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

FORM 8-K/A

(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 25, 2017

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.
(Exact name of Registrant as Specified in Its Charter)

Delaware	001-35547	36-4392754
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

222 Merchandise Mart Plaza, Suite 2024,
Chicago, Illinois 60654
(Address of Principal Executive Offices) (Zip Code)

Registrant's Telephone Number, Including Area Code: (312) 506-1200

Not Applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instructions A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Explanatory Note

On August 31, 2017, Allscripts Healthcare Solutions, Inc. (“Allscripts”) filed a Current Report on Form 8-K (the “Initial Report”) to report that, on August 25, 2017, Allscripts completed the transactions contemplated by an asset purchase agreement with NantHealth, Inc. (“NantHealth”), pursuant to which Allscripts acquired substantially all of the assets of NantHealth’s provider/patient engagement solutions business, including NantHealth’s FusionFX solution and components of its NantOS software connectivity solutions (the “Business”). Allscripts conveyed to NantHealth 15,000,000 shares of NantHealth common stock (par value $0.0001 per share) previously owned by Allscripts as consideration for the acquired Business.

Allscripts applied the consolidation rules of Accounting Standards Codification Topic 810 - *Consolidation*, and concluded that Allscripts has the power to direct the activities of the Business that most significantly impact its economic performance as it has control over 100% of the acquired assets. Therefore, Allscripts will account for its investment in the Business on a consolidated basis and the financial results of the Business will be consolidated with Allscripts’ beginning from the acquisition date of August 25, 2017. This Amendment No. 1 to the Initial Report (this “Form 8-K/A”) amends the Initial Report to include the historical audited combined abbreviated financial statements of the Business, the interim historical unaudited combined abbreviated financial statements of the Business and the unaudited pro forma combined abbreviated financial information required by Items 9.01(a) and 9.01(b) of Form 8-K that were excluded from the Initial Report in reliance on the instructions to such items. This Form 8-K/A should be read in conjunction with the Initial Report.

Item 9.01. Financial Statements and Exhibits.

(a) ***Financial statements of businesses acquired.***

The combined statements of assets acquired and liabilities assumed of the Business as of July 2, 2017 (unaudited) and January 1, 2017 (audited) and the related statements of net revenue and direct expenses for the six months ended July 2, 2017 (unaudited) and July 3, 2016 (unaudited) and for the year ended January 1, 2017 (audited), including the notes thereto and the report of the independent auditors thereon, are filed as Exhibit 99.1 to this Form 8-K/A.

(b) ***Pro forma financial information.***

The unaudited pro forma combined abbreviated financial information of Allscripts Healthcare Solutions, Inc. which reflects the acquisitions of the Business and the 2016 acquisitions of Netsmart, Inc. and HealthMEDX, LLC, is furnished as Exhibit 99.2 to this Form 8-K/A.

(d) ***Exhibits.***

Exhibit No.	Description
23.1	Consent of Ernst & Young, LLP, Independent Auditors for the provider/patient engagement solutions business of NantHealth, Inc.
99.1	Combined abbreviated financial statements of the provider/patient engagement solutions business of NantHealth, Inc., including the notes thereto.
99.2	Unaudited pro forma combined abbreviated financial information.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

Date: November 9, 2017

By: /s/ DENNIS M. OLIS
Dennis M. Olis
Chief Financial Officer

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in the registration statements on Form S-3 (No. 333-188901) and on Form S-8 (Nos. 333-37238, 333-90129, 333-104416, 333-59212, 333-135282, 333-141600, 333-154775, 333-167846, 333-175053, 333-175819, 333-188902, 333-196415 and 333-218174) of Allscripts Healthcare Solutions, Inc., of our report dated November 3, 2017 with respect to the combined abbreviated financial statements of the provider/patient engagement solutions business of NantHealth, Inc., included in this current report on Form 8-K/A of Allscripts Healthcare Solutions, Inc., dated November 9, 2017.

/s/ Ernst & Young LLP

November 9, 2017
Los Angeles, California

Exhibit 99.1

Combined Abbreviated Financial Statements

Auditor’s Report and Financial Statements

Combined Abbreviated Financial Statements

Report of Independent Auditors

The Board of Directors of NantHealth, Inc.

We have audited the accompanying combined abbreviated financial statements of the provider/patient engagement solutions business of NantHealth, Inc., which comprises the combined statement of assets acquired and liabilities assumed as of January 1, 2017, the related combined statement of net revenue and direct operating expenses for the period from January 4, 2016 to January 1, 2017, and the related notes to the combined abbreviated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined statement of assets acquired and liabilities assumed of the provider/patient engagement solutions business of NantHealth, Inc. at January 1, 2017, and its combined statement of net revenue and direct operating expenses for the period from January 4, 2016 to January 1, 2017, in conformity with U.S. generally accepted accounting principles.

Emphasis of Matter

As described in Note 1, the combined abbreviated financial statements have been prepared for the purpose of complying with the rules and regulations of the Securities and Exchange Commission for inclusion in a Form 8-K/A of Allscripts Healthcare Solutions, Inc. in connection with NantHealth, Inc.'s sale of the business to Allscripts Healthcare Solutions, Inc. and are not intended to be a complete presentation of the provider/patient engagement solutions business' assets, liabilities, revenues and expenses. Our opinion is not modified with respect to this matter.

/s/ Ernst & Young, LLP

Los Angeles, California
November 3, 2017

Combined Statements of Assets Acquired and Liabilities Assumed
(Dollars in thousands)

	As of	
	July 2, 2017	**January 1, 2017**
	(Unaudited)	
Assets acquired		
Current assets		
Cash	$ 73	$ 63
Accounts receivable, net	831	2,055
Inventories	507	532
Deferred implementation costs	3,271	2,730
Prepaid expenses and other current assets	1,287	1,279
Total current assets	5,969	6,659
Property, plant and equipment, net	11,470	9,010
Deferred implementation costs, net of current	4,777	4,709
Intangible assets, net	35,469	40,314
Other assets	189	206
Total assets acquired	$ 57,874	$ 60,898
Liabilities Assumed		
Current Liabilities		
Accounts payable	$ 225	$ 334
Accrued and other current liabilities	1,354	1,918
Deferred revenue	8,206	7,616
Total current liabilities	9,785	9,868
Deferred revenue, net of current	5,695	6,111
Total liabilities assumed	15,480	15,979
Net assets acquired and liabilities assumed	$ 42,394	$ 44,919

The accompanying notes are an integral part of these combined abbreviated financial statements

Combined Statements of Net Revenue and Direct Expenses
(Dollars in thousands)

	For the Six Months Ended July 2, 2017	For the Six Months Ended July 3, 2016	Year Ended January 1, 2017
	(Unaudited)	(Unaudited)	
Net revenue			
Software and hardware	$ 845	$ 812	$ 1,492
Software-as-a-service	849	1,073	2,149
Total software-related revenue	1,694	1,885	3,641
Maintenance	2,369	2,650	5,149
Other services	2,058	4,511	11,186
Total net revenue	6,121	9,046	19,976
Direct expenses			
Software and hardware	687	534	1,018
Software-as-a-service	2,175	3,105	4,830
Total software-related cost of revenue	2,862	3,639	5,848
Maintenance	1,527	764	1,952
Other services	6,817	4,370	13,776
Amortization of developed technologies	3,325	3,325	6,650
Total cost of revenue	14,531	12,098	28,226
Selling, general and administrative	7,162	7,795	15,395
Research and development	7,943	8,458	14,327
Amortization of software license and other intangible assets	1,520	1,520	3,040
Impairment of goodwill	-	-	51,062
Total direct expenses	31,156	29,871	112,050
Net revenue less than direct expenses	$ (25,035)	$ (20,825)	$ (92,074)

