

ALLSCRIPTS HEALTHCARE SOLUTIONS INC  
Form PREM14A  
June 12, 2008  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**SCHEDULE 14A**

(Rule 14a-01)

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a)**  
**of the Securities Exchange Act of 1934**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement.  Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2)).  
 Definitive Proxy Statement.  
 Definitive Additional Materials.  
 Soliciting Material Pursuant to §240.14a-12.

**ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.**

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.  
 Fee computed below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- 1) Title of each class of securities to which transaction applies:  
Allscripts Healthcare Solutions, Inc. common stock, par value \$0.01 per share

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2) Aggregate number of securities to which transaction applies: 84,800,000, representing the maximum number of shares of common stock, par value \$0.01 per share, of Allscripts Healthcare Solutions, Inc., a Delaware corporation ( Allscripts ), estimated to be issuable upon completion of the merger of Patriot Merger Company, LLC, a wholly-owned subsidiary of Allscripts, with and into Misys Healthcare Systems, LLC, an indirect wholly-owned subsidiary of Misys plc ( Misys ), added to 18,957,142, representing the maximum number of shares of common stock of Allscripts that are issuable to Misys in consideration for Misys purchase of such additional shares.

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3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined): \$12.72, based upon, pursuant to Rules 457(c) and 457(f) under the Securities Act of 1933, as amended, the average of the high and low sales prices of Allscripts common stock as reported on the Nasdaq National Market on June 9, 2008

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4) Proposed maximum aggregate value of transaction: \$1,169,271,154

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5) Total fee paid: \$45,952.36

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Fee paid previously with preliminary materials.

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the form or schedule and the date of its filing.

1) Amount Previously Paid:

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2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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Preliminary Copy

222 Merchandise Mart Plaza, Suite 2024

Chicago, IL 60654

Telephone: (866) 358-6869

Facsimile: (312) 506-1201

, 2008

Fellow Stockholder:

Allscripts Healthcare Solutions, Inc. ( Allscripts ), Misys plc ( Misys ), and Misys Healthcare Systems, LLC, a wholly-owned subsidiary of Misys ( MHS ), have entered into an agreement pursuant to which (i) Patriot Merger Company, LLC, a wholly-owned subsidiary of Allscripts, will merge with and into MHS, with MHS surviving as a wholly-owned subsidiary of Allscripts (which is referred to as the Merger ) and with Misys or one of its subsidiaries receiving shares of Allscripts common stock in consideration thereof and (ii) Misys or one of its subsidiaries will purchase either, at Misys election as described in the accompanying proxy statement, 18,957,142 shares of Allscripts common stock for \$331,750,000 or 18,857,142 shares of Allscripts common stock for \$330,000,000 (the Share Purchase ). As a result, Misys, either directly or indirectly, will hold 54.5% of Allscripts common stock, with existing Allscripts equityholders, which includes holders of our convertible debentures, holding 45.5% of Allscripts common stock immediately after the Merger and Share Purchase, in each case on a fully diluted basis. Allscripts common stock is listed on the NASDAQ National Market under the symbol MDRX. **Our existing stockholders will not receive any new shares in the Merger and will continue to hold their existing shares of Allscripts common stock after the Merger. Additionally, Allscripts will pay a special cash dividend in connection with the foregoing transactions of between approximately \$4.90 per share (assuming that, prior to the record date for the special cash dividend, all holders of our convertible debentures exercise their conversion right and all in-the-money options are exercised using share withholding to pay the exercise price), or approximately \$5.65 per share (assuming that prior to the record date for the special cash dividend no convertible debenture holders exercise their conversion right and no in-the-money options are exercised). The special cash dividend will be paid on the fifth business day following the closing date of the Transactions to holders of record of Allscripts common stock (other than Misys and its affiliates) as of the close of business on the business day prior to such closing date.**

In order to complete the Merger and the other transactions (collectively, the Transactions ) contemplated by the Agreement and Plan of Merger dated as of March 17, 2008 between Misys, MHS, Allscripts, and Patriot Merger Company, LLC (the Merger Agreement ), Allscripts must obtain the approval of Allscripts stockholders for (i) the issuance of Allscripts common stock in connection with the Merger and Share Purchase and (ii) an amendment and restatement of the certificate of incorporation of Allscripts.

We cordially invite you to attend the annual meeting of Allscripts stockholders to be held on , 2008 at , at :00 p.m., local time. At the annual meeting, we will ask you to consider and vote on the proposal to approve the issuance of shares of Allscripts common stock in connection with the Transactions, the amendment and restatement of the certificate of incorporation of Allscripts required in connection with the Transactions, an additional amendment and restatement of Allscripts certificate of incorporation and by-laws and the other proposals set forth in the accompanying notice of annual meeting.

**On March 17, 2008, our board of directors approved, adopted and declared advisable Allscripts entering into the Merger Agreement, the Merger, the amendment and restatement and additional amendment and restatement of the certificate of incorporation and by-laws of Allscripts and the other Transactions. In addition, the board determined that the Merger, the amendment and restatement and additional amendment and restatement of the certificate of incorporation and by-laws of Allscripts and the other Transactions were in the best interests of Allscripts and its stockholders.** A copy of the Merger Agreement is included with the attached proxy statement as Annex A.

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**Your vote is very important.** We cannot complete the Merger and the other Transactions unless the following proposals are approved by the requisite vote of stockholders:

- 1) The proposal relating to the issuance of Allscripts common stock in connection with the Merger and Share Purchase must be approved by the affirmative vote of a majority of the shares of Allscripts common stock entitled to vote thereon represented in person or by proxy (provided that a quorum is present in person or by proxy).
- 2) The proposal related to the amendment and restatement of the Allscripts certificate of incorporation set forth in Annex B must be approved by the affirmative vote of a majority of the outstanding shares of Allscripts common stock entitled to vote thereon.

In addition, we are seeking stockholder approval of a proposal relating to the additional amendment and restatement of the certificate of incorporation and by-laws set forth in Annex C, which must be approved by the affirmative vote of at least 80% of the outstanding shares of Allscripts common stock entitled to vote thereon. Approval of these additional amendments is not a condition to the Transactions. We are also asking stockholders to vote on the election of two directors, to ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for 2008 and to vote on a proposal to adjourn the meeting if necessary to solicit additional proxies at the request of our board of directors.

Only stockholders who owned shares of Allscripts common stock at the close of business on \_\_\_\_\_, 2008, the record date for the annual meeting, will be entitled to vote at the annual meeting and any adjournment thereof. **Whether or not you plan to be present at the annual meeting, please authorize the individuals named on your proxy card to vote your shares by calling the toll-free telephone number or by using the Internet as described in the instructions included with your proxy card, or complete, sign, date and return your proxy card in the enclosed envelope.** If you hold your shares in street name, you should instruct your broker on how to vote in accordance with your voting instruction form.

The accompanying proxy statement will provide you with information regarding the transactions contemplated by the Merger Agreement and information about Misys Healthcare Systems, LLC. **Please review the proxy statement carefully. The Merger and the other Transactions involve risks, some of which may be significant, and their completion is subject to several conditions that either must be satisfied or waived. We discuss these risks and conditions in greater detail in the accompanying proxy statement and urge you to read the sections entitled Risk Factors beginning on page 23 and The Merger Agreement Conditions to the Consummation of the Transactions beginning on page 83.**

On behalf of our board of directors, I thank you for your support and appreciate your consideration of this matter.

Sincerely,

Glen E. Tullman

*Chairman and Chief Executive Officer*

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the Transactions, including the Merger, the Allscripts share issuance or any other transaction described in the accompanying proxy statement or passed upon the adequacy or accuracy of this proxy statement. Any representation to the contrary is a criminal offense.**

The accompanying proxy statement is dated \_\_\_\_\_, 2008 and is first being mailed to Allscripts stockholders on or about \_\_\_\_\_, 2008.

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

TO BE HELD \_\_\_\_\_, 2008

To the Stockholders of Allscripts Healthcare Solutions, Inc.:

This Proxy Statement is being furnished to holders of shares of Allscripts Healthcare Solutions, Inc. ( Allscripts ) common stock in connection with the solicitation of proxies by the board of directors of Allscripts for use at the annual meeting of stockholders to be held on \_\_\_\_\_, 2008 at \_\_\_\_\_, at \_\_\_\_\_:00 p.m., local time. The annual meeting is being held for the following purposes:

1. to approve the issuance of shares of Allscripts common stock in connection with (i) the merger (which is referred to as the Merger ) of Patriot Merger Company, LLC ( Merger Sub ), a newly-created, wholly-owned subsidiary of Allscripts, with and into Misys Healthcare Systems, LLC ( MHS ), an indirect wholly-owned subsidiary of Misys plc ( Misys ), with MHS continuing as a surviving wholly-owned subsidiary of Allscripts, and (ii) the purchase by Misys or one of its subsidiaries of either, at Misys election as described in the accompanying proxy statement, 18,957,142 shares of Allscripts common stock for \$331,750,000 or 18,857,142 shares of Allscripts common stock for \$330,000,000 (the issuance of shares described in clauses (i) and (ii) collectively the Share Issuance );
2. to approve, effective upon the consummation of the Merger, the amendment and restatement of the certificate of incorporation of Allscripts as set forth in Annex B (the Required Amendments );
3. to approve, effective upon the consummation of the Merger, the additional amendment and restatement of the certificate of incorporation and by-laws of Allscripts as set forth in Annex C (the Additional Amendments );
4. to elect two directors, each to serve a term expiring at the third annual meeting of stockholders following their election;
5. to ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for 2008;
6. to adjourn the annual meeting to solicit additional proxies if there are not sufficient votes at the time of the annual meeting to approve the Share Issuance and the Required Amendments; and
7. to transact any and all other business that may properly come before the annual meeting or any adjourned or postponed session of the annual meeting.

**Approval of Proposals 1 and 2 are required for completion of the Merger and the other transactions (collectively, the Transactions ) contemplated by the Agreement and Plan of Merger dated as of March 17, 2008 between Allscripts, Misys, MHS and Merger Sub (the Merger Agreement ).**

Only stockholders who owned shares of Allscripts common stock at the close of business on \_\_\_\_\_, 2008, the record date for the annual meeting, are entitled to notice of, and to vote at, the annual meeting and any adjournment of it. As of the record date for the annual meeting, there were \_\_\_\_\_ shares of Allscripts common stock outstanding.

The Merger Agreement and the Merger, along with the other Transactions, are described more fully in the accompanying proxy statement. A copy of the Merger Agreement is attached to the proxy statement as Annex A. We urge you to read the entire proxy statement and Merger Agreement carefully. Allscripts stockholders will have no appraisal rights under Delaware law in connection with the Merger or the other Transactions.

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**The Allscripts board of directors has approved the Merger Agreement, the Merger, the Required Amendments, the Additional Amendments and the other Transactions and recommends that Allscripts stockholders vote FOR the Share Issuance (Proposal 1) and FOR the Required Amendments (Proposal 2), which are necessary to effect the Merger and the other Transactions, and vote FOR the Additional Amendments (Proposal 3) and FOR Proposals 4 through 6 in this notice.**

**Holders of one-third of the outstanding shares must be present in person or by proxy in order for the meeting to be held. Therefore, whether or not you expect to attend the annual meeting in person, you are urged to have your shares voted by submitting your proxy by telephone or electronically via the Internet or completing and returning the accompanying proxy in the enclosed envelope. Instructions for transmitting your voting instructions by telephone or via the Internet are contained in the accompanying proxy card.**

Any executed but unmarked proxy cards will be voted in accordance with the recommendations of the Allscripts board of directors, including **FOR** the approval of the Share Issuance, Required Amendments and Additional Amendments and proposals four through six in this notice. Allscripts stockholders may revoke their proxy in the manner described in the accompanying proxy statement before their shares have been voted at the annual meeting.

By Order of the Board of Directors,

Lee Shapiro

*President and Secretary*

, 2008

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CHAPTER ONE

THE INTRODUCTION

QUESTIONS AND ANSWERS ABOUT THE TRANSACTIONS

AND THE ALLSCRIPTS ANNUAL MEETING

The following are some of the questions that stockholders of Allscripts Healthcare Solutions, Inc. ( Allscripts ) may have regarding the transactions (the Transactions ) contemplated by the Merger Agreement (as defined below), and answers to those questions. These questions and answers, as well as the following summary, are not meant to be a substitute for the information contained in the remainder of this proxy statement, and this information is qualified in its entirety by the more detailed descriptions and explanations contained elsewhere in this proxy statement. Allscripts urges its stockholders to read this proxy statement in its entirety prior to making any decision.

**Q: Why am I receiving this document?**

A: Allscripts, Patriot Merger Company, LLC ( Merger Sub ), Misys plc ( Misys ) and Misys Healthcare Systems, LLC ( MHS ) have entered into an Agreement and Plan of Merger (the Merger Agreement ) pursuant to which Merger Sub will merge with and into MHS (the Merger ). Allscripts is seeking stockholder approval of the issuance of shares of Allscripts common stock in connection with (1) the Merger and (2) the purchase by Misys or one of its subsidiaries of either, at Misys election as described under the heading The Merger Agreement Structural Changes on page 81, 18,957,142 shares of Allscripts common stock for \$331,750,000 or 18,857,142 shares of Allscripts common stock for \$330,000,000 (collectively, the Share Issuance ). In connection with the Share Issuance, Allscripts is also seeking your approval of required amendments (as discussed below) to our certificate of incorporation and additional amendments (as discussed below) to our certificate of incorporation and by-laws.

In addition, you are receiving this proxy statement in connection with the election of two Allscripts directors and the ratification of Grant Thornton LLP as our independent registered public accounting firm for 2008. After the closing of the Transactions, Allscripts expects to change its independent registered public accounting firm to PricewaterhouseCoopers LLP, Misys current accounting firm.

The enclosed proxy materials allow Allscripts stockholders to have their shares voted without attending the Allscripts annual meeting. **The vote of Allscripts stockholders is very important and Allscripts encourages its stockholders to submit their proxy as soon as possible.** Please follow the instructions set forth on the enclosed proxy card or on the voting instruction form provided by the record holder if your shares of Allscripts common stock are held in the name of a broker or other nominee.

**Q: What is Allscripts proposing?**

A: In connection with the entry into the Merger Agreement and the consummation of the Transactions, Allscripts is seeking certain stockholder approvals necessary to complete the Transactions. Allscripts cannot complete the Transactions unless each of the following proposals is approved by the requisite vote of stockholders:

The proposal relating to the Share Issuance must be approved by the affirmative vote of a majority of the shares of Allscripts common stock entitled to vote thereon represented in person or by proxy (provided that a quorum is present in person or by proxy).

The proposal related to the amendment and restatement of the certificate of incorporation of Allscripts as set forth in Annex B (the Required Amendments ) must be approved by the affirmative vote of a majority of the outstanding shares of Allscripts common stock

entitled to vote thereon.

In addition, while not a condition to the Transactions, stockholder approval of the proposal related to approval of additional amendment and restatement of the certificate of incorporation and by-laws of Allscripts as set forth in Annex C (the Additional Amendments ) by the affirmative vote of at least eighty percent (80%) of the outstanding shares of Allscripts common stock entitled to vote thereon is also being sought in connection with the Transactions.

