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

FORM 10-Q

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

For the quarterly period ended March 31, 2007

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

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

(866) 358-6869
(Registrant's telephone number, including area code)

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

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

☒ Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer

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

As of April 30, 2007, there were 55,356,264 shares of the registrant's $0.01 par value common stock outstanding.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

FORM 10-Q
INDEX

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

	March 31, 2007 (Unaudited)	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	$44,221	$42,461
Marketable securities	20,653	14,553
Accounts receivable, net of allowances of $3,844 and $4,234 at March 31, 2007 and December 31, 2006, respectively	57,380	55,579
Deferred taxes, net	29,884	27,437
Inventories	4,257	3,247
Prepaid expenses and other current assets	12,980	10,620
Total current assets	169,375	153,897
Long-term marketable securities	25,142	26,024
Fixed assets, net	15,129	14,094
Software development costs, net	15,871	12,285
Intangible assets, net	75,488	78,050
Goodwill	184,124	188,261
Other assets	4,889	4,999
Total assets	$490,018	$477,610
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$7,585	$9,294
Accrued expenses	20,972	17,861
Accrued compensation	3,077	8,685
Deferred revenue	43,562	35,549
Current portion of long-term debt	263	258
Total current liabilities	75,459	71,647
Long-term debt	85,373	85,441
Deferred taxes, net	3,294	3,915
Other liabilities	2,010	357
Total liabilities	166,136	161,360
Preferred stock:		
Undesignated, $0.01 par value, 1,000 shares authorized, no shares issued and outstanding at March 31, 2007 and December 31, 2006	—	—
Common stock:		
$0.01 par value, 150,000 shares authorized; 54,968 shares issued and outstanding at March 31, 2007; 54,358 shares issued and shares outstanding as of December 31, 2006, respectively	549	543
Additional paid-in-capital	852,764	849,628
Accumulated deficit	(529,338)	(533,805)
Accumulated other comprehensive loss	(93)	(116)
Total stockholders' equity	323,882	316,250
Total liabilities and stockholders' equity	$490,018	$477,610

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

Table of Contents

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

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Revenue:		
Software and related services	$51,240	$28,314
Prepackaged medications	10,229	11,510
Information services	3,553	2,380
Total revenue	65,022	42,204
Cost of revenue:		
Software and related services	22,382	11,481
Prepackaged medications	8,308	9,326
Information services	2,059	1,272
Total cost of revenue	32,749	22,079
Gross profit	32,273	20,125
Selling, general and administrative expenses	22,374	16,808
Amortization of intangible assets	2,576	1,370
Income from operations	7,323	1,947
Interest expense	(933)	(895)
Interest income	1,049	1,199
Other expense, net	(12)	(118)
Income before income taxes	7,427	2,133
Provision for income taxes	2,960	810
Net income	$4,467	$1,323
Net income per share—basic	$0.08	$0.03
Net income per share—diluted	$0.08	$0.03
Weighted-average shares of common stock outstanding used in computing basic net income per share	54,639	44,903
Weighted-average shares of common stock outstanding used in computing diluted net income per share	64,462	47,974

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

[Table of Contents](#)

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

	Three Months Ended March,	
	2007	2006
Cash flows from operating activities:		
Net income	$4,467	$1,323
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	4,440	2,734
Stock-based compensation expense	656	407
Write-off of capitalized software	—	290
Realized loss on investments	12	118
Provision for doubtful accounts	818	324
Changes in operating assets and liabilities:		
Accounts receivable	(2,692)	(1,610)
Inventories	(1,010)	475
Prepaid expenses and other assets	(2,280)	(349)
Deferred taxes	2,960	—
Accounts payable	(1,709)	1,052
Accrued expenses	3,021	2,066
Accrued compensation	(5,473)	(877)
Deferred revenue	8,013	3,313
Other liabilities	(14)	(30)
Net cash provided by operating activities	11,209	9,236
Cash flows from investing activities:		
Capital expenditures	(1,494)	(1,190)
Capitalized software and website development costs	(4,974)	(1,389)
Investment in promissory note receivable	—	(500)
Purchase of marketable securities	(9,111)	—
Maturities of marketable securities	3,904	53,665
Payment for A4 Health Systems, Inc. and related transaction costs (net of $21,742 cash acquired in 2006)	(265)	(207,920)
Net cash used in investing activities	(11,940)	(157,334)
Cash flows from financing activities:		
Payments of capital lease obligations	—	(15)
Net proceeds received in issuance of common stock	—	140,991
Repurchase of common stock from a related party	—	(21,078)
Proceeds from employee stock purchase plan, net	267	—
Proceeds from exercise of common stock options	2,224	2,520
Net cash provided by financing activities	2,491	122,418
Net increase (decrease) in cash and cash equivalents	1,760	(25,680)
Cash and cash equivalents, beginning of period	42,461	60,905
Cash and cash equivalents, end of period	$44,221	$35,225
Non-cash investing and financing information:		
Common stock issued in connection with the acquisition of A4 Health Systems, Inc.	—	$68,775
Assumption of secured promissory note in connection with the A4 acquisition	—	$3,400
Issuance of common stock from treasury	—	$11,250

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

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited, dollar and share amounts in thousands, except per-share amounts)

1. Basis of Presentation

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). The interim consolidated financial statements include the consolidated accounts of Allscripts Healthcare Solutions, Inc and its wholly-owned subsidiaries ("Allscripts" or the "Company") with all significant intercompany transactions eliminated. In management's opinion, all adjustments (consisting only of normal recurring adjustments) necessary for a fair statement of the financial position, results of operations and cash flows for the interim periods presented have been made. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to SEC rules and regulations. These financial statements should be read in conjunction with the audited financial statements for the year ended December 31, 2006, in Allscripts' Annual Report on Form 10-K, filed with the SEC on March 1, 2007. Operating results for the three-months ended March 31, 2007 are not necessarily indicative of the results for the full year. Certain of the 2006 amounts in the accompanying financial statements have been reclassified to conform to the presentation in this report.

2. Revenue Recognition

Revenue from software licensing arrangements, where the service element is considered essential to the functionality of the other elements of the arrangement, is accounted for under American Institute of Certified Public Accountants Statement of Position ("SOP") 81-1, "Accounting for Performance of Construction-Type Contracts and Certain Production-Type Contracts." Allscripts recognizes revenue on an input basis using actual hours worked as a percentage of total expected hours required by the arrangement, provided that the fee is fixed and determinable and collection of the receivable is probable. Maintenance and support from these agreements is recognized over the term of the support agreement based on vendor-specific objective evidence of fair value of the maintenance revenue, which is generally based upon contractual renewal rates. For agreements that are deemed to have extended payment terms, revenue is recognized using the input method but is limited to the amounts due and payable.

Revenue from software licensing arrangements where the service element is not considered essential to the functionality of the other elements of the arrangement is accounted for under SOP 97-2, "Software Revenue Recognition," as amended by SOP 98-9, "Modification of SOP 97-2, Software Revenue Recognition, With Respect to Certain Transactions." Such revenue is recognized upon shipment of the software or as services are performed, provided persuasive evidence of an arrangement exists, fees are considered fixed and determinable, and collection of the receivable is considered probable. The revenue recognized for each separate element of a multiple-element software contract is based upon vendor-specific objective evidence of fair value, which is based upon the price the customer is required to pay when the element is sold separately.

Revenue from the prepackaged medications segment, from the sale of medications, net of provisions for estimated returns, is recognized upon shipment of the pharmaceutical products, the point at which the customer takes ownership and assumes risk of loss, when no performance obligations remain and collection of the receivable is probable. Allscripts offers the right of return on pharmaceutical products under various policies and estimates and maintains reserves for product returns based on historical experience following the provisions of FAS No. 48, "Revenue Recognition When Right of Return Exists."

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

Management applies judgment to ensure appropriate application of EITF 00-21, including value allocation among multiple deliverables, determination of whether undelivered elements are essential to the functionality of delivered elements and timing of revenue recognition, among others. For those arrangements where the deliverables do not qualify as a separate unit of accounting, revenue from all deliverables is treated as one accounting unit and recognized on a straight-line basis over the term of the arrangement. Changes in circumstances and customer data may affect management's analysis of EITF 00-21 criteria, which may cause Allscripts to adjust upward or downward the amount of revenue recognized under the arrangement.

In accordance with EITF issued Consensus 01-14, "Income Statement Characterization of Reimbursements for 'Out-of-Pocket' Expenses Incurred," revenue includes reimbursable expenses charged to our clients.

As of March 31, 2007 and December 31, 2006, there were $7,413 and $8,942, respectively, of revenue earned on contracts in excess of billings, which are included in the balance of accounts receivable. Billings on contracts where revenue has been earned in excess of billings are expected to occur according to the contract terms. Deferred revenue consisted of the following:

	March 31, 2007	December 31, 2006
Prepayments and billings in excess of revenue earned on contracts in progress for software and services provided by Allscripts and included in the software and related services segment	$12,221	$16,264
Prepayments and billings in excess of revenue earned on contracts in progress for support and maintenance provided by Allscripts and included in the software and related services segment	24,776	14,676
Prepayments and billings in excess of revenue earned for interactive physician education sessions and related services provided by the Allscripts' physicians interactive business unit and included in the information services segment	6,565	4,609
Total deferred revenue	$43,562	$35,549

3. Acquisitions

On March 2, 2006, Allscripts completed its acquisition of A4 Health Systems, Inc. ("A4"), whereby Allscripts acquired all of the outstanding equity interests of A4 for aggregate consideration of $215,000 in cash and 3,500 shares of Allscripts common stock. An additional payment of approximately $12,730 was made by Allscripts to A4 shareholders in respect of A4's level of working capital at closing. The A4 acquisition enables Allscripts to reach new markets such as small and mid-sized physician practice groups that seek either an electronic health record ("EHR") or a combined EHR and practice management system, and hospitals that seek emergency department information systems and care management solutions.

The A4 acquisition has been accounted for as a business combination under Statement of Financial Accounting Standards ("FAS") No. 141, "Business Combinations." The assets acquired and liabilities assumed have been recorded at the date of acquisition at their respective fair values.

The results of operations of A4 have been included in the accompanying consolidated statements of operations from the date of the A4 acquisition. The total purchase price for the acquisition is as follows:

Cash consideration to A4 shareholders (cash payment of $215,000 and additional working capital payment of $12,730)	$227,730
Fair value of Allscripts shares issued to A4 shareholders (3,500 Allscripts common shares at $19.65 per share, the last sale price of Allscripts common stock on March 2, 2006)	68,775
Acquisition-related transaction costs	4,685
Total purchase price	$301,190

The above purchase price has been allocated to the tangible and intangible assets acquired and liabilities assumed based on management's estimates of their current fair values. The Company obtained a third party valuation of certain intangible assets. Acquisition-related transaction costs include investment banking fees, loan commitment fees, legal and accounting fees and other external costs directly related to the A4 acquisition.

