agreement to the Allscripts stockholders entitled to vote thereon at a meeting duly called and held for such purpose, and shall recommend that the Allscripts stockholders vote in favor of such amendment to the Certificate of Incorporation.

5.3 INJUNCTIVE RELIEF. Each of the parties hereto hereby acknowledges that in the event of a breach by any of them of any material provision of this Agreement, the aggrieved party may be without an adequate remedy of law. Each of the parties therefore agrees that in the event of a breach of any material provision of this Agreement the aggrieved party may elect to

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institute and prosecute proceedings in any court of competent jurisdiction to enforce specific performance or to enjoin the continuing breach of such provision, as well as to obtain damages for breach of this Agreement. By seeking or obtaining any such relief, the aggrieved party will not be precluded from seeking or obtaining any other relief to which it may be entitled in equity or at law.

5.4 BYLAWS. At all times while this Agreement shall be in effect, Allscripts shall cause its Bylaws to conform to the provisions of this Agreement, including by causing its Bylaws to be amended.

5.5 NO ADOPTION OR AMENDMENT OF RIGHTS PLAN. During the term of this Agreement, Allscripts' Board of Directors shall not adopt any shareholder rights plan or amend any rights plan without the approval of the IDX Designee then on the Board of Directors of Allscripts unless such plan exempts IDX and its Affiliates from all effects thereof.

5.6 GOVERNING LAW. This Agreement and the legal relations between the parties shall be governed by and construed in accordance with the laws of the State of Delaware, without regard to the principles of conflicts of law thereof.

5.7 TERMINATION.

(a) This Agreement may be terminated:

(i) by the mutual written consent of the parties hereto; and

(ii) by IDX if (A) Allscripts shall seek relief under any bankruptcy, insolvency, receivership, custodianship, trusteeship, liquidation, reorganization, composition, readjustment, moratorium or similar law (an "Insolvency Law"); or (B) a proceeding or case shall be commenced under an Insolvency Law by a third party against Allscripts and such proceeding or case shall continue undismissed or unstayed for 60 days; or (C) an order for relief under an Insolvency Law shall be entered against Allscripts.

(b) Unless this Agreement shall have been earlier terminated as provided in Section 5.7(a), this Agreement shall terminate on the 10th anniversary of the date of this Agreement.

5.8 NOTICES. All notices, requests, demands or other communications required or permitted by this Agreement shall be in writing and effective when received, and delivery shall be made personally or by registered or certified mail, return receipt requested, postage prepaid, or overnight courier or confirmed facsimile transmission, addressed as follows:

(a) If to Allscripts:

Allscripts Healthcare Solutions, Inc.
2401 Commerce Drive
Libertyville, IL 60048
Telephone: (847) 680-3515
Facsimile: (847) 680-3573

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Attention: President

with a copy to:

Weil, Gotshal & Manges LLP
700 Louisiana Street, Suite 1600
Houston, Texas 77002
Attention: Steven D. Rubin
Fax: (713) 224-9511

(b) If to IDX:

IDX Systems Incorporated
1400 Shelburne Road
South Burlington, VT 05403
Telephone: (802) 862-1022
Facsimile: (802) 865-3681
Attention: General Counsel

with a copy to:

Hale and Dorr LLP
60 State Street
Boston, Massachusetts 02109
Attention: Virginia Kapner
Fax: (617) 526-5000

5.9 SEVERABILITY. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.

5.10 ENTIRE AGREEMENT. Except as otherwise expressly stated herein, this Agreement constitutes the entire agreement among the parties with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, among the parties, or any of them, with respect to the subject matter hereof. Except for the Permitted Transfers to IDX and Affiliates of IDX and except as otherwise expressly permitted or contemplated herein, the rights and obligations under this Agreement shall not be assigned by operation of law or otherwise. Nothing in this Agreement shall be construed as prohibiting Allscripts from effecting a merger, consolidation or other similar transaction with another entity, provided that (i) the operative terms of this Agreement shall be applied in respect of any such

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transaction and (ii) under the express terms of such transaction this Agreement will be continued in effect by Allscripts or any successor thereto.

5.11 PARTIES IN INTEREST. This Agreement shall be binding upon and inure solely to the benefit of each party hereto and to IDX and the Affiliates of IDX if they receive permitted Transfers in accordance with this Agreement. Nothing in this Agreement, express or implied, is intended to or shall confer upon any other Person any rights, benefits or remedies of any nature whatsoever under or by reason of this Agreement, except as expressly otherwise contemplated herein.

5.12 HEADINGS. The descriptive headings contained in this Agreement are included for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

5.13 COUNTERPARTS. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

By: /s/ Glen E. Tullman

Name: Glen E. Tullman

Title: Chief Executive Officer

IDX SYSTEMS CORPORATION

By: /s/ Robert W. Baker

Name: _____
Title: _____

/s/ Richard E. Tarrant

Richard E. Tarrant (solely with respect to Section 3 of this Agreement)

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LIST OF ACCEPTABLE INVESTMENT BANKING FIRMS

1. Goldman Sachs & Co.
2. Credit Suisse First Boston Corporation

The above list may be revised from time to time by a written instrument signed by both Allscripts and IDX.

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SCHEDULE II

LIST OF ACCEPTABLE ALLSCRIPTS MARKET MAKERS

1. Goldman Sachs & Co.
2. Bear Stearns
3. CIBC World Markets

The above list may be revised from time to time by Allscripts in its sole discretion by a written instrument signed by Allscripts, a copy of which will be furnished to IDX.

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EXHIBIT A

ALLSCRIPTS RETIREMENT POLICIES

None.

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STRATEGIC ALLIANCE AGREEMENT

THIS STRATEGIC ALLIANCE AGREEMENT (this "Agreement") is made and

entered into as of January 8, 2001 by and between ALLSCRIPTS HEALTHCARE SOLUTIONS, INC., a Delaware corporation ("Allscripts") and IDX SYSTEMS

CORPORATION, a Vermont corporation ("IDX").

W I T N E S S E T H

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WHEREAS, Allscripts is in the business of developing and marketing products and services (the "Allscripts Products") to automate the delivery of

physician or licensed clinical professional care and associated administrative tasks using technology at whatever location the physician or licensed clinical professional performs such activities;

WHEREAS, IDX has business units that develop and market computer technology to automate administrative and financial aspects of physician office medical practice. Through its subsidiary CHANNELHEALTH INCORPORATED, a Delaware corporation ("ChannelHealth"), IDX is in the business of developing and

marketing products and services (the "Physician Channel Products") to automate

the delivery of physician or allied professional clinical care and associated administrative tasks carried out by physicians and licensed clinical professionals using technology at whatever location such physicians or clinical professionals perform such activities;

WHEREAS, IDX desires to divest its Physician Channel business and Allscripts desires to acquire such business;

WHEREAS, IDX and Allscripts have entered into an Agreement and Plan of Merger whereby Allscripts will acquire all of the issued and outstanding capital stock of ChannelHealth, and ChannelHealth will become a wholly-owned subsidiary of Allscripts (the "Acquisition");

WHEREAS, IDX and ChannelHealth entered into that certain Cross License and Software Maintenance Agreement, dated as of January 1, 2000, pertaining to the use and distribution of certain technology and products (the "Cross License

Agreement"), and, concurrently herewith, the parties are entering into an

Amended and Restated Cross License and Software Maintenance Agreement to modify the terms and conditions thereof to provide for the transfer of certain technology to Allscripts (the "License Addendum" and, together with the Cross

License Agreement, the License Agreement"); and

WHEREAS, IDX and Allscripts desire to enter into an exclusive strategic relationship whereby Allscripts and its Affiliates and successors, including without limitation, ChannelHealth, and IDX and its Affiliates and successors, will cooperate in marketing the Allscripts Products and the Physician Channel Products to IDX customers. Allscripts would agree to sell IDX products with agreeable revenue sharing or commission arrangement.

NOW, THEREFORE, in consideration of the premises, the mutual covenants

and agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. DEFINITIONS

Capitalized terms used in this Agreement, unless otherwise defined in this Agreement, shall have the meanings ascribed to them on Schedule 1 attached hereto.

2. TERM AND TERMINATION

2.1 Term. This Agreement shall be in effect for an initial term of ten

(10) years from the date hereof (the "Initial Term") and shall

automatically renew for additional, successive two (2) year terms unless earlier terminated by either of IDX or Allscripts by giving written notice of such party's election not to renew this Agreement not later than one (1) year prior to the expiration of the Initial Term or six (6) months prior to the expiration of any then current successive term.

2.2 Termination. Notwithstanding the provisions of Section 2.1, this

Agreement may be terminated:

2.2.1 by Allscripts if IDX shall have defaulted under or breached any material term of this Agreement and shall not have cured such breach within one hundred twenty (120) days after receiving written notice from Allscripts specifying the nature of such default or breach; or

2.2.2 by IDX if Allscripts shall have defaulted under or breached any material term of this Agreement and shall not have cured such breach within one hundred twenty (120) days after receiving written notice from IDX specifying the nature of such default or breach; or

2.2.3 by either party upon receipt of a notice from the other party that such other party requires a composition or other similar arrangement with creditors, files for bankruptcy or is declared bankrupt.

2.3 Effect of Termination; Survival.

2.3.1 In the event that this Agreement is validly terminated as provided herein, then each of the parties shall be relieved of their duties and obligations arising under this Agreement after the date of such termination and such termination shall be without liability to Allscripts or IDX; provided,

however, that the obligations of the parties set forth in

Sections 11.7 and 11.8 hereof shall survive

any such termination and shall be enforceable hereunder; provided, further, however, that nothing in this Section 2.3

shall relieve Allscripts or IDX of any liability for a breach of this Agreement.

2.4 Change of Control.

2.4.1 Allscripts Change of Control. If a Change of Control of

Allscripts or the Physician Channel Products business shall occur at any time during the term of this Agreement whereby a Direct Competitor of IDX shall Control Allscripts or the Physician Channel Products business, (i) IDX shall thereafter, for the term of this Agreement, be entitled to payment of compensation on the sale or license of all Allscripts Products (other than pharmaceutical products) in a percentage amount equivalent to that provided to IDX at the time of such Change of Control pursuant to the Compensation Table set forth in the Development Plan and (ii) immediately at the end of the term of this Agreement, Allscripts shall deliver the source code for all Allscripts Products to IDX.

2.4.2 IDX or Patient Channel Change of Control. If a Change of

Control of IDX or the Patient Channel business of IDX shall occur at any time during the term of this Agreement whereby a Direct Competitor of Allscripts shall Control IDX or the Patient Channel business of IDX (i) Allscripts shall thereafter, for the term of this Agreement, be entitled to payment of compensation on the sale or license of all Patient Channel Products in a percentage amount equivalent to that provided to Allscripts at the time of such Change of Control pursuant to the Compensation Table set forth in the Development Plan and (ii) immediately at the end of the term of this Agreement, IDX shall deliver the source code for all Patient Channel Products to Allscripts.

2.4.3 "Intellectual Property". All rights and licenses granted

under or pursuant to this Agreement are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code (the "Code"), licenses to rights to "intellectual property" as defined in the Code. A party receiving such rights under this Agreement shall retain and may fully exercise all of its rights and elections under the Code. The parties further agree that, in the event of the commencement of bankruptcy proceeding by or against a party under the Code, the other party shall be entitled to retain all of its rights under this Agreement.

3. OPERATIONAL MANAGEMENT

The following obligations shall be in effect during the Initial Term of this Agreement only:

3.1 Executive Management. Allscripts and IDX shall each appoint an

executive with the title of vice president or higher to oversee performance under this Agreement. These two executives shall meet not less frequently than once each calendar quarter during the Initial Term (and more frequently as needed) and shall produce not later than five (5) business days after the end of each such calendar quarter a written report to the boards of directors of IDX and Allscripts setting forth in detail:

3.1.1 the accomplishments of Allscripts and IDX during the preceding month in performing this Agreement;

3.1.2 plans for managing the relationship between IDX and

Allscripts during the next calendar month;

- 3.1.3 any items of dispute or disagreement between IDX and Allscripts;
- 3.1.4 plans for resolving any dispute or disagreement between IDX and Allscripts;
- 3.1.5 any changes proposed to be made to the Marketing Plan or Development Plan; and
- 3.1.6 such other items as may be deemed appropriate by such executives.

4. PRODUCT DEVELOPMENT

The following obligations shall be in effect during the Initial Term of this Agreement only:

4.1 Product Development.

4.1.1 Development and Enhancement of Allscripts Products.

Allscripts shall be responsible for development of the Physician Channel Products as described in the Development Plan attached hereto as Exhibit A, as such Development Plan

is updated from time to time pursuant to Section 4.1.2. IDX shall perform all of its duties under the Development Plan. The parties shall cooperate to jointly test any software used in connection with the Allscripts Products to ensure the functionality of such software prior to distribution thereof to any IDX Customer.