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Allscripts is also seeking your approval of the ratification of Grant Thornton LLP as our independent registered public accounting firm for 2008, the adjournment of the annual meeting to solicit additional proxies if there are not sufficient votes at the time of the annual meeting to approve the Share Issuance and the Required Amendments and the election of two directors, each to serve a term expiring at the third annual meeting of stockholders following their election. Approval of these proposals requires the affirmative vote of a majority of the shares of common stock entitled to vote thereon, present in person or by proxy.

This document includes important information about the Transactions and the annual meeting of the stockholders of Allscripts. Allscripts stockholders should read this information carefully and in its entirety. A copy of the Merger Agreement is attached as Annex A to this document, a copy of the Required Amendments is attached to this document as Annex B and a copy of the Additional Amendments is attached to this document as Annex C.

### **Q: What will Allscripts stockholders receive in the Transactions?**

A: Pursuant to the Merger Agreement, Allscripts will declare and pay a special cash dividend of \$330,000,000, in the aggregate, which dividend will be contingent upon the consummation of the Transactions. The special cash dividend will be paid on the fifth business day following the closing date of the Transactions to holders of record of Allscripts common stock (other than Misys and its affiliates) as of the close of business on the business day prior to such closing date. The special cash dividend is anticipated to be between approximately \$4.90 per share assuming that, prior to the record date for the special cash dividend, all holders of our convertible debentures exercise their conversion right and all in-the-money options are exercised using share withholding to pay the exercise price, or approximately \$5.65 per share if prior to the record date for the special cash dividend no convertible debenture holders exercise their right and no in-the-money options are exercised. Allscripts stockholders will also continue to own their shares of Allscripts common stock after completion of the Transactions and need not exchange or tender their shares of common stock.

The anticipated per share value to Allscripts stockholders of the special cash dividend and retaining their shares of Allscripts common stock represents a premium to the market price of Allscripts common stock prior to announcement of the Transactions.

### **Q: What are the key steps of the Transactions?**

A: Below is a summary of the key steps of the Transactions. Additional information and a description of material events relating to the Transactions is set forth under The Transactions, beginning on page 41.

Allscripts board of directors will declare a special cash dividend of \$330,000,000, in the aggregate, to Allscripts stockholders of record as of the close of business on the business day prior to the closing date of the Transactions, which dividend will be contingent upon the consummation of the Transactions.

(i) Merger Sub will be merged with and into MHS, with MHS surviving the merger as a wholly-owned subsidiary of Allscripts, and  
(ii) Misys or one of its subsidiaries will pay either \$330,000,000 or \$331,750,000 in cash to Allscripts, together in exchange for a number of shares of Allscripts common stock equal to 54.5% of Allscripts on a fully diluted basis. Misys actual percentage ownership of Allscripts outstanding common stock upon consummation of the Transactions may be equal to as much as 58.4% in the event that, prior to such consummation, no holders of our 3.50% convertible senior debentures elect to convert their debentures into our common stock and holders of our stock options do not exercise such options.

As used within this document, the calculation of share amounts on a fully diluted basis includes (i) all issued and outstanding shares of Allscripts common stock, (ii) all shares of Allscripts common stock that are or may become issuable upon conversion or exchange of any security outstanding, other than options to purchase shares of Allscripts common stock, taking into account any adjustments for the special

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cash dividend, and (iii) an amount of shares in respect of in-the-money stock options equal to (x) the number of shares subject to such options minus, in the case of each stock option, (y) the number of shares of Allscripts common stock equal to (A) the exercise price of such stock option (as may be adjusted for the special dividend) multiplied by the number of shares of Allscripts common stock subject to such stock option divided by (B) the average

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closing price of Allscripts common stock as reported on NASDAQ (adjusted not to include the per share amount of the special dividend) during the 15 business day period ending on the fifth business day prior to the closing date of the Transactions.

Set forth below are diagrams that graphically illustrate, in simplified form, the existing corporate structures of Misys and Allscripts, respectively, and the corporate structure immediately following the consummation of the Transactions.

Existing Structures

\* Ownership percentages are approximate, on a fully diluted basis and actual percentages may differ.

**Q: When and where is the annual meeting?**

A: The annual meeting of Allscripts stockholders will be held on \_\_\_\_\_, 2008, at \_\_\_\_\_:00 p.m., local time, at \_\_\_\_\_.

**Q: Why is my vote important?**

A: Allscripts stockholders are being asked to approve the Share Issuance and Required Amendments, each as required pursuant to the Merger Agreement, and Additional Amendments, as contemplated by the Merger Agreement, and to take action on the other proposals set forth in the notice of the annual meeting. If you do

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not submit your proxy by telephone, the Internet or mail or vote in person at the annual meeting, it will be more difficult for Allscripts to obtain the quorum necessary to hold the annual meeting and to obtain stockholder approval of the Required Amendments (which requires the approval of the holders of a majority of the outstanding shares entitled to vote thereon) and the Additional Amendments (which requires the approval of the holders of at least eighty percent (80%) of the outstanding shares entitled to vote thereon).

### **Q: What are the material U.S. federal income tax consequences to Allscripts stockholders resulting from the Transactions?**

A: For U.S. federal income tax purposes, the special cash dividend should be taxable as a dividend to the extent of Allscripts' current and accumulated earnings and profits, thereafter treated as a tax-free return of capital that reduces a stockholder's tax basis in its Allscripts common stock, and, after a stockholder's basis is reduced to zero, treated as taxable gain.

The special dividend is expected to exceed Allscripts' current and accumulated earnings and profits by a significant amount. Therefore, for U.S. federal income tax purposes, the special cash dividend is expected to be treated in part as a taxable dividend and in part as a tax-free return of capital that reduces stockholders' tax basis in their shares, and therefore is expected to have the effect of increasing the amount of gain (or decreasing the amount of loss) otherwise recognized on a subsequent taxable disposition of Allscripts common stock.

The portion of the special cash dividend that will be taxable as a dividend will not be determined until after the end of the year paid, and possibly not until after the due date for tax returns on which the dividend must be reported. Stockholders may need to file amended tax returns to reflect the correct amount of the taxable dividend or the correct amount of gain or loss on a sale of Allscripts common stock. Non-U.S. holders can expect that U.S. taxes withheld will exceed by a significant amount the taxes for which they are ultimately responsible.

**Allscripts stockholders should consult their own tax advisors for a full understanding of the tax consequences to them of the Transactions, including the special cash dividend.** The material U.S. federal income tax consequences of the Transactions are described in more detail under "The Transactions' Material U.S. Federal Income Tax Consequences of the Transactions" beginning on page 64.

### **Q: What will Misys shareholders receive in the Transactions?**

A: Misys' shareholders will not receive any consideration in the Merger. They will continue to hold their existing ordinary shares of Misys.

### **Q: Will Misys be permitted to purchase additional shares of Allscripts common stock after the Transactions?**

A: Misys' ability to purchase and sell shares of Allscripts common stock after consummation of the Transactions will be limited pursuant to the terms of the relationship agreement entered into by Misys and Allscripts (the "Relationship Agreement"), which is discussed in more detail below under "Additional Agreements; Post-Transaction Governance Relationship Agreement" beginning on page 90. Pursuant to the Relationship Agreement, Misys is permitted to purchase, without audit committee approval, up to sixty percent (60%) of Allscripts' number of fully diluted shares. Additionally, Misys may not sell, transfer or otherwise dispose of fifteen percent (15%) or more of the number of outstanding shares of Allscripts common stock without approval of the Allscripts board of directors.

### **Q: Are there any conditions to the consummation of the Transactions?**

A: Yes. Consummation of the Transactions is subject to a number of conditions, including:

the approval of Allscripts stockholders of the Share Issuance and Misys shareholders of the Merger Agreement and the transactions contemplated by it;

the approval of Allscripts stockholders of the Required Amendments set forth in Annex B;

the expiration of any applicable waiting periods, together with any extensions thereof, under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the HSR Act ), which occurred at 11:59 p.m. Eastern Daylight Time on May 30, 2008;



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the receipt by Allscripts of a tax opinion from counsel to Allscripts;

the receipt by Misys of a tax opinion from counsel to Misys; and

other customary conditions.

This document describes these conditions in more detail under **The Merger Agreement Conditions to the Consummation of the Transactions** beginning on page 83.

### **Q: When will the Transactions be completed?**

A: Allscripts expects to complete the Transactions during the third quarter of 2008. However, it is possible that factors outside Allscripts and Misys control could require the delay of the completion of the Transactions to a later time or result in the Transactions not being completed at all. For a discussion of the conditions to the Transactions, see **The Merger Agreement Conditions to the Consummation of the Transactions** beginning on page 83.

### **Q: Are there risks associated with the Transactions?**

A: Yes. The risks associated with the Transactions that Allscripts views as material are discussed in the section entitled **Risk Factors** beginning on page 23. Those risks include, among others, the possibility that Allscripts may fail to realize the anticipated benefits of the Transactions and the uncertainty that Allscripts will be able to integrate MHS successfully.

### **Q: Will there be any change to the board of directors or the executive officers of Allscripts after the Transactions?**

A: Yes. The Merger Agreement provides that, following the effective time of the Merger, Allscripts will expand its board of directors to ten members, which will be comprised of four continuing Allscripts directors, including Allscripts chief executive officer, and six new directors to be nominated by Misys. Mr. Tullman, the current Chairman and Chief Executive Officer of Allscripts, will remain the Chief Executive Officer of Allscripts and, if he is elected by stockholders as a director pursuant to Proposal 4 or otherwise appointed to the board, will serve on Allscripts board. Mr. Lawrie will serve as the Chairman of the Allscripts board of directors and as the Executive Chairman of Allscripts (the senior officer of Allscripts). It is currently anticipated that Allscripts current executive officers will remain its executive officers after consummation of the Transactions. Mr. Tullman, Lee Shapiro, our president, and Bill Davis, our chief financial officer, have each entered into new employment agreements with Allscripts to be effective as of the closing of the Transactions. For a discussion on the post-transaction composition of the Allscripts board of directors, see **Additional Agreements; Post-Transaction Governance Board of Directors of Allscripts After the Transaction** beginning on page 92.

### **Q: Will Misys control Allscripts after completion of the Transactions?**

A: Yes. As noted above, Misys will have the right to nominate a majority of the board of directors and will, immediately after the Transactions, own in excess of fifty percent (50%) of the voting capital stock of Allscripts. Because Allscripts stockholders prior to the Transactions will, in the aggregate, become minority stockholders in Allscripts upon consummation of the Transactions, they will generally not thereafter have the ability to approve or block approval of proposals to be voted upon by Allscripts stockholders.

**Q: What if an Allscripts stockholder does not vote on the proposals?**

**A:**

If an Allscripts stockholder submits a signed proxy but does not indicate a vote for or against a proposal, it will be voted as the Allscripts board of directors recommends as to such proposal.

If an Allscripts stockholder submits a signed proxy and abstains from voting on a proposal, it will have the same effect as a vote against that proposal, except in the case of the Share Issuance, on which abstentions will have no effect.

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If an Allscripts stockholder fails to respond, his or her shares, unless held in the name of a broker that exercises discretionary authority to vote such shares on any proposal, will not count towards the required quorum of one-third of the outstanding common stock entitled to vote at the annual meeting and, regardless of whether held in the name of a broker, will have the effect of a vote against the Required Amendments and the Additional Amendments but will have no effect on the other proposals.

If an Allscripts stockholder holds shares registered in the name of a bank, broker, or other street name agent and you do not provide your bank, broker or other nominee with voting instructions, such shares may be considered to be represented at the annual meeting and will have the legal effect of a vote against the Required Amendments and the Additional Amendments but will have no effect on the other proposals.

**Q: How does the Allscripts board of directors recommend that stockholders vote?**

A: Allscripts board of directors has recommended that Allscripts stockholders vote FOR the proposal to approve the Share Issuance, FOR the proposal to approve the Required Amendments, FOR the proposal to approve the Additional Amendments, FOR the election of the directors standing for election at the annual meeting, FOR the proposal to ratify Grant Thornton as Allscripts independent registered public accountants for 2008 and FOR any proposal to adjourn the annual meeting.

**Q: Do Misys shareholders have to vote to approve the Transactions?**

A: Yes, under applicable rules in the United Kingdom, Misys is required to call an extraordinary general meeting of its shareholders and obtain the consent of a simple majority of such shareholders voting at the meeting (in person or by proxy) to the Merger Agreement and the transactions contemplated by it.

**Q: Have any Misys shareholders already agreed to vote for approval of the Merger and the Merger Agreement?**

A: Yes, pursuant to the voting agreements entered into between Allscripts and each of ValueAct Capital Master Fund L.P. and ValueAct Capital Master Fund III, L.P. (collectively, ValueAct ), ValueAct has agreed, among other things, to vote its ordinary shares of Misys to approve the Merger, the Merger Agreement and the other transactions contemplated thereby and against any proposed adjournment of the meeting of Misys shareholders. As of June 2, 2008, ValueAct owned approximately 19.4% of the ordinary shares of Misys.

**Q: Have any Allscripts stockholders already agreed to vote for the issuance of Allscripts common stock or the approval of the amendment and restatement of the certificate of incorporation and by-laws in connection with the Merger?**

A: No.

**Q: How do Allscripts stockholders vote?**

A: Allscripts stockholders may transmit their voting instructions before the annual meeting in one of the following ways:

use the toll-free number shown on the proxy card;

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visit the website shown on the proxy card to submit a proxy via the Internet;

complete, sign, date and return the enclosed proxy card in the enclosed postage-paid envelope; or

attend the annual meeting and vote their shares.

**Q: If I am not going to attend the annual meeting, should I return my proxy card(s) or otherwise vote my shares?**

A: Yes. Having your shares voted by calling the toll-free number shown on the proxy card, visiting the website shown on the proxy card or returning the accompanying proxy card(s) ensures that the shares will be represented and voted at the annual meeting, even if a stockholder is unable to or does not attend.

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**Q: If my Allscripts shares are held in street name by my broker, will my broker vote my shares for me?**

A: Brokers typically have the authority to vote on routine proposals, such as the uncontested election of directors and ratification of auditors, when they have not received instructions from beneficial owners. Absent specific instructions from the beneficial owner of the shares, however, brokers are not allowed to exercise their voting discretion with respect to the approval of non-routine matters. Therefore, if you are an Allscripts stockholder whose shares are held in street name by your broker, you must provide your broker with instructions on how to vote your shares; otherwise, your broker will not vote your shares on the proposals for the Share Issuance, Required Amendments or Additional Amendments.

Allscripts stockholders should follow the directions provided by their broker regarding voting their shares. Shares registered in the name of a bank, broker, or other street name agent, for which proxies are voted on some, but not all matters, will be considered to be represented at the annual meeting and voted only as to those matters marked on the proxy card.

**Q: Can Allscripts stockholders change their vote after they mail their proxy card?**

A: Yes. If a holder of record of Allscripts common stock has properly completed and submitted his or her proxy card, the Allscripts stockholder can change his or her vote in any of the following ways:

by sending a written notice to the corporate secretary of Allscripts that is received prior to the annual meeting stating that the Allscripts stockholder revokes his or her proxy;

by voting again by the Internet or by telephone in accordance with the instructions on the enclosed proxy card prior to the annual meeting;

by properly completing a new proxy card bearing a later date and properly submitting it so that it is received prior to the annual meeting; or

by attending the annual meeting and voting in person.