The purchase price has been allocated as follows:

Current assets, including $21,742 of cash acquired in the acquisition	$43,546
Property and equipment	8,791
Intangible assets	79,110
Non-current other assets	25
Goodwill (before deferred tax adjustment of $61,284)	223,964
Current liabilities, excluding current portion of long term debt	(26,494)
Current and long-term debt	(3,400)
Deferred tax liabilities, net	(22,752)
Other Liabilities (see note 10)	(1,600)
Net assets acquired	$301,190

In connection with the acquisition of A4 and during the three months ended March 31, 2006, management determined under the provisions of FAS No. 109, “Accounting for Income Taxes” (“FAS 109”), that it is more likely than not that Allscripts will generate adequate taxable income for the foreseeable future to realize its deferred tax assets. Accordingly, management reversed $61,284 of its valuation allowance against goodwill in purchase accounting for the A4 acquisition.

Goodwill was determined based on the residual difference between the purchase cost and the value assigned to tangible and intangible assets and liabilities, and is not deductible for tax purposes. Of the $79,110 intangible assets acquired, $40,000 was assigned to developed technology rights with a weighted-average useful life of approximately 8 years, $20,800 was assigned to customer relationships with a useful life of 15 years, $15,210 was assigned to registered trade marks with a useful life of 10 years, $1,400 was assigned to A4’s backlog with a useful life of six months, $1,200 was assigned to non-competition agreements with a useful life of 2 years, and $500 was assigned to proprietary technology with a useful life of 5 years. Among the factors that contributed to a purchase price resulting in the recognition of goodwill were A4’s history of profitability and high operating margins, strong sales force and overall employee base, and leadership position in the healthcare information technology market.

The following unaudited pro forma information assumes the A4 acquisition occurred on January 1, 2006. These unaudited pro forma results have been prepared for informational purposes only and do not purport to represent what the results of operations would have been had the A4 acquisition occurred as of January 1, 2006, nor of future results of operations. No pro forma adjustments are required for the three months ended March 31, 2007. The unaudited pro forma results for the three months ended March 31, 2006 are as follows:

	Three Months Ended March 31, 2006
Total revenue	$56,196
Net loss	($5,546)
Earnings per share:	
Basic	($0.11)
Diluted	($0.11)

The unaudited pro forma information for the three months ended March 31, 2006 include the following adjustments:

- Increase to amortization expense of $1,772 for the three months ended March 31, 2006, related to management’s estimate of the fair value of intangible assets acquired as a result of the A4 acquisition less the elimination of original amortization recorded by A4.
- Decrease to interest income of $634 for the three months ended March 31, 2006, as a result of lower cash, cash equivalents and marketable securities balances at January 1, 2006 as a result of assuming the acquisition of A4 occurred on January 1, 2006.
- A decrease in revenue of $524 for the three months ended March 31, 2006, relating to the timing of deferred revenue purchase accounting adjustments.
- The elimination of $810 in tax provision due to a net loss position for the three months ended March 31, 2006.
- The weighted average number of shares outstanding used for the computation of basic and diluted earnings per share for the three months ended March 31, 2006 assumes that the issuance of 8,395 shares in connection with Allscripts’ common stock offering completed in February 2006, in order to partially fund the cash portion of the A4 purchase price, and the 3,500 shares issued to A4 shareholders as part of the consideration to acquire A4 occurred on January 1, 2006.

4. Stock-Based Compensation

Effective January 1, 2006, Allscripts adopted the provisions of FAS No. 123 (Revised), “Share-Based Payment” (“FAS 123(R)”), which requires the measurement and recognition of compensation expense for all stock-based payment awards made to employees and directors, including employee stock options, based on estimated fair values.

Impact of the Adoption of FAS 123(R)

Allscripts has elected to adopt the modified prospective application transition method as permitted by FAS 123(R). Accordingly, during the three months ended March 31, 2007 and 2006, Allscripts recorded stock-based compensation cost totaling the amount that would have been recognized had the fair value method been applied since the effective date of FAS 123. For the three months ended March 31, 2007 and 2006, the effect on Allscripts' results of operations of recording stock-based compensation in accordance with FAS 123(R) was as follows:

	Three Months Ended March 31,	
	2007	2006
Stock-based compensation:		
Restricted stock	$584	$271
Stock options	72	136
Total stock-based compensation	$656	$407
Effect on net income	$656	$407
Effect on net income per share:		
Basic	$0.01	$0.01
Diluted	$0.01	$0.01

FAS 123(R) requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. As of March 31, 2007, the unrecorded deferred stock-based compensation balance related to stock options was $137 after estimated forfeitures, and such amount will be recognized over an estimated weighted average amortization period of approximately nine months. Allscripts did not grant any stock options during the three months ended March 31, 2007 or 2006.

The following table summarizes the combined activity with respect to stock options granted under Allscripts' equity incentive plans during the periods indicated:

	Options Outstanding	Weighted-Average Exercise Price	Options Exercisable	Weighted-Average Exercise Price
Balance at December 31, 2005	8,543	$7.39	8,356	$7.38
Options granted	—	$—		
Options exercised	(2,815)	$5.11		
Options forfeited	(196)	$30.46		
Balance at December 31, 2006	5,532	$7.81	5,485	$7.80
Options granted	—	$—		
Options exercised	(550)	$5.03		
Options forfeited	(58)	$29.57		
Balance at March 31, 2007	4,924	$7.85	4,901	$7.85

The aggregate intrinsic value of stock options outstanding as of March 31, 2007 was $95,507, which is based on Allscripts' closing stock price of $26.81 as of March 31, 2007. The intrinsic value of stock options outstanding represents the amount that would have been received by the option holders had all option holders exercised their stock options as of that date. The total number of vested, in-the-money stock options as of March 31, 2007 was 4,901, with an intrinsic value of $95,127.

The total intrinsic value of stock options exercised during the three months ended March 31, 2007 was $10,660. The total cash received from employees as a result of employee stock option exercises during the three months ended March 31, 2007 was $2,224 net of related taxes. Allscripts settles employee stock option exercises with newly issued common shares.

No shares of restricted stock were granted during the three months ended March 31, 2007. All awards of restricted stock have an average four-year vesting term. Upon termination of an employee's employment with Allscripts, any unvested shares of restricted stock will be forfeited. As of March 31, 2007, 741 shares of restricted stock had been awarded, of which 592 were unvested. The fair value of the shares of unvested restricted stock on the date of the grant is amortized ratably over the vesting period. As of March 31, 2007, $7,958 of unearned compensation related to unvested awards of restricted stock was netted against the balance of additional paid in capital and will be recognized over the remaining vesting terms of the awards.

Employee Stock Purchase Plan

The Employee Stock Purchase Plan ("ESPP") became effective on July 1, 2006 and allows eligible employees to authorize payroll deductions of up to 20% of their base salary to be applied toward the purchase of full shares of common stock on the last day of the offering period. Offering periods under the ESPP are three months in duration and begin on each January 1, April 1, July 1, and October 1. Shares will be purchased on the last day of each offering period at a price of 95% of fair market value of the common stock on such date as reported on Nasdaq. The aggregate number of shares of Allscripts common stock that may be issued under the ESPP may not exceed 250 shares and no one employee may purchase any shares under the ESPP having a collective fair market value greater than $25 in any one calendar year. The shares available for purchase under the ESPP may be drawn from either authorized but previously unissued shares of common stock or from reacquired shares of common stock, including shares purchased by Allscripts in the open market and held as treasury shares. Allscripts will treat the ESPP as a non-compensatory plan in accordance with FAS No. 123(R). During the three months ended March 31, 2007, 10 shares were issued under the ESPP, which resulted in $267 in net proceeds.

5. Cash, Cash Equivalents and Marketable Securities

Cash and cash equivalent balances at March 31, 2007 and December 31, 2006 consist of cash and money market funds. Allscripts' cash, cash equivalents, short-term marketable securities and long-term marketable securities are invested in overnight repurchase agreements, money market funds, U.S. and non-U.S. government debt securities, and corporate debt securities. The carrying values of cash and cash equivalents, short-term marketable securities and long-term marketable securities held by Allscripts are as follows:

	Mach 31, 2007	December 31, 2006
Cash and cash equivalents:		
Cash	$35,668	$34,314
Money market funds	8,553	8,147
	44,221	42,461
Short-term marketable securities:		
Corporate debt securities	20,653	14,553
	20,653	14,553
Long-term marketable securities:		
U.S. government and agency debt obligations	4,309	5,027
Corporate debt securities	20,833	20,997
	25,142	26,024
Total cash, cash equivalents and marketable securities	$90,016	$83,038

6. Comprehensive Income

Comprehensive income includes all changes in stockholders' equity during a period except those resulting from investments by owners and distributions to owners.

The components of comprehensive income are as follows:

	Three Months Ended March 31,	
	2007	2006
Net income	$4,467	$1,323
Other comprehensive income:		
Unrealized gain on marketable securities, net of tax	23	214
Comprehensive income	$4,490	$1,537

The components of accumulated other comprehensive income, net of income tax, consist of unrealized losses on Allscripts marketable securities. The components of the net unrealized loss on marketable securities are as follows:

	March 31, 2007	December 31, 2006
Short-term marketable securities:		
Gross unrealized gains	$4	$3
Gross unrealized losses	(2)	—
Net short-term unrealized gains	2	3
Long-term marketable securities:		
Gross unrealized gains	1	3
Gross unrealized losses	(96)	(122)
Net long-term unrealized losses	(95)	(119)
Total net unrealized losses on marketable securities	($93)	($116)

7. Net Income Per Share

Allscripts accounts for net income per share in accordance with FAS No. 128, "Earnings per Share" ("FAS 128"). FAS 128 requires the presentation of "basic" income per share and "diluted" income per share. Basic income per share is computed by dividing the net income by the weighted-average shares of outstanding common stock. For purposes of calculating diluted earnings per share, the denominator includes both the weighted average shares of common stock outstanding and dilutive potential common stock equivalents. Dilutive common stock equivalent shares consist primarily of stock options, restricted stock awards and the as-if converted 7,329 shares related to Allscripts' 3.50% Senior Convertible Debentures due 2024.

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

	Three Months Ended March 31,	
	2007	2006
Net earnings available for diluted per-share calculation:		
Net income	$4,467	$1,323
Interest expense on 3.5% Senior Convertible Notes, net of tax	523	—
Net earnings available for diluted per-share calculation	$4,990	$1,323

	Three Months Ended March 31,	
	2007	2006
Weighted average shares outstanding:		
Basic weighted average common shares	54,639	44,903
Dilutive effect of options and restricted stock awards	2,494	3,071
Dilutive effect of 3.50% Senior Convertible Debentures	7,329	—
Diluted weighted average common shares	64,462	47,974

Under the provisions of EITF 04-8, the as-if converted 7,329 shares and interest expense related to Allscripts' 3.50% Senior Convertible Debentures due 2024 were excluded from the three months ended March 31, 2006, as the effects were anti-dilutive.