The accompanying notes are an integral part of these combined abbreviated financial statements

Note 1: Background of Disposition and Basis of Presentation

Background of Disposition

On August 3, 2017, Allscripts Healthcare Solutions, Inc. (“Allscripts”) entered into an asset purchase agreement (the “APA”) with NantHealth, Inc. (“NantHealth”), pursuant to which NantHealth agreed to sell to Allscripts substantially all of the assets of NantHealth’s provider/patient engagement solutions business, including NantHealth’s FusionFX solution and components of its NantOS software connectivity solutions (the “Business”). On August 25, 2017, NantHealth and Allscripts completed the sale of the Business pursuant to the APA.

The Business helps complex healthcare delivery organizations such as hospitals, multi-location care facilities, and regional provider networks achieve better patient outcomes, clinical and administrative workflow efficiency and stronger collaboration across the continuum of care, by enabling communication and coordination of provider and patient health records. The web-based and mobile apps include patient, provider and collaboration portals for advanced care coordination.

Basis of Presentation

The accompanying Combined Statements of Assets Assumed and Liabilities Acquired, and Combined Statements of Net Revenue and Direct Expenses (the “Financial Statements”) of the Business were prepared for the purpose of providing Allscripts historical information to comply with the rules and regulations of the Securities and Exchange Commission (“SEC”) under Rule 3-05 of Regulation S-X for inclusion in an amendment to the Form 8-K filed by Allscripts on August 31, 2017. These Financial Statements are not intended to be a complete presentation and are not necessarily indicative of the financial position or results of operations that would have been achieved if the Business had operated as a separate, stand-alone entity as of or during any of the periods presented, nor are they indicative of the financial condition or results going forward due to the changes in the Business and the omission of certain operating expenses.

In performing the first step of the assessment under ASC Topic 205-40, *“Presentation of Financial Statements—Going Concern” (“ASC Topic 205-40”)*, NantHealth considered the Business has sustained ongoing losses and is projecting losses for at least the next twelve months from the release of the report date. Without obtaining additional financing and without consideration of management’s other plans to fund the Business, continued net losses raise substantial doubt about the Business’ ability to continue as a going concern under the first step of the assessment. In performing the second step of this assessment, the requirement is to evaluate whether there are other plans to mitigate the conditions to alleviate the substantial doubt about the Business’ ability to meet its obligations as they become due. In connection with the assessment, Allscripts has provided representation that it has the intention and ability to financially support the Business as reasonably required for its operations. Based on the representation, NantHealth has concluded that the Business has the ability to meet its obligations as they become due within one year after the date that the financial statements are issued.

The Financial Statements and accompanying notes are derived from NantHealth's historical accounting records, which are maintained in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). NantHealth has never prepared full stand-alone or full carve-out financial statements for the Business and separate and discrete financial information for the Business does not exist. Therefore, it is impracticable to prepare complete financial statements for the Business.

The Business’ fiscal year consists of 52 or 53 weeks ending the Sunday closest to December 31, with quarters of 13 or 14 weeks ending the Sunday closest to March 31, June 30, September 30, and December 31. The 2016 fiscal year is comprised of 52 weeks and the six month periods ended July 2, 2017 and July 3, 2016 are each comprised of 26 weeks.

The Combined Statements of Assets Acquired and Liabilities Assumed as of July 2, 2017 and January 1, 2017 include only the specific assets and liabilities related to the Business that were acquired by Allscripts, as defined in the APA, and are presented on the basis of the Business’ historical U.S. GAAP carrying value.

The Combined Statements of Net Revenue and Direct Expenses for the six months ended July 2, 2017 and July 3, 2016, and the year ended January 1, 2017 include revenue and expenses directly attributable to the Business. Direct expenses include sales and marketing, research and development, depreciation and amortization, stock compensation and other administrative costs directly associated with the revenue producing activities of the Business. Certain costs and expenses have been allocated by NantHealth to the Business based on a specific identification basis. These Financial Statements reflect a consistent application of methodology for each reporting period presented. Direct expenses exclude costs that are not directly involved in the revenue producing activity, such as interest, taxes, and corporate overhead, including internal IT, facilities, and corporate payroll costs. Therefore, future results of operations and financial position could differ materially from the historical amounts presented herein.

Statements of cash flows are not presented as all cash flow requirements of the Business were funded by NantHealth and cash management functions were not performed at the Business level. Therefore, it is impracticable to present a statement of cash flows, including cash flows from operating, investing and financing activities.

The Combined Statements of Assets Acquired and Liabilities Assumed as of July 2, 2017 and the Combined Statements of Net Revenue and Direct Expenses for the six month periods ended July 2, 2017 and July 3, 2016 are unaudited. However, in the opinion of management, these financial statements include all information necessary for a fair presentation.

Note 2. Summary of Significant Accounting Policies

Use of Estimates

The preparation of the Financial Statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts. Actual results could differ from these estimates.

Revenue Recognition

Revenue represents the consideration received or receivable from clients for solutions and services provided by the Business. The Business' revenue is generated from the following sources:

- **Software and hardware** - Software and hardware revenue is generated from the sale of the Business' software, on either a perpetual or term license basis, and the sale of hardware. The software is installed on the client's site or the client's designated vendor's site and is not hosted by the Business or by a vendor contracted by the Business. The Business also sells third-party software and hardware to its clients.

- **Software-as-a-service ("SaaS")** - SaaS revenue is generated from clients' access to and usage of the Business' hosted software solutions on a subscription basis for a specified contract term, which is usually monthly. In SaaS arrangements, the client cannot take possession of the software during the term of the contract and generally has the right to access and use the software and receive any software upgrades published during the subscription period.

- **Maintenance** - Maintenance revenue includes ongoing post contract client support ("PCS") or maintenance during the paid PCS term. Additionally, PCS includes ongoing development of software updates and upgrades provided to the client on a when and if available basis.

- **Other services** - Other services includes revenue from professional services provided that are generally complementary to the software and may or may not be required for the software to function as desired by the client. The services are generally provided in the form of training and implementation services during the software license period and do not include PCS. Other services revenue also includes services provided in conjunction with the wellness program and any other services not included in the preceding revenue sources.

Revenue is recognized when persuasive evidence of an arrangement exists, services or products have been provided to the client, fees are fixed or determinable, and collectability is reasonably assured. While most of the Business' arrangements include short-term payment terms, the Business on occasion provides payment terms to clients in excess of one year from the date of contract signing. The Business does not recognize revenue for arrangements containing these extended payment terms until such payments become due. Certain of the Business' customer arrangements allow for termination for convenience with advance notice. Such termination rights do not allow for refunds other than prepaid PCS or other services. These provisions do not affect when the Business commences revenue recognition. The Business also has certain arrangements which allow for termination and refunds of fees in the event that software acceptance by the customer has not occurred. In these instances, the Business will defer all revenue until software acceptance has occurred.