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4.1.2 Update of Development Plan. IDX and Allscripts shall

update the Development Plan every calendar quarter during the term of this Agreement unless earlier updated as necessary to maintain the commercial reasonableness thereof. The Development Plan, as updated from time to time, shall describe detailed activities and responsibilities for two-year periods initially commencing on the date hereof. Not later than three (3) months prior to the expiration of the initial two-year term of the Development Plan, and thereafter not later than three (3) months prior to the expiration of each successive two-year period, the parties shall commence work on a revised Development Plan for the following two-year period. The Development Plan, as updated from time to time, shall be executed by the parties and shall become subject to this Agreement. Should the parties have failed to agree upon and execute a revised an updated Development Plan at the time of the expiration of the then current Development Plan, the parties shall continue to perform under the terms of the then current Development Plan until such time as the parties shall agree upon a revised Development Plan. Notwithstanding anything contained herein or in any Development Plan to the contrary, at all times during the Initial Term, Allscripts shall continue to fund the development of the Physician Channel Products as provided in the Development Plan as adopted on the date hereof.

4.1.3 Participation in Development. Upon reasonable request by

the other party, each party agrees to cooperate during the term of this Agreement in the provision of suggestions and specifications for enhancement and improvement of their respective products and services based upon the needs and requirements of their respective customers. If either party agrees to develop additional products, features, functionality, or interfaces, the material terms with respect to such additional development shall be memorialized in a written addendum to this Agreement specifying such terms.

4.1.4 User Groups. Allscripts shall be given an opportunity to

present and participate at IDX's annual ESD and Systems Division national sales and user group conferences.

4.1.5 Early Releases and Testing. IDX and Allscripts shall

deliver to each other for testing purposes only, copies of the earliest test releases of all development deliverables provided for in the Development Plan prior to delivery thereof to any other customers or Distribution Partners.

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4.1.6 Demonstration Products. Each party shall develop

demonstration versions of its products for use in selling its products to the other party's customers and prospects and shall have access to the demonstration systems of the other party, in accordance with the Demonstration Product Specification.

4.2 Technologies and Architectures.

4.2.1 Standards.

4.2.1.1 To facilitate data exchange and ease of use of the parties' respective products, Allscripts Products shall connect with the appropriate technical, architectural, communication, functional design and programming standards embodied in IDX Practice Management Products, as well as the Patient Channel and EDiX products, from time to time, including without limitation the technical standards, protocols, conventions and platforms incorporated in the IDX Web FrameWork. IDX shall provide Allscripts with no less than ninety (90) days' prior written notice before implementing any change with respect to such standards, protocols, conventions or platforms.

4.2.1.2 IDX represents and warrants, as of the Closing Date, that Physician Channel Products connect with the appropriate technical, architectural, communication, functional design and programming standards embodied in IDX Practice Management Products, as well as the Patient Channel and EDiX products, including without limitation the technical standards, protocols, conventions and platforms incorporated in the IDX Web FrameWork.

4.2.1.3 To facilitate data exchange between the Patient Channel and the portions of the Allscripts Products related to the Patient Channel, all IDX

products shall connect with the appropriate technical, architectural, communication, functional design and programming standards embodied in such Allscripts Products, such compliance to allow for connection with such products. Allscripts shall provide IDX with no less than ninety (90) days' prior written notice before implementing any change with respect to such technical, architectural, communication, design and programming standards embodied in such Allscripts Products from time to time.

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4.2.2 Databases. Allscripts shall not create the capability in

its products and services, or permit the use of its products and services, to write to Practice Management Product database except in conformance with written standards and procedures approved by IDX in advance. IDX shall not create the capability in its products and services, or permit the use of its products and services, to write to any Allscripts Product database except in conformance with written standards and procedures approved by Allscripts in advance. The parties shall regularly keep each other informed of their respective standards and procedures.

4.3 Data Exchange.

4.3.1 Interfaces. Each of IDX and Allscripts shall develop and

maintain Interfaces with respect to each of the products of the other party identified in the Development Plan. The Interfaces, and any updates thereof required to be made to maintain the Interfaces, shall be developed at the complete and sole expense of the developing party with respect to any particular Interface and shall be provided to the other party at no charge. Allscripts shall migrate toward a service oriented architecture in 2002 provided that such architecture is stable, deployable, has comparable performance to currently utilized technologies and has a similar cost structure to currently utilized technologies. Allscripts shall be responsible for integration and support costs related to the guaranteed methods developed by Allscripts in connection with such architecture.

4.3.2 Synchronization. Each of IDX and Allscripts shall be

required to reasonably maintain the compatibility of their respective products with any updates or new version releases of the products of the other party identified in the Development Plan.

4.3.3 Additional Interfaces. If the parties agree to develop

interfaces between their respective products in addition to the Interfaces, the material terms with respect to such additional interfaces shall be memorialized in a written addendum to this Agreement specifying such terms. Upon the execution of such an addendum by each party, such additional interfaces shall be deemed to be Interfaces hereunder.

4.3.4 Effects on Integration. Each party shall provide ninety

(90) days' prior notice to the other of any new versions or other material changes in any of its respective products

that might affect any Interface. Within a reasonable time following receipt of such notice, the notified party shall make any alterations or updates to

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any so affected Interface necessary to maintain such Interface, at its own expense.

4.4 Other Products. The parties shall make suggestions for developing

functional integration and data exchange among other IDX Practice Management Products, EDiX products, Patient Channel Products and Allscripts Products for the purpose of creating work flows and processes that benefit physicians.

5. MARKETING OF ALLSCRIPTS PRODUCTS

The following obligations shall be in effect during the Initial Term of this Agreement only:

5.1 Marketing Plan. During the Initial Term, IDX and Allscripts shall

regularly update a marketing plan for marketing Allscripts Products to IDX Customers and prospects, such marketing plan to initially be developed by Allscripts and IDX during the first ninety (90) days following the Closing Date (as updated from time to time, the "Marketing Plan"). The Marketing Plan shall commence on the Closing

Date, shall include the physician installation targets of new physician users of Allscripts Products set forth in Schedule 5.1 and

shall describe detailed activities and responsibilities (including without limitation, with respect to implementation) and sales forecasts over the initial two-year period of this Agreement, but shall be updated not less frequently than every three (3) months. The Marketing Plan for the initial two-year period shall be completed and executed by the parties no later than ninety (90) days following the Closing Date and shall be subject to the terms of this Agreement. Not less than three (3) months prior to the expiration of the initial two-year period, and thereafter three (3) months prior to the expiration of each successive two-year period of the Initial Term, the parties shall commence work on a revised Marketing Plan for the following two-year sales forecast period. The initial and each revised two-year Marketing Plan shall be executed by the parties and shall be subject to the terms of this Agreement. Should the parties have failed to agree upon and execute a revised Marketing Plan at the time of the expiration of the then current Marketing Plan, the parties shall continue to perform under the terms of the then current Marketing Plan until such time as the parties shall agree upon a revised Marketing Plan.

5.2 Certain Restrictions on Marketing Rights.

5.2.1 Restrictions on Allscripts. Except as provided in Section

5.2.3:

5.2.1.1 Allscripts shall not develop any Practice Management Products and shall not enter into any relationship or arrangement with any Direct Competitor of IDX whereby Allscripts or such Direct Competitor of IDX Provides

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Practice Management Products; provided, that

except as expressly set forth in this Agreement, nothing shall preclude Allscripts from developing or marketing any product, service, or functionality that it currently markets.

5.2.1.2 Allscripts shall not Provide any products to IDX Customers that are similar to the Virtual Office Products unless IDX has abandoned the marketing of such products.

5.2.2 Restrictions on IDX. Except as provided in Section 5.2.3,

(i) IDX shall not develop or Provide any products similar to the Allscripts Products and (ii) shall not enter into any relationship or arrangement with any Direct Competitor of Allscripts whereby IDX Provides products similar to or in competition with the Allscripts Products, including without limitation, the IDX products referred to as "OCM" or "Order Communication" or "ESD's Mobile Schedule" (except to continue to market the "ESD Mobile Schedule" as a stand alone application on the Palm Pilot). The Practice Management System of IDX as of the date hereof shall not be deemed to be similar to the Allscripts Products.

5.2.3 Restrictions Not Applicable. Notwithstanding anything to

the contrary contained in this Agreement or in any other agreement between the parties:

5.2.3.1 Allscripts may cooperatively market Allscripts Products with any vendor of Practice Management Products that is not a Direct Competitor of IDX, to any Person other than IDX Customers.

5.2.3.2 Allscripts may cooperate with a Person that Provides products and services similar to the Practice Management Products for the purpose of deploying such products and services, on a case-by-case basis to any Allscripts customer or prospect, including without limitation by development of data exchange or interfaces, if such Allscripts customer or prospect requests such similar products or services; provided, that

interface development and data exchange performed by Allscripts in connection with such other products or services shall be performed at a charge that is consistent with the ordinary and customary practices of Allscripts, and Allscripts will not cooperate with any Direct Competitor of IDX to provide any financial benefits beyond payment of such ordinary and customary charge.

5.2.3.3 IDX may Provide any products or services similar to Allscripts Products only as an offering integrated with its LastWord and IDXrad and Imaging Suite product lines, and any other non-Practice Management Product products and services, such as image management. IDX shall not Provide any products or services similar to Allscripts Products as an offering integrated with any Practice Management Products. IDX may Provide any

hand-held device for dictation only in connection with its EDiX product line, but not any other products similar to Allscripts Products in connection therewith.

5.2.3.4 IDX may establish direct connections for pharmacy benefit management companies, drug manufacturers and drug distributors involving a direct message to a patient via the Patient Channel only (except with respect to IDX Customers that utilize LastWord as their inpatient EMR).

5.2.3.5 IDX may cooperate with a Person that Provides products and services similar to the Allscripts Products for the purpose of deploying such products and services, on a case-by-case basis to any IDX Customer or prospect, using any means, including without limitation, development of interfaces or publication of specifications, if such IDX Customer or prospect requests such similar products or services; provided, that

interface development and data exchange performed by IDX in connection with such other products or services shall be performed at a charge which is consistent with the ordinary and customary practices of IDX, and IDX will not cooperate with any Direct Competitor of Allscripts to provide any financial benefits beyond payment of such ordinary and customary charge.

5.2.3.6 Allscripts may market Allscripts Products to any IDX Customer; provided, that Allscripts shall

notify IDX of any such marketing efforts within seven (7) days after Allscripts' initial contact with such IDX Customer.

5.2.3.7 IDX may sell and market CMS subject to the compensation provisions of Section 9.1.

5.2.3.8 Clinical Trials. Nothing in this Agreement shall

prevent either party from developing or marketing functionality that that facilitates participation by customers and prospects of such party in clinical trials. With respect to and in connection with marketing such functionality as

may be contained in IDX's Practice Management Products, however, IDX shall not resell or distribute products of any Person that are similar to the Allscripts Products.

5.2.4 Termination of Restrictions. Allscripts may elect to

terminate Section 5.2.1 in the event of a Material Adverse Change with respect to IDX, and IDX may elect to terminate Section 5.2.2 in the event of a Material Adverse Change with respect to Allscripts. In the event of a notice given pursuant to this Section 5.2.4 by either party, the notified party may, in its sole and absolute discretion, refer to arbitration pursuant to Section 11.20, the determination of whether the change which is the subject of such notice is a

Material Adverse Change.

5.3 Joint Marketing Duties.

5.3.1 Joint Marketing Materials. At their joint expense, shared

equally, Allscripts and IDX shall develop and produce product marketing documentation and materials similar in kind and quality to that currently provided by Allscripts and IDX to their respective sales prospects for the purpose of promoting and marketing the joint solution for physician office practice, including without limitation, administrative, financial and clinical information systems, through integration of the IDX Practice Management Products and the Allscripts Products.

5.3.2 User Groups and Trade Shows. Allscripts shall provide for

featured participation by IDX at Allscripts' user group meetings involving the Allscripts Products, and IDX shall provide for featured participation by Allscripts at IDX's user group meetings involving the Practice Management Products. Each of Allscripts and IDX shall provide space at their respective user group meetings for the other party's products and shall show such products together with their own respective products. In accordance with the Marketing Plan, Allscripts and IDX shall publicize the alliance created hereby at appropriate trade shows.

5.3.3 Information Regarding IDX Customers and Competitors.

Allscripts and IDX shall keep each other informed of opportunities that may exist for marketing products to their respective customers. Allscripts shall promptly notify IDX of any sales contact with an IDX Customer. IDX shall provide Allscripts with access to IDX sales pipelines and IDX Customer and competitor databases to the same extent and in the same manner as provided to ChannelHealth prior to the date hereof.

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5.3.4 Joint Sales. Each of Allscripts and IDX shall bill and

collect for its own respective products and services provided to IDX Customers. Allscripts and IDX shall each be responsible for the payment to members of their own respective sales forces of any appropriate commissions earned by such members on sales of Allscripts Products pursuant to Sections 5.4 and 5.5. Glen Tullman and Rich Tarrant shall be reasonably available for initial marketing efforts undertaken by Allscripts in connection with the Merger Agreement and for subsequent meetings with customers of the Physician Channel Products (which shall occur no less frequently than once per month).