8. Investment in Promissory Note Receivable and Minority Interest

On August 18, 2004, Allscripts entered into a Convertible Secured Promissory Note Purchase Agreement ("Note Purchase Agreement") with Medem and certain other investors. Under the Note Purchase Agreement, Allscripts acquired a convertible secured promissory note in the aggregate principal amount of $2,600 ("Promissory Note") under which Medem may borrow up to $2,600 from Allscripts. The Promissory Note bears interest at an annual rate of 3% and is payable on a quarterly basis. The Promissory Note becomes due and payable upon the earlier to occur of (i) a sale of Medem, as defined in the Note Purchase Agreement, or the filing of a registration statement with the SEC for public offering of any class of securities of Medem (a "Liquidity Event"), and (ii) August 12, 2007. As of March 31, 2007 and 2006, Allscripts had funded $2,600 under the Note Purchase Agreement. The Promissory Note receivable balance is included in other assets in the consolidated balance sheets as of March 31, 2007 and December 31, 2006.

At any time on or prior to maturity, Allscripts may convert all (but not a portion) of the Promissory Note into 2,600 shares of Medem's Series A Common Stock. In connection with the transaction described above, Allscripts entered into a Share Purchase Agreement pursuant to which Allscripts purchased shares of Medem's Series A Common Stock and shares of Medem's Series B Common Stock for an aggregate purchase price equal to $500 in cash and is recorded in other assets on the consolidated balance sheets as of March 31, 2007 and December 31, 2006. In addition, pursuant to the terms of such agreement, Allscripts has a three-year option to acquire an additional interest in Medem for an aggregate price of $600.

As of March 31, 2007, we owned 3.1% of the voting capital and capital stock of Medem. If we convert the entire promissory note and exercise our full option to purchase additional equity in Medem, we will own approximately 34.5% of the voting capital of Medem and 29.7% of the capital stock of Medem. The total investment in the Promissory Note and Share Purchase Agreement totaled $3,100 as of March 31, 2007 and December 31, 2006, and has been accounted for under the cost basis of accounting.

9. Long-Term Debt

In July 2004, Allscripts completed a private placement of $82,500 of 3.50% Senior Convertible Debentures due 2024 ("Notes"). The Notes can be converted, in certain circumstances, into 7,329 shares of common stock based upon a conversion price of approximately $11.26 per share, subject to adjustment for certain events.

The Notes are only convertible under certain circumstances, including: (i) during any fiscal quarter if the closing price of Allscripts' common stock for at least 20 trading days in the 30 trading-day period ending on the last trading day of the preceding fiscal quarter exceeds $14.64 per share; (ii) if Allscripts calls the Notes for redemption; or (iii) upon the occurrence of certain specified corporate transactions, as defined. Allscripts has the right to deliver common stock, cash or a combination of cash and shares of common stock. The Notes were convertible in the first quarter in 2007 and 2006 by virtue of the last reported sale price for Allscripts' common stock having exceeded $14.64 for twenty consecutive days in the 30 trading-day period ending on March 31 for each respective year. No notes were converted as of March 31, 2007. The timing of our obligation on the Notes may change as it relates to funding interest payments and making a principal payment on the Notes based on whether the holders elect to convert the Notes. In addition, Allscripts may redeem some or all of the Notes for cash any time on or after July 20, 2009 at the Notes' full principal amount plus accrued and unpaid interest, if any. Holders of the Notes may require Allscripts to repurchase some or all of the Notes on July 15, 2009, 2014 and 2019 or, subject to certain exceptions, upon a change of control of Allscripts.

Allscripts received approximately $79,524 in net proceeds from the offering after deduction for issuance costs consisting of underwriting fees and professional expenses. The debt issuance costs of approximately $2,976 have been capitalized as an other asset and is being amortized as interest expense over five years using the effective interest method, through the first date that the holders have the option to require Allscripts to purchase the Notes.

In connection with the acquisition of A4, Allscripts assumed a secured promissory note with an aggregate principal amount of $3,400 as of March 2, 2006, maturing on October 31, 2015. The promissory note bears interest at 7.85% per annum, and principal and interest are due monthly. In the event of prepayment in full or in part, Allscripts will be subject to a prepayment fee of 1% or more, as described in the related promissory note agreement, of the amount of principal prepaid on the promissory note. The promissory note is secured by the former corporate facilities of A4 and any lease or rental payments as defined in the related agreements.

Long-term debt outstanding as of March 31, 2007 and December 31, 2006 consists of the following:

	March 31 2007	December 31 2006
3.5% Senior convertible debt	$82,500	$82,500
7.85% Secured promissory note	3,136	3,199
Total debt	85,636	85,699
Less: Current portion of long-term debt	263	258
Total long-term debt	$85,373	$85,441

Interest expense for the three months ended March 31, 2007 and 2006 consists of $784 and $744, respectively, and $149 and $151 in debt issuance cost amortization, respectively.

10. Income Taxes

Allscripts adopted FASB Interpretation No. 48 (“FIN 48”), Accounting for Uncertainty in Income Taxes, on January 1, 2007. As a result of the implementation of FIN 48, Allscripts recorded an approximate $273 increase in the liability for unrecognized tax benefits, which was accounted for as an increase to the January 1, 2007 balance of goodwill in relation to the A4 acquisition on March 2, 2006. As of January 1, 2007, the gross amount of unrecognized tax benefits was $6,700 of which $6,400 was recorded as a reduction to certain tax carryovers. The total amount of unrecognized tax benefits that, if recognized, would affect the effective tax rate is $4,600. All remaining amounts would be adjustments to goodwill.

Allscripts recognizes accrued interest and penalties related to unrecognized tax benefits in income tax expense and has also accrued amounts as adjustments to goodwill. Allscripts had approximately $1,300 in interest and penalties related to unrecognized tax benefits accrued as of January 1, 2007. It is unlikely that the balance of the unrecognized tax benefits will change in any material amount in the next 12 months.

Allscripts and its subsidiaries file income tax returns in the U.S. federal jurisdiction and with various state jurisdictions. Tax years 1992 and forward remain open for examination for federal tax purposes. To the extent utilized in future years’ tax returns, net operating loss carryforwards at March 31, 2007 will remain subject to examination until the respective tax year is closed. The statute is similarly open for state income tax purposes.

11. Business Segments

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

Allscripts currently organizes its business around groups of similar products, which results in three reportable segments: software and related services; prepackaged medications; and information services. The software and related services segment derives its revenue from the sale and installation of clinical software that provides point-of-care decision support solutions, document imaging solutions, and the resale of related hardware. The prepackaged medications segment derives its revenue from the repackaging, sale, and distribution of medications and medical supplies. The information services segment primarily derives its revenue from the sale of interactive physician education sessions. Allscripts does not report its assets by segment. Allscripts does not allocate interest income, interest expense, other income or income taxes to its operating segments. In addition, Allscripts records corporate selling, general, and administration expenses, amortization of intangibles, restructuring and other related charges in its unallocated corporate costs. These costs are not included in the evaluation of the financial performance of Allscripts' operating segments.

	For the Three Months Ended March 31,	
	2007	2006
Revenue:		
Software and related services	$51,240	$28,314
Prepackaged medications	10,229	11,510
Information services	3,553	2,380
Total revenue	$65,022	$42,204
Income from operations:		
Software and related services	$11,387	$6,423
Prepackaged medications	1,229	1,349
Information services	459	338
Unallocated corporate	(5,752)	(6,163)
Income from operations	7,323	1,947
Interest income, interest expense, and other income (expense), net	104	186
Income from operations before income taxes	$7,427	$2,133

12. Related Party Transactions

The Chief Executive Officer and Chairman of the Board of A4 prior to Allscripts' acquisition of A4, became one of our directors in connection with the acquisition of A4. Such director also serves on the Board of Directors of Med3000, Inc. ("Med3000") and has an ownership interest of approximately 8% in Med3000. Allscripts has a license and distribution agreement with Med3000 pursuant to which Med3000 possesses the right to market, resell and sublicense Allscripts' electronic health record solutions to its customers. As of March 31, 2007, Med3000 has agreed to purchase from Allscripts approximately $1,765 of hardware, software and related services. For the three months ended March 31, 2007, Allscripts recognized $117 of revenue under such contracts. As of March 31, 2007, Allscripts had $528 in accounts receivable with Med3000.

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

Overview

Allscripts Healthcare Solutions, Inc. is a leading provider of clinical software, connectivity and information solutions that physicians use to improve the quality of healthcare. Our businesses provide innovative solutions that inform physicians with just right, just in time information, connect physicians to each other and to the entire community of care, and transform healthcare, improving both the quality and efficiency of care. We provide clinical software applications, including Electronic Health Record (EHR), practice management, electronic prescribing, Emergency Department Information System (EDIS), hospital care management and document imaging solutions through our clinical solutions businesses. Additionally, we provide clinical education and information solutions for physicians and patients through our physicians interactive unit, along with physician-patient connectivity solutions through our partnership with Medem. We also provide prepackaged medication fulfillment services through our medication services unit.

We report our financial results utilizing three business segments: software and related services segment; information services segment; and prepackaged medications segment. The software and related services segment consists of clinical software solutions offered by our clinical solutions businesses, including Canopy, HealthMatics, TouchWorks and TouchScript offerings. TouchWorks Electronic Health Record is an award-winning EHR solution designed to enhance physician productivity using Tablet PCs, wireless handheld devices or desktop workstations for the purpose of automating the most common physician activities, including prescribing, dictating, ordering lab tests and viewing results, documenting clinical encounters and capturing charges, among others. TouchWorks Practice Management combines scheduling and financial management tools in a single package with functionality including rules-based appointment scheduling, multi-resource and recurring appointment features, referral and eligibility indicators, and appointment and claims management. TouchWorks EHR and TouchWorks PM, which are offered individually and as a combined solution, both have the functionality to handle the complexities of large physician practice groups with 25 or more physicians.

For physician practice groups with fewer than 25 physicians that are seeking an EHR, a practice management system, or a combined EHR and practice management solution, we offer our HealthMatics EHR, Ntierprise Practice Management and HealthMatics Office, which combines the two offerings into one complete solution for clinical and back-office automation.

Our solution, eRxNOW, is an easy-to-use, web-based solution that is safe, secure, requires no downloading and no new hardware. eRxNOW is accessible by Internet on computers, handheld devices and cell phones and is offered free of charge to every prescriber in America via the National ePrescribing Patient Safety Initiative, a coalition of companies led by Allscripts.

Our offerings for hospitals that are seeking EDIS and care management solutions include HealthMatics ED, EmSTAT and Canopy. HealthMatics ED electronically streamlines processes for large hospital Emergency Departments, including tracking, triage, nurse and physician charting, disposition and reporting. EmSTAT offers similar functionality for streamlining the Emergency Department care process in small hospitals. Canopy is a Web-based solution that streamlines and speeds the patient care management process by automating utilization, case, discharge and quality management processes relating to patient hospital visits.