Simply attending the annual meeting will not revoke a proxy.

However, if an Allscripts stockholder holds shares in street name by his or her broker and has directed such person to vote his or her shares, he or she should instruct such person to change his or her vote.

For further details about how an Allscripts stockholder can change their vote see below Information About the Allscripts Annual Meeting Revocation of Proxies.

**Q: What should Allscripts stockholders do now?**

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A: After carefully reading and considering the information contained in this document, Allscripts stockholders should vote their shares as soon as possible so that their shares will be represented and voted at the Allscripts annual meeting. Allscripts stockholders should follow the instructions set forth on the enclosed proxy card or on the voting instruction form provided by the record holder if their shares are held in the name of a broker or other nominee.

**Q: Can Allscripts stockholders dissent and seek an appraisal of their shares?**

A: No. Allscripts stockholders do not have appraisal rights in connection with the Transactions.

**Q: Who can answer my questions?**

A: If an Allscripts stockholder has any questions about the Transactions, please contact our proxy solicitor Innisfree M&A Incorporated at (877) 687-1871.

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**SUMMARY TERM SHEET FOR THE TRANSACTIONS**

*This summary highlights selected information from this proxy statement with respect to the proposed Transactions; it is not intended to be complete and may not contain all of the information that is important to you. To understand the Transactions fully and for a more complete description of the legal terms of the Merger Agreement, you should carefully read this entire proxy statement and the documents to which we refer you. A copy of the Merger Agreement is attached as Annex A to this proxy statement and is incorporated by reference into this proxy statement. See *Where You Can Find More Information* beginning on page 159.*

**The Companies (see page 33)**

**Allscripts Healthcare Solutions, Inc.**

222 Merchandise Mart Plaza, Suite 2024

Chicago, Illinois 60654

Telephone: (866) 358-6869

<http://www.allscripts.com>

Allscripts is a leading provider of clinical software, connectivity and information solutions that physicians use to improve healthcare. Allscripts solutions inform, connect and transform healthcare, delivering improved care at a lower cost. More than 40,000 physicians and thousands of other healthcare professionals in clinics, hospitals and extended care facilities nationwide utilize Allscripts to automate everyday tasks such as writing prescriptions, documenting patient care, managing billing and scheduling, and safely discharging patients, as well as to connect with key information and stakeholders in the healthcare system.

**Patriot Merger Company, LLC**

c/o Allscripts Healthcare Solutions, Inc.

222 Merchandise Mart Plaza, Suite 2024

Chicago, Illinois 60654

Telephone: (866) 358-6869

Patriot Merger Company, LLC, which we refer to herein as *Merger Sub*, is a North Carolina limited liability company and a direct wholly-owned subsidiary of Allscripts. *Merger Sub* was formed for the purpose of completing the Merger.

**Misys plc**

125 Kensington High Street

London W8 5SF

United Kingdom

Telephone: +44 20 7368-2300

<http://www.misys.com>

Misys is one of the world's longest-established providers of industry-specific software and a leader in the global application software and services market. Founded in 1979, Misys provides mission critical software to clients in the international banking and healthcare industries, combining technological expertise with an in-depth understanding of customers' markets and operational needs.





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Misys shares trade on the London Stock Exchange. Headquartered in London, Misys employs approximately 4,500 people worldwide serving customers in more than 120 countries. Misys has the following businesses in addition to MHS:

Banking: delivers retail banking, corporate/wholesale banking (including trade finance and payments) and universal banking integrated solutions that drive revenue generation, performance and efficiency improvements for financial institutions across the globe; and

Treasury and Capital Markets: creates integrated, comprehensive solutions for financial institutions and corporate treasury departments across the globe, enabling them to manage their capital market activities across multiple asset classes.

In banking and treasury and capital markets Misys has over 1,200 customers, including the world's top 50 banks.

### **Misys Healthcare Systems, LLC**

8529 Six Forks Road

Raleigh, NC 27615

Telephone: (919) 847-8102

<http://www.misyshealthcare.com>

MHS, a wholly-owned indirect subsidiary of Misys, develops and supports reliable, easy-to-use software and services that enable physicians and caregivers to more easily manage the complexities of healthcare. MHS products include electronic health record ( EHR ) for ambulatory, departmental systems, practice management systems and emergency department information system ( EDIS ) connectivity. MHS is one of the largest providers of IT solutions in the U.S. healthcare market, serving more than 110,000 physicians in 18,000 practice locations, 600 home care providers and hundreds of commercial laboratories, clinics, managed services organizations, integrated delivery networks and other related organizations. MHS has over 1,500 employees.

### **The Transactions (see page 41)**

Under the terms of the Merger Agreement (i) Merger Sub will merge with and into MHS, with MHS surviving as a wholly-owned subsidiary of Allscripts, with Misys or one of its subsidiaries receiving shares of Allscripts common stock in consideration thereof (which is referred to herein as the Merger ) and (ii) Misys or one of its subsidiaries will purchase either, at Misys election as described herein, 18,957,142 shares of Allscripts common stock for \$331,750,000 or 18,857,142 shares of Allscripts common stock for \$330,000,000. The Merger Agreement is attached as Annex A to this proxy statement. We urge you to carefully and fully read the Merger Agreement to understand the rights and obligations of the parties under the Merger Agreement, as it is the legal document that governs the Merger and the other transactions contemplated thereby.

On the fifth business day following the closing of the Merger, Allscripts will pay the special cash dividend to its stockholders (other than Misys and its affiliates) of record as of the record date for the special cash dividend. It is currently anticipated that this special cash dividend will be between approximately \$4.90 per share, assuming that, prior to the record date for the special cash dividend, all holders of our convertible debentures exercise their conversion right and all in-the-money options are exercised using share withholding to pay the exercise price, or approximately \$5.65 per share if prior to the record date for the special cash dividend no convertible debenture holders exercise their right and no in-the-money options are exercised.

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### **What You Will Receive in the Transactions (see page 41)**

Allscripts stockholders of record as of the close of business on the business day prior to the closing of the Transactions will receive the special cash dividend, which is currently expected to be between approximately \$4.90 per share, assuming that, prior to the record date for the special cash dividend all holders of our convertible debentures exercise their conversion right and all in-the-money options are exercised using share withholding to pay the exercise price, or approximately \$5.65 per share if prior to the record date for the special cash dividend no convertible debenture holders exercise their right and no in-the-money options are exercised. Allscripts stockholders will also retain their shares of Allscripts common stock, thereby remaining stockholders in Allscripts after closing of the Transactions.

### **Allscripts Stockholders Will be Diluted (see page 41)**

Following the consummation of the Transactions, MHS will be a wholly-owned subsidiary of Allscripts. Additionally, approximately 54.5% of the fully diluted number of shares of Allscripts common stock are expected to be owned by Misys, with approximately 45.5% being owned by pre-Merger equityholders of Allscripts, which includes holders of our convertible debentures. As a percentage of post-Transaction issued and outstanding shares of Allscripts common stock, Misys' actual ownership percentage could range from 54.5% to 58.4%, with the pre-Merger stockholders of Allscripts owning the remaining percentage.

### **The Required Certificate of Incorporation Amendment and Restatement (see page 120)**

At the annual meeting, Allscripts stockholders will be asked to approve an amendment and restatement of the certificate of incorporation of Allscripts that is required in order to complete the Transactions and that would take effect only upon consummation of the Transactions.

The required amendment and restatement of the certificate of incorporation will:

change the name of Allscripts to Allscripts-Misys Healthcare Solutions, Inc. ;

increase the number of authorized shares of Allscripts common stock from 150 million to 199 million;

set forth the composition and powers of committees of the board of directors, including providing for certain mandatory approvals of directors of Allscripts that were directors of Allscripts prior to the consummation of the Transactions;

opt-out of Section 203 of the Delaware General Corporation Law, which generally provides for limitations on business combinations with stockholders that own 15% or more of the outstanding voting power; and

make additional, incidental or clarifying amendments to the certificate of incorporation.

If the required amendment and restatement of Allscripts' certificate of incorporation are approved at the annual meeting and the Transactions are consummated, Allscripts board of directors will amend the by-laws to:

set a quorum for board of director meetings at six directors;

specify, in additional detail, the powers and reporting lines of the executive officers;

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conform the by-laws to include the board committee amendments effected through the required certificate of incorporation amendment and restatement;

establish a new disclosure committee of the board of directors; and

make additional, incidental or clarifying amendments to the by-laws.

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### **The Additional Certificate of Incorporation and By-Law Amendments and Restatements (see page 124)**

As an additional matter, Allscripts stockholders will be asked to approve additional amendments and restatements of Allscripts certificate of incorporation and by-laws. If holders of eighty percent (80%) of the outstanding voting power of Allscripts common stock entitled to vote thereon approve these additional amendments, Allscripts certificate of incorporation will be amended to:

set the size of the board of directors at ten;

provide for the annual election of all directors, thereby eliminating the classified nature of Allscripts board of directors where directors stand for election every three years;

provide that directors may be removed with or without cause by the affirmative vote of the holders of a majority of Allscripts common stock;

remove the prohibition against stockholder action by written consent;

provide for the filling of vacancies on the board by the committee that nominated the director whose vacancy is being filled; and

remove the ability of Allscripts president to call a special meeting of stockholders. Additionally, Allscripts by-laws will be amended to:

conform to the additional certificate of incorporation amendment and restatement;

provide for the procedures for stockholder action by written consent, including the provision of notice to non-consenting stockholders; and

make additional, incidental or conforming amendments to the by-laws.

### **The Annual Meeting; Record Date (see page 36)**

The annual meeting will be held on \_\_\_\_\_, 2008 at \_\_\_\_\_ p.m. local time at \_\_\_\_\_. The purpose of the annual meeting is for Allscripts stockholders to consider and vote upon the Share Issuance, the Required Amendments, the Additional Amendments and the other proposals set forth in the accompanying notice of annual meeting.

### **Recommendation of Allscripts Board to Stockholders (see page 37)**

The Allscripts board of directors has reviewed and considered the terms of the Merger Agreement and the Transactions and has approved the Merger Agreement, the Merger and the other Transactions and approved and declared advisable the Requirement Amendments and the Additional Amendments and recommends that Allscripts stockholders vote **FOR** the Share Issuance and **FOR** the Required Amendments, which are necessary to effect the Merger and the other Transactions, vote **FOR** the Additional Amendments and **FOR** the other proposals (four through six) in the accompanying notice of annual meeting.

### **Allscripts Stockholder Approvals Are Required to Complete the Transactions (see page 41)**

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The Transactions will not be completed unless Allscripts stockholders approve:

the Share Issuance; and

the Required Amendments as set forth in Annex B.

Approval of the Share Issuance requires the affirmative vote of a majority of the shares of Allscripts common stock entitled to vote thereon present in person or represented by proxy (provided that a quorum is present). Approval of the Required Amendments set forth in Annex B requires the affirmative vote of a majority of the outstanding shares of Allscripts common stock entitled to vote thereon.

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### **Opinion of Financial Advisors (see page 49)**

Goldman, Sachs & Co. ( Goldman Sachs ) delivered its opinion to Allscripts board of directors that, as of March 17, 2008 and based upon and subject to the factors and assumptions set forth therein, the number of shares of common stock of Allscripts to be paid by Allscripts to Misys pursuant to the Merger Agreement such that Misys will own 54.5% of the aggregate number of fully-diluted shares (as defined in the Merger Agreement) in exchange for \$330 million in cash and the acquisition by Allscripts of MHS was fair from a financial point of view to Allscripts.

The full text of the written opinion of Goldman Sachs, dated March 17, 2008, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex D to this proxy statement. Goldman Sachs provided its opinion for the information and assistance of Allscripts board of directors in connection with its consideration of the Transactions. The Goldman Sachs opinion is not a recommendation as to how any holder of shares of common stock of Allscripts should vote with respect to the Transactions or any other matter. Pursuant to an engagement letter between Allscripts and Goldman Sachs, Allscripts has agreed to pay Goldman Sachs a transaction fee of at least \$8,500,000, substantially all of which is payable upon consummation of the Transactions.

### **Interests of Our Directors and Executive Officers (see page 58)**

When considering the Allscripts boards of directors recommendation that stockholders vote in favor of the Share Issuance, the Required Amendments and the Additional Amendments and related proposals, stockholders should be aware that some Allscripts executive officers and directors may have interests in the Transactions that may be different from, or in addition to, the interests of Allscripts stockholders. Those interests include, among other things, the accelerated vesting of most of Allscripts equity based compensation awards and the new employment agreements with each of Allscripts chief executive officer, president and chief financial officer that will take effect upon consummation of the Transactions, including the retention and success payments payable thereunder.

As a result, some of the directors and executive officers of Allscripts may be more likely to recommend approval of the Share Issuance, Required Amendments, Additional Amendments and related proposals than if these interests did not exist.

### **Treatment of Equity Awards (see page 58)**

The Transactions will constitute a change of control under Allscripts equity compensation award agreements. Accordingly, outstanding restricted stock and restricted stock units (other than those granted after the execution of the Merger Agreement) will vest and unexercisable options will become exercisable in connection with the consummation of the Transactions. Allscripts has agreed to take all necessary action to accelerate the vesting of all restricted stock units (other than those granted after the execution of the Merger Agreement) and stock options effective as of the record date for the special cash dividend so that holders of such awards will participate in the special cash dividend. With respect to the restricted stock units granted after execution of the Merger Agreement, the Transactions will accelerate the vesting of such awards such that fifty percent (50%) of the awards will vest on the first anniversary of the grant date and the other fifty percent (50%) will vest on the second anniversary of the grant date.

Options to acquire Allscripts common stock that are unexercised and unvested restricted stock units awarded after the execution of the Merger Agreement, will remain outstanding after consummation of the Transactions. Additionally, any such outstanding options will be adjusted to preserve their intrinsic value after taking into account the effect of the special cash dividend on the trading price of Allscripts common stock.

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### **Material U.S. Federal Income Tax Consequences (see page 64)**

For U.S. federal income tax purposes, the special cash dividend should be taxable as a dividend to the extent of Allscripts' current and accumulated earnings and profits, thereafter treated as a tax-free return of capital that reduces a stockholder's tax basis in its Allscripts common stock, and, after a stockholder's basis is reduced to zero, treated as taxable gain.

The special cash dividend is expected to exceed Allscripts' current and accumulated earnings and profits by a significant amount. Therefore, for U.S. federal income tax purposes, the special cash dividend is expected to be treated in part as a taxable dividend and in part as a tax-free return of capital that reduces a stockholder's basis in its shares, and therefore is expected to have the effect of increasing the amount of gain (or decreasing the amount of loss) otherwise recognized on a subsequent taxable disposition of Allscripts common stock.