The Business engages in various multiple-element arrangements, which may generate revenue across any of the sources noted above. For multiple-element software arrangements that involve the sale of the Business' proprietary software, PCS and other software-related services, vendor-specific objective evidence ("VSOE") of fair value is required to allocate and recognize revenue for each element. VSOE of fair value does not exist for any of the undelivered software-related elements. Therefore, revenue is deferred until only one undelivered element remains (typically the PCS element) and then recognized following the pattern of delivery of the final undelivered element. The Business' multiple element arrangements typically provide for renewal of PCS terms upon expiration of the original term. The amounts of these PCS renewals are recognized as revenue ratably over the specified PCS renewal period.

For non-software arrangements that include multiple-elements, primarily consisting of the Business' SaaS, revenue recognition involves the identification of separate units of accounting after consideration of combining and/or segmenting contracts and allocation of the arrangement consideration to the units of accounting on the basis of their relative selling price. The selling price used for each deliverable is based on VSOE of fair value, if available, third party evidence ("TPE") of fair value if VSOE is not available, or the Business' best estimate of selling price ("BESP") if neither VSOE nor TPE is available. In determining the units of accounting for these arrangements, the Business evaluates whether each deliverable has stand-alone value as defined in the Financial Accounting Standards Board's ("FASB") guidance. The Business' SaaS arrangements are treated as a single unit of accounting as the professional services do not have standalone value. As a result, the Business recognizes initial system implementation and deployment fees ratably over the non-cancellable term of the agreement, beginning with when the system implementation or deployment services are completed and accepted by the customer.

If an arrangement to deliver software requires significant production, modification or customization of the licensed software, the Business accounts for the arrangement as a construction-type contract. The Business currently recognizes revenue for these arrangements using the completed-contract method as it does not currently have sufficient information to reliably estimate the percentage of completion for these projects. The Business considers these arrangements to be substantially complete upon the clients' acceptance of the software and related professional services and consistently applies this policy to all contract accounting arrangements.

Transaction processing fees are recognized on a monthly basis based on the number of transactions processed and the fee per transaction.

Revenue derived from reseller arrangements is recognized when the resellers, in turn, sell the software solution to their clients and installation of the software solution has occurred, provided all other revenue recognition criteria are met. This is commonly referred to as the sell-through method and the Business defers recognition until there is a sell-through by the reseller to an actual end user client and acceptance by the end user has occurred.

Cost of Revenue

Cost of revenue includes associate salaries, bonuses and benefits, stock based compensation, consultant costs, direct reimbursable travel expenses, amortization related to acquired definite-lived intangibles, including acquired technology, and software developed for internal use and other direct engagement costs associated with the design, development, sale and installation of systems, including system support and maintenance services for clients. System support includes ongoing client assistance for software updates and upgrades, installation, training and functionality. All service costs except deferred implementation costs are expensed when incurred. Amortization of deferred implementation costs are also included in cost of revenue. Cost of revenue associated with each of the Business' revenue sources consists of the following types of costs:

- **Software and hardware** - Software and hardware cost of revenue includes third-party software and hardware costs directly associated with solutions, including purchasing and receiving costs.
- **Software-as-a-service** - SaaS cost of revenue includes personnel-related costs, amortization of deferred implementation costs and other direct costs associated with delivery and hosting.
- **Maintenance** - Maintenance cost of revenue includes personnel-related costs and other direct costs associated with the ongoing support or maintenance provided to the Business' clients.
- **Other services** - Other services cost of revenue includes personnel-related, amortization of deferred implementation costs and other direct costs associated with the Business' software training and implementation services provided to the Business' clients as well as direct expenses relating to the Business' wellness programs.

Selling, General and Administrative costs

Selling, general and administrative expense consists primarily of personnel-related expenses for the Business' sales and marketing, operations, stock based compensation, and advertising and marketing promotions. It also includes trade show and event costs, sponsorship costs, point of purchase display expenses and related amortization as well as consulting and professional fees, facility expenses and administrative costs. Advertising costs are expensed as incurred.

Research and Development Expenses

Research and development ("R&D") costs incurred to establish the technological feasibility of software to be sold are expensed as incurred. These expenses include the costs of the Business' proprietary R&D efforts, employee salaries and benefits (including stock based compensation), as well as costs incurred in connection with certain licensing arrangements.

Stock Based Compensation

Employees of the Business participate in NantHealth's stock based compensation plan and the costs related thereto have been included in these financial statements. Compensation expense is recorded based on the grant date fair value of the equity awards granted to employees of the Business. That cost is recognized in the Combined Statements of Net Revenue and Direct Expenses over the period during which an employee is required to provide service in exchange for the award. See Note 7 for additional information on stock based compensation.

Accounts Receivable and Allowance for Doubtful Accounts

Accounts receivable are recorded at the invoiced amount, net of amounts related to PCS and other services that were billed but not yet delivered at each period end and net of allowances for doubtful accounts. The allowance for doubtful accounts is based on management's assessment of the collectability of accounts. The Business regularly reviews the adequacy of the allowance for doubtful accounts by considering the age of each outstanding invoice and the collection history of each client to determine whether a specific allowance is appropriate. Accounts receivable deemed uncollectible are charged against the allowance for doubtful accounts when identified.

The allowance for doubtful accounts was $0.5 million and $0.4 million as of July 2, 2017 and January 1, 2017, respectively.

Concentrations of Risk

The following table summarizes the number of customers that individually comprise greater than 10% of revenue and their aggregate percentages of total revenue:

Period	Significant Customers	Percentage of Total Revenue A	B	C
Six Months Ended July 2, 2017 (Unaudited)	2	29%	0%	10%
Six Months Ended July 3, 2016 (Unaudited)	1	6%	56%	7%
Year Ended January 1, 2017	3	17%	25%	17%

Property, Plant and Equipment, net

Property, plant and equipment received in connection with business combinations are recorded at fair value. Property, plant and equipment acquired in the normal course of business are recorded at cost. Depreciation is computed on a straight line basis over the estimated useful lives of the related assets (See Note 3). Maintenance and repairs are charged to expense as incurred while expenditures for refurbishments and improvements that significantly add to the productive capacity or extend the useful life of an asset are capitalized.

The Business accounts for the costs of computer software obtained or developed for internal use in accordance with FASB ASC 350, "Intangibles — Goodwill and Other" ("ASC 350"). Computer software development costs are expensed as incurred, except for internal use software costs that qualify for capitalization as described below, and include employee related expenses, including salaries, benefits and stock-based compensation expenses; costs of computer hardware and software; and costs incurred in developing features and functionality. These capitalized costs are included in property, plant and equipment on the Combined Statements of Assets Acquired and Liabilities Assumed. The Business expenses costs incurred in the preliminary project and post implementation stages of software development and capitalizes costs incurred in the application development stage and costs associated with significant enhancements to existing internal use software applications. Software costs are amortized using the straight-line method commencing when the software project is ready for its intended use.

Deferred Implementation Costs

The Business provides SaaS and information technology management services under long-term arrangements which require the Business to perform system implementation activities. In some cases, the arrangements either contain provisions requiring customer acceptance of the setup activities prior to commencement of the ongoing services arrangement or the system implementation services do not have separate value from the service revenue. Up-front fees billed during the setup phase for these arrangements are deferred and setup costs that are direct and incremental to the contract are capitalized. The costs deferred consist of employee compensation (including stock based compensation) and benefits for those employees directly involved with performing system implementation or deployment services, as well as other direct and incremental costs.