In our information services segment, our key product offerings are Physicians Interactive and Physician Relationship Management Platform ("PRMP"). Physicians Interactive is a web-based solution that connects physicians with pharmaceutical companies, medical device manufacturers and biotech companies. One element of this solution, often referred to as e-Detailing, uses interactive sessions to provide clinical education and information to physicians about medical products and disease states, which promotes more informed decision-making, increased efficiency and ultimately higher quality patient care. Other elements of the Physicians Interactive unit include e-surveys, clinical updates, resource centers, key opinion leader materials and other physician relationship management services. Our PRMP solution provides pharmaceutical companies with a turnkey system to build an electronic dialogue and manage ongoing relationships with physicians. The PRMP incorporates a full suite of online tools, including campaign management, physician communication and education and sample and rep requests, as well as e-Detailing opportunities.

Finally, our prepackaged medications segment is comprised of our medication services unit. This business provides point-of-care medication management and medical supply services and solutions for physicians and other healthcare providers.

Table of Contents

The composition of our revenue by segment for the three-month periods ended on the dates indicated below is as follows:

	2007	2006			
	March 31	Dec. 31	Sept. 30	June 30	March 31
Software and related services	$51,240	$48,910	$49,534	$46,745	$28,314
Prepackaged medications	10,229	11,232	10,438	10,508	11,510
Information services	3,553	3,418	2,219	2,761	2,380
Total revenue	$65,022	$63,560	$62,191	$60,014	$42,204

Cost of revenue for the software and related services segment consists primarily of salaries, bonuses and benefits of our billable professionals, third-party software costs, hardware costs, capitalized software amortization and other direct engagement costs. Cost of revenue for the prepackaged medications segment consists primarily of the cost of the medications, cost of salaries, bonuses and benefits for repackaging personnel, shipping costs, repackaging facility costs and other costs. Cost of revenue for the information services segment consists primarily of salaries, bonuses and benefits of our program management and program development personnel, third-party program development costs, costs to recruit physicians and other program management costs.

Selling, general and administrative expenses consist primarily of salaries, bonuses and benefits for management and support personnel, commissions, facilities costs, depreciation and amortization, general operating expenses, non-capitalizable product development expenses and selling and marketing expenses. Selling, general and administrative expenses for each segment consist of expenses directly related to that segment.

Recent Accounting Pronouncements

In June 2006, the FASB issued Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes. This interpretation clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with Statement of Financial Accounting Standards (FAS) No. 109, “Accounting for Income Taxes” by prescribing the minimum recognition threshold a tax position is required to meet before being recognized in the financial statements. FIN 48 prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. FIN 48 is effective for fiscal years beginning after December 15, 2006, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company adopted this interpretation as required on January 1, 2007. As a result of adoption, an estimated tax liability and related interest of $1,600 has been recorded as of March 31, 2007 (see Note 10 to the consolidated financial statements).

In September 2006, the Securities and Exchange Commission (“SEC”) issued Staff Accounting Bulletin No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements” (“SAB 108”). SAB 108 provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. The SEC staff believes that registrants should quantify errors using both the balance sheet and income statement approach when quantifying a misstatement. We adopted SAB 108 as of December 31, 2006 as required, and the adoption did not have a material effect on our consolidated financial statements.

In September 2006, the Financial Accounting Standards Board (FASB) issued FAS 157, *Fair Value Measurements.* FAS 157, as required, defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles, and expands disclosures about fair value measurements. FAS 157 clarifies that the fair value is the exchange price in an orderly transaction between market participants to sell the asset or transfer the liability in the market. The standard emphasizes that fair value is a market-based measurement, not an entity-specific measurement and a fair value measurement should therefore be based on the assumptions that market participants would use in pricing the asset or liability. FAS 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company is currently evaluating the accounting and disclosure requirements of FAS 157 and plans to adopt it as required at the beginning of its fiscal year 2008.

Three Months Ended March 31, 2007 Compared to Three Months Ended March 31, 2006

Software and Related Services

Software and related services revenue for the three months ended March 31, 2007 increased 81.0%, or $22,926, from $28,314 in 2006 to $51,240 in 2007. We acquired A4 Health Systems, Inc. (“A4”) on March 2, 2006 which is reported in our software and services segment. Our first quarter of 2006 includes only one month of A4 revenue. If the acquisition had occurred on January 1, 2006, we would have recorded a total of $42,306 in revenue during the first quarter of 2006 resulting in a total revenue increase of $8,934 in 2007 when compared to the same three-month period of 2006. When we include A4 results for the three months ended March 31, 2006 and compare the combined results to the quarter ended March 31, 2007, the revenue increase reflects the overall growth experienced in the software and services segment, and is largely driven by an increase in software revenue, support and maintenance revenue and an increase in hardware shipments during the first quarter of 2007.

Gross profit for software and related services for the quarter ended March 31, 2007 increased 71.4%, or $12,025, from $16,833 in 2006 to $28,858 in 2007. The increase in gross profit is primarily a result of the contribution of A4's gross profit for all of the first quarter of 2007 compared to only one month of activity during the first quarter of 2006. If the A4 acquisition had occurred on January 1, 2006, Allscripts would have recorded a total of $25,277 in gross profit during the three months ended March 31, 2006, an increase of $3,581 when compared to the same period of 2007. The increase in the first quarter of 2007 when compared to the same period of 2006 is driven by an overall increase in revenue as well as an increase in higher margin support and maintenance revenue. Gross profit for software and related services as a percentage of revenue decreased from 59.5% during the first three months of 2006 to 56.1% for the same period in 2007. Our gross profit as a percentage of revenue was adversely affected due to the contribution of gross profit from the A4 product line for three months in the first quarter of 2007, which tends to have lower margins than our traditional overall software and related services product lines.

Operating expenses for software and related services for the three months ended March 31, 2007 increased $7,061 from $10,410 in 2006 to $17,471 in 2007. Assuming the A4 acquisition was consummated on January 1, 2006, the total operating expenses incurred during the first quarter of 2006 would have been $30,529, or $15,329 when excluding deal-related expenses, resulting in an increase in operating expenses of $2,142. The increase is primarily the result of an increase of approximately $424 in compensation related costs and an increase of approximately $657 in bad debt expense which is largely related to an increase in our specific reserve for a few customers. These increases in operating costs for 2007 reflect the overall growth experienced in the software and services business and also reflect an increase of approximately 40 headcount additions since the first quarter of 2006. We had capitalized software of $3,974 during the first quarter of 2007 and $1,201 for the same period in 2006, which was capitalized pursuant to Statement of Financial Accounting Standard "FAS" No. 86, "Accounting for Costs of Computer Software to be Sold, Leased or Otherwise Marketed" in our software and related services segment. The increase in capitalized software is largely attributed to the development of TouchWorks version 11, including $1,700 in third-party contracted clinical content development, and upgrades to our e-prescribing software.

Prepackaged Medications

Prepackaged medications revenue for the three months ended March 31, 2007 decreased 11.1%, or $1,281, from $11,510 in 2006 to $10,229 in 2007. The decrease is primarily due to management's continued focus in reducing lower margin revenue from wholesaler customers, which decreased from approximately $2,538 in 2006 to approximately $1,679 in 2007, and due to the absence of approximately $500 of Tamiflu vaccine sales in the first quarter of 2007.

Gross profit for prepackaged medications for the three months ended March 31, 2007 decreased 12.0%, or $263, from $2,184 in 2006 to $1,921 in 2007. Gross profit as a percentage of revenue remained consistent at 19% in the first quarter of 2006 and 2007. The decrease in gross profit is due to the lack of Tamiflu vaccine sales in the first quarter of 2007 and due to an increase in headcount additions.

Operating expenses for prepackaged medications for the quarter ended March 31, 2007 decreased $143, from $835 in 2006 to $692 in 2007. The decrease is primarily due to the recognition of approximately $150 in bad debt expense in the first quarter of 2006 primarily relating to one wholesaler customer, which did not recur in the comparable period of 2007.

Information Services

Information services revenue for the three months ended March 31, 2007 increased 49.3%, or $1,173, from $2,380 in 2006 to $3,553 in 2007. This improvement is primarily attributed to the increase in e-Detailing revenue due to the launch of approximately 35 e-Detailing programs in 2007 when compared to approximately 25 launches during the same period of 2006. The balance of the increase is related to the development and hosting of a larger number of Physician Relationship Management Platform ("PRMP") solutions in 2007 as compared to the same period in 2006.

Gross profit for information services increased 34.8%, or $386, from $1,108 for the three months ended March 31, 2006 to $1,494 for the comparable period in 2007. Gross profit as a percentage of revenue decreased from 46.6% in the first quarter of 2006 to 42.0% in 2007. The decrease in gross profit as a percentage of revenue is primarily due to an increase of approximately 10 headcount additions due to the reclassification of certain revenue producing headcount from operating expenses to cost of revenue. We also incurred additional costs in 2007 related to the development of more client-specific PRMP solutions when compared to the first quarter of 2006.

Operating expenses for information services increased 34.4%, or $265, from $770 in the first quarter of 2006 to $1,035 in the same period of 2007. The increase is primarily due to an increase of approximately $86 in compensation related costs due to headcount additions for the growth of the PRMP business as well as an increase in sales commissions resulting from the sales and revenue growth.

Unallocated Corporate Expenses

Unallocated corporate expenses for the three months ended March 31, 2007 decreased $411 or 6.7%, from $6,163 in 2006 to $5,752 in 2007. The decrease in 2007 primarily relates to a decrease of approximately $1,215 in corporate salaries and bonus expense as well as the occurrence of non-recurring A4 integration costs during the first quarter of 2006 totaling $1,021. This increase is slightly offset by $2,449 in increased intangible asset amortization recognized in the first quarter of 2007 relating to the A4 acquisition when compared to one month of amortization recorded in the first quarter of 2006.

Interest income

Interest income for the first quarter of 2007 decreased 12.5%, or $150, from $1,199 in 2006 to $1,049 in 2007. The decrease in interest income is attributed to a decrease in overall cash and marketable securities resulting from the A4 acquisition, partially offset by cash generated from operations.

Interest expense

Interest expense for the first quarter of 2007 increased 4.2%, from $895 in 2006 to $933 in 2007. The increase is primarily due to interest expense incurred on the $3,400 secured promissory note assumed in the A4 acquisition during the first quarter of 2006.

Income taxes

As a result of the A4 acquisition in March 2006, management determined under the provisions of FAS 109, "Accounting for Income Taxes", that it is more likely than not that Allscripts will generate adequate taxable income for the foreseeable future to realize its deferred tax assets. Accordingly, management reversed all of its $61,284 valuation allowance against goodwill in purchase accounting for the A4 acquisition. In connection with the reversal of its valuation allowance in purchase accounting, approximately $5,656 of net operating losses ("NOL") were written-off pursuant to Internal Revenue Code Section 382, which imposes an annual limitation on the future utilization of net operating losses. A tax provision of $2,960 and $810 were recorded for the three months ended March 31, 2007 and 2006, respectively.