5.4 Marketing Duties of Allscripts--Allscripts Products. Allscripts shall

market the Allscripts Products in accordance with the Marketing Plan and in any event shall provide services necessary to support IDX's marketing of Allscripts Products to IDX Customers as set forth below, at its own expense:

5.4.1 Allscripts shall continue to develop and produce product marketing documentation and collateral similar in kind and quality to that currently provided by Allscripts to its

sales prospects. Allscripts shall deliver such documentation and collateral in reasonable quantities and at such times and places reasonably requested by IDX.

- 5.4.2 Allscripts shall provide sales support services with respect to the Allscripts Products as generally and customarily employed by IDX in support of sales of its products, including without limitation, assisting in making sales calls, providing product demonstrations, facilitating site visits and responding to inquiries from prospects and customers, such as requests for proposals, requests for information and requests for quotations.
- 5.4.3 Allscripts shall maintain a qualified sales and marketing support staff in numbers reasonably sufficient to support IDX sales activities related to Allscripts Products.
- 5.4.4 Allscripts shall provide training to the IDX sales staff in the Allscripts Products and Allscripts' business strategy.
- 5.4.5 Allscripts shall provide IDX with current sales projections and regular updates thereto.
- 5.4.6 Allscripts shall develop and maintain a program for incenting at least one IDX Customer in each IDX sales region to be a reference site for every Allscripts Product in general release.

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- 5.4.7 Allscripts shall appropriately compensate and incent its sales personnel to sell Allscripts Products to IDX Customers and prospects.

5.5 Marketing Duties of IDX--Allscripts Products. IDX shall market the

Allscripts Products in accordance with the Marketing Plan and in any event shall provide services necessary to support Allscripts' marketing of Allscripts Products to IDX Customers as set forth below, at its own expense:

- 5.5.1 IDX shall educate and train its sales and sales support personnel so as to be able to present the Allscripts Products to IDX Customers and prospects as necessary to appropriately commercialize the Allscripts Products.
- 5.5.2 IDX shall appropriately compensate and incent its sales personnel to sell Allscripts Products.
- 5.5.3 IDX shall provide Allscripts with current sales projections and regular updates thereto.
- 5.5.4 IDX shall include appropriate descriptions of Allscripts Products and Allscripts' business strategy in sales proposals for new business as necessary to appropriately commercialize the Allscripts Products.
- 5.5.5 IDX shall respond to requests for information, quotations, proposals and the like for Allscripts Products as necessary to appropriately commercialize the Allscripts Products.
- 5.5.6 IDX shall pay reasonable compensation to its sales force for sales of Allscripts Products to IDX Customers; provided,

that commission percentages paid on gross profit of Allscripts Products by any member of IDX's sales force shall be not less than commission percentages paid to such members

on sales of any other products.

5.5.7 Quotas for sales of Allscripts Products to IDX Customers and prospects shall be placed on members of IDX's ESD and Systems Division sales force. IDX account executives shall be provided with a special bonus opportunity of \$5,000 per year in each of years 2001 and 2002 for the achievement of such quotas established pursuant to this Section 5.5.7.

5.5.8 Each member of IDX's ESD and Systems Division sales management shall be included in bonus plans and commission plans whereby a meaningful portion of such person's annual compensation is based upon overall sales of Allscripts Products.

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5.5.9 IDX shall provide Allscripts employees involved in the sale and development of Physician Channel Products with reasonable access to IDX facilities for the same or similar purposes related to the development, marketing and sale of Physician Channel Products as provided to ChannelHealth prior to the Closing Date.

5.6 Use of Allscripts Names and Marks. IDX may use the name "Allscripts" -----
and the other Allscripts names and marks in connection with customer communications pertaining to the co-marketing relationship between IDX and Allscripts provided for under this Agreement and in accordance with Allscripts' reasonable branding standards in effect from time to time.

5.7 Use of IDX Names and Marks. Allscripts may use the name "IDX" and the -----
other IDX names and marks in connection with customer communications pertaining to the co-marketing relationship between IDX and Allscripts as provided for under this Agreement and in accordance with IDX's reasonable branding standards in effect from time to time.

5.8 Marketing and Administrative Duties of IDX. IDX shall have the -----
authority to market, sell, resell and distribute Allscripts Products pursuant to IDX's own terms and conditions as previously agreed upon in writing by Allscripts. At IDX's request, IDX and Allscripts shall enter into a distribution agreement for the term of this Agreement that shall set forth customary terms and conditions upon which IDX may purchase, license, sell and sublicense the Allscripts Products. To the extent permitted by law, IDX shall have authority as Allscripts' agent to bind Allscripts to perform for IDX Customers all of Allscripts' standard sales terms and conditions as previously agreed upon in writing by Allscripts; provided, however, that in the event of a -----
failure by an IDX Customer to pay for an Allscripts Product, and such failure is not based upon a dispute with respect to such Allscripts Product, IDX shall be responsible to Allscripts for the sale price of such Allscripts Product. Allscripts shall confirm IDX's authority as provided in this Section 5.8 to any IDX Customer or prospective customer on request of IDX.

6. OTHER MARKETING RIGHTS

6.1 Right to Provide on Non-exclusive Basis. Notwithstanding any -----
termination or non-renewal of this Agreement, other than a termination pursuant to Section 2.2.1 and including otherwise without limitation any termination under Section 2.2 of this Agreement, for so long as Allscripts or any Affiliate of Allscripts shall offer, license,

support, or maintain any Allscripts Products, or any derivatives, enhancements, or improvements thereof, IDX shall be entitled to and Allscripts shall offer to permit IDX to, Provide such Allscripts Products, derivatives, enhancements, and improvements, and support or maintenance services with respect thereto, upon the best terms and conditions offered by Allscripts or such Affiliate

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of Allscripts to any distributor of Allscripts; provided, that if

Allscripts or such Affiliate has no distributor, IDX's provision of Allscripts Products shall be upon customary terms and at a price equal to Allscripts' direct sale price less a commercially reasonable discount.

6.2 Best Prices. Allscripts or any Affiliate of Allscripts shall at all

times during the term of this Agreement offer IDX Customers such prices and terms for Allscripts Products equally favorable to the prices (plus any subsidy earned by Allscripts on such Allscripts Products) and terms offered to any customer of Allscripts similarly situated to such IDX Customer.

7. TERMINATION OF PRIOR MARKETING OBLIGATIONS

Upon the Closing, that certain Marketing, Development and Service Agreement, made and entered into as of January 1, 2000, by and between ChannelHealth and IDX shall, except for the obligations of the parties set forth in Section 5.1 thereof, terminate and cease to be of any further effect.

8. OWNERSHIP

8.1 In General. Ownership of software developments shall be governed by

the License Agreement, except with respect to Interfaces, which shall be governed by Section 8.2 of this Agreement.

8.2 Interfaces Developed Pursuant to This Agreement. The parties

contemplate that they may individually or jointly develop certain new Interfaces. In each instance in which a new Interface is created, the parties will agree to a specification for the Interface. Where the specification is in the public domain, this Agreement does not purport to create any rights for either party in such specification. If the specification is owned by one of the parties, the other party receives a perpetual, non-exclusive, non-transferable license to use the Intellectual Property embodied in the Interface specification for the purpose of creating the Interfaces contemplated in this Agreement. If a specification is jointly authored by the parties, the parties shall jointly own such specification and shall be free to use such specification without interference from the other party and without any obligation to pay any royalties or account for any profits. The parties contemplate that Intellectual Property in and to the new Interfaces may be created as a result of the creation of the new Interfaces. As between the parties, such Intellectual Property related to portions of the Interfaces intended to (a) organize data from IDX's systems in the manner stated in the specification or (b) organize data received in the manner stated in the specifications for use by IDX's systems, shall be IDX's Intellectual Property. As between the parties, the Intellectual Property related to Interfaces intended to (x) organize data from Allscripts systems in the manner stated in the specification, (y) organize data received in the

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manner stated in the specifications for use by Allscripts' systems, or (z) organize data between Allscripts' systems and third party systems, shall be Allscripts' Intellectual Property. IDX hereby assigns to Allscripts all right, title, and interest in and to all Intellectual Property in the new Interfaces that is described above as belonging to Allscripts. Allscripts hereby assigns to IDX all right, title, and interest in and to all Intellectual Property in the new Interfaces that is described above as belonging to IDX. The parties agree from time to time to exchange and agree upon a written schedule setting forth the allocation of the ownership and rights in and to the specifications and Intellectual Property used or developed in connection with the development of the new Interfaces.

9. COMPENSATION

9.1 Compensation; Payment. IDX and Allscripts shall be entitled to

compensation for the sale or license of Allscripts Products and IDX products as set forth in the Compensation Table set forth in the Development Plan; provided, however, that IDX shall not be entitled to

any compensation for the sale or license of any Allscripts Products or IDX Products installed prior to the Closing Date.

9.2 Minimum Compensation. Provided Allscripts shall not have defaulted

under or breached any material term of this Agreement and shall not have cured such breach within one hundred twenty (120) days after receiving written notice from IDX specifying the nature of such default or breach:

9.2.1 If the gross revenues to Allscripts for Allscripts Products (less any commissions paid to IDX by Allscripts and less payments to third parties for equipment sold) for fiscal year 2001 (the "2001 Revenue") are less than \$4.5 million,

IDX will pay to Allscripts an amount equal to the difference between \$4.5 million minus 2001 Revenue.

9.3 Payments. Any payment to be made by a party pursuant to this

Agreement shall be made no later than the twentieth-fifth (25th) day of the calendar month next following the calendar month to which such payment applies and shall be made by delivery of a check, payable to the order of the party entitled to payment or by wire transfer of immediately available funds to an account designated by such party. Any payment to be made by IDX to Allscripts pursuant to Section 9.2 shall be made no later than March 31st of the year next following the fiscal year to which such payment applies and shall be made by delivery to Allscripts of a check, payable to the order of Allscripts or by wire transfer of immediately available funds to an account designated by Allscripts.

9.4 Late Fees. Each party agrees to pay late fees equal to one and

one-half percent (1 1/2%) per month on all amounts due but not paid within the time provided in Section 9.3.

10. SERVICES

10.1 Customer Support Services. Allscripts shall provide customer support

services for Allscripts Products, as follows:

10.1.1 CMS. Allscripts shall provide support for all existing CMS

customers of IDX in a manner consistent with support provided by IDX to its customers generally and to the level necessary to fulfill all contractual commitments of IDX to its customers for CMS. As the sole compensation to Allscripts for such services, IDX hereby assigns to Allscripts all support fees for CMS it receives from such customers.

10.1.2 Other Products. At its own expense and cost, Allscripts

shall provide Allscripts Maintenance for all IDX Customers of Allscripts Products, including bugs, fixes and drivers, consistent with Allscripts' ordinary and customary business practices. Upgrades to Allscripts Products sold to IDX Customers will be provided in the manner and price as is consistent with Allscripts' ordinary and customary business practices.

10.1.3 Other Services. Notwithstanding the fact that each party

shall be responsible for servicing and supporting its own products, the parties hereby agree to cooperate with respect to installation and implementation of each others' products and in the provision of customer support services. The parties further agree to cooperate to create a seamless help desk, operations support and problem triage model for customers to which products of both parties are marketed and sold. If requested by an IDX Customer, IDX shall be entitled to oversee and coordinate the implementation of such model.

10.2 Service Quality. All installation services provided by Allscripts

with respect to sales by IDX of Allscripts Products pursuant to Section 5.8 shall be performed in a good and workmanlike manner and consistent with standards generally applicable in the healthcare clinical information systems industry and consistent with the reasonable and customary support standards maintained in the healthcare clinical information systems industry or, if higher, by the IDX business unit most closely associated with the IDX Customer using the Allscripts Products as previously communicated to Allscripts in writing. Allscripts employees shall be permitted to directly support IDX Customers.