The Business defers costs estimated to be realizable based on contracted implementation revenue and estimated margin from the service contract. The Business periodically reviews the deferred implementation contracts for recoverability. The costs are amortized to cost of revenue ratably over the term of the agreement, beginning with when the system implementation or deployment services are completed.

Goodwill and Intangible Assets

Goodwill is initially measured as the excess of the cost of an acquired company over the sum of the fair value of tangible and identifiable intangible assets acquired less liabilities assumed. Goodwill allocated to these abbreviated financial statements was based on historical acquired goodwill associated with business acquisitions whose assets are being sold to Allscripts. The Business does not amortize goodwill, but rather reviews the carrying value of these assets for impairment at least annually. Additional testing for impairment is performed should any indication of impairment arise at a date other than the annual impairment testing date, which is the last day of the fiscal year.

In its impairment test, the fair value of the Business is compared to its carrying value, including goodwill. The Company estimates its fair value by estimating the present value of its expected future cash flows. If the fair value of the Business exceeds carrying value, no impairment loss is recognized. If the carrying value exceeds the fair value, the goodwill of the Company is considered to be impaired.

The Business early adopted Accounting Standards Update ("ASU") No. 2017-04 as of January 1, 2017, which simplifies the subsequent measurement of goodwill to eliminate Step 2 from the goodwill impairment test, removing the need to determine the implied fair value of goodwill and comparing it to the carrying amount of that goodwill to measure the impairment loss, if any. Therefore, if impairment exists, the carrying value of the goodwill is reduced through an impairment charge recorded in the Combined Statement of Net Revenue and Direct Expenses, equal to the excess of the carrying value of the Business over its fair value.

Accounting guidance requires that definite-lived intangible assets be amortized over their respective estimated useful lives and reviewed for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable. Amortization of finite-lived intangible assets is provided over their estimated useful lives on a straight-line basis or the pattern in which economic benefits are consumed, if reliably determinable. If the estimates of the useful lives change, the Business amortizes the remaining book value over the remaining useful lives or, if an asset is deemed to be impaired, a write-down of the value of the asset to its fair value may be required at such time. The Business reviews its finite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Deferred Revenue

The Business records deferred revenue when it receives cash from clients prior to meeting the applicable revenue recognition criteria. The Business uses judgment in determining the period over which the deliverables are recognized as revenue. Current and non-current deferred revenue are comprised of deferrals for fees related to software licenses, SaaS arrangements, PCS services, non-PCS services and other revenue. Non-current deferred revenue is expected to be recognized on or over a 12 month period.

Recent Accounting Pronouncements

Revenue from Contracts with Customers

The new FASB Topic 606 standards commencing with ASU No. 2014-09 (Topic 606), *Revenue from Contracts with Customers* replace existing revenue recognition rules including industry-specific guidance. Topic 606 outlines a five-step process for revenue recognition that focuses on transfer of control, as opposed to transfer of risk and rewards, and also requires enhanced disclosures regarding the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers. Major provisions include determining which goods and services are distinct and require separate accounting (performance obligations), how variable consideration (which may include change orders and claims) is recognized, whether revenue should be recognized at a point in time or over time and ensuring the time value of money is considered in the transaction price. Revenue is recognized in an amount that reflects the consideration which the entity expects to receive in exchange for goods or services. ASU 2014-09 allows for both retrospective and prospective methods of adoption and is effective for periods beginning after December 15, 2017.

Upon initial evaluation, the most significant impact will likely be to its software arrangements due to the requirement to estimate the selling price for deliverables. The Business is also assessing the impact of capitalizing costs associated with obtaining customer contracts, specifically commission and incentive payments. Currently, these payments are expensed in the period they are incurred. Under the updated guidance, these payments will be deferred and amortized over the expected life of the customer contract.

Other accounting pronouncements

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles – Goodwill and Other (Topic 350)* to simplify the accounting for goodwill impairment. This guidance, among other things, removes step 2 of the goodwill impairment test thus eliminating the need to determine the fair value of individual assets and liabilities of the reporting unit. Upon adoption of this ASU, goodwill impairment will be the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the carrying amount of goodwill. This may result in more or less impairment being recognized than under current guidance. This guidance will become effective for interim goodwill impairment tests beginning with the year ending December 31, 2019. The Business early adopted this standard as of January 1, 2017.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842.)* The update is aimed at making leasing activities more transparent and comparable, and requires substantially all leases be recognized by lessees on their Statement of Assets Acquired and Liabilities Assumed as a right-of-use asset and corresponding lease liability, including leases currently accounted for as operating leases. This guidance will become effective for interim and annual reporting periods beginning with the year ending December 31, 2019. Early adoption is permitted. The Business is currently evaluating the impact that the adoption of this guidance will have on its Financial Statements and related disclosures.

Other recent accounting pronouncements issued by the FASB (including its Emerging Issues Task Force), the American Institute of Certified Public Accountants, and the SEC did not have, or are not believed by management to have, a material impact on the Business' present or future Financial Statements.

Note 3. Property, Plant and Equipment, net

Property, plant and equipment, net as of July 2, 2017 and January 1, 2017 consisted of the following (in thousands):

	Useful Life (in years)	As of July 2, 2017 (Unaudited)	As of January 1, 2017
Computer equipment and software	3-5	$ 2,890	$ 6,829
Furniture and equipment	5-7	4,364	183
Leasehold and building improvements (1)		130	130
Internal use software	3	9,716	5,229
		17,100	12,371
Less: Accumulated depreciation and amortization		(5,630)	(3,361)
Property, plant and equipment, net		$ 11,470	$ 9,010

(1) Useful life for leasehold and building improvements represents the term of the lease or the estimated life of the related improvements, whichever is shorter.

Depreciation expense was $2.2 million and $0.8 million for the six months ended July 2, 2017 and July 3, 2016, respectively, of which $0.9 million and $0.0 million is related to internal use capitalized software development costs, respectively. Depreciation expense was $2.3 million for the year ended January 1, 2017, of which $0.4 million related to internal use capitalized software development costs.

Note 4. Intangible Assets, net

The Business' definite-lived intangible assets as of July 2, 2017 and January 1, 2017 consisted of the following (in thousands):

	As of July 2, 2017 (Unaudited)				
	Customer Relationships	Developed Technologies	Software License	Trade Names	Total
Gross carrying amount	$ 12,800	$ 37,800	$ 5,000	$ 2,400	$ 58,000
Accumulated amortization	(5,120)	(14,264)	(2,187)	(960)	(22,531)
Intangible assets, net	$ 7,680	$ 23,536	$ 2,813	$ 1,440	$ 35,469

	As of January 1, 2017				
	Customer Relationships	Developed Technologies	Software License	Trade Names	Total
Gross carrying amount	$ 12,800	$ 37,800	$ 5,000	$ 2,400	$ 58,000
Accumulated amortization	(3,840)	(11,564)	(1,562)	(720)	(17,686)
Intangible assets, net	$ 8,960	$ 26,236	$ 3,438	$ 1,680	$ 40,314

The Business reviews its definite-lived intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Amortization expense was $4.8 million and $4.8 million for the six months ended July 2, 2017 and July 3, 2016, respectively. Amortization expense for the year ended January 1, 2017 was $9.7 million.