Liquidity and Capital Resources

At March 31, 2007 and December 31, 2006, our principal sources of liquidity consisted of cash, cash equivalents and marketable securities of $90,016 and $83,038, respectively. The increase of $6,978 is reflective of the following:

Operating activities

For the three months ended March 31, 2007, we generated $11,209 in net cash provided by operations, compared to $9,236 for the same period in 2006. This net improvement of $1,973 is due primarily to an increase of $3,144 in net income and related non-cash reconciling adjustments of $2,053, offset by a net working capital decrease of $3,224.

Investing activities

During the quarter ended March 31, 2007, we used $4,974 for capitalized software development costs, which included $1,700 in third-party contracted clinical content development and $1,494 of cash for capital expenditures.

Financing activities

For the quarter ended March 31, 2007, we received $2,224 in proceeds from the exercise of stock options and $267 in proceeds from purchases of stock under our employee stock purchase plan.

Allscripts' working capital increased by 14.2%, or $11,666, for the three months ended March 31, 2007, from $82,250 at December 31, 2006 to $93,916 at March 31, 2007. The increase is primarily due to an increase in cash, cash equivalents and short-term marketable securities, the proceeds from the exercise of stock options and purchases of stock under our employee stock purchase plan and by cash provided by operating activities. At March 31, 2007, we had an accumulated deficit of $529,338, compared to $533,805 at December 31, 2006.

Table of Contents

Future Capital Requirements

We believe that our cash, cash equivalents and marketable securities of $90,016 as of March 31, 2007 and our cash flow from operations will be sufficient to meet the anticipated cash needs of our business for the next twelve months. Our primary needs for cash over the next twelve months will be to fund working capital, service approximately $1,624 in interest payments on our debt instruments, fund capital expenditures, contractual obligations, and investment needs of our current business.

We cannot provide assurance that our actual cash requirements will not be greater than we expect as of the date of this report. We will, from time to time, consider the acquisition of, or investment in, complementary businesses, products, services and technologies, which might impact our liquidity requirements or cause us to issue additional equity or debt securities.

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

Contractual Obligations, Commitments and Off Balance Sheet Arrangements

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

The following table summarizes our significant contractual obligations as of March 31, 2007 and the effect such obligations are expected to have on our liquidity and cash in future periods assuming all obligations reach maturity:

	Total	Less Than 1 year	1-3 years	3-5 years	More than 5 years
Contractual obligations:					
3.5% Senior Convertible Debentures (1)	$82,500	$—	$—	$—	$82,500
Semi-annual interest due on the 3.5% Senior Convertible Debentures (1)	49,808	1,444	5,776	5,776	36,812
Development contract (2)	12,300	2,406	6,026	3,868	—
7.85% secured promissory note	3,136	195	581	679	1,681
Monthly interest due on the 7.85% secured promissory note	1,197	180	419	321	277
Non-cancelable operating leases	13,008	2,283	3,990	2,694	4,041
Acquisition payment obligations (3)	503	503	—	—	—
Other contractual obligations	1,332	1,002	330	—	—
Total contractual obligations	$163,784	$8,013	$17,122	$13,338	$125,311

(1) In July 2004, we completed the private placement of our Notes and are obligated to pay approximately $1,444 in interest payments every six months under the Notes, payable on January 15 and July 15 of each year. These Notes can be converted, in certain circumstances, into 7,329 shares of common stock based upon a conversion price of approximately $11.26 per share, subject to adjustment for certain events. The Notes were convertible during the first quarter of 2007 by virtue of the last reported sale price for Allscripts' common sock having exceeded $14.64 for twenty consecutive days in the 30 trading-day period ending on the prior fiscal year end date. No notes were converted as of March 31, 2007. The timing of our obligation on the Notes may change as it relates to funding interest payments and making a principal payment on the Notes based on whether the holders elect to convert the Notes. In addition, Allscripts may redeem some or all of the Notes for cash any time on or after July 20, 2009 at the Notes' full principal amount plus accrued and unpaid interest, if any. Holders of the Notes may require Allscripts to repurchase some or all of the Notes on July 15, 2009, 2014 and 2019 or, subject to certain exceptions, upon a change of control of Allscripts.

(2) On December 1, 2006, we entered into a $14,000 software content development agreement with a partner to assist in the development of TouchWorks clinical content. The partner is developing customer content for use within Allscripts solutions by medical professionals. Upon acceptance of contracted deliverables, Allscripts will provide payment for the development efforts over the next five years, with the final deliverable to be completed by September 30, 2011. Allscripts paid $1,700 to this partner during the first quarter of 2007.

(3) As of March 31, 2007, $419 and $84 of the consideration related to the A4 acquisition and the August 2003 Advanced Imaging Concepts, Inc. ("AIC") acquisition, respectively, had not been paid. Payment on the remaining A4 obligation is expected to be paid in 2007. Payment on the remaining AIC obligation will occur upon the receipt of the required acknowledgement from the AIC stockholders.

Upon adoption of FIN 48 on January 1, 2007 (see Note 10 to the consolidated financial statements), Allscripts determined that approximately $1,600 of tax and interest should be recorded in other liabilities as of January 1, 2007. This liability consists of approximately $273 in income taxes and approximately $1,300 in interest and penalties through March 31, 2007. The tax liability has been excluded from the contractual obligation table above due to the fact that the timing of the potential settlement of this liability, if any, is unknown as of March 31, 2007.

In connection with the corporate facilities lease agreement, Allscripts has provided to the lessor an unconditional irrevocable letter of credit in favor of the lessor in the amount of $500 as security for the full and prompt performance by Allscripts under the lease agreement. The letter of credit may be drawn upon by the lessor and retained, used or applied by lessor for the purpose of curing any monetary default or defaults of Allscripts under the lease. The letter of credit provides for an expiration date of one year from the commencement date of the lease, and will automatically extend for additional successive one-year periods through the term of the lease. As of March 31, 2007 and 2006, no amounts had been drawn on the letter of credit.

We have other letters of credit as security for full and prompt performance under various contractual arrangements totaling $300. As of March 31, 2007 and 2006, no amounts had been drawn on the letters of credit.

Forward-Looking Statements

This Management's Discussion and Analysis and certain other sections of this Form 10-Q may contain forward-looking statements that involve a number of risks and uncertainties. Words such as "expects," "anticipates," "believes," "estimates," and other similar expressions or future or conditional verbs such as "will," "should," "would" and "could" are intended to identify such forward-looking statements. Forward-looking statements are made pursuant to the safe harbor provisions of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and are based on our beliefs as well as assumptions made by and information currently available to us. Accordingly, our actual results may differ materially from those expressed or implied in such forward-looking statements due to known or unknown risks and uncertainties that exist in our operations and business environment, including the risks and uncertainties described in Item 1A of the Company's Annual Report on Form 10-K for the period ended December 31, 2006, filed with the Securities and Exchange Commission on March 1, 2007. Although we believe that our forward-looking statements are based on reasonable assumptions, there can be no assurance that actual results, performance or achievements will not differ materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Readers are cautioned not to place undue reliance on forward-looking statements. We undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of March 31, 2007, we did not own any derivative financial instruments, but we were exposed to market risks, primarily changes in U.S. interest rates. Our Notes bear a fixed interest rate, and accordingly, the fair market value of the debt is sensitive to changes in interest rates. We have no cash flow or earnings exposure due to market interest rate changes for our fixed debt obligation.

As of March 31, 2007, we had cash, cash equivalents and marketable securities in financial instruments of $90,016. Declines in interest rates over time will reduce our interest income from our investments. Based upon our balance of cash, cash equivalents and marketable securities as of March 31, 2007, a decrease in interest rates of 1.0% would cause a corresponding decrease in our annual interest income of approximately $900.

Item 4. Controls and Procedures

As of March 31, 2007, our management, including our Chief Executive Officer and Chief Financial Officer, have reviewed and evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b). Based on their review and evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of such date.

In connection with the evaluation by management, including our Chief Executive Officer and Chief Financial Officer, of our internal control over financial reporting, pursuant to Exchange Act Rule 13a-15(d), no changes during the quarter ended March 31, 2007 were identified that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II OTHER INFORMATION

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

ISSUER PURCHASES OF EQUITY SECURITIES
(Share amounts in thousands)

Period	(a) Total Number of Shares Purchased (1)	(b) Average Price Paid per Share
January 1, 2007 – March 31, 2007	19	$28.52
Total	19	$28.52

(1) Shares withheld for tax liabilities upon vesting of restricted stock awards.

Item 5. Other Information

On May 4, 2007, the Company's subsidiary, Allscripts LLC, and Joseph E. Carey entered into a Third Amendment (the "Amendment") to that certain employment agreement dated as of July 8, 2002 and amended as of December 31, 2004 and July 7, 2006 (as amended, the "Employment Agreement"). The Third Amendment confirms that, as of April 17, 2007, Mr. Carey ceased to act as Chief Operating Officer of the Company, but will remain an employee and continue to transition his duties as Chief Operating Officer to the Company's management team and his successor. Mr. Carey's base salary is adjusted to $12,000 per annum. Although the term of the Employment Agreement continues until June 30, 2007, the Third Amendment eliminates any severance payments or other benefits that Mr. Carey would receive upon the termination of the Employment Agreement for any reason prior to that date. The foregoing summary is qualified in its entirety by reference to the Third Amendment, a copy of which is attached to this report as Exhibit 10.21 hereto.