11. MISCELLANEOUS

11.1 Confidentiality. Each of IDX and Allscripts will receive or learn

from, information, both orally and in writing, concerning the business of Allscripts or IDX, respectively, including, without limitation, financial, technical and marketing information, data, and information related to the development of technology and services relating to business plans, customers, and markets, which information is deemed, in the case of Allscripts, proprietary to Allscripts and, in the case of IDX, proprietary to IDX. Both parties hereby agree, as set forth below, to protect such information, whether furnished before, on or after the date of this Agreement, as it protects its own similar confidential information, but never less than by commercially reasonable efforts, and not to disclose such information to anyone except as otherwise provided for in this Agreement. Such information, in whole or in part, together with analyses, compilations, programs, reports, proposals, studies or any other documentation prepared by the parties, as the case may be, which contain or otherwise reflect or make reference to such information, is hereinafter referred to as "Confidential Information." Each party hereby agrees that the

Confidential Information will be used solely for the purpose of this Agreement and not for any other purpose. Each party further agrees that any Confidential Information pertaining to the other party is the sole and exclusive property of such other party, and that the receiving party shall not have any right, title, or interest in or to such Confidential Information except as expressly provided in this Agreement. Each party further agrees to protect and not to disclose to anyone (except as provided in this Agreement) for any reason Confidential Information pertaining to the other party; provided,

however, that: (a) such Confidential Information may be disclosed to

the receiving party's respective officers, directors, employees, agents, or representatives (collectively, "Representatives") on a "need to know" basis for the purpose of this Agreement on the condition that (i) each of such Representatives will be informed by the receiving party of the confidential nature of such Confidential Information and will agree to be bound by the terms of this Agreement and not to disclose the Confidential Information to any other person and (ii) each party agrees to accept full responsibility for any breach of this Section 11.1 by its respective Representatives; and (b) Confidential Information pertaining to the other party may be disclosed upon the prior written consent of the other party. Each party hereby agrees, upon the request of the other party, to promptly deliver to the other party at the other party's cost the Confidential Information pertaining to such other party, without retaining any copies thereof. Specifically and without limitation, each party agrees to notify the other party promptly in writing upon any officer or director learning of any unauthorized disclosure or use of the Confidential Information.

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11.2 Non-Confidential Information. The term "Confidential Information"

shall not include any information: (i) which at the time of disclosure or thereafter is generally available to or known by the public (other than as a result of a disclosure directly or indirectly by the receiving party); (ii) is independently developed by the receiving party, without reference to or use of, the Confidential Information of the other party; (iii) was known by the receiving party as of the time of disclosure without a breach of confidentiality; (iv) is lawfully learned from a third party not under obligation to the disclosing party; or (v) is required to be disclosed pursuant to a subpoena, court order or other legal process, whereupon the receiving party shall provide prompt written notice to the other party prior to such disclosure.

11.3 No-Solicitation. During the first year of the term of this Agreement,

neither party, nor any Affiliate within its Control, shall hire any individual who had been in the employ of the other party or any of the other party's Affiliates. After the first year of the term of this Agreement, neither party, nor any Affiliate within its Control, shall hire any individual who had been in the employ of the other party or any of the other party's Affiliates until such time as one (1) year has passed since such individual was in the employ of the other party.

11.4 Regulatory Matters. Each party shall adopt, implement, and maintain

appropriate and compliant policies, procedures, and practices necessary to comply with laws and regulations (including without limitation the Health Insurance Portability and Accountability Act of 1996 ("HIPAA")) applicable to it in its business and applicable to it as a business partner of a customer of the other to whom products or services are provided under this Agreement. The parties agree to amend this Agreement to contain any provisions necessary to be

included as a result of such business partner status. Each party agrees to timely develop and include in its respective products covered by this Agreement the functionality required to support the minimum necessary standards applicable to users of its products as required by HIPAA.

11.5 No Consequential Damages. In no event shall either party or any

Affiliate of either party be liable hereunder for any consequential, special, incidental, punitive or indirect damages (including without limitation loss of profit, revenue, business opportunity or business advantage), whether based upon a claim or action of tort, contract, warranty, negligence, strict liability, breach of statutory duty, or any other legal theory or cause of action, even if advised of the possibility of such damages.

11.6 Agreements with Healtheon/WebMD. Each of IDX and Allscripts agree not

to cause any default under or termination of (other than a termination as a result of a default by Healtheon/WebMD) of the contracts between IDX and Healtheon/WebMD and ChannelHealth and Healtheon/WebMD.

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In the event IDX shall cause such a default or termination, IDX agrees to pay Allscripts such amount of revenues as would have been paid to Allscripts under the terms of the defaulted or terminated contract if such default or termination by IDX had not occurred.

11.7 Indemnification. Each party (an "Indemnifying Party") will indemnify

the other party, its officers, employees, and agents (each an "Indemnified Party" and, collectively, the "Indemnified Parties")

against, and hold each Indemnified Party harmless from, all claims, suits, judgments, losses, damages, fines or costs (including reasonable legal fees and expenses) ("Losses") resulting from any

claim, suit, or demand by any third party ("Third Party Claim") for

injuries to or deaths of persons or loss of or damage to property arising out of: (i) the Indemnifying Party's products or services as marketed by the Indemnified Parties, unless the Indemnified Parties shall have acted outside the scope of their rights under this Agreement; and (ii) the Indemnifying Party's performance or willful misconduct of the Indemnifying Party, its employees, officers, or agents in connection with the Indemnifying Party's performance of this Agreement, except to the extent caused by the negligence of any Indemnified Party.

11.7.1 The Indemnifying Party's obligations under this Section 12 will survive the termination of this Agreement.

11.7.2 Each Indemnified Party shall give an Indemnifying Party prompt written notice of any Third Party Claim of which such Indemnified Party has knowledge concerning any Losses as to which such Indemnified Party may request indemnification hereunder. If the Indemnifying Party acknowledges in writing its obligation to indemnify the Indemnified Party hereunder against any Losses that may result from such Third Party Claim, then the Indemnifying Party shall be entitled to assume and control the defense of such Third Party Claim at its expense and through counsel of its choice if it gives notice of its intention to do so to the Indemnified Party within five (5) days of the receipt of such notice from the Indemnified Party; provided, however, that if there exists

or is reasonably likely to exist a conflict of interest that would make it inappropriate in the judgment of the Indemnified Party, in its sole and absolute discretion, for the same counsel to represent both the Indemnified Party and the Indemnifying Party, then the Indemnified Party shall be entitled to retain its own counsel, at the expense of the Indemnifying Party. In the event the Indemnifying Party exercises the right to undertake any such defense against any such Third Party Claim as provided above, the Indemnified Party shall cooperate with the Indemnifying Party in such defense and make available to the Indemnifying Party, at the Indemnifying Party's expense, all witnesses, pertinent records, materials and information in the

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Indemnified Party's possession or under the Indemnified Party's control relating thereto as is reasonably required by the Indemnifying Party. Similarly, in the event the Indemnified Party is, directly or indirectly, conducting the defense against any such Third Party Claim, the Indemnifying Party shall cooperate with the Indemnified Party in such defense and make available to the Indemnified Party, at the Indemnified Party's expense, all such witnesses, records, materials and information in the Indemnifying Party's possession or under the Indemnifying Party's control relating thereto as is reasonably required by the Indemnified Party. No such Third Party Claim may be settled by the Indemnifying Party without the prior written consent of the Indemnified Party.

11.7.3 In no event shall the Indemnifying Party be liable to an Indemnified Party for any indirect, incidental, special, punitive, exemplary or consequential damages arising out of or otherwise relating to this Agreement, even if the Indemnifying Party has been advised of the possibility or likelihood of such damages.

11.7.4 Notwithstanding the foregoing, with respect to any claim that would otherwise be subject to indemnification by a party pursuant to this Agreement, if indemnification with respect to such claim is governed by the License Agreement, then no indemnification shall be available under this Agreement.

11.8 Expenses. Except as otherwise specified in this Agreement, all

costs and expenses, including, without limitation, fees and disbursements of counsel, financial advisors and accountants, incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses, whether or not the Closing shall have occurred.

11.9 Further Assurances and Documents. IDX and Allscripts shall take all

actions and do all things, including without limitation the execution and delivery of instruments and documents, necessary to effectuate the purposes and intent of this Agreement.

11.10 Notices. All notices, requests, claims, demands and other

communications hereunder shall be in writing and shall be given or made (and shall be deemed to have been duly given or made upon receipt) by delivery in person, by courier service, by telecopy or by registered or certified mail (postage prepaid, return receipt requested) to the respective parties at the following addresses (or at such other address for a party as shall be specified in a notice

given in accordance with this Section 11.10):

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(a) if to Allscripts:

Allscripts Healthcare Solutions, Inc.
2401 Commerce Drive
Libertyville, Illinois 60048
Attention: President
Facsimile: (847) 680-3573

With a copy to:

Weil, Gotshal & Manges LLP
700 Louisiana, Suite 1600
Houston, Texas 77002
Attention: Steven D. Rubin III
Facsimile: (713) 224-9511

(b) if to IDX:

IDX Systems Corporation
1400 Shelbourne Road
South Burlington, VT 05043
Attention: President
Facsimile: (802) 865-3681

With a copy to: General Counsel at the same address

11.11 Public Announcements. Except as required by law, governmental

regulation or by the requirements of any securities exchange on which the securities of a party hereto are listed, no party to this Agreement shall make, or cause to be made, any press release or public announcement in respect of this Agreement or the transactions contemplated hereby or otherwise communicate with any news media without the prior written consent of the other party, and the parties shall cooperate as to the timing and contents of any such press release or public announcement.

11.12 Headings. The descriptive headings contained in this Agreement are

for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

11.13 Severability. If any term or other provision of this Agreement is

invalid, illegal or incapable of being enforced by any law, governmental regulation or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this

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Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

11.14 Entire Agreement. This Agreement, together with the License

Agreement, constitutes the entire agreement of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and undertakings, both written and oral, with respect to the subject matter hereof.

- 11.15 Assignment. This Agreement shall be binding upon the parties and -----
their respective successors, representatives and permitted assigns and their Affiliates Controlled by them, respectively. Neither party may assign this Agreement without the prior written consent of the other party, except that either party hereto may assign its rights hereunder to an Affiliate of such party and either party may, without the consent of the other party, assign and delegate this Agreement and its rights and obligations hereunder in connection with a merger, consolidation or sale of substantially all of its assets (which sale shall include the assignment and assumption of all rights and obligations under the License Agreement); provided, -----
however, that such assignee or transferee shall assume all -----
obligations of the assigning or transferring party and any such assignment shall not relieve the assigning or transferring party of its obligations hereunder.
- 11.16 No Third Party Beneficiaries. This Agreement shall be binding upon -----
and inure solely to the benefit of the parties hereto and their permitted assigns and successors and nothing herein, express or implied, is intended to or shall confer upon any other person or entity, any legal or equitable right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.
- 11.17 Amendment. This Agreement may not be amended or modified except by -----
an instrument in writing signed by, or on behalf of, each of the parties.an
- 11.18 Governing Law. This Agreement shall be governed by the laws of the -----
State of Delaware without regard to its conflict of laws provisions.
- 11.19 Counterparts. This Agreement may be executed in one or more -----
counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement.
- 11.20 Arbitration. The parties shall attempt in good faith to resolve by -----
agreement any claim or controversy arising out of or relating to this Agreement or the breach hereof.

11.20.1 Subject to the first sentence of this Section 11.20, any and all claims, counterclaims, demands, causes of action, disputes, controversies, and other matters in question arising out of or relating to this Agreement, any provision hereof, the alleged breach of any such provision, or in any way relating to the subject matter of this Agreement or the relationship between the parties created by this Agreement, involving the parties, their Affiliates and/or their respective representatives (all of which are referred to herein as "Arbitrable Claims"), even -----

though some or all of such Arbitrable Claims allegedly are extra-contractual in nature, whether such Arbitrable Claims sound in contract, tort, or otherwise, at law or in equity, under state or federal law, whether provided by statute or the common law, for damages or any other relief, will be resolved by binding arbitration. Any arbitration will be administered by the arbitrators in accordance with the Commercial Arbitration Rules of the American Arbitration Association (the "AAA") in effect at

the time the arbitration is initiated (collectively, the "Rules").

- 11.20.2 The validity, construction, and interpretation of this agreement to arbitrate, and all procedural aspects of the arbitration conducted pursuant to this agreement to arbitrate, including without limitation, the determination of the issues that are subject to arbitration (i.e., arbitrability), the scope of the arbitrable issues, allegations of "fraud in the inducement" to enter into this Agreement or this arbitration provision, allegations of waiver, laches, delay or other defenses to arbitrability, and the rules governing the conduct of the arbitration (including without limitation, the time for filing an answer, the time for the filing of counterclaims, the times for amending the pleadings, the specificity of the pleadings, the extent and scope of discovery, the issuance of subpoenas, the times for the designation of experts, whether the arbitration is to be stayed pending resolution of related litigation involving third parties not bound by this Agreement, the receipt of evidence, and the like), will be decided by the arbitrators in accordance with the Rules. In deciding the substance of the parties' Arbitrable Claims, the arbitrators shall refer to the substantive laws of the State of Delaware for guidance (excluding Delaware choice-of-law principles that might call for the application of some other state's law). Each party shall be entitled to discovery rights equivalent to those provided under the Federal Rules of Civil Procedure. NOTWITHSTANDING ANY OTHER PROVISION IN THIS AGREEMENT TO THE CONTRARY, THE PARTIES EXPRESSLY AGREE THAT THE ARBITRATORS WILL HAVE ABSOLUTELY NO AUTHORITY TO AWARD CONSEQUENTIAL, TREBLE,

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EXEMPLARY OR PUNITIVE DAMAGES OF ANY TYPE UNDER ANY CIRCUMSTANCES REGARDLESS OF WHETHER SUCH DAMAGES MAY BE AVAILABLE UNDER DELAWARE LAW, THE LAW OF ANY OTHER STATE, OR FEDERAL LAW, OR UNDER THE FEDERAL ARBITRATION ACT, OR UNDER THE RULES, THE PARTIES HEREBY WAIVING THEIR RIGHT, IF ANY, TO RECOVER CONSEQUENTIAL, TREBLE, EXEMPLARY OR PUNITIVE DAMAGES IN CONNECTION WITH ANY ARBITRABLE CLAIMS.