The estimated future intangibles amortization expense over the next five years and thereafter for the intangible assets that exist as of July 2, 2017 is as follows (in thousands):

	Amounts
Remainder of 2017	$ 4,845
2018	9,690
2019	9,377
2020	6,920
2021	3,608
Thereafter	1,029
Total future intangibles amortization expense	$ 35,469

Note 5. Goodwill

The following table summarizes the changes in the carrying amount of goodwill (in thousands):

	Amounts
Balance as of January 4, 2016	$ 51,062
Impairment of goodwill	(51,062)
Balance as of January 1, 2017	-

The goodwill balance as of January 4, 2016 relates to the acquisitions of Net.Orange, Inc. in 2014 and of certain Healthcare Solutions assets acquired from Harris Corporation in 2015.

The Business performed its annual test for impairment on January 1, 2017 and determined that the carrying value of the Business, which is comprised of a sole reporting unit, exceeded the fair value. The Business concluded that goodwill was fully impaired and recorded an impairment charge of $51.1 million, which is included in the caption "Impairment of goodwill" within the accompanying Combined Statements of Net Revenue and Direct Expenses.

Note 6. Commitments and Contingencies

The Business' principal commitments consist of non-cancelable leases for its office space.

The Business leases both real estate and equipment used in its operations and classifies those leases as either operating or capital leases for accounting purposes. As of July 2, 2017 and January 1, 2017, the Business had no material capital leases and the remaining lives of its operating leases ranged from one to five years.

Rental expense associated with operating leases is charged to expense in the year incurred and is included in the Combined Statements of Net Revenue and Direct Expenses. For the six months ended July 2, 2017 and July 3, 2016 the rental expense was charged to selling, general and administrative expense in the amount of $0.5 million and $0.3 million, respectively. For the year ended January 1, 2017 the rental expense was charged to selling, general and administrative expense in the amount of $0.6 million.

As of July 2, 2017, the Business' future minimum rental commitments under its non-cancellable operating leases are as follows (in thousands):

		Amounts
Remainder of 2017	$	464
2018		781
2019		285
2020		271
2021		162
Total minimum rental commitments	$	1,963

Note 7. Stock Based Compensation

The following table reflects the components of stock-based compensation expense recognized in the Business' Combined Statements of Net Revenue and Direct Expenses (in thousands):

	Six Months Ended		Year Ended
	July 2, 2017	July 3, 2016	January 1, 2017
	(Unaudited)		
Cost of revenue	$ 570	$ 2,297	$ 2,978
Selling, general and administrative	240	1,720	1,778
Research and development	240	2,890	4,134
Total stock-based compensation expense	1,050	6,907	8,890
Amount capitalized to internal-use software and deferred implementation costs	151	-	1,014
Total stock-based compensation cost	$ 1,201	$ 6,907	$ 9,904

On March 31, 2015, NantHealth approved the NantHealth, LLC Phantom Unit Plan (the "Phantom Unit Plan"). Each grant of phantom units made to a participant under the Phantom Unit Plan vests over a defined service period, subject to completion of a liquidity event. Compensation costs of awards to employees are measured at the grant-date fair value and expensed over the period during which an employee is required to provide service in exchange for the award (the vesting period).

Note 8. Subsequent Events

The Company evaluated subsequent events for recognition and measurement purposes through November 3, 2017, the date the Financial Statements were issued. The Company has evaluated subsequent events for purposes of disclosure through November 9, 2017. The Company has concluded there are no subsequent events or transactions which have not been disclosed in the Financial Statements.

Allscripts Healthcare Solutions, Inc.
Unaudited Pro Forma Combined Abbreviated Financial Information

We derived the following unaudited pro forma combined abbreviated financial information by applying pro forma adjustments attributable to the acquisition of the provider/patient engagement solutions business of NantHealth, Inc. (the "NantHealth business") to our historical condensed consolidated financial statements and the combined abbreviated financial statements of the NantHealth business included elsewhere in this Form 8-K/A. The unaudited pro forma combined abbreviated balance sheet gives pro forma effect to the acquisition of the NantHealth business as if it had occurred on June 30, 2017. The unaudited pro forma combined abbreviated statements of operations for the year ended December 31, 2016 and the interim six-month period ended June 30, 2017, give effect to the acquisition of the NantHealth business as if it had occurred on January 1, 2016.

We also acquired Netsmart, Inc. ("Netsmart") on April 19, 2016 and HealthMEDX, LLC ("HealthMEDX") on October 27, 2016. The unaudited pro forma combined abbreviated statement of operations for the year ended December 31, 2016 gives effect to the Netsmart and HealthMEDX acquisitions as if they had occurred on January 1, 2015 by applying pro forma adjustments attributable to the Netsmart and HealthMEDX acquisitions to our historical condensed consolidated financial statements and the Netsmart and HealthMEDX historical financial statements. The unaudited pro forma combined abbreviated statement of operations for the interim six-month period ended June 30, 2017 does not include pro forma adjustments attributable to the Netsmart and HealthMEDX acquisitions since the historical results of both Netsmart and HealthMEDX are included in the consolidated historical results of Allscripts for the entire period.

We describe the assumptions underlying the pro forma adjustments in the accompanying notes to unaudited pro forma combined abbreviated financial information, which should be read in conjunction with the unaudited pro forma combined abbreviated financial information. The unaudited pro forma combined abbreviated financial information is for illustrative and informational purposes only and should not be considered indicative of the results that would have been achieved had the transactions been consummated on the dates or for the periods indicated and do not purport to represent consolidated balance sheet data or statement of operations data or other financial data as of any future date or any future period.

The unaudited pro forma combined abbreviated financial information should be read in conjunction with our historical consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2016 and our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2017. The unaudited pro forma combined abbreviated financial information should also be read in conjunction with (i) the audited historical combined abbreviated financial statements of the NantHealth business for the 52 weeks ended on January 1, 2017 and the interim historical unaudited combined abbreviated financial statements of the NantHealth business for the 26 week interim periods ended on July 2, 2017 and July 3, 2016, included elsewhere in this Form 8-K/A, (ii) the audited historical consolidated financial statements of Netsmart as of and for the three years ended December 31, 2015 and the interim historical unaudited consolidated financial statements of Netsmart as of and for the three months ended March 31, 2016, included in our Current Report on Form 8-K/A filed with the Securities and Exchange Commission on July 5, 2016, and (iii) the audited historical financial statements of HealthMEDX as of and for the year ended December 31, 2015, the interim historical unaudited financial statements of HealthMEDX as of and for the three and nine months ended September 30, 2015 and 2015 and the pro forma disclosure for the Netsmart and HealthMEDX acquisitions, included in our Current Report on Form 8-K/A filed with the Securities and Exchange Commission on January 11, 2017.