Item 6. Exhibits

(a) Exhibits

See Index to Exhibits.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on May 10, 2007.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

By: /S/ WILLIAM J. DAVIS

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

Date: May 10, 2007

Table of Contents

INDEX TO EXHIBITS

Exhibit Number	Description	Reference
2.1	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.	Incorporated herein by reference from the Allscripts, Inc. Current Report on Form 8-K filed on July 27, 2000
2.2	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)
2.3	Agreement of Merger, dated as of January 18, 2006, by and among Allscripts Healthcare Solutions, Inc., Quattro Merger Sub Corp., A4 Health Systems, Inc. and John P. McConnell, in his capacity as Shareholder Representative.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Current Report on Form 8-K filed on January 23, 2006
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)
4.1	Indenture, dated as of July 6, 2004, between Allscripts Healthcare Solutions, Inc. and LaSalle Bank N.A., as trustee, related to the issuance of 3.50% Convertible Senior Debentures Due 2024.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Current Report on Form 8-K filed on July 15, 2004
4.2	Resale Registration Rights Agreement, dated as of July 6, 2004, between Allscripts Healthcare Solutions, Inc. and Banc of America Securities LLC, as representative of the initial purchasers of the 3.50% Convertible Senior Debentures Due 2024.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Current Report on Form 8-K filed on July 15, 2004
10.1†	Amendment and Restatement of Amended and Restated 1993 Stock Incentive Plan.	Incorporated herein by reference from Appendix B to the Allscripts Healthcare Solutions, Inc. Proxy Statement relating to its 2005 Annual Meeting of Stockholders, filed on April 28, 2005

Table of Contents

10.2	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)
10.3	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)
10.4	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)
10.5	Second Amendment, dated September 30, 2002, to Lease Agreement between LaSalle Bank National Association (previously 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 Healthcare Solutions, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2002
10.6	Lease Agreement, dated as of September 17, 2004, between Allscripts, LLC and Merchandise Mart L.L.C.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2004
10.7	First amendment, dated May 17, 2006, to Lease Agreement between Allscripts, LLC, as Tenant and Merchandise Mart L.L.C, as Landlord.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2006.
10.8	Fourth amendment, dated May 20, 2004, to Lease Agreement between Lincoln Commerce Center Properties, LLC, as Landlord, and Allscripts, LLC, as Tenant.	Incorporated herein by reference from Allscripts Healthcare Solutions, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2004.
10.9†	Employment Agreement, dated as of July 8, 2002, between Allscripts Healthcare Solutions, Inc. and Glen E. Tullman.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2002
10.10†	Amendment, effective January 1, 2005, to Employment Agreement dated as of July 8, 2002 between Allscripts, LLC and Glen E. Tullman.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2004
10.11†	Amendment, effective July 7, 2006, to Employment Agreement dated as of July 8, 2002 between Allscripts, LLC and Glen E. Tullman.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Current Report on Form 8-K filed on July 13, 2006
10.12†	Employment Agreement, dated as of July 8, 2002, between Allscripts Healthcare Solutions, Inc. and Lee A. Shapiro.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2002

Table of Contents

10.13†	Amendment, effective January 1, 2005, to Employment Agreement dated as of July 8, 2002 between Allscripts, LLC and Lee A. Shapiro.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2004
10.14†	Amendment, effective July 7, 2006, to Employment Agreement dated as of July 8, 2002 between Allscripts, LLC and Lee A. Shapiro.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Current Report on Form 8-K filed on July 13, 2006
10.15†	Employment Agreement, dated as of October 8, 2002, between Allscripts Healthcare Solutions, Inc. and William J. Davis.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2002
10.16†	Amendment, effective January 1, 2005, to Employment Agreement dated as of October 8, 2002 between Allscripts, LLC and William J. Davis.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2004
10.17†	Amendment, effective July 7, 2006, to Employment Agreement dated as of October 8, 2002 between Allscripts, LLC and William J. Davis.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Current Report on Form 8-K filed on July 13, 2006
10.18†	Employment Agreement, dated as of July 8, 2002, between Allscripts Healthcare Solutions, Inc. and Joseph E. Carey.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2002
10.19†	Amendment, effective January 1, 2005, to Employment Agreement dated as of July 8, 2002 between Allscripts, LLC and Joseph E. Carey.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2004
10.20†	Amendment, effective July 7, 2006, to Employment Agreement dated as of July 8, 2002 between Allscripts, LLC and Joseph E. Carey.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Current Report on Form 8-K filed on July 13, 2006
10.21†	Amendment, effective May 4, 2007, to Employment Agreement dated as of July 8, 2002 between Allscripts, LLC and Joseph E. Carey.	Filed herewith
10.22†	Employment Agreement, dated as of July 8, 2002, between Allscripts Healthcare Solutions, Inc. and Scott Leisher.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2002
10.23†	Amendment, effective January 1, 2005, to Employment Agreement dated as of July 8, 2002 between Allscripts, LLC and Scott Leisher.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2004
10.24†	Employment Agreement, dated as of January 31, 2003, between Allscripts, Inc. and Laurie McGraw.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2005
10.25†	Amendment, effective April 17, 2003, to Employment Agreement dated as of January 31, 2003 between Allscripts, Inc. and Laurie McGraw.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2005

Table of Contents

10.26†	Amendment, effective July 7, 2006, to Employment Agreement dated as of January 31, 2003 between Allscripts, Inc. and Laurie McGraw.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Current Report on Form 8-K filed on July 13, 2006
10.26†	Employment Agreement, dated as of February 28, 2006, between Allscripts, Inc. and David Bond.	Filed herewith
10.27†	Employment Agreement, dated as April 24, 2007, between Allscripts, Inc. and Benjamin Bulkley.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Current Report on Form 8-K filed on April 24, 2007
10.28†	Form of Allscripts Healthcare Solutions, Inc. Nonqualified Incentive Stock Option Agreement.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Current Report on Form 8-K filed on January 5, 2005
10.29	Stock Rights and Restrictions Agreement by and between Allscripts Healthcare Solutions, Inc. and IDX Systems Corporation, dated as of January 8, 2001.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2001
10.30	Amended and Restated Strategic Alliance Agreement by and between Allscripts Healthcare Solutions, Inc. and IDX Systems Corporation, dated as of January 18, 2006.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Current Report on Form 8-K filed on January 19, 2006
10.31	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)
10.32	Amended and Restated Cross License and Software Maintenance Agreement by and between IDX Systems Corporation and ChannelHealth Incorporated, dated January 8, 2001.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2001
10.33*	Pharmacy Services Prime Vendor Agreement for Allscripts Healthcare Solutions, Inc., dated as of February 1, 2002, between Allscripts Healthcare Solutions, Inc. and Bergen Brunswig Drug Co.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Quarterly Report on Form 10-Q for the quarter ended March 31, 2002
10.34	First Amendment, dated July 31, 2002, among Allscripts Healthcare Solutions, Inc., Bergen Brunswig Drug Company doing business as Amerisource Bergen and Allscripts, Inc., to Pharmacy Services Prime Vendor Agreement, dated as of February 1, 2002, between Allscripts Healthcare Solutions, Inc. and Bergen Brunswig Drug Company doing business as Amerisource Bergen.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Quarterly Report on Form 10-Q for the quarter ended September 30, 2002.
10.35†	Allscripts Healthcare Solutions, Inc. 2001 Non-Statutory Stock Option Plan.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2002
10.36†	Form of Restricted Stock Award Agreement (Directors).	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2005.
10.37†	Form of Restricted Stock Award Agreement (Officers and Employees).	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2005.
10.38†	Amendment and Restatement of Amended and Restated 1993 Stock Incentive Plan	Incorporated herein by reference from Appendix B to the Allscripts Healthcare Solutions, Inc. Proxy Statement relating to its 2007 Annual Meeting of Stockholders, filed on April 30, 2007.

Table of Contents

10.39†	Amendment to Form of Restricted Stock Award Agreement	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2006.
10.40†	Executive Management Bonus Program 2006	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Annual Report on Form 10-K for the fiscal year ended December 31, 2005.
31.1	Rule 13a-14(a) Certification of Chief Executive Officer	Filed herewith
31.2	Rule 13a-14(a) Certification of Chief Financial Officer	Filed herewith
32.1	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer	Filed herewith

† Indicates management contract or compensatory plan.
* Portions of this exhibit have been omitted pursuant to the Commission’s grant of confidential treatment.

Exhibit 10.21

THIRD AMENDMENT TO EMPLOYMENT AGREEMENT

THIS THIRD AMENDMENT TO EMPLOYMENT AGREEMENT (this "Amendment") between Allscripts LLC, a Delaware limited liability company ("Company"), and Joseph E. Carey ("Executive") is made and entered into as of May 3, 2007.

WITNESSETH:

WHEREAS, Allscripts, Inc. and Executive entered into an Employment Agreement, dated as of July 8, 2002 and Amendments to Employment Agreement dated as of December 31, 2004 and July 7, 2006 (collectively, as the same may be further amended, supplemented or otherwise modified from time to time, the "Employment Agreement"); and

WHEREAS, Executive has previously informed Company that he intends to resign from the Company and, on April 17, 2007, Executive ceased to act as Chief Operating Officer; and

WHEREAS, in connection with Executive ceasing to act as Chief Operating Officer, Company and Executive have previously agreed to substantially reduce Executive's base salary; and

WHEREAS, Company and Executive desire to amend the Employment Agreement upon the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the foregoing premises, and the mutual promises and agreements herein contained, the parties hereto agree as follows:

1. Amendment Date. This Amendment shall be deemed effective as of May 4, 2007 (the "Amendment Date"). Except as specifically set forth in this Amendment, all capitalized terms used in this Amendment shall have the same meaning as set forth in the Employment Agreement.

2. Employment. Section 1 of the Employment Agreement is hereby amended and restated as follows:

As of April 17, 2007, Company and Executive agree that Executive's responsibilities shall consist of transitioning his duties as Chief Operating Officer to Company's management team and Executive's successor.

3. Term. Section 2 of the Employment Agreement is hereby amended and restated as follows:

The initial term of Executive's employment by Company under this Agreement shall commence as of July 8, 2002 (the "Effective Date") and shall continue in effect through June 30, 2007 unless earlier terminated as provided herein (the "Employment Period").

4. Section 3.1 of the Employment Agreement is hereby amended and restated as follows:

As of April 17, 2007, Company shall pay to Executive an annual base salary at a rate of $12,000 per annum, subject to all appropriate federal and state withholding taxes, which base salary shall be payable in accordance with Company's normal payroll practices and procedures.

5. Sections 4.4 and 4.5 (including all subsections contained therein) are hereby deleted in their entirety and shall be replaced with the words "Intentionally Omitted."

6. Miscellaneous. Except as modified by this Amendment, the Employment Agreement shall continue in full force and effect and is hereby ratified and confirmed. To the extent that any provision of this Amendment is inconsistent with the Agreement, the terms of this Amendment shall control. This Amendment and the Employment Agreement (a) are complete, (b) constitute the entire and original understanding between the parties with respect to the subject matter hereof and thereof, and (c) supersede all prior agreements, whether oral or written. No waiver, modification, or addition to this Amendment or the Employment Agreement shall be valid unless in writing and signed by the parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the day and year first above written.

ALLSCRIPTS LLC:		EMPLOYEE:	
By:	/s/ Glen Tullman	By:	/s/ Joseph E. Carey
Name:	Glen Tullman	Name:	Joseph E. Carey
Title:	Chief Executive Officer		

EXHIBIT 10.26

ALLSCRIPTS, LLC AND A4 HEALTH SYSTEMS, INC.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT, (this **"Agreement"**) is made as of this 28th day of February, 2006, by and among Allscripts, LLC, a limited liability corporation organized and existing under the laws of the State of Delaware, with its principal place of business at 222 Merchandise Mart, #2024, Chicago, Illinois 60654 (**"Allscripts"**), A4 Health Systems, Inc., a North Carolina corporation, with its principal place of business at 5501 Dillard Drive, Cary, North Carolina 27511 (**"Company"**), and David Bond (**"Executive"**).

RECITALS

WHEREAS, Executive is President and Chief Operating Officer of Company;

WHEREAS, Allscripts Healthcare Solutions, Inc., a Delaware corporation (**"AHS"**), Quattro Merger Sub Corp. (**"Sub"**), Company and the shareholder representative named therein have entered into an Agreement of Merger (the **"Merger Agreement"**), which provides, upon the terms and subject to the conditions thereof, for the merger of Sub with and into Company (the **"Merger"**);

WHEREAS, from and after the date of effectiveness of the Merger (the **"Effective Date"**), Company desires to employ Executive as its President of SMB Solutions; and

WHEREAS, Executive desires to be employed by Company in the aforesaid capacity.