- 11.20.3 The arbitration proceeding will be conducted in New York, New York. Within thirty days of the notice of initiation of the arbitration procedure, the parties shall obtain from the AAA a list of arbitrators from its Commercial Panel from which the parties shall select a panel of three neutral arbitrators in accordance with the Rules and normal procedures of the New York office of the AAA. If necessary, the AAA shall select some or all of the arbitrators when it is authorized to do so under the Rules.
- 11.20.4 In the event of an arbitration proceeding between Allscripts and IDX or any of their Affiliates, one half of all fees of

the arbitrators will be borne by Allscripts and the other half will be borne by IDX.

11.20.5 To the fullest extent permitted by law, the arbitration proceeding and the arbitrators' award will be maintained in confidence by the parties.

11.20.6 The award of the arbitrators will be final and binding on the parties, and judgement thereon may be entered in a court of competent jurisdiction.

11.21 Waiver of Jury Trial. Each of the parties hereto irrevocably and -----
unconditionally waives trial by jury in any legal action or proceeding relating to this Agreement or the transactions contemplated hereby and for any counterclaim therein.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized signatories thereunto duly authorized as of the day and year first above written.

IDX SYSTEMS CORPORATION

ALLSCRIPTS HEALTHCARE
SOLUTIONS, INC.

By: /s/ Robert W. Baker, Jr.

By: /s/ Robert W. Baker, Jr.

[Signature of Authorized Agent]

Glen E. Tullman
Chief Executive Officer

Print Name and Title:

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SCHEDULE 1

DEFINITIONS

"Affiliate" means, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such specified Person.

"Allscripts" means Allscripts Healthcare Solutions, Inc. a Delaware corporation.

"Allscripts Products" means the products and services (i) offered by Allscripts as more fully described in the Development Plan, (ii) the Physician Channel Products as of the Closing Date and (iii) all of the products and services to be developed as set forth under the Development Plan.

"Change of Control" means any event, transaction or occurrence as a result of which either of IDX or Allscripts (i) shall cease to own or control, directly or indirectly through any of its respective Affiliates, a majority of the voting rights associated with ownership of its respective voting stock or (ii) shall cease to have the ability, directly or indirectly, through one or more of its Affiliates, to elect a majority of its respective board of directors.

"ChannelHealth" means ChannelHealth Incorporated, a Delaware corporation, its successors and assigns, and any other entity which, as of the Closing, Controls, is Controlled by, or is under common Control with ChannelHealth.

"ChannelHealth Customers" means customers that have contracted or are in the process of contracting for some or all of the products and services offered by ChannelHealth.

"Clinical Management Suite" or "CMS" means the product currently marketed by IDX under the trademark of "CMS" or "Clinical Management Suite," including its predecessor product known as "CRS."

"Closing" means the closing of the acquisition by Allscripts of all of the issued and outstanding capital stock of ChannelHealth pursuant to the Merger Agreement.

"Closing Date" means the date on which the Closing occurs.

"Compensation Table" means the revenue sharing model as provided in the Development Plan.

"ConnectR" means the product currently marketed by IDX under the trademark "ConnectR."

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"Control" including the terms "Controlling," "Controlled by," and "under common Control with," means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of a Person, whether through the ownership of voting securities, by contract, or otherwise.

"Cross License Agreement" has the meaning set forth in the recitals to the Strategic Alliance Agreement.

"Demonstration Product Specification" means the hardware and software required to demonstrate the Allscripts Products as mutually agreed to in the Marketing Plan.

"Development Plan" means the Development Plan as described in Section 4 to the Strategic Alliance Agreement, and as initially set forth on Exhibit A attached to the Strategic Alliance Agreement.

"Direct Competitor of Allscripts" means any Person that Provides any products similar to the Allscripts Products and any successor, assignee, Affiliate or partner of such Person.

"Direct Competitor of IDX" means any Person that Provides any Practice Management Products and is named on Annex A to this Schedule 1 and any

successor, assignee, Affiliate or partner of such Person and any Person that IDX notifies Allscripts shall be additionally included on Annex A to this Schedule 1

from time to time.

"Distribution Partner" means any Person that has the right to market, cooperatively market, distribute, resell, sublicense, license, sell or otherwise provide a party's products or services, including by way of example and not in limitation, any reseller, distributor, licensee, customer, contractor, service provider, co-marketer, outsourcing vendor, or other information technology company.

"EDI" means effecting the exchange of information and transactions between trading partners over a network using electronic means.

"IDX" means IDX Information Systems Corporation, a Vermont corporation.

"IDX Customer" means any Person that has entered into a written agreement with IDX pursuant to which IDX provides any of its core products,

including without limitation Practice Management Systems, IDXrad, and LastWord(R) (the "Core Products"), all Affiliates of such Person, and all Persons receiving the benefit of any of the Core Products by or through such Person or Affiliates of such Person including without limitation those IDX Customers as set forth in the Development Plan.

"IDX Licensed Technology" means the technology licensed to Allscripts and ChannelHealth pursuant to the License Addendum.

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"Initial Term" means a period of ten (10) years commencing on the Closing Date.

"Intellectual Property" means, without limitation, know-how, trade secrets, inventions (whether or not patentable), ideas, materials, discoveries, techniques, plans, designs, formulas, processes, invention disclosures, technology, data or information, software and documentation therefor, hardware, source code (including all programmers' notes), procedures, methods, works and other documentation and information and the right to sue and recover damages for past, present and future infringement of such intellectual property.

"Interfaces" means the interfaces between the Allscripts Products and the IDX Practice Management Products, Patient Channel, and EDiX as described on Schedule 4.3.1 attached to the Strategic Alliance Agreement.

"Lastword" means the product marketed by IDX under the trademark LastWord.

"License Addendum" has the meaning set forth in recitals to the Strategic Alliance Agreement.

"License Agreement" has the meaning set forth in recitals to the Strategic Alliance Agreement.

"Maintenance" means the upkeep of software products by a Person including the provision of bugs, fixes and drivers, consistent with such Person's ordinary and customary business practices

"Marketing Plan" has the meaning set forth in Section 5.1 of the Strategic Alliance Agreement.

"Material Adverse Change" means any material adverse change in the business, properties, results of operations, condition (financial or otherwise) of an applicable Person (other than changes that are the result of economic factors affecting the economy as a whole or changes that are the result of factors generally affecting the specific industry or markets in which a party competes).

"Merger Agreement" means that certain Agreement and Plan of Merger by and among Allscripts (formerly named Allscripts Holding, Inc.), Allscripts, Inc., Bursar Acquisition, Inc., Bursar Acquisition No. 2, Inc., IDX and Channelhealth, dated as of July 13, 2000, whereby Allscripts agreed to acquire all of the issued and outstanding capital stock of ChannelHealth.

"OutReach" means the product currently marketed by IDX under the trademark "OutReach."

"Patient Channel" means the product marketed by ChannelHealth and IDX under the name Patient Channel.

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"Patient Channel Products" means the computer software and computerized or automated products and services marketed under the name "Patient Channel" as more fully described in the Development Plan.

"Person" means any individual, partnership, firm, corporation, association, trust, limited liability company, limited liability partnership, unincorporated organization or other entity, as well as any syndicate or group that would be deemed to be a person under Section 13(d)(3) of the Securities Exchange Act of 1934, as amended.

"Physician Channel Products" means the computer software and computerized or automated products and services marketed under the name "Physician Channel" as more fully described in the Development Plan.

"Practice Management Products" means any software application expressly designed to automate the business processes of physician billing, physician scheduling and managed care contract administration.

"Provide" means to market, sell, license, cooperatively market, or otherwise distribute, including through one or more Distribution Partners.

"Regulatory Requirements" means all federal and state laws and regulatory requirements applicable to the use by IDX, IDX Customers, ChannelHealth, and ChannelHealth Customers of the ChannelHealth products from time to time during the term of the Strategic Alliance Agreement, including without limitation those applicable to billing and claims submittal, managed care, prescriptions, EDI transactions, data transmission, security and privacy, and program requirements generally applicable to healthcare organizations, such as those involving accreditation.

"Strategic Alliance Agreement" means that certain agreement to which these definitions are a Schedule entitled "Strategic Alliance Agreement" by and between Allscripts and IDX executed or intended to be executed on the Closing Date.

"Virtual Office Products" means the product currently marketed by IDX under the name "Virtual Office" which allows for secure messaging, managing appointments, viewing of personal information, monitoring patient account status and tasking management.

"Web FrameWork" means the product currently marketed by IDX under the trademark "IDX Web FrameWork" and as more fully described in the Development Plan.

AMENDED AND RESTATED CROSS LICENSE
AND
SOFTWARE MAINTENANCE AGREEMENT

THIS AMENDED AND RESTATED CROSS LICENSE AND SOFTWARE MAINTENANCE AGREEMENT (this "Agreement") is made and entered into as of the January 8, 2001, by and between IDX SYSTEMS CORPORATION, a Vermont corporation, with offices at 1400 Shelburne Road, South Burlington, Vermont 05403 ("IDX"), and CHANNELHEALTH, INCORPORATED, a Delaware corporation, with offices at 25 Green Mountain Drive, South Burlington, Vermont 05403 ("ChannelHealth").

Background

IDX and ChannelHealth entered into that certain Cross License and Software Maintenance Agreement dated January 1, 2000.

ChannelHealth is in the business of, among other things, developing and marketing products and services known as the "Physician Channel" to automate the delivery of office-based clinical care, the "Patient Channel" to automate communication between physicians and their patients, and the "eCommerce Channel" to automate aspects of claims and payments for healthcare.

IDX is interested in retaining the eCommerce Channel business and certain components of the Patient Channel business and in divesting the Physician Channel business. Allscripts Healthcare Solutions, Inc., a Delaware corporation ("Allscripts"), is interested in acquiring the Physician Channel business of ChannelHealth.

As of July 13, 2000, (i) IDX and ChannelHealth entered into an Asset Purchase Agreement whereby, on the date hereof, IDX shall acquire the assets and assume the liabilities associated with the eCommerce Channel business and certain components of the Patient Channel business and (ii) IDX and Allscripts entered into an Agreement and Plan of Merger (the "Merger Agreement") whereby ChannelHealth, on the date hereof, will become a subsidiary of Allscripts, and concurrently herewith, IDX and Allscripts have entered into a Strategic Alliance Agreement whereby they shall cooperatively develop and market integrated office practice management and clinical management systems.

IDX and ChannelHealth desire to restate and supersede the Cross License and Software Maintenance Agreement, dated as of January 1, 2000, entered into by and between IDX and ChannelHealth (the "License Agreement"), to reflect (i) the conveyance by ChannelHealth of the eCommerce Channel business and certain components of the Patient Channel, and (ii) the conveyance of certain intellectual properties related to the Physician Channel by IDX to ChannelHealth.

IN CONSIDERATION of the premises, the mutual covenants and agreements hereinafter set forth, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. SCOPE AND EFFECT

From and after the Effective Time, each party shall be relieved from all obligations to perform the License Agreement that shall have arisen from and after the Effective Time, but this Agreement shall not relieve any party to the License Agreement from any obligation that shall have arisen prior to the Effective Time. Except for any such obligations, this Agreement shall supersede the License Agreement.

2. DEFINITIONS

The capitalized terms used in this Agreement and not otherwise defined in

this Agreement shall have the meanings ascribed to them on Schedule 1 attached hereto.

3. IDX LICENSE GRANTS AND CONVEYANCE OF INTELLECTUAL PROPERTY

As of the Effective Time, IDX grants licenses to ChannelHealth and makes conveyances of intellectual property to ChannelHealth as set forth in this Section 3, all of which shall for the purposes of this Agreement be deemed effective as of the Closing Date.

3.1 In General. IDX hereby grants to ChannelHealth a perpetual (except as set forth in Section 3.2), non-exclusive, non-cancellable and non-terminable, fully paid-up license (i) to copy, use, display, perform, adapt, modify, create derivative works of, and maintain the IDX Software, in whole or in part, solely for the purpose of Merging the IDX Software into Allscripts Products, (ii) to market and sublicense (including through one or more Distribution Partners), and in connection therewith to copy, use, distribute, perform, and display the IDX Software, in whole or in part, only as the IDX Software may be Merged into Allscripts Products, and (iii) to use and practice the IDX Licensed Technology to accomplish the purposes set forth in clauses (i) and (ii) of this Section 3.1.