The portion of the special cash dividend that will be taxable as a dividend will not be determined until after the end of the year paid, and possibly not until after the due date for tax returns on which the dividend must be reported. Stockholders may need to file amended tax returns to reflect the correct amount of the taxable dividend or the correct amount of gain or loss on a sale of Allscripts common stock. Non-U.S. holders can expect that U.S. taxes withheld will exceed by a significant amount the taxes for which they are ultimately responsible.

**Allscripts stockholders should consult their own tax advisors for a full understanding of the tax consequences to them of the Transactions, including the special cash dividend.** The material U.S. federal income tax consequences of the Transactions are described in more detail under "Material U.S. Federal Income Tax Consequences of the Transactions" beginning on page 64.

### **Regulatory Approvals and Conditions to the Transactions (see page 68)**

In addition to the approval by Allscripts' stockholders of the Share Issuance and the Required Amendments, consummation of the Transactions is subject to customary closing conditions, including (a) the absence of certain legal impediments preventing or prohibiting the consummation of the Transactions, (b) the expiration or termination of applicable waiting periods, together with any extensions thereof, under the HSR Act, which occurred at 11:59 p.m. Eastern Daylight Time on May 30, 2008, and (c) the receipt by both Misys and Allscripts of certain tax opinions.

### **Absence of Appraisal Rights (see page 68)**

Allscripts stockholders will not be entitled to exercise appraisal rights or to demand payment for their shares in connection with the Transactions.

### **Directors and Officers of Allscripts Following the Transactions; Post-Transaction Governance (see page 68)**

The Merger Agreement provides that, following the effective time of the Merger, Allscripts will expand its board of directors to ten members, which will be comprised of four continuing Allscripts directors, including Allscripts' Chief Executive Officer, and six new directors to be nominated by Misys. Mr. Tullman, the current Chairman and Chief Executive Officer of Allscripts, will remain the Chief Executive Officer of Allscripts, and, if he is elected by stockholders as a director pursuant to Proposal 4 or otherwise appointed to the board, will serve on Allscripts' board. Mr. Lawrie, Chief Executive Officer of Misys, will also serve as the Chairman of the Allscripts' board of directors and as the Executive Chairman of Allscripts (the senior officer of Allscripts). Additionally, the Relationship Agreement contains certain governance provisions that will become effective upon the consummation of the Transactions.

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**Termination of the Merger Agreement (see page 85)**

Allscripts and Misys may mutually agree to terminate the Merger Agreement and abandon the Transactions at any time prior to completion of the Transactions.

In addition, either party could decide, without the consent of the other, to terminate the Merger Agreement and abandon the Transactions in a number of situations, including:

if the closing of the Transactions does not occur by October 31, 2008;

any governmental entity issues an order, decree or ruling or takes other action permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by the Merger Agreement, and such order, decree, ruling or other action shall have become final and nonappealable;

the required approvals of the Allscripts stockholders or Misys shareholders are not obtained at the respective stockholder or shareholder meetings;

the other party breaches or fails to perform any of its representations and warranties or covenants and agreements contained in the Merger Agreement, which breach or failure to perform would give rise to the failure of a condition in the Merger Agreement and could not be cured within 20 days of written notice to such breaching party of such breach;

between the date of the Merger Agreement and the effective time of the Merger there occurs any state of facts, change, development, effect, condition or occurrence that, individually or in the aggregate, would reasonably be expected to have a material adverse effect on Allscripts, in the case of Misys termination right, or MHS, in the case of Allscripts termination right, and it is incapable of being cured by October 31, 2008, so long as the terminating party is not then in breach of any of its representations, warranties or covenants such that a condition to the other party's obligation to close would not be satisfied; or

the other party breaches or is deemed to have breached in any material respect its non-solicitation obligations.

The Merger Agreement may be terminated by Misys prior to completion of the Transactions if:

the board of directors of Allscripts changes its recommendation to its stockholders, or, in the case of a Takeover Proposal (as defined below) made by way of a tender offer or exchange offer, the board failed to recommend that its stockholders reject such offer within the ten business day period specified in Section 14e-2(a) under the Exchange Act; or

Misys is entitled to terminate the Merger Agreement in response to a Superior Proposal (as defined below) or due to an Intervening Event (as defined below).

The Merger Agreement may be terminated by Allscripts prior to completion of the Transactions if:

the board of directors of Misys changes its recommendation to its shareholders with respect to their vote on the Merger and the Merger Agreement; or



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Allscripts is entitled to terminate the Merger Agreement in response to a Superior Proposal or due to an Intervening Event.  
**Termination Fees May Be Payable Under Some Circumstances (see page 87)**

Pursuant to the Merger Agreement, Allscripts has agreed to pay to Misys and MHS an aggregate termination fee of \$14,281,883 if:

Allscripts breaches or is deemed to have breached, in any material respect its non-solicitation obligations, provided, that, within twelve months after the date of such termination, Allscripts enters

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into a definitive agreement to consummate, or consummates a Takeover Proposal, except that all references in the definition of Takeover Proposal to 20% are changed to 50.1%;

unless Misys exercised its option to force a vote of Allscripts stockholders, if the board of directors of Allscripts changes its recommendation to the stockholders with respect to the Share Issuance and the Required Amendments, or, in the case of a Takeover Proposal made by way of a tender offer or exchange offer, fails to recommend that Allscripts stockholders reject such offer within the ten business day period specified in Section 14e-2(a) under the Exchange Act;

Allscripts terminates the Merger Agreement in response to a Superior Proposal or due to an Intervening Event; or

unless Misys exercised its option to force a vote of Allscripts stockholders, the Allscripts stockholder approval of the Share Issuance and the Required Amendments is not obtained, provided, that, after the date of the Merger Agreement and prior to the Allscripts stockholder meeting, (A) a *bona fide* Takeover Proposal is made to Allscripts or publicly to its stockholders which has not been withdrawn prior to such stockholders meeting or (B) any person shall have publicly announced its specific intention to make a *bona fide* Takeover Proposal, which shall not have been withdrawn prior to the Allscripts stockholder meeting and, in the case of (A) or (B), within twelve months after the date of such termination, Allscripts enters into a definitive agreement to consummate, or consummates, a Takeover Proposal, except that all references in the definition of Takeover Proposal to 20% are changed to 50.1%.

Pursuant to the Merger Agreement, MHS and Misys have agreed to pay to Allscripts an aggregate termination fee of GBP£7,136,657 (which was, as of the date of the Merger Agreement, equivalent to US\$14,281,883) if:

either Misys or MHS breaches, or is deemed to have breached, in any material respect its non-solicitation obligations, provided that, within twelve months after the date of such termination, MHS enters into a definitive agreement to consummate, or consummates, a Takeover Proposal, except that all references in the definition of Takeover Proposal to 20% are changed to 50.1%;

unless Allscripts exercised its option to force a vote of Misys shareholders, if the board of directors of Misys changes its recommendation to the shareholders with respect to their vote on the Merger and the Merger Agreement; or

Misys terminates the Merger Agreement in response to a Superior Proposal or due to an Intervening Event; or

unless Allscripts exercised its option to force a vote of Misys shareholders, the Misys shareholder approval of the Merger and the Merger Agreement is not obtained, provided, that, after the date of the Merger Agreement and prior to the Misys shareholder meeting, (A) a *bona fide* Takeover Proposal with respect to MHS is made to MHS, Misys or Misys shareholders which has not been withdrawn prior to such shareholders meeting or (B) any person shall have publicly announced its specific intention to make a *bona fide* Takeover Proposal with respect to MHS, which shall not have been withdrawn prior to the Misys shareholder meeting and, in the case of (A) or (B), within twelve months after the date of such termination, MHS enters into a definitive agreement to consummate, or consummates, a Takeover Proposal with respect to MHS, except that all references in the definition of Takeover Proposal to 20% are changed to 50.1%.

### **Voting Agreements (see page 89)**

In connection with the entry into the Merger Agreement, Allscripts entered into a voting agreement with each of ValueAct Capital Master Fund L.P. and ValueAct Capital Master Fund III, L.P. (collectively, ValueAct ), pursuant to which ValueAct has agreed, among other things, to vote its ordinary shares of Misys to



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approve the Merger, the Merger Agreement and the other transactions contemplated thereby and against any proposed adjournment of the meeting of Misys shareholder.

### **Relationship Agreement (see page 90)**

Allscripts and Misys entered into the Relationship Agreement on March 17, 2008. The Relationship Agreement sets forth the agreement between Misys and Allscripts with respect to certain governance and other matters, including:

the composition of the board of directors;

a voting agreement from Misys;

a standstill agreement that Misys will not acquire, without audit committee approval, more than sixty percent (60%) of the fully diluted number of shares of Allscripts common stock;

a prohibition on Misys selling, transferring or disposing of fifteen percent (15%) or more of the outstanding shares of Allscripts common stock unless approved by Allscripts board of directors;

anti-dilution protection for Misys in the event of issuances of Allscripts common stock, subject to limited exceptions, such as aggregate grants under Allscripts benefit plans under one and one-half percent (1.5%) of the fully diluted number of shares of Allscripts common stock; and

the provision of information within its possession or control to the other party that is required by such other party to comply with applicable regulatory requirements.

Substantially all of the provisions of the Relationship Agreement will become effective as of the effective time of the Merger.

### **Accounting Treatment (see page 67)**

The transactions will be accounted for under the purchase method of accounting for business combinations in accordance with accounting principles generally accepted in the United States. Under the purchase method of accounting, with MHS as the accounting acquiror, the assets and liabilities of Allscripts will be recorded, as of completion of the Transactions, at their respective fair values and added to those of MHS, which will be carried at their book values.

### **The Transactions and the Performance of Allscripts After the Transactions are Subject to a Number of Risks (see page 23)**

There are a number of risks relating to the Transactions and to the businesses of Allscripts, MHS and the combined company following the Transactions. See Risk Factors beginning on page 23 of this proxy statement for a discussion of these and other risks and see also the documents that we have filed with the SEC and which we have incorporated by reference into this proxy statement.

**Table of Contents****SELECTED HISTORICAL AND PRO FORMA FINANCIAL DATA**

The following selected historical and pro forma financial information is being provided to assist you in your analysis of the financial aspects of the Transactions. The information is only a summary and should be read in conjunction with the financial information included elsewhere in this document. In addition, see *Where You Can Find More Information* beginning on page 159, *Information About the Companies* beginning on page 33, *Management's Discussion and Analysis of Financial Condition and Results of Operation for MHS* beginning on page 106 and *Financial Statements of Misys Healthcare Systems* beginning on page F-1. The historical results included below and elsewhere in this proxy statement are not necessarily indicative of the future performance of Allscripts, MHS or the combined company after the completion of the Merger.

**Selected Historical Financial Data of Allscripts**

The following table sets forth selected historical consolidated financial data of Allscripts. The Allscripts annual historical information is derived from the audited consolidated financial statements of Allscripts as of and for each of the years in the five-year period ended December 31, 2007. The information as of and for the three months ended March 31, 2008 and 2007 has been derived from unaudited interim financial statements of Allscripts, and, in the opinion of Allscripts management, includes all normal and recurring adjustments that are considered necessary for the fair presentation of the results for the interim period of such company.

(in thousands of dollars,  
except per share data)

	<b>Three Months Ended March 31, 2008</b>		<b>2007</b>	<b>2007 (1)</b>	<b>Year Ended December 31,</b>			<b>2003 (3)</b>
	<b>2008</b>	<b>2007</b>		<b>2006 (2)</b>	<b>2005</b>	<b>2004</b>		
	<b>(Unaudited)</b>							
<b>Consolidated Statements of Operations Data:</b>								
Revenue	\$72,089	\$65,022	\$281,908	\$227,969	\$120,564	\$100,770	\$85,841	
Cost of revenue	36,048	32,749	141,495	112,031	65,689	58,122	55,169	
Gross profit	36,041	32,273	140,413	115,938	54,875	42,648	30,672	
Operating expenses:								
Selling, general and administrative expenses	31,393	22,374	101,666	85,798	43,908	37,653	36,058	
Amortization of intangibles	3,439	2,576	10,636	10,272	1,744	1,752	951	
Income (loss) from operations	1,209	7,323	28,111	19,868	9,223	3,243	(6,337)	
Interest and other income, net	565	1,037	3,961	3,163	4,003	1,582	1,358	
Interest expense	(1,644)	(933)	(3,715)	(3,712)	(3,516)	(1,717)		
Gain on sale of equity investment			2,392					
Income (loss) before income taxes	130	7,427	30,749	19,319	9,710	3,108	(4,979)	
Income tax expense	50	2,960	10,186	7,424				
Net income (loss)	\$80	\$4,467	\$20,563	\$11,895	\$9,710	\$3,108	(\$4,979)	
Net income (loss) per share basic	\$0.00	\$0.08	\$0.37	\$0.23	\$0.24	\$0.08	(\$0.13)	
Net income (loss) per share diluted	\$0.00	\$0.08	\$0.35	\$0.22	\$0.23	\$0.07	(\$0.13)	
Weighted-average shares used in computing basic net income (loss) per share	56,503	54,639	55,712	51,058	40,045	38,979	38,621	
Weighted-average shares used in computing diluted net income (loss) per share	57,503	64,462	64,671	53,367	43,068	41,592	38,621	



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except per share data)*

	Three Months Ended March 31, 2008    2007    2007			Year Ended December 31, 2006    2005    2004    2003 (3)			
	(Unaudited)						
<b>Other Operating Data:</b>							
Software and related services revenue	\$58,618	\$51,240	\$222,673	\$173,503	\$65,166	\$44,121	\$28,366
Prepackaged medication revenue	9,595	10,229	43,959	43,688	45,609	44,733	46,172
Information services revenue	3,876	3,553	15,276	10,778	9,789	11,916	11,303
<b>Total revenue</b>	<b>\$72,089</b>	<b>\$65,022</b>	<b>\$281,908</b>	<b>\$227,969</b>	<b>\$120,564</b>	<b>\$100,770</b>	<b>\$85,841</b>

*(in thousands of dollars)*

	As of March 31, 2008 (1)    2007    2007 (1)			As of December 31, 2006 (2)    2005    2004    2003 (3)			
	(Unaudited)						
<b>Consolidated Balance Sheet Data:</b>							
Cash, cash equivalents and marketable securities	\$61,381	\$90,016	\$63,003	\$83,038	\$146,063	\$128,239	\$51,309
Working capital	84,675	93,916	75,067	82,250	113,317	34,914	17,392
Goodwill and intangible assets, net	344,615	259,612	347,955	266,311	22,911	24,546	26,359
<b>Total assets</b>	<b>581,743</b>	<b>490,018</b>	<b>578,143</b>	<b>477,610</b>	<b>220,964</b>	<b>194,177</b>	<b>110,392</b>
Long-term debt	135,089	85,373	135,162	85,441	82,500	82,500	
<b>Total stockholders' equity</b>	<b>342,447</b>	<b>323,882</b>	<b>340,640</b>	<b>316,250</b>	<b>98,419</b>	<b>78,693</b>	<b>83,390</b>

- (1) On December 31, 2007, Allscripts completed its acquisition of Extended Care Information Network, Inc. ( ECIN ) for aggregate consideration of approximately \$93,525 in cash.
- (2) On March 2, 2006, Allscripts completed its acquisition of A4 Health Systems, Inc. ( A4 ) for aggregate consideration of \$227,730 in cash and 3,500 shares of Allscripts common stock.
- (3) On August 1, 2003, Allscripts acquired 100% of the outstanding common stock of Advanced Imaging Concepts, Inc. On August 8, 2003, Allscripts acquired certain assets and assumed certain liabilities of RxCentric.