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

AGREEMENT

1. Employment.

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

2. Effective Date and Term.

The initial term of Executive's employment by Company under this Agreement shall commence as of the Effective Date and shall continue in effect for a term of one (1) year, unless earlier terminated as provided herein. Thereafter, this Agreement shall automatically renew for additional and successive terms of one (1) year each, unless either Company or Executive elects not to renew this Agreement upon the expiration of the initial term or any renewal term by providing written notice of such non-renewal to the other party at least one hundred eighty (180) days prior to the expiration of the then current term. As used herein, the term **"Employment Period"** shall mean the period from the Effective Date until the termination of the Agreement **(i)** for non-renewal pursuant to this Section 2 or **(ii)** pursuant to Section 4 herein. If the transactions contemplated by the Merger Agreement are not consummated, this Agreement shall be null and void. For purposes of this Agreement, any notice of non-renewal by the Company which provides for termination of Executive's employment before the end of the Employment Period or acceleration of Executive's last day of active employment or involves or gives rise to any grounds for termination by Executive for Good Reason shall be deemed a termination without Cause by the Company.

3. Compensation and Benefits.

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

3.1 Base Salary. During the Employment Period, Company shall pay to Executive an annual base salary at a rate of $250,000 per annum, subject to all appropriate federal and state withholding taxes, which base salary shall be payable in accordance with Company's normal payroll practices and procedures; provided however, that if the Company meets or exceeds the revenue and operating income budgeted amounts in the existing 2006 budget for each of the first two quarters of 2006, Executive's base salary shall increase from $250,000 to $260,000 per annum, beginning in the third quarter of 2006. Executive's base salary shall be reviewed annually on each anniversary of the Effective Date during the Employment Period by the Chief Executive Officer of Company and may be increased (but not decreased) in the sole discretion of the Chief Executive Officer, based on Executive's performance during the preceding twelve-month period. Executive's base salary, as such base salary may be increased annually hereunder, is hereinafter referred to as the **"Base Salary."**

3.2 Performance Bonus. Executive shall be eligible to receive a cash bonus with respect to each Fiscal Year of Company that ends during the term of this Agreement (the **"Performance Bonus"**). Payment of the Performance Bonus, if any, will be made in accordance with the terms and conditions of Company's management bonus plan, as in effect from time to time, and in accordance with Company's budget. With respect to the 2006 Fiscal Year, the terms and conditions of the management bonus plan and the targets for bonus achievement will be established in a manner consistent with Company's 2005 management bonus plan. For purposes of this Agreement, the term **"Fiscal Year"** shall mean the fiscal year of Company, commencing on January 1 of each year and ending on December 31.

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

3.3.1 Vacation. Executive shall be entitled to 20 business days per full Fiscal Year of paid vacation, such vacation time not to be cumulative (*i.e.*, vacation time not taken in any Fiscal Year shall not be carried forward and used in any subsequent Fiscal Year). Executive shall also be entitled to paid holidays in accordance with Company's regular holiday schedule.

3.3.2 Participation in Benefit Plans. Executive shall be entitled to health and/or dental benefits, including immediate coverage for Executive and Executive's eligible dependents, which are generally available to Company's senior executive employees and as provided by Company in accordance with its group health insurance plan coverage. In addition, Executive shall be entitled to participate in any profit sharing plan, retirement plan, group life insurance plan, disability plan or other insurance plan or medical expense plan or other plan or program maintained by Company for its senior executives generally, in accordance with the general eligibility criteria therein. Executive's service with the Company prior to the Effective Date shall be taken into account for all vesting and eligibility purposes under any such plans or programs.

3.3.3 Perquisites. Executive shall be entitled to such other benefits and perquisites that are generally available to Company's senior executive employees and as provided in accordance with Company's plans, practices, policies and programs for senior executive employees of Company.

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

3.5 Stock-Based Awards. Executive shall be eligible to participate in any applicable stock bonus, stock option, or similar plan implemented by Allscripts and generally available to its senior executive employees (each, a **"Plan"**). Awards will be made at the discretion of the Chief Executive Officer of Allscripts, subject to approval by the Board of AHS.

3.6 Special Bonus. On the Effective Date and in consideration in part for the covenants set forth in Section 5 hereof, Company shall pay to Executive a bonus in the amount of $550,000 (the **"Special Bonus"**), subject to all appropriate federal and state withholding taxes.

4. Termination of the Agreement Prior To the Expiration.

This Agreement and the Employment Period may be terminated at any time as follows (the effective date of such termination hereinafter referred to as the **"Termination Date"**):

4.1 Termination upon Death or Disability of Executive.

4.1.1 This Agreement and the Employment Period shall terminate immediately upon the death of Executive. In such event, Executive's estate (or named beneficiary) shall have the right to receive payment of the amounts set forth in Section 4.4.3 of the Agreement.

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

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

4.2.1 any willful refusal by Executive to substantially perform Executive's duties and obligations hereunder, other than any such failure resulting from the disability of Executive;

4.2.2 any intentional act of fraud, embezzlement or theft by Executive in connection with Executive's duties hereunder or in the course of Executive's employment hereunder or any prior employment or Executive's admission or conviction of a felony or any crime involving moral turpitude, fraud, embezzlement, theft or misrepresentation;

4.2.3 any gross negligence or willful misconduct of Executive resulting in a loss to Company or any of its affiliates or damage to the reputation of Company or any of its affiliates;

4.2.4 any breach by Executive of any of the covenants contained in Section 5 hereof;

4.2.5 any violation of any statutory or common law duty of loyalty to Company or any of its affiliates; or

4.2.6 Executive's material violation of any generally recognized policy of AHS or Company, Executive's willful refusal to follow the lawful directions of the Chief Executive Officer of Company or the Board of AHS.

Notwithstanding the foregoing, any notice and lapse of time period provided in this Section 4.2 shall not be required with respect to any event or circumstance which is the same or substantially the same as an event or circumstance with respect to which notice and an opportunity to cure has been given within the previous six (6) months.

4.3 Termination without Cause or by Executive for Good Reason.

4.3.1 Termination without Cause. Either party may terminate this Agreement and the Employment Period without Cause upon thirty (30) days prior written notice to the other party. If either party elects not to renew this Agreement for any renewal period pursuant to Section 2 hereof, such election shall not constitute a termination of the Employment Period without Cause.

4.3.2 Termination by Executive for Good Reason. Executive may terminate this Agreement and the Employment Period for Good Reason (as hereinafter defined). For purposes hereof, "Good Reason" shall mean (i) any material diminishment in Executive's authority, responsibilities or compensation without Executive's consent that is not cured within thirty (30) days after Executive shall have provided written notice of such diminishment to the Board of Directors of AHS or (ii) AHS's requirement that Executive be based at any office or location more than thirty (30) miles from where Executive is employed on the Effective Date, other than for travel that is reasonably required in the performance of Executive's duties.

4.4 Rights upon Termination. Upon termination of this Agreement and the Employment Period, the following shall apply:

4.4.1 Termination by Company without Cause or by Executive for Good Reason . If Company terminates the Employment Period without Cause (other than a non-renewal by Company under Section 2) or if Executive terminates the Employment Period for Good Reason, Executive shall be entitled to receive payment of any Base Salary amounts that have accrued but have not been paid as of the Termination Date, and the unpaid Performance Bonus, if any, with respect to the Fiscal Year preceding the Fiscal Year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner that it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period). In addition, subject to Section 4.4.2, below, Company shall be obligated to pay Executive (or provide Executive with) the following benefits as severance:

(i) six months of Executive's Base Salary in effect immediately prior to the Termination Date, payable in six equal monthly installments commencing on the Termination Date, such amount to be payable regardless of whether Executive obtains other employment and is compensated therefor (but only so long as Executive is not in violation of Section 5 hereof);

(ii) continuation of Executive's then current enrollment (including family enrollment, if applicable) in all health and/or dental insurance benefits set forth in Section 3.3.2 for a period of six months following the Termination Date, with Executive's contribution to such plans as if Executive were employed by Company, such contributions to be paid by Executive in the same period (*e.g.*, monthly, bi-weekly, etc.) as all other employees of Company; provided, however, that Company may terminate such coverage if payment from Executive is not made within ten (10) days after the date on which Executive receives written notice from Company that such payment is due; and provided, further, that such benefits may be discontinued earlier to the extent that Executive becomes entitled to comparable benefits from a subsequent employer; and

(iii) any awards granted to Executive pursuant to Section 3.5 that have not vested as of the Termination Date shall vest in full upon the Termination Date.

(iv) the amount of Executive's Performance Bonus, if any, for the Fiscal Year in which the Termination Date occurs that would have been payable under Section 3.2 had there been no termination of the Employment Period (such Performance Bonus, if any, to be determined in the manner it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period), multiplied by a fraction, the numerator of which is the number of completed months in the Fiscal Year in which the Termination Date occurs prior to the Termination Date and the denominator of which is twelve;

(v) accrued but unused vacation pay, which shall be payable in a lump sum within thirty (30) days of the Termination Date.

4.4.2 Termination With Cause by Company or Without Cause by Executive. If Company terminates the Employment Period with Cause, or if Executive terminates the Employment Period other than a) as a non-renewal under Section 2 or b) as a result of death or disability or c) for Good Reason, Company shall be obligated to pay Executive **(i)** any Base Salary amounts that have accrued but have not been paid as of the Termination Date and **(ii)** the unpaid Performance Bonus, if any, with respect to the Fiscal Year preceding the Fiscal Year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period) and **(iii)** accrued but unused vacation pay, which shall be payable in a lump sum within thirty (30) days of the Termination Date.

4.4.3 Termination Upon Death or Disability. If the Employment Period is terminated because of the death or disability of Executive, Company shall be obligated to pay Executive or, if applicable, Executive's estate, the following amounts: **(i)** earned but unpaid Base Salary; **(ii)** the unpaid Performance Bonus, if any, with respect to the Fiscal Year preceding the Fiscal Year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period); and **(iii)** the amount of Executive's Performance Bonus, if any, for the Fiscal Year in which the Termination Date occurs that would have been payable under Section 3.2 had there been no termination of the Employment Period (such Performance Bonus, if any, to be determined in the manner it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period)), multiplied by a fraction, the numerator of which is the number of completed months in the Fiscal Year in which the Termination Date occurs prior to the Termination Date and the denominator of which is twelve; and **(iv)** accrued but unused vacation pay, which shall be payable in a lump sum within thirty (30) days of the Termination Date. The foregoing shall be in addition to, and not in lieu of, any benefits payable to Executive under any applicable disability or life insurance plan or program.