3.2 Subject to Section 3.4.3, IDX shall make no claim to any derivative works developed by or on behalf of ChannelHealth pursuant to Section 3.1.

3.3 New Enabling Technologies. Upon the Termination and/or nonrenewal of the Strategic Alliance Agreement, the licenses granted to ChannelHealth shall terminate with respect to all New Enabling Technologies, except for New Enabling Technologies embodied in the Web Framework and ConnectR. From and after such termination, ChannelHealth shall not use any New Enabling Technologies for any purpose other than to create or maintain compatibility or connectivity between Allscripts Products and IDX Products.

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3.4 Ownership, Patent Prosecution and Enforcement.

3.4.1 IDX hereby transfers and assigns to ChannelHealth all of its copyrights in and to the products known as CMS and the Physician Channel. IDX shall execute an assignment in the form attached hereto as Exhibit 3.4.1 to effectuate and confirm such assignment.

3.4.2 Except for the rights expressly granted herein to ChannelHealth, IDX reserves and retains all right, title and interest (including without limitation patents and copyrights) in, the IDX Licensed Technology, the Virtual Office, Health Resources, the eCommerce Channel, DietSite, and all customizations, additions, modifications, changes, enhancements, improvements, and derivative works thereof made by IDX or on behalf of IDX, and all rights therein and copies thereof.

3.4.3 IDX reserves and retains all right, title and interest to any and all patentable inventions made, conceived, or reduced to practice by IDX, including without limitation by IDX personnel, employees or contractors, whether in whole or in part, both before and after the Reference Date. ChannelHealth agrees to cooperate in every reasonable way with IDX, at IDX's cost, to prosecute patent applications for such inventions and to perfect IDX's right, title and interest in and to such inventions and patent applications. The parties agree and acknowledge that certain ChannelHealth personnel were IDX employees, or were otherwise associated with IDX, before the Reference Date, and ChannelHealth agrees to cooperate in every reasonable way with IDX to prosecute patent applications for such inventions and to perfect IDX's right, title and interest in and to such inventions and patent applications.

- 3.4.4 ChannelHealth reserves and retains all right, title and interest to any and all patentable inventions with claims in part or wholly directed to inventions embodied in, or necessary to implement and practice the Physician Channel alone, or in combination with any other product or service made, conceived, or reduced to practice by ChannelHealth, including without limitation by ChannelHealth personnel, employees or contractors.
- 3.4.5 In the event IDX does not wish to prosecute a patent application for an invention owned by IDX, and directed to, embodied in, or necessary to implement and practice the Physician Channel, ChannelHealth may elect to prosecute that application at its expense.
- 3.4.6 If IDX decides not to enforce any issued patent with claims in part or wholly directed to inventions embodied in, or necessary to implement and practice the Physician Channel alone, or in combination with any other product or service, ChannelHealth may at its sole expense request that either IDX, at its sole discretion, either bring an action for infringement against the alleged infringing party or parties, or assign sufficient rights in the patent to ChannelHealth to enable ChannelHealth to have standing to enforce the patent on its own.

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- 3.5 Limitations, Restrictions, and Conditions. The licenses granted to ChannelHealth hereunder are subject to the following limitations, restrictions, and conditions:
 - 3.5.1 Distribution Pursuant to Strategic Alliance Agreement. During the Initial Term of the Strategic Alliance Agreement, ChannelHealth's use of the IDX Licensed Technology or any part thereof, including as Merged into Allscripts Products, is governed by the Strategic Alliance Agreement. This restriction shall not apply following the Initial Term or the termination of the Strategic Alliance Agreement.
 - 3.5.2 ChannelHealth shall have the right to use internally IDX Database Information only in connection with the Integration Methods, so long as such use does not induce disclosure of IDX Database Information to any Person not a party to this Agreement. At no time shall ChannelHealth license or authorize any Person to use any Integration Method or to use any IDX Database Information to exchange data between any IDX products and any products of any Person not a party to this Agreement. The foregoing shall not prohibit or restrict ChannelHealth from (i) providing any Allscripts Products to any ChannelHealth Customer using any Integration Method to provide installation services with respect to such ChannelHealth Customer or using IDX Database Information, in each case solely for the benefit of such Customer in using Allscripts Products, or (ii) using contractors as set forth in Section 3.5.4.
 - 3.5.3 ChannelHealth may permit third parties to provide to ChannelHealth or ChannelHealth Customers maintenance, disaster recovery, facilities management, outsourcing or other services involving access to the IDX Licensed Technology only if such third parties in each instance shall execute written nondisclosure and non-use agreements with ChannelHealth, in form and substance reasonably satisfactory to IDX and ChannelHealth, prior to using or gaining access to the IDX Licensed Technology.
 - 3.5.4. ChannelHealth may adapt, modify, merge, and maintain the IDX Licensed Technology as permitted under this Agreement through its own employees or through independent contractors, provided each such independent contractor shall in each instance execute a written nondisclosure and non-use agreement with ChannelHealth, in form and substance reasonably satisfactory to IDX and ChannelHealth, prior to

gaining access to the Source Code.

3.5.5 ChannelHealth may not indicate that any portion of the IDX Licensed Technology originated from IDX, except with IDX's prior written consent and except as may be otherwise expressly set forth in the Strategic Alliance Agreement.

3.6 Certain Terms of Third Party Agreements for IDX Licensed Technology. ChannelHealth shall not allow the use of or access to the IDX Licensed Technology by any third party (including a Distribution Partner) unless such party has signed and delivered to ChannelHealth an agreement restricting use of such

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IDX Licensed Technology in a manner consistent with this Agreement, and ChannelHealth shall use reasonable efforts to include language substantially similar to the following in any such third party agreements:

IN NO EVENT SHALL CHANNELHEALTH'S SUPPLIERS AND LICENSORS BE LIABLE FOR ANY DAMAGES OF ANY KIND OR NATURE, INCLUDING DIRECT, INDIRECT, INCIDENTAL, SPECIAL, PUNITIVE, EXEMPLARY OR CONSEQUENTIAL, ARISING OUT OF THE USE OF ANY SOFTWARE SUPPLIED BY CHANNELHEALTH, ITS SUPPLIERS OR LICENSORS. THE LICENSEE UNDERSTANDS AND AGREES THAT THE SOFTWARE PROVIDED BY CHANNELHEALTH TO LICENSEE CONTAINS SOFTWARE THAT IS THE COPYRIGHTED PRODUCT AND A TRADE SECRET OF CHANNELHEALTH OR ITS SUPPLIERS AND LICENSORS, AND THAT LICENSEE WILL NOT USE ANY SUCH SOFTWARE IN VIOLATION OF THE RESTRICTIONS CONTAINED IN THIS AGREEMENT AND WILL NOT DISCLOSE THE SOFTWARE TO ANYONE OTHER THAN ITS EMPLOYEES OR AGENTS AS REASONABLY NECESSARY FOR THE PURPOSE OF THIS AGREEMENT AND ON THE CONDITION THAT IT ACCEPTS FULL RESPONSIBILITY FOR ANY BREACH HEREOF BY ANY SUCH INDIVIDUAL. THE FOREGOING AGREEMENTS ARE FOR THE EXPRESS BENEFIT OF CHANNELHEALTH, ITS SUPPLIERS AND LICENSORS, AND MAY BE ENFORCED BY CHANNELHEALTH AND ITS SUPPLIERS AND LICENSORS.

3.7 Delivery. As of the Reference Date, IDX has delivered one copy (in both object code and Source Code forms) of each component of the IDX Licensed Technology.

3.8 IDX Names and Marks. ChannelHealth may not use any IDX Names or Marks in connection with ChannelHealth's business or otherwise, except as may be expressly set forth in the Strategic Alliance Agreement.

3.9 Bankruptcy. All rights and licenses granted under or pursuant to this Agreement by IDX to ChannelHealth are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code (the "Code"), licenses to rights to "intellectual property" as defined in the Code. The parties agree that ChannelHealth, as licensee of such rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the Code. The parties further agree that, in the event of the commencement of bankruptcy proceeding by or against IDX under the Code, ChannelHealth shall be entitled to retain all of its rights under this Agreement.

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4. LIMITED WARRANTIES OF IDX

Except for the warranties made in the Merger Agreement, there are NO WARRANTIES made by IDX in connection with the subject matter of this Agreement. The warranties of IDX set forth below are made only to ChannelHealth and shall be true as of the Reference Date. ChannelHealth acknowledges that, except for the express warranties set forth in this Section 4, it has accepted the license and delivery of the IDX Licensed Technology "AS IS" and "WITH ALL FAULTS." With

respect to Software Updates and Support Services the warranties are as follows:

- 4.1 Encumbrances. The IDX Software Updates shall be free and clear of all liens, restrictions, claims, charges, security interests, or other encumbrances of any nature whatsoever which might affect or adversely impact on ChannelHealth's use of the IDX Software Updates as permitted under this Agreement.
- 4.2 Ownership; Right to License. IDX owns or otherwise has adequate rights to make the grants of the licenses to the IDX Software Updates to ChannelHealth hereunder and possesses all rights and interests in the IDX Software Updates necessary to enter into this Agreement.
- 4.3 No Infringement. IDX Software Updates and all components thereof do not infringe upon the intellectual property rights, including without limitation the patent, copyright, trademark or trade secret rights, of any third parties. The sole and exclusive remedy for breach of this warranty shall be as set forth in Section 8.1.

5. CHANNELHEALTH LICENSE GRANTS AND CONVEYANCE OF INTELLECTUAL PROPERTY

ChannelHealth grants licenses to IDX as set forth in this Section 5.

- 5.1 License to ChannelHealth Licensed Technology. ChannelHealth hereby grants to IDX a perpetual, non-exclusive, non-cancellable and non-terminable, fully paid-up license to copy, use, display, perform, market, sublicense, transmit, create and own derivative works, and distribute (including through one or more Distribution Partners) all or any portion of the ChannelHealth Licensed Technology the use of which is limited to use with the Patient Channel.
- 5.2 Delivery. ChannelHealth shall deliver one copy (in both object code and Source Code forms) of each component of the ChannelHealth Licensed Technology.
- 5.3 Bankruptcy. All rights and licenses granted under or pursuant to this Agreement by ChannelHealth to IDX are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code (the "Code"), licenses to rights to "intellectual property" as defined in the Code. The parties agree that IDX, as licensee of such rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the Code. The parties further agree that, in the event of the commencement of bankruptcy proceeding by or against

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ChannelHealth under the Code, IDX shall be entitled to retain all of its rights under this Agreement.

6. LIMITED WARRANTIES OF CHANNELHEALTH

Except for the warranties made in the Merger Agreement, there are NO WARRANTIES made by ChannelHealth in connection with the subject matter of this Agreement. The warranties of ChannelHealth set forth below are made only to IDX and shall be true as of the Reference Date. IDX acknowledges that, except for the express warranties set forth in this Section 6, it has accepted the license and delivery of the ChannelHealth Licensed Technology "AS IS" and "WITH ALL FAULTS." With respect to Software Updates and Support Services the warranties are as follows:

- 6.1 Encumbrances. The ChannelHealth Software Updates shall be free and clear of all liens, restrictions, claims, charges, security interests, or other encumbrances of any nature whatsoever which might affect or adversely impact IDX's use of the ChannelHealth Software Updates as permitted under this Agreement.
- 6.2 Ownership; Right to License. ChannelHealth owns or otherwise has adequate

rights to make the grants of the licenses to the ChannelHealth Software Updates to IDX hereunder and possesses all rights and interests in the ChannelHealth Software Updates necessary to enter into this Agreement.

6.3 No Infringement. ChannelHealth Software Updates and all components thereof do not infringe upon the intellectual property rights, including without limitation the patent, copyright, trademark or trade secret rights, of any third parties. The sole and exclusive remedy for breach of this warranty shall be as set forth in Section 8.1.

7. SUPPORT AND SERVICES

7.1 IDX Support. During the IDX Support Term, IDX shall provide to ChannelHealth IDX Software Maintenance and IDX Software Updates on a timely basis. IDX shall have no obligation to provide any services to support, maintain or update CMS.

7.2 ChannelHealth Support. During the ChannelHealth Support Term, ChannelHealth shall provide ChannelHealth Maintenance and ChannelHealth Updates on a timely basis.

7.3 Implementation and Consulting. Each party will provide services for customer specific implementation work and consulting services to the other party at the then current consulting rate for the party.

7.4 Level of Support. Each party will further provide the other with the same level of support that is offered to its customers for the specific product for which support is requested.