**Table of Contents****Selected Historical Financial Data of MHS**

The selected combined financial data shown below should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations and MHS' combined financial statements and related notes included elsewhere in this report. The combined statements of operations data of MHS for the three years ended May 31, 2007, 2006 and 2005 and the consolidated balance sheet data of MHS at May 31, 2007, 2006 and 2005 are derived from the combined financial statements audited by PricewaterhouseCoopers LLP, which are included elsewhere in this report. The combined statements of operations data of MHS for the years ended May 31, 2004 and 2003 and the balance sheet data of MHS at May 31, 2004 and 2003 are derived from unaudited financial statements. The information as of and for the nine months ended February 29, 2008 and February 28, 2007 has been derived from unaudited interim financial statements of MHS, and, in the opinion of MHS management, includes all normal and recurring adjustments that are considered necessary for the fair presentation of the results for the interim period of such company.

(in thousands of dollars)

	Nine Months Ended February 29 and February 28, Respectively		Year Ended May 31,				
	2008	2007	2007	2006 (1)	2005	2004	2003
	(as restated)						
Revenue	\$286,722	\$282,748	\$379,693	\$381,736	\$362,515	\$334,628	\$323,301
Cost of revenue	130,741	141,691	189,128	196,763	194,043	181,640	180,755
Gross profit	155,981	141,057	190,565	184,973	168,472	152,988	142,546
Selling, general and administrative	92,957	83,308	121,101	112,135	105,825	95,957	93,358
Research and development	28,281	31,782	40,880	29,592	27,313	24,457	22,034
Amortization of intangibles	11,128	16,790	22,392	23,039	23,998	24,064	23,998
Income from operations	\$23,615	\$9,177	\$6,192	\$20,207	\$11,336	\$8,510	\$3,156

	As of February 29 and February 28, Respectively		As of May 31,				
	2008	2007	2007	2006 (1)	2005	2004	2003
	(as restated)						
<b>Balance Sheet Data</b>							
Total assets	\$184,725	\$180,296	\$171,247	\$199,148	\$186,880	\$209,282	\$230,201
Total long-term obligations (2)	1,006	1,096	944	2,308	17,961	34,382	46,019

(1) On January 30, 2006, MHS completed the acquisition of Payerpath, Inc. for aggregate consideration of approximately \$48,951 in cash. On March 1, 2006, MHS completed the acquisition of Amicore, Inc. for aggregate consideration of approximately \$3,875 in cash.

(2) Total long-term obligations include a non-current deferred tax liability balance of \$6, \$17,039, \$31,909, and \$45,237 as of May 31, 2006, 2005, 2004 and 2003, respectively. There was no deferred tax liability as of February 29, 2008, February 28, 2007, May 31, 2007 or May 31, 2006.

**Selected Unaudited Pro Forma Condensed Combined Financial Data**

The Merger will be accounted for under the purchase method of accounting, which means the assets and liabilities of Allscripts will be recorded, as of completion of the Merger, at their respective fair values and added to those of MHS, which will be carried at their book values. For a more detailed description of purchase accounting, see The Transactions Accounting Treatment of the Merger beginning on page 67 of this proxy statement.





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We have presented below selected unaudited pro forma condensed combined financial information that reflects the purchase method of accounting and gives effect to the Transactions, in the case of the income statement, as though the Merger had occurred as of June 1, 2006 and, in the case of the balance sheet information, as though the Merger had occurred as of February 29, 2008. **Allscripts is providing this selected unaudited condensed combined pro forma financial data for illustrative purposes only, and this information should not be relied upon for purposes of making any investment or other decisions.**

The unaudited pro forma condensed combined financial information give effect to the Transactions, which will be accounted for as a reverse acquisition under the purchase method of accounting. For this purpose, MHS will be deemed the accounting acquirer, and Allscripts will be deemed the accounting acquiree. The pre-acquisition combined financial statements of MHS will be treated as the historical financial statements of the combined company and Allscripts' historical stockholders' equity will not be carried forward to the combined company as of the date of the merger. MHS' historical financial statements have been prepared as a carve-out set of financial statements. The following summary unaudited pro forma condensed combined financial statements have been derived from and should be read together with the unaudited pro forma condensed combined financial statements and accompanying notes. The following summary unaudited pro forma condensed combined financial information assumes that the holders of Allscripts' convertible debentures convert into shares of Allscripts common stock prior to the record date for the special cash dividend.

The unaudited pro forma condensed combined financial information may have been different had the companies actually been combined as of June 1, 2006 or February 29, 2008. The selected unaudited pro forma condensed combined financial information does not reflect the effect of synergies that may result from the Transactions. You should not rely on the selected unaudited pro forma condensed combined financial information as being indicative of the historical results that would have occurred had the companies been combined or the future results that may be achieved after completion of the Transactions. The following selected unaudited pro forma condensed combined financial information has been derived from, and should be read in conjunction with, the Allscripts and MHS Unaudited Pro Forma Condensed Combined Financial Statements and related notes beginning on page 94 of this proxy statement.

	<b>For the nine months ended February 29, 2008</b>	<b>For the year ended May 31, 2007</b>
<b>Pro Forma Statement of Operations:</b>		
Total revenue	\$515,218	\$643,862
Total gross profit	\$277,500	\$325,479
Net income	\$ 28,414	\$ 16,014

	<b>As of February 29, 2008</b>
<b>Balance Sheet:</b>	
Total assets	\$1,380,042
Working capital	\$ 75,853
Long-term debt	\$ 53,531
Stockholders' equity	\$ 794,699

**Comparative Historical and Unaudited Pro Forma Per Share Data**

The following table sets forth selected pro forma and historical per share information of Allscripts, and unaudited pro forma condensed combined per share information reflecting the Merger, the Share Issuance and the special cash dividend, under the purchase method of accounting. Allscripts is providing this information for illustrative purposes only. You should read this information in conjunction with the selected historical financial

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information and financial information of MHS, included elsewhere in this proxy statement, the historical financial statements of Allscripts and related notes contained in the Allscripts annual report on Form 10-K for the year ended December 31, 2007, as amended, and the Allscripts quarterly report on Form 10-Q for the period ended March 31, 2008, which have been incorporated by reference into this proxy statement and the Allscripts and MHS Unaudited Pro Forma Condensed Financial Statements beginning on page 94 of this proxy statement, and in the other documents incorporated by reference herein that are described under the section entitled "Where You Can Find More Information" beginning on page 159.

The unaudited pro forma condensed combined per share information is derived from, and should be read in conjunction with, the Allscripts and MHS Unaudited Pro Forma Condensed Combined Financial Statements and related notes beginning on page 94 of this proxy statement. The historical per share information is derived from the audited financial statements of Allscripts as of and for the year ended December 31, 2007 and the unaudited financial statements of Allscripts for the three months ended March 31, 2008.

The unaudited pro forma condensed combined per share information does not purport to represent what the actual results of operations of Allscripts and MHS would have been had the companies been combined during the periods presented or to project Allscripts and MHS results of operations that may be achieved after completion of the Transactions.

MHS is a non-publicly traded subsidiary of Misys and, accordingly, per share historical data for MHS is omitted.

	<b>For the nine months ended February 29, 2008</b>	<b>For the year ended May 31, 2007</b>
<b>Allscripts Historical Data</b>		
Net income per share:		
Basic	\$0.18	\$0.33
Diluted	\$0.18	\$0.32
As of February 29, 2008:		
Book value per share (3)		\$5.92

	<b>For the nine months ended February 29, 2008</b>	<b>For the year ended May 31, 2007</b>
<b>Pro Forma Combined Data</b>		
Pro forma net income per share (1):		
Basic	\$0.20	\$0.11
Diluted	\$0.20	\$0.11
As of February 29, 2008:		
Pro forma book value per share (2)		\$5.45

- (1) Pro forma net income per share was calculated by dividing pro forma net income by the pro forma weighted average common shares outstanding as if the transaction had occurred on June 1, 2006.
- (2) Pro forma book value per share is computed assuming the transaction occurred on February 29, 2008 and is calculated by dividing pro forma stockholders' equity of \$794,699 as of February 29, 2008 by the pro forma total diluted common shares outstanding of 145,704.
- (3) Book value per share is computed by dividing stockholders' equity of \$342,447 as of February 29, 2008 by the diluted shares outstanding of 57,798.



**Table of Contents****Allscripts Common Stock Market Price and Dividend Information**

Allscripts common stock is currently traded on the NASDAQ National Market ( NASDAQ ) under the symbol MDRX. As of , 2008, there were shares of Allscripts common stock outstanding, held by approximately shareholders of record. On March 17, 2008, the last trading day before the announcement of the Transactions, the last sale price of Allscripts common stock reported by NASDAQ was \$8.76. On , 2008, the last practicable trading day prior to the date of this proxy statement, the last sale price of Allscripts common stock reported by NASDAQ was \$ . The following table sets forth the high and low sales prices of Allscripts common stock as reported by NASDAQ, for the periods indicated. For current price information, Allscripts stockholders are urged to consult publicly available sources.

	Allscripts Common Stock	
	High	Low
<b>Fiscal year Ended December 31, 2006</b>		
First Quarter	\$19.83	\$13.45
Second Quarter	\$19.85	\$15.85
Third Quarter	\$23.16	\$16.51
Fourth Quarter	\$29.18	\$21.82
<b>Fiscal year Ended December 31, 2007</b>		
First Quarter	\$31.38	\$24.07
Second Quarter	\$27.71	\$22.41
Third Quarter	\$28.08	\$22.21
Fourth Quarter	\$28.00	\$16.26
<b>Fiscal year Ending December 31, 2008</b>		
First Quarter	\$19.98	\$8.67
Second Quarter (through June 11, 2008)	\$13.43	\$10.12

Allscripts has not paid any dividends on its shares of common stock. Pursuant to the Merger Agreement, Allscripts will declare and pay the special dividend of \$330,000,000, in the aggregate, contingent upon the consummation of the Transactions. The special cash dividend will be paid on the fifth business day following the closing date of the Transactions to holders of record of Allscripts common stock (other than Misys and its affiliates) as of the close of business on the business day prior to such closing date.

As a non-publicly traded subsidiary of Misys, there is no established public trading market or pricing data for MHS units.

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### **RISK FACTORS**

*You should carefully consider each of the following risks, and all of the other information contained in this document and the annexes hereto, including the information incorporated by reference into this document, which includes the Risk Factors contained in Allscripts' Annual Report on Form 10-K for the fiscal year end December 31, 2007, in considering the proposed Transactions. Some of the risks described below relate principally to the business and the industry in which Allscripts will operate after the Transactions, while others relate principally to the Transactions. The remaining risks relate principally to the ownership of Allscripts common stock. The risks described below are not the only risks facing Allscripts following the Transactions. Additional risks and uncertainties not currently known or that are currently deemed to be immaterial may also materially and adversely affect Allscripts' business operations and financial condition or the price of Allscripts' common stock following completion of the Transactions.*

#### **Risks that Relate to the Transactions**

*The anticipated benefits from the Merger may not be realized.*

Allscripts entered into the Merger Agreement with the expectation that the Merger would result in various benefits, including, among other things, synergies, cost savings and operating efficiencies. Although we expect to achieve the anticipated benefits of the Merger, no assurance can be given that they will actually be achieved and achieving such benefits is subject to a number of uncertainties. Additionally, the elimination of duplicative costs may not be possible or may take longer than anticipated, the benefits from the Merger may be offset by costs incurred or delays in integrating MHS into Allscripts, and regulatory authorities may impose adverse conditions on Allscripts' business in connection with granting approval for the Transactions. If Allscripts fails to realize the benefits it anticipates from the acquisition, Allscripts' results of operations may be adversely affected.

*The integration of Allscripts and Misys may not be successful.*

After completion of the Transactions, Allscripts will have significantly more sales, assets and employees than it did prior to the Transactions. The integration process will require Allscripts to significantly expand the scope of its operations and financial systems. Allscripts' management will be required to devote a significant amount of time and attention to the process of integrating the operations of Allscripts' business and MHS. There is a significant degree of difficulty and management involvement inherent in that process. These difficulties include:

integrating the operations of MHS while carrying on the ongoing operations of each business;

managing a significantly larger company than before completion of the Transactions;

the possibility of faulty assumptions underlying Allscripts' expectations regarding the integration process;

coordinating businesses located in different geographic regions;

integrating two unique business cultures, which may prove to be incompatible;

attracting and retaining the personnel associated with MHS following the Merger;

creating uniform standards, controls, procedures, policies and information systems and minimizing the costs associated with such matters;

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integrating information, purchasing, accounting, finance, sales, billing, payroll and regulatory compliance systems;

changing the Allscripts fiscal year to end May 31, in coordination with the current MHS fiscal year, as well as changes in Allscripts auditors to those of MHS and aligning accounting controls of the two companies;

preserving customer, supplier, research and development, distribution, marketing, promotion and other important relationships of Allscripts and MHS; and

commercializing products under development and increasing revenues from existing marketed products.

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Allscripts cannot assure its stockholders that MHS will be successfully or cost-effectively integrated into Allscripts. The process of integrating MHS into Allscripts' operations may cause an interruption of, or loss of momentum in, the activities of Allscripts' business after completion of the Transactions. If Allscripts management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, Allscripts' business could suffer and its results of operations and financial condition may be harmed.

***The number of shares to be issued to Misys in connection with the Transactions will not be adjusted in the event the value of the business or assets of MHS declines before the Transactions are completed.***

The calculation of the number of shares of Allscripts common stock to be issued to Misys in connection with the Transactions will not be adjusted in the event the value of the business or assets of MHS declines prior to the consummation of the Transactions or the value of Allscripts increases prior to the consummation of the Transactions. Allscripts will not be required to consummate the Transactions if there has been any material adverse effect (as this term is described in The Merger Agreement Representations and Warranties on page 71) on MHS. However, Allscripts will not be permitted to terminate the Merger Agreement or resolicit the vote of Allscripts stockholders because of any changes in the market price of Allscripts' common stock or any changes in the value of MHS that does not rise to the level of a material adverse effect on MHS.

***Current Allscripts equityholders' ownership interest in Allscripts will be substantially diluted.***

Following the consummation of the Transactions, Allscripts' equityholders will, in the aggregate, own a significantly smaller percentage of Allscripts than they own immediately prior to the Transactions. Following consummation of the Transactions, Allscripts' equityholders, which includes holders of our convertible debentures, immediately prior to the Transactions are expected to collectively own approximately 45.5% of Allscripts on a fully diluted basis. Additionally, Allscripts stockholders could own as little as 41.6% of the outstanding common stock of Allscripts and related voting power after consummation of the Transactions. Consequently, Allscripts' stockholders, as a group, will be able to exercise significantly less influence over the management and policies of Allscripts following the Merger than they will exercise over the management and policies of Allscripts immediately prior to the Merger. Additionally, Misys will be a majority stockholder in Allscripts and will have the power to block or approve most actions or proposals. The Required Amendments also include an amendment to Allscripts' certificate of incorporation to increase Allscripts' authorized capital stock, which results in an increase in the number of shares of our common stock that are available to be issued in the future.