Allscripts Healthcare Solutions, Inc.
Unaudited Pro Forma Combined Abbreviated Balance Sheet
As of June 30, 2017
(In thousands)

	Allscripts Historical {a}	NantHealth Business Historical {b}	NantHealth Business Pro Forma Adjustments		Pro Forma Allscripts and NantHealth Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ 89,114	$ 73	$ (1,742)	**{c}**	$ 87,445
Accounts receivable, net	420,116	831			420,947
Prepaid expenses and other current assets	113,563	5,065	(3,271)	**{d}**	115,357
Total current assets	622,793	5,969	(5,013)		623,749
Available for sale marketable securities	63,450	-	(63,450)	**{c}**	-
Fixed assets and capitalized software development costs, net	353,390	11,470	(3,922)	**{e}**	360,938
Intangible assets, net	698,950	35,469	(23,069)	**{f}**	711,350
Goodwill	1,929,283	-	29,094	**{g}**	1,958,377
Deferred Taxes and other assets	116,189	4,966	22,700	**{c}**	139,078
			(4,777)	**{d}**	
Total assets	$ 3,784,055	$ 57,874	$ (48,437)		$ 3,793,492
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable	$ 114,725	$ 225			$ 114,950
Accrued expenses	136,630	1,354	787	**{n}**	138,771
Deferred revenue	388,647	8,206	(2,911)	**{h}**	393,942
Current maturities of long-term debt and capital lease obligations	32,446	-			32,446
Total current liabilities	672,448	9,785	(2,124)		680,109
Long-term debt and capital lease obligations	1,314,083	-			1,314,083
Deferred revenue	18,871	5,695	(3,132)	**{h}**	21,434
Deferred Taxes and other liabilities	203,554	-			203,554
Total liabilities	2,208,956	15,480	(5,256)		2,219,180
Redeemable convertible non-controlling interest - Netsmart	409,610	-			409,610
Stockholders' equity	1,165,489	-	(787)		1,164,702
Net assets acquired and liabilities assumed	0	42,394	(42,394)	**{i}**	-
Total liabilities and stockholders' equity	$ 3,784,055	$ 57,874	$ (48,437)		$ 3,793,492

See Notes to Unaudited Pro Forma Combined Abbreviated Financial Information

Allscripts Healthcare Solutions, Inc.
Unaudited Pro Forma Combined Abbreviated Statement of Operations
For the Year ended December 31, 2016
(In thousands, except per share data)

	Allscripts Historical	Netsmart Historical for Period 1/1/16 to 4/19/16	Netsmart Pro Forma Adjustments {a}		HealthMEDX Historical for Period 1/1/16 to 10/27/16	HealthMEDX Pro Forma Adjustments		Pro Forma Allscripts, Netsmart and HealthMEDX Combined
Revenue	$ 1,549,899	$ 62,302	$ 22,319	**{h}**	$ 22,764	$ (925)	**{h}**	$ 1,644,005
			(12,354)	**{j}**				
Costs and expenses:								
Cost of revenue	878,860	33,554	4,377	**{f}**	7,209	2,011	**{f}**	915,731
			(12,180)	**{j}**				
			1,900	**{k}**				
Selling, general and administrative expenses	423,362	72,708	(3,577)	**{l}**	14,562	(873)	**{l}**	451,238
			5,640	**{f}**		(2,504)	**{f}**	
			(52,627)	**{m}**		(49)	**{m}**	
			(5,404)	**{n}**				
Research and development	187,906	5,984	(1,900)	**{k}**	3,245			195,235
Total costs and expenses	1,490,128	112,246	(63,771)		25,016	(1,415)		1,562,204
Income (loss) from operations	59,771	(49,944)	73,736		(2,252)	490		81,801
Interest expense	(68,141)	(17,363)	4,758	**{o}**	(266)	(2,194)	**{o}**	(83,206)
Goodwill impairment loss	-	-			-			-
Other (expense) income, net	(6,414)	-			123			(6,291)
Income (loss) before income taxes	(14,784)	(67,307)	78,494		(2,395)	(1,704)		(7,696)
Income tax benefit (provision)	17,814	20,818	(31,398)	**{p}**	-	682	**{p}**	7,916
Net income (loss)	3,030	(46,489)	47,096		(2,395)	(1,022)		220
Net income attributable to non-controlling interest	(146)	-	-		-	-		(146)
Accretion of redemption preference on redeemable convertible non-controlling interest - Netsmart	(28,536)	-	(16,637)	**{q}**	-	-		(45,173)
Net loss attributable to Allscripts Healthcare Solutions, Inc. stockholders	$ (25,652)	$ (46,489)	$ 30,459		$ (2,395)	$ (1,022)		$ (45,099)
Loss per share - basic attributable to Allscripts Healthcare Solutions, Inc. stockholders	$ (0.14)							
Loss per share - diluted attributable to Allscripts Healthcare Solutions, Inc. stockholders	$ (0.14)							
Weighted-average shares outstanding:								
Basic	186,188							
Diluted	186,188							

See Notes to Unaudited Pro Forma Combined Abbreviated Financial Information

Allscripts Healthcare Solutions, Inc.
Unaudited Pro Forma Combined Abbreviated Statement of Operations
For the Year ended December 31, 2016
(In thousands, except per share data)

	Pro Forma Allscripts, Netsmart and HealthMEDX Combined	NantHealth Business Historical {b}	NantHealth Business Pro Forma Adjustments		Pro Forma Allscripts, Netsmart, HealthMEDX and NantHealth Combined
Revenue	$ 1,644,005	$ 19,976	$ (3,673)	{h}	$ 1,660,308
Costs and expenses:					
Cost of revenue	915,731	28,226	(6,496)	{f}	937,482
			21	{r}	
Selling, general and administrative expenses	451,238	18,435	(2,516)	{f}	469,177
			2,020	{r}	
Research and development	195,235	14,327	991	{r}	210,553
Total costs and expenses	1,562,204	60,988	(5,980)		1,617,212
Income (loss) from operations	81,801	(41,012)	2,307		43,096
Interest expense	(83,206)				(83,206)
Goodwill impairment loss	-	(51,062)			(51,062)
Other (loss) income, net	(6,291)		2,534		(3,757)
(Loss) income before income taxes	(7,696)	(92,074)	4,841		(94,929)
Income tax benefit (provision)	7,916	-	(1,936)	{p}	5,980
Net income (loss)	220	(92,074)	2,905		(88,949)
Net income attributable to non-controlling interest	(146)				(146)
Accretion of redemption preference on redeemable convertible non-controlling interest - Netsmart	(45,173)				(45,173)
Net loss attributable to Allscripts Healthcare Solutions, Inc. stockholders	$ (45,099)	$ (92,074)	$ 2,905		$ (134,268)
Loss per share - basic attributable to Allscripts Healthcare Solutions, Inc. stockholders					$ (0.72)
Loss per share - diluted attributable to Allscripts Healthcare Solutions, Inc. stockholders					$ (0.72)
Weighted-average shares outstanding:					
Basic					186,188
Diluted					186,188

See Notes to Unaudited Pro Forma Combined Abbreviated Financial Information

Allscripts Healthcare Solutions, Inc.
Unaudited Pro Forma Combined Abbreviated Statement of Operations
For the Six Months ended June 30, 2017
(In thousands, except per share data)