4.4.4 Termination for Non-Renewal by Company. If the Employment Period is terminated by reason of a non-renewal by Company under Section 2, then Executive shall be entitled to receive payment of any Base Salary amounts that have accrued but have not been paid as of the Termination Date, and the unpaid Performance Bonus, if any, with respect to the Fiscal Year preceding the Fiscal Year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner that it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period). In addition, Company shall be obligated to pay Executive as severance six months of Executive's Base Salary in effect immediately prior to the Termination Date, payable in six equal monthly installments commencing on the Termination Date, such amount to be payable regardless of whether Executive obtains other employment and is compensated therefor (but only so long as Executive is not in violation of Section 5 hereof).

4.4.5 **Effect of Notice of Termination**. Any notice of termination by Company, whether for Cause or without cause, may specify that, during the notice period, Executive need not attend to any business on behalf of Company (except, in the case of termination for Cause, to the extent necessary or appropriate to enable Executive to effect a cure to the extent a cure is possible).

5. **Noncompetition and Confidentiality.**

5.1 **Covenant Not to Compete**. During the Employment Period and for a period of the longer of (1) one (1) year after the expiration or earlier termination of the Employment Period (other than a termination by Company without Cause or by Executive for Good Reason) and (2) two (2) years from the Effective Date, Executive shall not, **(i)** directly or indirectly act in concert or conspire with any person employed by Company or any of its affiliates in order to engage in or prepare to engage in or to have a financial or other interest in any business which is a Direct Competitor (as defined below) or **(ii)** serve as an employee, agent, partner, shareholder, director or consultant for, or in any other capacity participate, engage or have a financial or other interest in any business which is a Direct Competitor; provided, however, that notwithstanding anything to the contrary contained in this Agreement, Executive may own up to two percent (2%) of the outstanding shares of the capital stock of a company whose securities are registered under Section 12 of the Securities Exchange Act of 1934. For purposes of this Agreement, the term **"Direct Competitor"** shall mean any person or entity engaged in the business of developing, marketing or providing within the continental United States **(a)** clinical information software or systems, including emergency department information systems, **(b)** electronic medical records software or systems, **(c)** physician practice management software or systems, **(d)** care management solutions, **(e)** healthcare disaster recovery solutions, or **(f)** patient portal solutions.

5.2 **No Solicitation of Employees**. During the Employment Period and for a period of the longer of (1) one (1) year following the expiration or earlier termination of the Employment Period for any reason (other than a termination by Company without Cause or by Executive for Good Reason) and (2) two (2) years from the Effective Date, Executive shall not, directly or indirectly, whether for Executive's own account or for the account of any other individual or entity, **(i)** employ, hire or solicit for employment, or attempt to employ, hire or solicit for employment, any Employee (as defined below), **(ii)** divert or attempt to divert, directly or indirectly, or otherwise interfere in a material fashion with or circumvent Company's or any of its affiliates' relationship with, any Employees, or **(iii)** induce or attempt to induce, directly or indirectly, any Employee to terminate his or her employment or other business relationship with Company or any of its affiliates. For purposes of this Section 5.2, **"Employee"** shall mean any person who is or was employed by Company or any of its affiliates during the Employment Period; provided, however, that "Employee" shall not include any person **(a)** whose employment with Company or any of its affiliates was terminated by Company or such affiliate without cause or **(b)** who was not employed by Company or any of its affiliates at any time during the six (6) month period immediately prior to the Termination Date.

5.3 **Confidential Information**. Company has advised Executive, and Executive acknowledges, that it is the policy of Company to maintain as secret and confidential all Protected Information (as defined below) and that Protected Information has been and will be developed at substantial cost and effort to Company and its affiliates. Executive shall not at any time, directly or indirectly, divulge, furnish or make accessible to any unauthorized person, firm, corporation, association or other entity (otherwise than as may be required in the regular course of Executive's employment), nor use in any manner, either during the Employment Period or after the termination of the Employment Period for any reason, any Protected Information, or cause any such information of Company or any of its affiliates to enter the public domain, except as required by law or court order. **"Protected Information"** means trade secrets, confidential and proprietary business information of Company or any of its affiliates, and any other information of Company or any of its affiliates, including customer lists (including potential customers), sources of supply, processes, plans, materials, pricing information, internal memoranda, marketing plans, internal policies, and products and services which may be developed from time to time by Company or any of its affiliates and their respective agents or employees, including Executive; provided, however, that information that is or becomes in the public domain (other than as a result of a breach of this Agreement), approved for release by Company or lawfully obtained from third parties who are not bound by a confidentiality agreement with Company, is not Protected Information.

5.4 Injunctive Relief. Executive acknowledges and agrees that the restrictions imposed upon Executive by this Section 5 and the purpose for such restrictions are reasonable and are designed to protect the Protected Information and the continued success of Company and its affiliates without unduly restricting Executive's future employment by others. Furthermore, Executive acknowledges that in view of the Protected Information of Company or any of its affiliates which Executive has or will acquire or has or will have access to and the necessity of the restriction contained in this Section 5, any violation of the provisions of this Section 5 may cause irreparable injury to Company, its affiliates and their respective successors in interest with respect to the resulting disruption in their operations. By reason of the foregoing, Executive consents and agrees that if he violates any of the provisions of this Section 5, Company and its successors in interest, as the case may be, shall be entitled, in addition to any other remedies that they may have, including monetary damages, to an injunction to be issued by a court of competent jurisdiction, restraining Executive from committing or continuing any violation of this Section 5.

6. No Set-Off or Mitigation.

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

7. [Intentionally Left Blank]

8. Clawback of Special Bonus.

If the employment of Executive terminates for any reason prior to the first anniversary of the Effective Date (other than a termination by Company without Cause or by Executive for Good Reason or as a result of Executive's death or disability), Executive shall, within thirty (30) days following the Termination Date, repay to Company in cash fifty percent (50%) of the Special Bonus. Executive hereby expressly authorizes Company, subject to applicable law, to withhold all or a portion of the amount of such payment from any amounts owed to Executive by Company as of the Termination Date. The parties intend that this repayment obligation shall apply only in the case of termination of Executive's employment under Section 4.4.2 hereof (Termination With Cause by Company or Without Cause by Executive).

9. Stock Sale Forbearance.

Executive hereby covenants and agrees that, for a period of six (6) months following the Effective Date, Executive will not, without the prior written consent of Company, offer, sell, contract to sell, pledge or otherwise dispose of (or enter into any transaction which is designed to, or might reasonably be expected to, result in the disposition by Executive of), directly or indirectly, any shares of common stock of AHS acquired by Executive in connection with the Merger.

10. Miscellaneous.

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

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

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

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

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

10.6 Notices.

All demands, notices, requests, consents and other communications required or permitted under this Agreement shall be in writing and shall be personally delivered or sent by facsimile machine (with a confirmation copy sent by one of the other methods authorized in this Section 10.6), or by commercial overnight delivery service, to the parties at the addresses set forth below:

To Allscripts or Company (after the Effective Date):

Allscripts, LLC
222 Merchandise Mart
Number 2024
Chicago, Illinois 60654
Attention: Chief Executive Officer

with a copy to:

Sidley Austin LLP
One South Dearborn Street
Chicago, Illinois 60603
Attention: Gary D. Gerstman

To Executive:

David Bond
2115 Banbury Road
Raleigh, North Carolina 27608

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

10.7 Assignment of Agreement. This Agreement shall be binding upon and inure to the benefit of Executive and Company, their respective successors and permitted assigns and Executive's heirs and personal representatives. This Agreement shall be personal to Executive for all purposes.

10.8 Entire Agreement; Amendments. Except as otherwise provided herein, this Agreement contains the entire understanding between the parties, and there are no other agreements or understandings between the parties with respect to Executive's employment by Company and Executive's obligations thereto. Executive acknowledges that Executive is not relying upon any representations or warranties concerning Executive's employment by Company except as expressly set forth herein. No amendment or modification to the Agreement shall be valid except by a subsequent written instrument executed by the parties hereto.

10.9 Dispute Resolution and Arbitration. Except as provided in Section 5.4 above, the following procedures shall be used in the resolution of disputes:

10.9.1 Dispute. In the event of any dispute or disagreement between the parties under this Agreement, the disputing party shall provide written notice to the other party that such dispute exists. The parties will then make a good faith effort to resolve the dispute or disagreement. If the dispute is not resolved upon the expiration of fifteen (15) days from the date a party receives such notice of dispute, the entire matter shall then be submitted to arbitration as set forth in Section 10.9.2.

10.9.2 Arbitration. If the dispute or disagreement between the parties has not been resolved in accordance with the provisions of Section 10.9.1 above, then any such controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration to be held in Chicago, Illinois, in accordance with the rules of the American Arbitration Association then in effect. Any decision rendered herein shall be final and binding on each of the parties, and judgment may be entered thereon in the appropriate state or federal court. The arbitrators shall be bound to strict interpretation and observation of the terms of this Agreement. Each party shall bear its own costs and expenses incurred in connection with any arbitration proceeding under this Section 10.9.2; provided, however, that Company shall pay all American Arbitration Association fees, costs and expenses (including the arbitrator's fees, costs and expenses) payable in connection with such proceeding.

10.10 Survival. The provisions of Sections 4.4, 5, 6, 7, 8, 9 and 10 of this Agreement shall survive the expiration or earlier termination of the Agreement.

10.11 Headings; Interpretation. Section headings used in this Agreement are for convenience of reference only and shall not be used to construe the meaning of any provision of this Agreement. For purposes of this Agreement, the words "include," "includes" and "including" shall be deemed to be followed by the words "without limitation" and the word "or" is not exclusive. This Agreement shall be construed without regard to any presumption or rule requiring construction or interpretation against the party drafting an instrument or causing any instrument to be drafted.

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

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year first above written.

ALLSCRIPTS, LLC

By: /s/ Lee Shapiro
Lee Shapiro
President

A4 HEALTH SYSTEMS, INC.

By: /s/ John P. McConnell
John P. McConnell

EXECUTIVE:

By: /s/ David Bond
David Bond

EXHIBIT 31.1

Certification

I, Glen E. Tullman, certify that:

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

Date: May 10, 2007

/s/ Glen E. Tullman
Chairman and Chief Executive Officer

EXHIBIT 31.2

Certification

I, William J. Davis, certify that:

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

Date: May 10, 2007

/s/ William J. Davis
Chief Financial Officer

EXHIBIT 32.1

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

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

Re: Allscripts Healthcare Solutions, Inc.

Ladies and Gentlemen:

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

(i) this Quarterly Report on Form 10-Q for the quarter ended March 31, 2007, which this statement accompanies, fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(ii) the information contained in this quarterly report on Form 10-Q for the quarter ended March 31, 2007, fairly presents, in all material respects, the financial condition and results of operations of Allscripts Healthcare Solutions, Inc.

Dated as of this 10th day of May, 2007.

/s/ GLEN E. TULLMAN	/s/ WILLIAM J. DAVIS
Glen E. Tullman	**William J. Davis**
Chief Executive Officer	**Chief Financial Officer**

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