***The number of shares of Allscripts common stock to be issued to Misys for Misys to reach the 54.5% fully diluted ownership percentage takes into consideration all of the shares issuable upon conversion of our 3.50% Convertible Senior Debentures. However, the shares into which the debentures are convertible may never be issued or only a portion of them may be issued, which would result in Misys' ownership percentage being substantially higher than 54.5% and possibly as high as 58.4%.***

When calculating the number of shares of our common stock issuable to Misys in connection with the Transactions, the number of shares into which debentures outstanding on the closing date are convertible will be included in the calculation. However, such shares of our common stock underlying the debentures may never be issued, or may only be issued in part, for a variety of reasons outside of Allscripts' control, including the decision of a debenture holder to hold the debentures until maturity or to require us to repurchase debentures for cash after the closing of the Transactions. Moreover, the Transactions will result in an antidilution adjustment to increase the number of shares of our common stock issuable upon conversion of any debentures outstanding as of the close of business on the dividend record date. These additional shares resulting from the antidilution adjustment, which will be included in calculation of the number of shares issuable to Misys, may never be issued, or may only be issued in part. Additionally, the number of shares of Allscripts common stock issuable for in-the-money options and the restricted stock grants granted after execution of the Merger Agreement will also be included in calculating the number of Allscripts shares issuable to Misys. As a result, the percentage of our outstanding shares of common stock (and associated voting power) and fully-diluted shares owned by Misys could be



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significantly higher than 54.5%. We currently estimate that Misys' ownership percentage of our outstanding common stock immediately after the consummation of the Transactions will be between 54.5% and 58.4%. This increase in ownership percentage will further reduce Allscripts pre-Merger stockholders' ability to influence management or matters submitted to a vote of stockholders.

### ***Holders of our 3.50% Convertible Senior Debentures have the right to require us to repurchase their debentures for cash as a result of the Transactions.***

The consummation of the Transactions will be a change of control, as defined in the indenture relating thereto, thus triggering the right of holders of our 3.50% convertible senior debentures to require us to repurchase, in cash, all or any portion of their debentures at a price equal to 100% of the principal amount of the debentures being repurchased, plus accrued and unpaid interest, if any, pursuant to the terms of the indenture relating thereto. We may not have sufficient funds on hand or available through existing borrowing facilities to repurchase all of the outstanding debentures and, thus, we may need to seek additional financing to repurchase debentures as required under the indenture related thereto. However, there can be no assurances that we will be able to obtain any such financing on terms favorable to us, if at all. Failure to repay or repurchase tendered debentures will result in an event of default with respect to the debentures.

### ***Allscripts will incur significant transaction and merger costs related to the consummation of the Transactions that could have an adverse effect on its operating results.***

Allscripts will incur financial advisor fees, filing fees, soliciting fees, legal and accounting costs and certain other transaction related costs that it estimates will be approximately \$15 million in connection with the Transactions. Further, under the Merger Agreement, Allscripts has agreed to pay up to \$5 million of the merger related expenses of MHS and Misys. In addition, Allscripts anticipates that it will incur significant costs in connection with the integration of MHS and its current operations. Allscripts is in the early stages of assessing the magnitude of these integration costs and, therefore, is unable to estimate the dollar value thereof. Allscripts may incur additional unanticipated costs in connection with the Transactions and related to the integration of MHS. Although Allscripts expects that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the business, will offset incremental transaction, merger-related and integration costs over time, we cannot assure you that this net benefit will be achieved in the near term or at all.

### ***Allscripts and MHS will be subject to business uncertainties and contractual restrictions while the Transactions are pending which could adversely affect their businesses.***

Uncertainty about the effect of the Transactions on employees and customers may have an adverse effect on Allscripts and MHS and, consequently, on Allscripts as the combined company after completion of the Transactions. Although Allscripts and Misys intend to take steps to reduce any adverse effects, these uncertainties may impair Allscripts' and MHS' ability to attract, retain and motivate key personnel until the Transactions are consummated and for a period of time thereafter, and could cause customers, suppliers and others that deal with Allscripts and MHS to seek to change existing business relationships. Employee retention may be particularly challenging during the pendency of the Transactions, as employees may experience uncertainty about their future roles with Allscripts. If, despite Allscripts' and MHS' retention efforts, key employees depart because of issues relating to the uncertainty and difficulty of integration or a desire not to remain, Allscripts' business after completion of the Transactions could be seriously harmed. In addition, the Merger Agreement restricts Allscripts and MHS from making certain acquisitions and taking other specified actions until the Transactions occur or the Merger Agreement terminates. These restrictions may prevent Allscripts and MHS from pursuing otherwise attractive business opportunities and making other changes to their businesses that may arise prior to completion of the Transactions or termination of the Merger Agreement. Please see the section titled "The Merger Agreement - Covenants" beginning on page 73 of this proxy statement for a description of the restrictive covenants applicable to Allscripts and MHS.

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*The historical financial information of MHS may not be representative of its results if it had been operated independently of Misys or as a subsidiary of Allscripts and, as a result, may not be a reliable indicator of its future results.*

MHS is currently a fully integrated business unit of Misys. Consequently, the financial information of MHS included in this document is not representative of MHS' future financial position, future results of operations or future cash flows, nor does it reflect what MHS' financial position, results of operations or cash flows would have been either as a stand alone company or as a subsidiary of Allscripts. This is because such financial information reflects allocation of expenses from Misys, based on Misys' assumptions, that may be different from the assumptions and allocations that would have been made if MHS was a subsidiary of Allscripts. As a result, the historical financial information of MHS may not be a reliable indicator of its future results as a subsidiary of Allscripts.

*Failure to consummate the Transactions could adversely impact the market price of Allscripts' common stock as well as Allscripts' business, financial condition and results of operations.*

If the Transactions are not completed for any reason, the price of Allscripts' common stock may decline. In addition, Allscripts may be subject to additional risks, including:

depending on the reasons for and the timing of the termination of the Merger Agreement, the requirement in the Merger Agreement that Allscripts pay Misys and MHS an aggregate termination fee of \$14,281,883;

substantial costs related to the acquisition, such as legal, accounting, filing, financial advisory and financial printing fees, which must be paid regardless of whether the Transactions are completed; and

potential disruption to the business of Allscripts and distraction of its workforce and management team.

*The uncertain reporting of the special cash dividend may result in stockholders overpaying income taxes and having to file amended tax returns.*

For U.S. federal income tax purposes, the special cash dividend should be taxable as a dividend to the extent of Allscripts' current and accumulated earnings and profits, thereafter treated as a tax-free return of capital that reduces a stockholder's tax basis in its Allscripts common stock, and, after a stockholder's basis is reduced to zero, treated as taxable gain.

The special dividend is expected to exceed Allscripts' current and accumulated earnings and profits by a significant amount. Therefore, for U.S. federal income tax purposes, the special cash dividend is expected to be treated in part as a taxable dividend and in part as a tax-free return of capital that reduces stockholders' tax basis in their shares, and therefore is expected to have the effect of increasing the amount of gain (or decreasing loss) otherwise recognized upon a subsequent sale of Allscripts common stock. However, the portion of the special cash dividend that will be taxable as a dividend will not be determined until after the end of the year paid, and possibly not until after the due date for tax returns on which the dividend must be reported, because that determination depends on the earnings and profits of Allscripts through the close of the year paid. Not later than January 31 of the following year, Allscripts will be required to send information returns to stockholders reporting the special cash dividend, and copies of the information returns are also required to be filed by Allscripts with the U.S. Internal Revenue Service. Also, stockholders will be required to report the special cash dividend on their tax returns for the taxable year of a stockholder in which the dividend is taken into account, which in the case of individuals are generally required to be filed on or before April 15 of the following year (assuming no extension). It is not expected that the determination of the taxable amount of the special cash dividend will be made prior to the due date for such information returns, and may not be made prior to the due date for tax returns required to be filed by stockholders. Stockholders might also be required to make estimated tax filings with respect to which the treatment of the special cash dividend is relevant prior to such determination.

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Assuming that the taxable amount of the special cash dividend is not determined at the time Allscripts files the information returns, Treasury Regulations require that on the information returns required to be prepared by Allscripts the entire amount of the special cash dividend be reported as a taxable dividend. If, as expected, the special cash dividend exceeds the earnings and profits of Allscripts, the information returns will overstate the amount taxable as a dividend. The Internal Revenue Service has not provided clear guidance on how stockholders should file their tax returns in these circumstances. Allscripts currently intends to provide stockholders with an amended information return, reflecting its determination of the portion of the special cash dividend constituting a taxable dividend, as soon as practicable after such determination is made, which is not expected to be made until after Allscripts' federal income tax return for the year of payment is completed. For example, assuming a 2008 dividend, the due date for Allscripts' 2008 federal income tax return, taking into account expected extensions, is September 15, 2009. Thus, stockholders may need to file an amended tax return to reflect the correct amount of the taxable dividend.

The portion of the special cash dividend that does not constitute a dividend for tax purposes will affect a stockholder's tax basis in its Allscripts common stock. As a result, until the exact amount of the special cash dividend constituting a taxable dividend is determined, stockholders who sell their Allscripts common stock will face uncertainty with respect to the computation of any gain or loss on the sale. Stockholders who report the full amount of the special cash dividend as a dividend must reduce their tax basis by the amount ultimately determined not to constitute a dividend whether or not they amend their originally filed return. Stockholders who report gain or loss from a sale of Allscripts common stock prior to the time a determination is made as to the taxable amount of the special cash dividend may need to file an amended tax return to reflect the correct amount of gain or loss, after taking into account the effect of the special cash dividend on the tax basis of the shares sold.

In the case of a non-U.S. holder, the amount of the special cash dividend constituting a dividend for U.S. federal income tax purposes will generally be subject to U.S. federal income tax at a rate of thirty percent (30%) (or a lower rate specified in any applicable income tax treaty). The thirty percent (30%) income tax is generally collected by way of withholding. Because the amount of the special cash dividend constituting a dividend for U.S. federal income tax purposes will not be known at the time the special cash dividend is paid, it is expected that Allscripts or another U.S. withholding agent will withhold thirty percent (30%) from the gross amount of the special cash dividend paid to any non-U.S. holder (or such lower amount as is specified in an applicable income tax treaty). As a result, non-U.S. holders can expect that amounts withheld will exceed by a significant amount the taxes for which they are ultimately responsible. Non-U.S. holders may generally obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service. As noted above, however, the amount of the special cash dividend constituting a dividend may not be known until the year following the year of payment, after Allscripts' federal income tax return for the year of payment is completed. Thus, non-U.S. holders may face significant delays in recovering any excess withheld amounts.

***The Merger Agreement contains provisions that may discourage other companies from trying to acquire Allscripts.***

The Merger Agreement contains provisions that may discourage a third party from submitting a business combination proposal to Allscripts prior to the closing of the Transactions that might result in greater value to Allscripts stockholders than the Transactions. The Merger Agreement generally prohibits Allscripts from soliciting any takeover proposal. In addition, if the Merger Agreement is terminated by Allscripts or Misys in circumstances that obligate Allscripts to pay a termination fee, Allscripts' financial condition may be adversely affected as a result of the payment of the termination fee and transaction expenses, which might deter third parties from proposing alternative business combination proposals.

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***Some of the directors and executive officers of Allscripts have interests and arrangements that could have affected their decision to support or approve the Merger Agreement and the Transactions.***

Executive officers of Allscripts negotiated the terms of the Merger Agreement and the Allscripts board of directors approved the Merger Agreement and the other transactions contemplated thereby. These executive officers and directors may have interests in the Transactions that are different from, in addition to, or in conflict with, those of Allscripts stockholders generally and could have affected their decision to support or approve the Merger Agreement and the Transactions. These interests include the continued employment of Allscripts executive officers, including the retention and success bonuses that may be payable to each of our chief executive officer, president and chief financial officer, the continued positions of certain Allscripts directors, the treatment of the Transactions under Allscripts equity incentive plans and employment agreements with its executive officers as a change of control and other interests described under The Transactions Interests of Certain Persons in the Transactions beginning on page 58 of this proxy statement.

***The Transactions will result in an annual limitation on the ability of Allscripts to utilize net operating losses in tax years ending after the Transactions.***

As of December 31, 2007 the net operating loss carryover of Allscripts for federal income tax purposes was believed to be approximately \$205 million. The Transactions will result in an ownership change within the meaning of Section 382 of the Internal Revenue Code. As a result, in years ending after the Transactions, Allscripts use of its net operating loss carryovers will be subject to an annual limitation. Although Allscripts does not expect the annual limitation to have a material adverse effect on its cash flow in future periods, the actual effect of the annual limitation will depend on future circumstances and therefore it is not possible to predict with certainty the effect of the annual limitation. See The Transactions-Special Tax Considerations on page 69.

### **Other Risks that Relate to Allscripts and MHS after the Transactions**

***The application of the purchase method of accounting will result in additional goodwill which could become impaired and adversely affect Allscripts net worth and the market value of Allscripts common stock.***

Under the purchase method of accounting, the assets and liabilities of Allscripts will be recorded, as of completion of the Transactions, at their respective fair values and added to those of MHS, which will be carried at their book values. The purchase price will be allocated to Allscripts tangible assets and liabilities and identifiable intangible assets, if any are identified, based on their fair values as of the date of completion of the Merger. The excess of such price over those fair values will be recorded as goodwill. Goodwill and other acquired intangibles expected to contribute indefinitely to Allscripts cash flows are not amortized, but must be evaluated by management at least annually for impairment. To the extent the value of goodwill or intangibles becomes impaired, Allscripts may be required to incur material charges relating to such impairment. Such a potential impairment charge could have a material impact on the combined company's operating results.

***Allscripts will be affected by restrictions on its ability to issue equity awards to employees after the consummation of the Transactions, which may make it more difficult for Allscripts to retain or attract key employees.***

Pursuant to the Relationship Agreement, Allscripts will be subject to restrictions and conditions on the issuance of equity awards to its employees after consummation of the Transactions. As a result, it may be more difficult for Allscripts to retain its key employees or attract new employees. Allscripts results of operations and financial condition may be adversely affected as a result thereof.

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*If the combined Allscripts-Misys fails to maintain proper and effective internal controls, our ability to produce accurate financial statements could be impaired, which could adversely affect our operating results, our ability to operate our business and our stock price.*

Commencing as early as the fiscal year ended May 31, 2009, the combined Allscripts-Misys must perform system and process evaluation and testing of our internal control over financial reporting to allow management and our independent registered certified public accounting firm to begin reporting on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. Although Allscripts currently is subject to these requirements under the Sarbanes-Oxley Act, MHS is not and MHS has not performed the system and process evaluation and testing of its internal control over financial reporting. This testing, or the subsequent testing by our independent registered certified public accounting firm, may reveal deficiencies in the combined entity's internal control over financial reporting that are deemed to be material weaknesses. Moreover, if the combined entity is not able to comply with the requirements of Section 404 in a timely manner, or if it or its independent registered certified public accounting firm identifies deficiencies in the combined Allscripts-Misys internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by the NASDAQ, the SEC or other regulatory authorities, which would require additional financial and management resources.