	Allscripts Historical {a}	NantHealth Business Historical {b}	NantHealth Business Pro Forma Adjustments		Pro Forma Allscripts and NantHealth Combined
Revenue	$ 839,566	$ 6,121	$ (821)	**{h}**	$ 844,866
Costs and expenses:					
Cost of revenue	473,423	14,531	(3,026)	**{f}**	484,251
			(677)	**{r}**	
Selling, general and administrative expenses	238,085	8,682	(1,258)	**{f}**	245,218
			(291)	**{r}**	
Research and development	95,691	7,943	(166)	**{r}**	103,468
Total costs and expenses	807,199	31,156	(5,418)		832,937
Income from operations	32,367	(25,035)	4,597		11,929
Interest expense	(40,470)				(40,470)
Impairment of long-term investments	(144,590)				(144,590)
Other income, net	282		1,371		1,653
(Loss) income before income taxes	(152,411)	(25,035)	5,968		(171,478)
Income tax benefit (provision)	835	-	(2,387)	**{p}**	(1,552)
Net income (loss)	(151,576)	(25,035)	3,581		(173,030)
Net income attributable to non-controlling interest	(189)				(189)
Accretion of redemption preference on redeemable convertible non-controlling interest - Netsmart	(21,925)				(21,925)
Net loss attributable to Allscripts Healthcare Solutions, Inc. stockholders	$ (173,690)	$ (25,035)	$ 3,581		$ (195,144)
Loss per share - basic attributable to Allscripts Healthcare Solutions, Inc. stockholders	$ (0.96)				$ (1.08)
Loss per share - diluted attributable to Allscripts Healthcare Solutions, Inc. stockholders	$ (0.96)				$ (1.08)
Weighted-average shares outstanding:					
Basic	181,193				181,193
Diluted	181,193				181,193

See Notes to Unaudited Pro Forma Combined Abbreviated Financial Information

Notes to Unaudited Pro Forma Combined Abbreviated Financial Information
(In thousands)

1. Basis of Pro Forma Presentation

The historical consolidated financial statements have been adjusted in the unaudited pro forma combined abbreviated financial information to give effect to pro forma events that are (1) directly attributable to the Netsmart, HealthMEDX and NantHealth business acquisitions, (2) factually supportable, and (3) with respect to the pro forma combined abbreviated statements of operations, expected to have a continuing impact on the combined results following the acquisitions. Each of the terms “we,” “us,” “our” or “Allscripts” as used herein refers collectively to Allscripts Healthcare Solutions, Inc. and its wholly-owned subsidiaries and controlled affiliates, unless otherwise stated.

The Netsmart, HealthMEDX and NantHealth business acquisitions are being accounted for under the acquisition method of accounting in accordance with Accounting Standards Codification Topic 805, *Business Combinations*. As the acquirer for accounting purposes, we have estimated the fair value of Netsmart’s, HealthMEDX’s and the NantHealth business’ assets acquired and liabilities assumed. The unaudited pro forma combined abbreviated financial information reflects our preliminary estimate of the allocation of the purchase price of the NantHealth business, as described below, which is based on available information and certain assumptions which we believe are reasonable but are subject to change. The unaudited pro forma combined abbreviated financial information also reflects our final estimates of the allocations of the purchase price of Netsmart and HealthMEDX. We are in the process of completing our assessment of fair values of the NantHealth business’ identifiable tangible and intangible assets acquired, and liabilities assumed; therefore, the values set forth below relating to the allocation of the purchase price of the NantHealth business are subject to adjustment during the measurement period for such activities as estimating the useful lives of long-lived assets and finite-lived intangibles and finalizing the valuation of certain tangible assets and liabilities. In our opinion, all adjustments that are necessary to fairly present the unaudited pro forma combined abbreviated financial information have been made.

The unaudited pro forma combined abbreviated financial information does not reflect any integration activities or cost savings from operating efficiencies, synergies, asset dispositions or other restructurings that could result or have resulted from the Netsmart, HealthMEDX and NantHealth business acquisitions.

2. Aggregate Purchase Price

The acquisition of substantially all of the assets of the NantHealth business was completed on August 25, 2017 for an aggregate consideration of $22 million as shown in the table below. The purchase price was funded with available cash and the divestiture of the 15,000,000 shares of common stock of NantHealth, Inc. that were held by Allscripts as available for sale securities, which had a fair value of $42.8 million at the time of the transaction. The transaction also included a modification of the existing commercial agreement between Allscripts and NantHealth, Inc.

Cash	$	1,742
NantHealth common stock		42,750
Less: Value assigned to modification of existing commercial agreement with NantHealth		(22,700)
Total consideration for NantHealth provider/patient engagement solutions business	$	21,792

3. Preliminary Aggregate Purchase Price Allocation

We have performed a preliminary valuation analysis as of the acquisition date of August 25, 2017 of the fair value of the NantHealth business' assets acquired and liabilities assumed. The following table summarizes the preliminary allocation of the purchase price as of the acquisition date:

Cash and cash equivalents	$	21
Accounts receivable, net		2,078
Prepaid expenses and other current assets		1,806
Fixed assets		7,099
Intangible assets		12,400
Goodwill		9,058
Other assets		205
Accounts payable and accrued expenses		(1,575)
Deferred revenue		(9,300)
Net assets acquired	$	21,792

4. Pro Forma Adjustments

(a) Represents the consolidated balance sheet and statement of operations of Allscripts, Netsmart and HealthMEDX as reflected in Allscripts Quarterly Report on Form 10-Q as of and for the quarterly period ended June 30, 2017.

(b) The NantHealth business' fiscal year consists of 52 or 53 weeks ending the Sunday closest to December 31st, with quarters of 13 or 14 weeks ending the Sunday closest to March 31st, June 30th, September 30th, and December 31st. the NantHealth business' 2016 fiscal year is comprised of 52 weeks ended on January 1, 2017 and the first half of fiscal 2017 is comprised of the 26 weeks ended July 2, 2017.

(c) Reflects adjustments to record the consideration paid for the Nanthealth business, including the divestiture of NantHealth common stock held by Allscripts and the recognition of the fair value assigned to modification of the existing commercial agreement with NantHealth, Inc.

(d) Adjustment to write-off deferred implementation costs as part of the preliminary allocation of the NantHealth business' purchase price.

(e) Adjustment to write-off capitalized internal software development costs as part of the preliminary allocation of the NantHealth business' purchase price.

(f) Reflects the adjustment of the NantHealth business' historical intangible assets acquired to their estimated fair values. As part of the preliminary valuation analysis, we identified intangible assets, including technology, product trademarks and customer relationships. The fair value of identifiable intangible assets is determined primarily using the "income approach," which requires a forecast of all expected future cash flows. The following table summarizes the estimated fair values of the NantHealth business' identifiable intangible assets and their estimated useful lives:

		Estimated Fair Value	Estimated Useful Life in Years		Year ended December 31, 2016 Amortization Expense		Six Months ended June 30, 2017 Amortization Expense
Technology	$	3,000	5 years	$	600	$	300
Product Trademarks		200	5 years		40		20
Customer Relationships		9,200	19 years		484		242
Total	$	12,400		$	1,124	$	562
Less: Historical amortization expense - Technology					(7,096)		(3,326)
Less: Historical amortization expense - Customer Relationships and Other					(3,040)		(1,520)
Pro forma adjustments to amortization expense - Technology				**$**	**(6,496)**	**$**	**(3,026)**
Pro forma adjustments to amortization expense - Customer Relationships and Product Trademarks				**$**	**(2,516)**	**$**	**(1,258)**

Estimated future amortization expenses for the NantHealth business' definite-lived intangible assets is as follows:

Year ended December 31,		
Year 2 after acquisition	$	1,124
Year 3 after acquisition		1,124
Year 4 after acquisition		1,124
Year 5 after acquisition		911
Year 6 after acquisition		484
Total	$	4,767

The following table summarizes the estimated fair values of Netsmart's identifiable intangible assets and their estimated useful lives:

		Estimated Fair Value	Estimated Useful Life in Years		Year ended December 31, 2016 Amortization Expense
Technology	$	144,000	10 years	$	21,157
Corporate Trademark		27,000	indefinite		-
Product Trademarks		8,500	10 years		805
Customer Relationships		230,000	12-20 years		17,112
Total	$	409,500		$	39,074
Less: Historical amortization expense - Technology					(16,780)
Less: Historical amortization expense - Customer Relationships and Other					(12,277)
Pro forma adjustments to amortization expense - Technology				**$**	**4,377**
Pro forma adjustments to amortization expense - Customer Relationships and Product Trademarks				**$**	**5,640**

Estimated future amortization expenses for Netsmart's definite-lived intangible assets is as follows:

Year ended December 31,		
Year 2 after acquisition	$	38,170
Year 3 after acquisition		40,891
Year 4 after acquisition		40,516
Year 5 after acquisition		39,313
Year 6 after acquisition		35,737
Total	$	194,627

The following table summarizes the estimated fair values of HealthMEDX's identifiable intangible assets and their estimated useful lives:

	Estimated Fair Value		Estimated Useful Life in Years	Year ended December 31, 2016 Amortization Expense	
Technology	$	11,410	10 years	$	2,011
Product Trademark		680	10 years		76
Customer Relationships		8,850	14 years		592
Total	$	20,940		$	2,679
Less: Historical amortization expense - Technology					-
Less: Historical amortization expense - Customer Relationships and Trademark					(3,172)
Pro forma adjustments to amortization expense - Technology				**$**	**2,011**
Pro forma adjustments to amortization expense - Customer Relationships and Trademark				**$**	**(2,504)**

Estimated future amortization expenses for HealthMEDX's definite-lived intangible assets is as follows:

Year ended December 31,		
Year 2 after acquisition	$	2,640
Year 3 after acquisition		2,565
Year 4 after acquisition		2,682
Year 5 after acquisition		2,413
Year 6 after acquisition		1,941
Total	$	12,241

(g) Reflects adjustment to remove the NantHealth business' historical goodwill and record goodwill associated with the NantHealth business acquisition in the amount of $29 million. This goodwill amount is different from the goodwill amount shown in Note 3 above of $9 million, since it is based on the assumption that the NantHealth business acquisition occurred on June 30, 2017 for purposes of the pro forma combined abbreviated balance sheet presentation. The value of the NantHealth common stock decreased by $21 million during the period of July 1, 2017 to the transaction date of August 25, 2017.

(h) Represents the estimated adjustments to decrease the assumed deferred revenue obligations to fair value and related amortization of such adjustments. The fair value was determined based on the estimated costs to fulfill the remaining performance obligations plus a normal profit margin. After the acquisitions, this adjustment will have a continuing impact and will reduce revenue related to the assumed performance obligations as these obligations are satisfied.

(i) Represents the elimination of the historical difference between the net assets acquired and liabilities assumed of the NantHealth business.

(j) Reflects the elimination of the impact of historical transactions between Allscripts and Netsmart.

(k) Reflects the reclassification of the historical Netsmart amortization of technology from research and development expenses to cost of revenue to conform to Allscripts presentation.

(l) The following table summarizes the changes in the estimated Netsmart depreciation expense to reflect the adjustment to the basis in the acquired Netsmart fixed assets to estimated fair value. The estimated remaining weighted-average useful life is 4.5 years.

	Year ended December 31, 2016	
Estimated depreciation expense	$	5,964
Less: Historical depreciation expense		(9,541)
Pro forma adjustments to depreciation expense	**$**	**(3,577)**

The following table summarizes the changes in the estimated HealthMEDX depreciation expense to reflect the adjustment to the basis in the acquired HealthMEDX fixed assets to estimated fair value. The estimated remaining weighted-average useful life is 1.5 years.

		Year ended December 31, 2016
Estimated depreciation expense	$	190
Less: Historical depreciation expense		(1,063)
Pro forma adjustments to depreciation expense	**$**	**(873)**

(m) The Netsmart pro forma adjustment reflects the elimination of the impact of the annual management fee paid by Netsmart to its former parent, plus direct expenses incurred, since such fee was terminated following the acquisition of Netsmart. In addition, the Netsmart pro forma adjustment includes the elimination of accelerated stock-based compensation expense recognized upon the settlement of Netsmart outstanding equity-based awards at the time of acquisition. The HealthMEDX pro-forma adjustment reflects the amortization of the unfavorable lease liability obligation.

(n) Adjustment to reflect transaction-related costs incurred in connection with the Netsmart and the NantHealth business acquisitions as if such acquisitions occurred on January 1, 2015 and January 1, 2016, respectively.

(o) The net increase to interest expense resulting from interest on the new debt incurred to finance the acquisition of Netsmart and the amortization of related debt issuance costs is as follows:

		Year ended December 31, 2016
Elimination of historical debt-related interest expense and amortization of net debt issuance costs - Netsmart	$	41,308
Interest expense on new first lien term loan - Netsmart		(22,400)
Interest expense on new second lien term loan - Netsmart		(17,536)
Interest expense on revolver borrowings - Allscripts		(956)
Amortization of new discount and debt issuance costs - Netsmart		(3,894)
Pro forma adjustments to move debt issuance costs write-off from April 2016 to January 2015		8,236
Pro forma adjustment to interest expense	**$**	**4,758**

A 0.125% change in the variable interest rates of the additional borrowings by Allscripts and Netsmart would result in a $0.5 million approximate change in net income for the year ended December 31, 2016.

The net increase to interest expense resulting from interest on the new debt incurred to finance the acquisition of HealthMEDX and the amortization of related debt issuance costs is as follows:

		Year ended December 31, 2016
Elimination of historical debt-related interest expense - HealthMEDX	$	237
Interest expense on new incremental term loan - Netsmart		(1,963)
Amortization of new deferred debt issuance costs - Netsmart		(88)
Pro forma adjustments to move expensed debt issuance costs from October 2016 to January 2015 - Netsmart		80
Incremental interest expense accretion related to contingent consideration		(460)
Pro forma adjustment to interest expense	**$**	**(2,194)**

(p) Reflects the income tax effect of pro forma adjustments based on the estimated blended federal and state statutory rate of 40%.

(q) The redeemable convertible non-controlling interest represents preferred units of Netsmart issued to GI Netsmart Holdings LLC in exchange for a cash contribution and preferred units issued to Netsmart's management as part of the management rollover. The preferred units provide for a liquidation preference equal to the greater of (i) a return of the original issue price plus a preferred return (accruing on a daily basis at the rate of 11% per annum and compounding annually on the last day of each calendar year) or (ii) the as-converted value of the units. The unaudited pro forma combined abbreviated statement of operations for the year ended December 31, 2016 gives effect to the accretion of the 11% redemption preference as part of the calculation of net loss attributable to Allscripts stockholders.

(r) Reflects the reversal of deferred implementation costs to conform to Allscripts presentation.