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8. INDEMNIFICATION

8.1 IDX Indemnity.

8.1.1 Indemnification Obligations. IDX, at its own expense, shall defend, hold harmless and indemnify ChannelHealth, its officers, directors, employees, agents, successors, affiliates, and assigns, from and against any and all loss, damages, expenses (including attorneys' fees) arising from claims of third parties that the IDX Software Updates, or any component thereof, whether used alone or in combination with any other item as intended, designed, suggested or induced by IDX or its agents, infringes or violates any patents, copyrights, trademarks, trade secrets, licenses, or other proprietary rights of any third party. ChannelHealth may, at its own expense, assist in such defense if it so chooses, provided that IDX shall control such defense and all negotiations relative to the settlement of any such claim. IDX shall not settle any claim that adversely affects any rights of ChannelHealth without ChannelHealth's prior written consent. ChannelHealth shall promptly provide IDX with written notice of any claim that ChannelHealth believes falls within the scope of this Section 8.1.1. At any time after IDX becomes aware of any such claim under this Section 8.1.1, or in the event that the IDX Licensed Technology, the IDX Software, or any portion thereof, is held to constitute an infringement or its use is enjoined, IDX shall have the option at its own expense to (i) modify the infringing item without impairing in any material respect the functionality or performance, so that it is non-infringing, (ii) procure for ChannelHealth the right to continue to use the infringing item or (iii) replace the infringing item with an equally suitable, non-infringing item.

8.1.2 Exceptions. IDX's obligations to indemnify as set forth in this Section 8 shall not apply to any claim to the extent that it arises from (i) any modifications, changes, additions, or enhancements to the IDX Software Updates that have not been made directly by IDX or

have not been made at its express direction or under its direct oversight, control or supervision or (ii) any such modifications made by IDX at the request or to the specification of ChannelHealth, ChannelHealth's Customers, or any of their agents.

8.2 ChannelHealth Indemnity.

8.2.1 Indemnification Obligations. ChannelHealth, at its own expense, shall defend, hold harmless and indemnify IDX, its officers, directors, employees, agents, successors, affiliates, and assigns, from and against any and all loss, damages, expenses (including attorneys' fees) arising from claims of third parties that the ChannelHealth Updates, or any component thereof, whether used alone or in combination with any other item as intended, designed, suggested or induced by ChannelHealth or its

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agents, infringes or violates any patents, copyrights, trademarks, trade secrets, licenses, or other proprietary rights of any third party.

8.2.2 Exceptions. ChannelHealth's obligations to indemnify as set forth in this Section shall not apply to any claim to the extent that it arises from (i) any modifications, changes, additions, or enhancements to the ChannelHealth Updates that have not been made directly by ChannelHealth or have not been made at its express direction or under its direct oversight, control or supervision, (ii) any such modifications made by ChannelHealth at the request or to the specification of IDX or any of its agents, or (iii) the use of the ChannelHealth Updates in combination with any other item, or in any system or method adopted, permitted, induced, contributed to, or otherwise used by IDX or IDX Customers that is not marketed, recommended, enabled, contributed to, or otherwise directly or indirectly suggested by ChannelHealth.

9. LIMITATION OF LIABILITY.

NEITHER PARTY SHALL BE LIABLE TO THE OTHER EXCEPT FOR (i) INDEMNIFICATION OBLIGATIONS PURSUANT TO SECTION 8 OF THIS AGREEMENT, (ii) THIRD-PARTY CLAIMS FOR PROPERTY DAMAGE, PERSONAL INJURY OR DEATH, AND OTHER CLAIMS FOR WHICH EITHER PARTY MAY BE ENTITLED TO INDEMNIFICATION OR CONTRIBUTION FROM THE OTHER PURSUANT TO THIS AGREEMENT OR AS A MATTER OF LAW, AND (iii) ANY MATERIAL BREACH BY EITHER PARTY OF ANY WARRANTY SET FORTH IN SECTIONS 4 AND 6 OF THIS AGREEMENT.

10. CONFIDENTIALITY.

10.1 Confidentiality. IDX will receive or learn from ChannelHealth, and ChannelHealth's parents, subsidiaries and affiliates, and ChannelHealth will learn from IDX, and IDX's parents, subsidiaries and affiliates, information, both orally and in writing, concerning the business of ChannelHealth or IDX, respectively, including, without limitation, financial, technical and marketing information, data, and information related to the development of technology and services relating to ChannelHealth's and IDX's business, as the case may be, and the IDX Licensed Technology and Allscripts Products, which information is, in the case of ChannelHealth, proprietary to ChannelHealth and, in the case of IDX, proprietary to IDX. Both parties hereby agree, as set forth below, to protect such information, whether furnished before, on or after the date of this Agreement, as it protects its own similar confidential information, but never less than commercially reasonable efforts, and not to disclose such information to anyone except as otherwise provided for in this Agreement. Such information, in whole or in part, together with analyses, compilations, programs, reports, proposals, studies or any other documentation prepared by the parties, as the case may be, which contain or

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otherwise reflect or make reference to such information, is hereinafter referred to as "Confidential Information." Both parties hereby agree that the Confidential Information will be used solely for the purpose of this Agreement and not for any other purpose. Both parties further agree that any Confidential Information pertaining to the other party is the sole and exclusive property of such other party, and that the receiving party shall not have any right, title, or interest in or to such Confidential Information except as expressly provided in this Agreement. Both parties further agree to protect and not to disclose to anyone (except as provided in this Agreement) for any reason Confidential Information pertaining to the other party; provided, however, that: (a) such Confidential Information may be disclosed to the receiving party's respective officers, directors, employees, agents, or representatives (collectively, our "Representatives") on a "need to know" basis for the purpose of this Agreement on the condition that (i) each such Representative will be informed by the receiving party of the confidential nature of such Confidential Information and will agree to be bound by the terms of this Agreement and not to disclose the Confidential Information to any other person and (ii) both parties agree to accept full responsibility for any breach of this Section 10 by its respective Representatives; and (b) Confidential Information pertaining to the other party may be disclosed upon the prior written consent of the other party. Both parties hereby agree, upon the request of the other party, to promptly deliver to the other party at its cost the Confidential Information pertaining to such other party, without retaining any copies thereof. Specifically and without limitation, ChannelHealth agrees to (i) reproduce (and refrain from removing or destroying) copyright and proprietary rights notices which are placed on the IDX Licensed Technology or the Allscripts Products, (ii) erase or otherwise destroy, prior to disposing of media, all portions of IDX Licensed Technology or the Allscripts Products contained on such media, (iii) notify the other party promptly in writing upon any officer or director learning of any unauthorized disclosure or use of the IDX Licensed Technology or the Allscripts Products and (iv) reasonably cooperate with the other party to cure any unauthorized disclosure or use of the IDX Licensed Technology or the Allscripts Products. IDX agrees that ChannelHealth's use and distribution of the IDX Licensed Technology pursuant to and in accordance with the terms of this Agreement shall not be a violation of this Section 10.1.

10.2 Non-Confidential Information. The term "Confidential Information" shall not include any information: (i) which at the time of disclosure or thereafter is generally available to or known by the public (other than as a result of a disclosure directly or indirectly by the receiving party); (ii) is independently developed by the receiving party, without reference to or use of, the Confidential Information of the other party; (iii) was known by the receiving party as of the time of disclosure without a breach of confidentiality; (iv) is lawfully learned from a third party not under obligation to the disclosing party; or (v) is required to be disclosed pursuant to a subpoena, court order or other legal process, whereupon the receiving party shall provide prompt written notice to the other party prior to such disclosure.

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11. GENERAL

11.1 Force Majeure. Except as expressly provided to the contrary in this Agreement, neither party shall be liable to the other for any delay or failure to perform due to causes beyond its reasonable control. Performance times shall be considered extended for a period of time equivalent to the time lost because of any such delay.

11.2 Non-revocation. The licenses, immunities, authorities and agreements set forth in Sections 3 and 5 hereof, once effective, are not terminable, cancelable, or revocable.

11.3 Notices. Wherever under this Agreement one party is required or permitted to give notice to the other, such notice shall be deemed given when delivered in hand, when telecopied or faxed and receipt confirmed, when sent by overnight courier service to the address specified below, or when mailed by United States mail, registered or certified mail, return receipt requested, postage prepaid, and addressed as follows:

(a) if to IDX:

IDX Systems Corporation
1400 Shelbourne Road
South Burlington, VT 05043
Attention: President
Facsimile: (802) 862-6351

with a copy to: General Counsel at same address

(b) if to ChannelHealth

ChannelHealth Incorporated
25 Green Mountain Drive
P. O. Box 8370
Burlington, VT 05402-8370
Attention: Jeffrey J. McMahan
Facsimile: (802) 865-1197

with copies to:

Allscripts Healthcare Solutions, Inc.
2401 Commerce Drive
Libertyville, Illinois 60048
Attention: President
Facsimile: (847) 680-3721

and

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Weil, Gotshal & Manges LLP
700 Louisiana, Suite 1600
Houston, Texas 77002
Attention: Steven D. Rubin
Facsimile: (713) 224-9511

Either party hereto may from time to time change its address for notification purposes by giving the other written notice of the new address and the date upon which it will become effective.

11.4 Governing Law. This Agreement shall be governed by, subject to, and interpreted in accordance with the laws of the State of Delaware, without regard to its conflicts of laws principles.

11.5 Severability. In the event any provision hereof shall be deemed invalid or unenforceable by any court or governmental agency, such provision shall be deemed severed from this Agreement and replaced by a valid provision which approximates as closely as possible the intent of the parties. All remaining provisions shall be afforded full force and effect.

11.6 No Waiver. No delay or omission by either party hereto to exercise any right or power hereunder shall impair such right or power or be construed to be a waiver thereof. A waiver by either of the parties hereto of any of the covenants to be performed by the other or any breach thereof shall not be construed to be a waiver of any succeeding breach thereof or of any other covenant herein contained.

11.7 Further Assurances and Documents. IDX and ChannelHealth shall take all actions and do all things, including without limitation the execution and

delivery of instruments and documents, necessary to effectuate the purposes and intent of this Agreement.

11.8 Independent Contractor. In performance of this Agreement, each party is acting as an independent contractor. Personnel supplied by a party hereunder are not the other party's personnel or agents, and each party assumes full responsibility for their acts. Each party shall be solely responsible for the payment of compensation to its employees and subcontractors assigned to perform services hereunder, and such employees and subcontractors shall be informed that they are not entitled to the provision of any employee benefits of the other party. Neither party shall be responsible for payment of workers' compensation, disability benefits, unemployment insurance or for withholding income taxes and social security for any employee or subcontractor of the other.

11.9 Personnel Rules and Regulations. The personnel and subcontractors of each party hereto shall comply with the other party's security regulations particular to each work location, including any procedures which such party's personnel and other consultants are normally asked to follow. Personnel and subcontractors, when deemed appropriate by a party, shall be issued visitor identification cards. Each such card will be surrendered by such personnel and subcontractors upon demand of a party. Unless otherwise agreed to by the parties, the personnel and

subcontractors of a party shall observe the working hours, working rules and holiday schedules of the other party while working on the other party's premises.

11.10 Assignment. This Agreement shall be binding upon the parties and their respective successors, representatives and permitted assigns and their Affiliates, respectively. Neither party may assign this Agreement without the prior written consent of the other party, except that either party hereto may assign its rights hereunder to an Affiliate of such party and either party may, without the consent of the other party, assign and delegate this Agreement and its rights and obligations hereunder in connection with a merger, consolidation or sale of substantially all of its assets (which sale shall include the assignment and assumption of all rights and obligations under the License Agreement); provided, however, -----
that such assignee or transferee shall assume all obligations of the assigning or transferring party and any such assignment shall not relieve the assigning or transferring party of its obligations hereunder.

11.11 Availability of Records. IDX and ChannelHealth agree that the Secretary of the Department of Health and Human Services (the "Secretary") and the Comptroller General of the United States, or the designee or duly authorized representative of either of them, shall have access to all books and records of each party pertaining to the subject matter of this Agreement and the provisions of services under it, in accordance with the criteria presently or hereafter developed by the Department of Health and Human Services as provided in Section 952 of the Omnibus Reconciliation Act of 1980 (the "Act"). Upon request of the Secretary, the Comptroller General, or the designee or authorized representative of either of them, IDX and ChannelHealth shall make available (at reasonable times and places during normal business hours) this Agreement, and all books, documents and records of IDX and ChannelHealth that are necessary to verify the nature and extent of the costs of the services provided by IDX or ChannelHealth furnished in connection with this Agreement. Notwithstanding the foregoing provisions, the access to the books, records and documents of IDX and ChannelHealth and any related organization provided for herein shall be discontinued and become null and void upon a finding by a court or quasi-judicial body of competent jurisdiction that this Agreement is outside the scope of the regulatory or statutory definition of those contracts and agreements included within the purview of Section 952 of the Act or the rules and regulations

promulgated thereunder.

11.12 Survival. Section 10 shall survive the termination of this Agreement.

11.13 Entire Agreement. This Agreement constitutes the entire sum of changes of any kind or nature to the License Agreement, and there are no changes, representations, warranties, covenants or obligations of any kind except as set forth herein. This Agreement supersedes all prior and contemporaneous agreements, understanding, negotiations and discussions, written or oral, of the parties hereto, relating to any transaction contemplated by this Agreement. There have been no changes to any other agreement entered in to in connection with the License Agreement, unless reduced to writing and made a part of an addendum to such other agreement. Except as otherwise especially provided herein, nothing in this Agreement is intended or shall be construed to confer upon or to give any

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person other than the parties hereto any rights or remedies under or by reason of this Agreement.