### **Other Risks that Relate to an Investment in Allscripts Common Stock**

*The trading price and trading volume of Allscripts common stock may be more volatile following completion of the Transactions.*

Allscripts cannot predict how investors in Allscripts common stock will behave after completion of the Transactions. The trading price for shares of common stock of Allscripts following completion of the Transactions may be more volatile than the trading price of shares of Allscripts common stock before completion of the Transactions. The trading price of shares of Allscripts common stock could fluctuate significantly for many reasons, including the risks identified in this proxy statement, or reasons unrelated to Allscripts performance. Additionally, the fact that Allscripts will have a majority stockholder after completion of the Transactions could result in less trading volume in Allscripts common stock. These factors and other factors beyond Allscripts control may result in reduced trading volume and/or increased volatility in Allscripts common stock and/or short- or long-term reductions in the value of Allscripts securities.

*After the completion of the Transactions, Misys will have voting power to block future Allscripts business combinations.*

Under our proposed amended charter and by-laws, approval of actions by stockholders requires a majority of the shares of common stock present in person and entitled to vote on the matter except as otherwise required by Delaware law. Because of the size of Misys' interest in Allscripts following the Merger, Misys will have the ability to control or significantly influence the outcome of most matters submitted to a stockholder vote following the Merger. Misys' interests with respect to any matter which is subject to a stockholder vote may diverge from or conflict with those of Allscripts and its other stockholders. In addition, it will likely be impracticable (as long as Misys retains a majority ownership stake in Allscripts) for a third party to acquire Allscripts through a merger or similar business combination without Misys' approval. Additionally, pursuant to the Relationship Agreement, Misys will have the right to name six of Allscripts' initial ten directors, as well as the Chairman of the Board at the time of the consummation of the Transactions, and Misys' rights to nominate certain numbers of directors will continue so long as it owns specified percentages of Allscripts common stock.

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*We expect to qualify for and intend to rely on exceptions from certain corporate governance and other requirements under the rules of NASDAQ.*

We expect to qualify for exceptions from certain corporate governance and other requirements of the rules of NASDAQ. Pursuant to these exceptions, we will elect not to comply with certain corporate governance requirements of NASDAQ, including the requirements (i) that a majority of our board of directors consist of independent directors, (ii) that we have a nominating/corporate governance committee that is composed entirely of independent directors and (iii) that we have a compensation committee that is composed entirely of independent directors. Accordingly, you will not have the same protections afforded to equityholders of entities that are subject to all of the corporate governance requirements of NASDAQ.

*The interests of Misys may differ from the interests of other holders of Allscripts common stock.*

Immediately after completion of the Transactions, Misys will own approximately 54.5% of Allscripts' outstanding common stock on a fully diluted basis and a higher percentage of the actually outstanding common stock, possibly as much as 58.4%. Accordingly, Misys will have the ability to control or significantly influence management, the board of directors and other affairs, subject to the provisions of the Required Amendments and Additional Amendments which vest authority to approve certain matters in committees of the board comprised entirely of Legacy Allscripts Directors (as defined below) or by a majority of Legacy Allscripts Directors. In addition, Misys will be able to determine the outcome of all matters requiring stockholder approval (such as a proposed sale of all or substantially of all our assets or the approval of a merger or consolidation involving Allscripts), subject to the voting agreements contained in the Relationship Agreement. The interests of Misys may differ from those of other holders of Allscripts common stock in material respects. For example, Misys may have an interest in pursuing acquisitions, divestitures, financings or other transactions that, in its judgment, could enhance its investment, even though such transactions might involve risks to other holders of Allscripts common stock. Additionally, Misys may determine that the disposition of some or all of its interests in Allscripts would be beneficial to Misys at a time when such disposition could be detrimental to the other holders of Allscripts common stock.

*Sales of Allscripts common stock by Misys after the Transactions may negatively affect the market price of Allscripts common stock.*

While the shares of Allscripts common stock issued in the Transactions to Misys will be not be registered and will be subject to transfer restrictions, sales of a large number of such shares, or even the perception that these sales could occur, could cause a decline in the market price of our common stock. Furthermore, pursuant to the Relationship Agreement, Allscripts has an obligation to negotiate in good faith to grant Misys customary registration rights, thereby facilitating such sales of Allscripts shares.

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**CAUTIONARY STATEMENT ON FORWARD-LOOKING STATEMENTS**

This proxy statement contains forward-looking statements. Forward-looking statements include all statements other than those made solely with respect to historical fact. Forward-looking statements may be identified by words such as believes, expects, anticipates, estimates, projects, intends, should, seeks, future, continue, or the negative of such terms, or other comparable terminology. Such statements include, but are not limited to, statements about the expected benefits of the Transactions, including potential synergies and cost savings, future financial and operating results, and the combined company's plans and objectives. In addition, statements made in this proxy statement about anticipated financial results, future operational improvements and results or regulatory approvals are also forward-looking statements. Such forward-looking statements are subject to numerous risks, uncertainties, assumptions and other factors that are difficult to predict and that could cause actual results to vary materially from those expressed in or indicated by them.

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

the occurrence of any event, development, change or other circumstances that could give rise to the termination of the Merger Agreement;

the outcome of any legal proceeding that has been or may be instituted against Allscripts, Misys or MHS and others following announcement of entry into the Merger Agreement;

the inability to complete the Transactions due to the failure to obtain stockholder approvals or the failure of any party to satisfy other conditions to completion of the Transactions;

risks that the Transactions disrupt current plans and operations and potential difficulties in employee retention as a result of the Transactions;

the ability to recognize the benefits of the Merger;

legislative, regulatory and economic developments; and

those factors discussed in Risk Factors included above and in Allscripts' periodic filings with the SEC incorporated in this document by reference.

Many of the factors that will determine the outcome of the subject matter of this proxy statement are beyond Allscripts', Misys' and MHS' ability to control or predict. Allscripts can give no assurance that any of the Transactions will be completed or that the conditions to the Transactions will be satisfied. Because forward-looking statements are subject to assumptions and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Stockholders are cautioned not to place undue reliance on such statements, which speak only as of the date of this proxy statement or the date of any document incorporated by reference.

All subsequent written and oral forward-looking statements concerning the Transactions or other matters addressed in this proxy statement and attributable to Allscripts or any person acting on Allscripts' behalf are expressly qualified in their entirety by the cautionary statements contained or referred to in this section. Except to the extent required by applicable law or regulation, Allscripts undertakes no obligation to revise or update any forward-looking statement, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise.

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**CAUTIONARY STATEMENT CONCERNING INFORMATION OF  
MISYS AND ITS AFFILIATES**

Except as specifically described herein, the information concerning Misys, MHS and their affiliates contained in this proxy statement has been taken from or is based upon information furnished by Misys or its representatives. Allscripts has no knowledge that would indicate that any statements contained herein based on such documents and records are untrue. However, neither Allscripts nor any of its affiliates assumes any responsibility for the accuracy, currency or completeness of the information furnished by Misys concerning Misys, MHS or their affiliates.



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### **INFORMATION ABOUT THE COMPANIES**

#### **Allscripts Healthcare Solutions, Inc.**

222 Merchandise Mart Plaza, Suite 2024

Chicago, Illinois 60654

Telephone: (866) 358-6869

<http://www.allscripts.com>

Allscripts is a leading provider of clinical software, connectivity and information solutions that physicians use to improve healthcare. Allscripts unique solutions inform, connect and transform healthcare, delivering improved care at lower cost. More than 40,000 physicians and thousands of other healthcare professionals in clinics, hospitals and extended care facilities nationwide utilize Allscripts to automate everyday tasks such as writing prescriptions, documenting patient care, managing billing and scheduling, and safely discharging patients, as well as to connect with key information and stakeholders in the healthcare system. The software and related services segment of our business provides clinical software solutions, including EHR, electronic prescribing ( e-prescribing ), practice management, EDIS, hospital care management solutions, and document imaging solutions. Our information services segment, through our Physicians Interactive business unit, provides clinical education and information solutions for physicians and patients. The prepackaged medications segment of our business provides prepackaged medication fulfillment solutions, which includes both medications and software for dispensing and inventory control.

#### **Clinical Solutions**

*EHR/Practice Management Physician Practice Solutions.* EHR solutions automate the collection and management of clinical data, allowing physician practice groups to enter, organize, and effectively utilize secure patient chart information at the point of care. EHR solutions also streamline practice-wide clinical workflow and communication and help physicians manage lab orders, results and other data. EHR solutions can improve healthcare quality and reduce costs by preventing medical errors, reducing paperwork and reducing administrative inefficiencies. Practice management systems automate administrative workflow, including scheduling, patient billing and collection and claims management. Practice management systems improve the efficiency of operations within a physician practice, particularly the financial aspects of the practice related to billing and reimbursement.

*Hospital Emergency Department Solutions.* Hospital emergency department information systems automate emergency room processes, including patient registration, triage, tracking and reporting. Hospital emergency department information systems enable hospitals to better manage patient flow and emergency department activity.

*Hospital Care Management Solutions.* Hospital care management programs automate processes related to case management, quality management and utilization management. Care management programs help hospitals manage length of stay, billing and claims processing, and patient care resources. Another key element of the care management process is arranging for the transfer of patients to post-acute facilities.

#### **Physicians Interactive**

Clinical education and information solutions programs link physicians with pharmaceutical companies, medical product suppliers and health plans through e-mail, surveys, and online interactive programs. These web-based programs, often referred to as e-Detailing, use interactive sessions to provide product information and clinical education to physicians. Pharmaceutical companies leverage e-Detailing to assist in the marketing and sales efforts for their products. Our physicians interactive business unit offers electronic marketing and educational programs to pharmaceutical companies, and delivers these programs to a network of physicians nationwide through an interactive web-based platform.

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### **Medication Solutions**

The market for the sale of prepackaged medications to physicians for on-site dispensing includes medications distributed for occupational health, workers compensation, urgent care and bariatric facilities. On-site dispensing offers provider organizations an opportunity to improve financial performance by adding an incremental source of revenue and reducing expenses related to prescription transmission, billing and processing. From a patient perspective, the dispensing of medications at the point of care provides an increased level of convenience, privacy and treatment compliance, whether in the physician's office, at a clinic or at the patient's place of employment.

Additional information about Allscripts is available on our website at [www.allscripts.com](http://www.allscripts.com). The information contained on our website is not incorporated into, and does not form a part of, this proxy statement or any other report or document on file with or furnished to the SEC.

For additional information about Allscripts and our business, please refer to "Where You Can Find More Information" on page 159.

### **Patriot Merger Company, LLC**

c/o Allscripts Healthcare Solutions, Inc.

222 Merchandise Mart Plaza, Suite 2024

Chicago, Illinois 60654

Telephone: (866) 358-6869

Patriot Merger Company, LLC, which we refer to herein as "Merger Sub," is a North Carolina limited liability company and a direct wholly-owned subsidiary of Allscripts. Merger Sub was formed for the purpose of completing the Merger and has not engaged in any business activities.

### **Misys plc**

125 Kensington High Street

London W8 5SF

United Kingdom

Telephone: +44 20 7368-2300

<http://www.misys.com>

Misys is one of the world's longest-established providers of industry-specific software and a leader in the global application software and services market. Founded in 1979, Misys provides mission critical software to clients in the international banking and healthcare industries, combining technological expertise with an in-depth understanding of customers' markets and operational needs.

Misys shares trade on the London Stock Exchange. Headquartered in London, Misys employs 4,500 people worldwide serving customers in more than 120 countries. Misys has the following businesses in addition to MHS:

Banking: delivers retail banking, corporate/wholesale banking (including trade finance and payments) and universal banking integrated solutions that drive revenue generation, performance and efficiency improvements for financial institutions across the globe; and

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Treasury and Capital Markets: creates integrated, comprehensive solutions for financial institutions and corporate treasury departments across the globe, enabling them to manage their capital market activities across multiple asset classes. In banking and treasury and capital markets Misys has over 1,200 customers, including the world's top 50 banks.

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**Misys Healthcare Systems, LLC**

Misys Healthcare Systems

8529 Six Forks Road

Raleigh, NC 27615

Telephone: (919) 847-8102

*<http://www.misyshealthcare.com>*

MHS delivers integrated, comprehensive solutions that improve results for healthcare practitioners. Drawing on decades of healthcare experience, relationships with more than 110,000 healthcare professionals, and its commitment to customer success, MHS delivers innovative software and services that assists physicians, caregivers, and a connected healthcare community.

MHS suite of solutions includes practice management applications such as Misys Tiger and Misys Vision, electronic medical record software such as Misys EMR, and revenue cycle management applications like Misys Payerpath. In addition, MHS sells Misys MyWay , an integrated solution offering electronic medical record, practice management and revenue cycle solutions in one solution. MHS also competes successfully in the Homecare and Hospice segments with customized solutions calibrated to the unique needs of caregivers in that field.

Additionally, MHS offers a wide range of services to its customers, including training, implementation and optimization services. MHS has over 1,500 employees.

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**CHAPTER TWO**

**INFORMATION ABOUT THE ALLSCRIPTS ANNUAL MEETING**

**General; Date; Time and Place; Purposes of the Meeting**

The enclosed proxy is solicited on behalf of Allscripts' board of directors for use at the annual meeting of stockholders to be held on \_\_\_\_\_, 2008, at \_\_\_\_\_:00 p.m., local time, or at any adjournments or postponements of the annual meeting, for the purposes set forth in this document and in the accompanying notice of annual meeting. The annual meeting will be held at the \_\_\_\_\_, located at \_\_\_\_\_. This document and the accompanying proxy card are being mailed on or about \_\_\_\_\_, 2008 to all stockholders entitled to vote at the annual meeting.

At the annual meeting, stockholders will be asked:

to approve the issuance of shares of Allscripts common stock in connection with the Transactions (the "Share Issuance");

to approve the amendment and restatement of the certificate of incorporation of Allscripts as set forth in Annex B (the "Required Amendments");

to approve the additional amendment and restatement of the certificate of incorporation and by-laws of Allscripts set forth in Annex C (the "Additional Amendments");

to elect two directors, each to serve a term expiring at the third annual meeting of stockholders following their election;

to ratify the appointment of Grant Thornton LLP as our independent registered public accounting firm for 2008;

to adjourn the annual meeting to solicit additional proxies if there are not sufficient votes at the time of the annual meeting to approve the Share Issuance and Required Amendments; and

to transact any and all other business that may properly come before the annual meeting or any adjourned or postponed session of the annual meeting.

A copy of the Merger Agreement is attached to this document as Annex A. All stockholders of Allscripts are urged to read the Merger Agreement carefully and in its entirety.

A copy of the Required Amendments is attached to this document as Annex B, and a copy of the Additional Amendments is attached to this document as Annex C. All stockholders of Allscripts are urged to read such amendments and restatements carefully and in their entirety.

Allscripts does not expect a vote to be taken on any other matters at the annual meeting. If any other matters are properly presented at the annual meeting for consideration, however, the holders of the proxies, if properly authorized, will have discretion to vote on these matters in accordance with their best judgment.