11.14 Binding Effect. This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and permitted assigns.

11.15 Amendments. This Agreement may be amended only in writing executed by the parties affected by such amendment.

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IN WITNESS WHEREOF, the parties hereto have signed this Agreement the date and year first written above by their fully authorized representatives.

IDX SYSTEMS CORPORATION

CHANNELHEALTH INCORPORATED

By: /s/ Robert W. Baker, Jr.

By: /s/ Robert W. Baker, Jr.

Robert W. Baker, Jr.
Vice President and General Counsel

Robert W. Baker, Jr.
Vice President

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SCHEDULE 1

DEFINITIONS

"Allscripts" means Allscripts Healthcare Solutions, Inc., a Delaware corporation.

"Affiliate" means, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with, such specified Person.

"Agreement" means this Amended and Restated Cross License and Software Maintenance Agreement, including all schedules, exhibits another items attached hereto and incorporated by reference herein.

"Allscripts Products" means the products and services (i) offered by Allscripts as more fully described in the Development Plan, (ii) the Physician Channel Products as of the Closing Date and (iii) all of the products and services to be

developed as set forth under the Development Plan.

"ChannelHealth" means Channelhealth Incorporated, a Delaware corporation, its successors and assigns, and any other entity which, as of the Closing, Controls, is Controlled by, or is under common Control with ChannelHealth.

"ChannelHealth Licensed Technology" means (i) the object and Source Code for the ChannelHealth Works, (ii) ChannelHealth Updates, (iii) the standard, published editions of textual and graphical works, in whatever form, intended to instruct users in the use of ChannelHealth Works, and published by ChannelHealth from time to time during the ChannelHealth Support Term, and (iv) the intellectual property rights of ChannelHealth, including without limitation patent rights and copyrights, embodied or contained in the items named in clauses (i) through (iii).

"ChannelHealth Maintenance" means services to correct errors found in the ChannelHealth Works and delivered during the ChannelHealth Support Term.

"ChannelHealth Support Term" means the period commencing with the Effective Time and ending on the expiration of the Initial Term of the Strategic Alliance Agreement or later if renewed as set forth in this Agreement.

"ChannelHealth Updates" means all additions, corrections, and modifications to the ChannelHealth Works provided as part of ChannelHealth Maintenance and all standard new releases, new versions, and updates to the ChannelHealth Works delivered by ChannelHealth to its customers generally as part of the ChannelHealth Works during the ChannelHealth Support Term.

"ChannelHealth Works" means the products and works of ChannelHealth known as "WebWorks Task Engine," "Task Engine Database," "My Health" and "Patient Messaging" (also known as Secure Messaging).

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"Clinical Management System" or "CMS" means the product formerly marketed by IDX under the trademark of "CMS" or "Clinical Management System," including its predecessor product known as "CRS."

"Closing" means the closing of the acquisition by Allscripts of all of the issued and outstanding capital stock of ChannelHealth pursuant to the Merger Agreement.

"Closing Date" means the date on which the Closing occurs.

"ConnectR" means the product currently marketed by IDX under the trademark "ConnectR."

"Core Application" means any software application expressly designed to automate the business processes of physician billing, physician scheduling, managed care contract administration, hospital clinical practice, hospital patient administration, or hospital billing, including by way of example and not in limitation, as embodied in the products currently marketed by IDX under the trademarks "IDXtendR," "IDXSite" and "LastWord."

"Development Plan" has the meaning specified in Section 4 of the Strategic Alliance Agreement.

"DietSite" means the product consisting of the World Wide Web site on the Internet at www.dietsite.com, and all content and services available therein,

and all future versions thereof.

"Direct Competitor of IDX" means any Person that develops or markets any Core Application.

"Distribution Partner" means any Person that has the right to distribute, resell, sublicense, license, sell or otherwise provide a party's products or

services, including by way of example and not in limitation, any reseller, distributor, licensee, customer, contractor, service provider, outsourcing vendor or other information technology company.

"eCommerce Channel" means the service currently marketed by IDX under the service mark "eCommerce Channel."

"Effective Time" means the time of completion of the Closing.

"Enterprise Index" means the product currently marketed by IDX under the trademark of "Enterprise Index."

"IDX Database Information" means information concerning the file structure or definition of any IDX Products that would be necessary or useful in using Integration Methods.

"IDX Licensed Technology" means (i) the IDX Software, including the object and Source Code therefor, as of the Reference Date, (ii) IDX Software Updates, (iii)

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Integration Methods as of the Reference Date, and (iv) the intellectual property rights of IDX, including without limitation patent rights (including patent rights owned by IDX with claims in part or wholly directed to inventions embodied in, or necessary to implement and practice the Physician Channel alone, or in combination with any other product or service, invented by former IDX employees that are now ChannelHealth employees), copyrights, and trade secrets embodied or contained in the items named in clauses (i) through (iii).

"IDX Names and Marks" means trade names, trademarks, service names and service marks used by IDX in marketing any of its products and services.

"IDX Products" means all products and services offered by IDX from time to time during the term of this Agreement, whether or not described in the License Agreement or the Strategic Alliance Agreement, including without limitation all (i) computer software and (ii) computerized or automated products, services, processes, systems, and methods of any kind or nature.

"IDX Software" means (i) the Web FrameWork, (ii) ConnectR, (iii) OutReach, (v) CMS, (v) Enterprise Index, and (vi) the standard, published editions of textual and graphical works, in whatever form, intended to instruct users in the use of the software products named in clauses (i) through (vi) and published by IDX from time to time during the IDX Support Term.

"IDX Software Maintenance" means services to correct errors found in the IDX Software, except CMS and OutReach, and delivered during the IDX Support Term as set forth in this Agreement.

"IDX Software Updates" means all additions, corrections, and modifications to the IDX Software provided as part of IDX Software Maintenance and all standard new releases, new versions, and updates to the IDX Software delivered by IDX to its customers generally as part of the IDX Software during the IDX Support Term. IDX Software Updates include New Enabling Technologies only to the extent necessary to achieve compatibility between IDX Products and ChannelHealth Works.

"IDX Support Term" means the period commencing with the Effective Time and ending on the expiration of the Initial Term of the Strategic Alliance Agreement or later if renewed as set forth in this Agreement.

"Integration Method" means any method using any programmatic or computerized means, such as a program or data interface (including without limitation OutReach and ConnectR), for extracting or adding to any databases included in any IDX Product or exchanging any data between any IDX Product and any ChannelHealth Product.

"Merge" means the process of merging all or a portion of existing software or documentation into other software or documentation or adding to existing

software or documentation so that the resulting software or documentation contains functionality that is substantially more or different from that of the existing software or documentation. For

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purposes of illustration, the IDX Software shall be deemed to have been Merged into the ChannelHealth Division Works.

"Merger Agreement" means the Agreement and Plan of Merger, dated as of July 13, 2000, by and among Allscripts (formerly named Allscripts Holding, Inc.), Allscripts, Inc., Bursar Acquisition, Inc., Bursar Acquisition No. 2, Inc., IDX and ChannelHealth.

"New Enabling Technologies" means tools and other means for building products and integration methods (similar to the Integration Methods) developed by IDX and incorporated by IDX into IDX Software Updates after the Effective Time. Examples of New Enabling Technologies that may at IDX's election be embodied in IDX Software Updates are the items currently referred to by IDX as "IDX Objects," "IDXml," and "Tabasco."

"OutReach" means the product currently marketed by IDX under the trademark "OutReach."

"Patient Channel" means the service currently marketed by ChannelHealth under the service mark "Patient Channel."

"Person" means any individual, partnership, firm, corporation, association, trust, limited liability company, limited liability partnership, unincorporated organization or other entity, as well as any syndicate or group that would be deemed to be a person under Section 13(d) (3) of the Securities Exchange Act of 1934, as amended.

"Physician Channel" means the service currently marketed by ChannelHealth under the service mark "Physician Channel" and the technical components consisting of CMS, EdiXpress, ChangeWorks, DocWorks, ResultWorks, WebWorks, OrderWorks, NoteWorks, MedWorks, Physician Homebase and "Project PotatoHead."

"Reference Date" means January 1, 2000.

"Source Code" means the human readable programming statements comprising software, together with such available programmer notes, specifications, schematics, file definitions (including without limitation IDX Database Information) and other documentation that would be necessary for a programmer of ordinary skill to understand, use and Merge the IDX Software.

"Strategic Alliance Agreement" means that certain agreement entitled "Strategic Alliance Agreement" by and between Allscripts and IDX executed or intended to be executed on the Closing Date.

"Web FrameWork" means the product currently marketed by IDX under the trademark "IDX Web FrameWork" and as more fully described in the Development Plan.

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EXHIBIT 3.4.1

FORM OF

COPYRIGHT ASSIGNMENT

For good and valuable consideration, receipt of which is hereby acknowledged, the below-named Assignor has assigned and does hereby assign and transfer to CHANNELHEALTH INCORPORATED, a Delaware corporation with offices at 25 Green Mountain Drive, South Burlington, Vermont 05403 ("Assignee", herein), Assignor's entire right, title and interest in and to any and all Copyrights in

those certain software products known as "Clinical Management System" and "Physician Channel" (as defined in the Amended and Restated Cross License and Software Maintenance Agreement by and between Assignor and Assignee dated January 8, 2001), and any and all modules, portions, works of authorship, computer programs, code, databases, programmer notes, documentation, Moral Rights or other works contained therein or related thereto (the "Works").

For purposes herein, "Copyrights" includes all copyrights throughout the world including all extensions, renewals and continuations thereof, whether common law, statutory or otherwise, in the Works, together with the exclusive right to obtain and register the copyright and to renew copyright protection in the Works, whether in the name of the Assignee or otherwise, and the right to bring suit thereunder. For purposes herein, the term "Moral Rights" includes, without limitation, the right to be known as the author, the right to object to any alterations to a work, the right to prevent others from being named as the author of a work, the right to prevent others from falsely attributing to one the authorship of work that one has not in fact written, the right to prevent others from making deforming changes in a work, the right to withdraw a published work from distribution if it no longer represents the views of the author, and the right to prevent others from using a work or the author's name in such a way as to reflect on the author's professional standing. Assignor furthermore waives and agrees never to assert any Moral Rights assignor may have in the Works.

Assignor agrees that on request and without further consideration, but at the expense of Assignee, Assignor will communicate to the Assignee or its representatives or nominees any facts known to the Assignor respecting said Copyrights, and will testify in any legal proceeding, sign all lawful papers, execute all applications and confirmations, make all rightful oaths and generally do everything possible to aid the Assignee, its successors, assigns and nominees to obtain, maintain, perfect, and enforce rights in the Copyrights.

Signed and sealed this 8/th/ day of January, 2001.

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Print or type Assignor's name and address:

SIGNATURE (NOTARIZED)

IDX INVESTMENT CORPORATION

1400 Shelburne Road

South Burlington, Vermont 05403

individual,

By /s/ Robert W. Baker, Jr.

If Assignor is an entity other
than an

signing:

provide name and title of person

NAME: Robert W. Baker, Jr.

TITLE: Vice President

STATE OF VERMONT

COUNTY OF CHITTENDEN

On this 8/th/ day of January, 2001, before me personally appeared Robert W. Baker, Jr. personally known to me to be the person whose name is subscribed to the within instrument, and acknowledged to me that he executed the same of his own free will for the purposes therein set forth.

Notary Public
(Notary's Seal)

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ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

SUBSIDIARIES

Subsidiary	Jurisdiction or State of Organization
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Allscripts, Inc.....	Delaware
Channelhealth Incorporated.....	Delaware

CONSENT OF KPMG LLP

The Board of Directors
Allscripts Healthcare Solutions, Inc.:

We consent to incorporation by reference in the registration statements (No. 333-52470) on Form S-3 and (Nos. 333-37238 and 333-90129) on Form S-8 of Allscripts Healthcare Solutions, Inc. of our reports dated February 23, 2001, except for note 14 as to which the date is March 12, 2001, relating to the consolidated balance sheet of Allscripts Healthcare Solutions, Inc. and subsidiaries as of December 31, 2000, and the related consolidated statements of operations, stockholders' equity (deficit) and comprehensive income (loss), and cash flows for the year then ended, and the related financial statement schedule, which reports appear in the December 31, 2000 annual report on Form 10-K of Allscripts Healthcare Solutions, Inc.

/s/ KPMG LLP

Chicago, Illinois
March 30, 2001

CONSENT OF INDEPENDENT ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-52470) and Form S-8 (Nos. 333-90129 and 333-37238) of Allscripts Healthcare Solutions, Inc. (formerly Allscripts, Inc.) of our reports dated February 17, 2000 relating to the consolidated financial statements and financial statement schedule, which appear in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

Chicago, Illinois
March 30, 2001