When this document refers to the annual meeting, it is also referring to any adjournment or postponement of the annual meeting, if necessary.

**Record Date; Voting Information; Required Votes**

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Stockholders of record of Allscripts common stock at the close of business on \_\_\_\_\_, 2008, the record date for the annual meeting, are entitled to notice of, and to vote at, the annual meeting and any adjournments thereof. At the close of business on the record date, \_\_\_\_\_ shares of Allscripts common stock were outstanding and entitled to vote. Stockholders are entitled to one vote on each matter submitted to the stockholders for each share of Allscripts common stock held as of the record date.

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Shares entitled to vote at the annual meeting may take action on a matter at the annual meeting only if a quorum of those shares exists. The presence at the meeting, in person or by proxy, of the holders of one-third of the outstanding shares of Allscripts common stock entitled to vote at the annual meeting will constitute a quorum for the transaction of business at the annual meeting. If a share is represented for any purpose at the annual meeting, it will be deemed present for purposes of determining whether a quorum exists.

Under the rules that govern brokers who have record ownership of shares that are held in brokerage accounts for their clients, who are the beneficial owners of those shares, brokers typically have the authority to vote on routine proposals, such as the uncontested election of directors and ratification of auditors, when they have not received instructions from beneficial owners. Absent specific instructions from the beneficial owner of the shares, however, brokers are not allowed to exercise their voting discretion with respect to the approval of non-routine matters, such as the Share Issuance, the Required Amendments and the Additional Amendments. Where a broker with discretionary authority fails to exercise such authority with respect to any proposal, referred to as a broker non-vote, such proxy is counted toward the quorum required at the annual meeting. For the purposes of determining whether a proposal has been approved, an abstention or broker non-vote on the proposal will have the following effect:

Share Issuance broker non-votes have no effect and abstentions have the effect of votes against;

Required Amendments both broker non-votes and abstentions have the effect of votes against;

Additional Amendments both broker non-votes and abstentions have the effect of votes against;

Election of Directors broker non-votes have no effect and abstentions have the effect of votes against;

Ratification of Grant Thornton broker non-votes have no effect and abstentions have the effect of votes against; and

Adjournment of Annual Meeting broker non-votes have no effect and abstentions have the effect of votes against.

Approval of the Share Issuance, the election of directors, the Ratification of Grant Thornton and the adjournment of the annual meeting require the affirmative vote of a majority of the shares of Allscripts common stock entitled to vote thereon represented in person or by proxy (provided that a quorum is present). Approval of the Required Amendments requires the affirmative vote of a majority of the outstanding shares of Allscripts common stock entitled to vote thereon. Approval of the Additional Amendments requires the affirmative vote of at least eighty percent (80%) of the outstanding shares of Allscripts common stock entitled to vote thereon. If Allscripts stockholders fail to approve the Share Issuance or the Required Amendments upon a vote at the Allscripts annual meeting, each of Allscripts and Misys will have the right to terminate the Merger Agreement, as described under The Merger Agreement Termination of the Merger Agreement beginning on page 85.

**Recommendation of Allscripts Board of Directors**

After careful consideration, the board of directors of Allscripts resolved that the Transactions contemplated by the Merger Agreement are in the best interests of the holders of Allscripts common stock and approved the Merger Agreement, the Merger and the other Transactions. The board of directors of Allscripts also declared the Required Amendments and the Additional Amendments advisable. **The Allscripts board of directors recommends that the stockholders of Allscripts vote FOR the Share Issuance and FOR the Required Amendments, and, if necessary or appropriate, FOR the adjournment of the annual meeting to solicit additional proxies if there are not sufficient votes at the time of the annual meeting for these proposals. The Allscripts board of directors recommends that the stockholders of Allscripts vote FOR the Additional Amendments, FOR the election of the directors and FOR the ratification of the appointment of Grant Thornton LLP as Allscripts independent registered public accounting firm for 2008.**

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### **How to Vote**

Allscripts stockholders can vote in person by completing a ballot at the Allscripts annual meeting, or Allscripts stockholders can transmit their voting instructions before the Allscripts annual meeting by proxy. Even if Allscripts stockholders plan to attend the annual meeting, Allscripts encourages its stockholders to transmit their voting instructions as soon as possible by proxy. Allscripts stockholders can transmit their voting instructions by proxy using the Internet, by telephone, or by mail, as discussed below.

*Submit a Proxy by Internet:* Allscripts stockholders can submit their proxy using the Internet. With the enclosed proxy card in hand, go to the web site indicated on the proxy card and follow the instructions. Internet voting is available twenty-four hours a day, seven days a week until 11:59 p.m. Eastern time on \_\_\_\_\_, 2008. Allscripts stockholders will be given the opportunity to confirm that their instructions have been properly recorded. If Allscripts stockholders transmit their voting instructions on the Internet, they do NOT need to return the proxy card.

*Submit a Proxy by Telephone:* Allscripts stockholders can submit their proxy by telephone if they have a touch-tone telephone. With the enclosed proxy card in hand, call the toll-free number shown on the proxy card and follow the instructions. Telephone voting is available twenty-four hours a day, seven days a week until 11:59 p.m. Eastern time on \_\_\_\_\_, 2008. Easy-to-follow voice prompts allow Allscripts stockholders to have their shares voted and confirm that their instructions have been properly recorded. If Allscripts stockholders transmit their voting instructions by telephone, they do NOT need to return their proxy card.

*Submit a Proxy by Mail:* If Allscripts stockholders prefer to submit their proxy by mail, mark the proxy card, date and sign it, and return it in the postage-paid envelope provided. If Allscripts stockholders sign the proxy card but do not specify how they want their shares to be voted, their shares will be voted in accordance with the directors' recommendation on the proposals. All properly executed proxy cards received before the polls are closed at the Allscripts annual meeting, and not revoked or superseded, will be voted at the Allscripts annual meeting in accordance with the instructions indicated by those proxy cards.

*Registered Owners:* If an Allscripts stockholder's shares of common stock are registered directly in his or her name with Allscripts' transfer agent, LaSalle Global Trust Services, the Allscripts stockholder is considered a registered stockholder with respect to those shares. If this is the case, the proxy materials have been sent or provided directly to the Allscripts stockholder by Allscripts.

*Beneficial Owners:* If Allscripts stockholders hold shares of Allscripts common stock in street name or beneficial name (that is, the Allscripts stockholders hold their shares through a broker, bank, or other nominee), the proxy materials have been forwarded to the Allscripts stockholders by their brokerage firm, bank, or other nominee, or their agent which is considered the stockholder of record with respect to these shares. As the beneficial holder, Allscripts stockholders have the right to direct their broker, bank, or other nominee as to how to vote their shares by using the voting instruction form or proxy card included in the proxy materials, or by transmitting their voting instructions via the Internet or by telephone, but the scope of their rights depends upon the voting processes of the broker, bank, or other nominee. Please follow the voting instructions provided by the brokerage firm, bank, or other nominee, or their agent carefully.

If Allscripts stockholders sign their proxy card without indicating their vote, their shares will be voted FOR the Share Issuance, FOR the Required Amendments, FOR the Additional Amendments, FOR the election of the directors, FOR the ratification of the appointment of Grant Thornton LLP as Allscripts' independent registered public accounting firm for 2008, FOR the proposal to approve the adjournment of the annual meeting, if necessary, to solicit additional proxies, and in accordance with the recommendations of the Allscripts board of directors on any other matters properly brought before the annual meeting for a vote or any adjourned or postponed session of the annual meeting.



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### **Solicitation of Proxies**

Allscripts will bear the entire cost of soliciting proxies from its stockholders. In addition to solicitation of proxies by mail, Allscripts will request that banks, brokers and other nominees send proxies and proxy material to the beneficial owners of Allscripts common stock and secure their voting instructions, if necessary or appropriate. Allscripts will reimburse the banks, brokers and other nominees for their reasonable expenses in taking those actions. Allscripts also has made arrangements with Innisfree M&A Incorporated to assist it in soliciting proxies and has agreed to pay it an amount not to exceed \$65,000 plus reasonable expenses for these services. If necessary, proxies may be solicited by Allscripts directors, officers and employees, who will not be specially compensated, either personally or by telephone, facsimile, letter or other electronic means.

### **Revocation of Proxies**

Any person giving a proxy pursuant to this solicitation has the power to revoke and change it at any time before it is voted. It may be revoked and changed by filing a written notice of revocation with the Corporate Secretary of Allscripts at Allscripts headquarters, 222 Merchandise Mart Plaza, Suite 2024, Chicago, Illinois 60654, by submitting in writing a proxy bearing a later date, by voting again by the Internet or by telephone prior to the annual meeting or by attending the annual meeting and voting in person. Attendance at the annual meeting will not, by itself, revoke a proxy. If Allscripts stockholders have given voting instructions to a broker, bank, or other nominee that holds their shares in street name, they may revoke those instructions by following the directions given by the broker, bank, or other nominee.

### **Adjournments and Postponements**

Although it is not currently expected, the annual meeting may be adjourned or postponed, if necessary, for the purpose of soliciting additional proxies if there are not sufficient votes at the time of the annual meeting to approve the Share Issuance and the Required Amendments. In order to approve the proposal to adjourn the annual meeting, the affirmative vote of holders of a majority of the shares of common stock present at the annual meeting in person or by proxy and entitled to vote thereon is required, whether or not a quorum exists at the annual meeting. Any adjournment or postponement of the annual meeting for the purpose of soliciting additional proxies will allow Allscripts stockholders who have already sent in their proxies to revoke them at any time prior to their use at the annual meeting as adjourned. If the annual meeting is adjourned or postponed to a different place, date, or time, Allscripts need not give notice of the new place, date, or time if the new place, date, and time is announced at the meeting before adjournment, unless the adjournment is for more than 30 days after the date fixed for the original meeting. If a new record date is or must be set for the adjourned or postponed meeting, notice of the adjourned meeting will be given to persons who are stockholders as of the new record date.

The adjournment proposal relates only to an adjournment of the annual meeting occurring for purposes of soliciting additional proxies for the approval of the Share Issuance or the Required Amendments. Allscripts board of directors retains full authority to adjourn the annual meeting if a quorum is not present or to postpone the meeting.

### **Attending the Annual Meeting**

All Allscripts stockholders, including stockholders of record and stockholders who hold their shares through banks, brokers, nominees or any other holder of record, are invited to attend the Allscripts annual meeting. Stockholders of record can vote in person at the annual meeting. If an Allscripts stockholder is not a stockholder of record, such stockholder must obtain a proxy executed in their favor, from the record holder of their shares, such as a broker, bank or other nominee, to be able to vote in person at the annual meeting. If an Allscripts stockholder plans to attend the annual meeting, such stockholder must hold his, her or its shares in his, her or its own name or have a letter from the record holder of such shares confirming his, her or its ownership and he or she must bring a form of personal photo identification in order to be admitted. Allscripts reserves the right to refuse admittance to anyone without proper proof of share ownership and without proper photo identification.

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### **Shares Beneficially Owned by Allscripts Directors and Officers**

Allscripts directors and executive officers beneficially owned \_\_\_\_\_ shares of Allscripts common stock on \_\_\_\_\_, 2008, the record date for the Allscripts annual meeting. These shares represent in total approximately \_\_\_\_\_ % of the total voting power of Allscripts voting securities outstanding and entitled to vote as of the record date for the Allscripts annual meeting. Although none of the members of the Allscripts board of directors or its executive officers have executed voting agreements, based solely on its discussions with its board of directors and executive officers, Allscripts currently expects that its directors and executive officers will vote their shares in favor of the Share Issuance, the Required Amendments and the Additional Amendments.

### **Householding**

SEC rules allow delivery of a single document to households at which two or more stockholders reside. Accordingly, stockholders sharing an address who have been previously notified by their broker or its intermediary will receive only one copy of this document, unless the stockholder has provided contrary instructions. Individual proxy cards or voting instruction forms (or electronic voting facilities) will, however, continue to be provided for each stockholder account. This procedure, referred to as householding, reduces the volume of duplicate information received by stockholders, as well as Allscripts expenses. Stockholders having multiple accounts may have received householding notifications from their respective brokers and, consequently, such stockholders may receive only one document. Stockholders who prefer to receive separate copies of the document, may request to receive separate copies of the document by notifying Allscripts Secretary in writing or by telephone at the following address: Allscripts Healthcare Solutions, Inc., Attn: Lee Shapiro, Secretary, 222 Merchandise Mart Plaza, Suite 2024, Chicago, Illinois 60654; telephone: (866) 358-6869. Stockholders currently sharing an address with another stockholder who wish to have only one proxy statement and annual report delivered to the household in the future should also contact Allscripts Secretary.

### **Questions and Additional Information**

If Allscripts stockholders have more questions about the Transactions or how to submit their proxy, or if they need additional copies of this document or the enclosed proxy card or voting instructions, please call Innisfree M&A Incorporated at (877) 687-1871.

**The vote of Allscripts stockholders is important. Please submit the proxy and/or voting instructions promptly via the Internet or by telephone or by signing, dating and returning your proxy card in the enclosed envelope.**

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**CHAPTER THREE**

**THE TRANSACTIONS: ALLSCRIPTS PROPOSALS 1-3**

**Overview**

On March 18, 2008, Allscripts and Misys announced that they had entered into the Merger Agreement, which provides for the Merger, the Share Issuance and the other transactions contemplated thereby. As a result of the Transactions, (i) Misys or one of its subsidiaries will become a majority stockholder of Allscripts, (ii) Allscripts stockholders immediately prior to the Transactions will retain a minority interest in post-Transaction Allscripts and, if they continue to hold their shares of Allscripts common stock at the close of business on the payment date for the special cash dividend (the fifth business day after the closing of the Transactions), receive the special cash dividend of \$330,000,000, in the aggregate, and (iii) MHS will become a wholly-owned subsidiary of Allscripts. The Allscripts board of directors is using this proxy statement to solicit proxies from the holders of Allscripts common stock for use at the Allscripts annual meeting, or any adjournment or postponement thereof.

**Consideration to be Received**

In consideration for the merger of MHS into Merger Sub and the purchase by Misys or one of its subsidiaries of shares of Allscripts common stock for cash, Misys or one of its subsidiaries will receive, in the aggregate, shares of Allscripts common stock equal to 54.5% of the fully diluted number of shares of Allscripts common stock. As a percentage of post-Transaction issued and outstanding shares of Allscripts common stock, Misys' actual ownership percentage could range from 54.5% to 58.4%, with the pre-Merger stockholders of Allscripts owning the remaining percentage.

Allscripts stockholders of record as of the close of business on the business day prior to the closing of the Transactions will receive, on the fifth business day after consummation of the Transactions, the special cash dividend, which is currently expected to be between approximately \$4.90 per share, assuming that, prior to the record date, all holders of our convertible debentures exercise their conversion right and all in-the-money options are exercised using share withholding to pay the exercise price, or approximately \$5.65 per share if prior to the record date no convertible debenture holders exercise their right and no in-the-money options are exercised. Allscripts stockholders will also retain their shares of Allscripts common stock, thereby remaining stockholders in Allscripts after closing of the Transactions.

**Allscripts Proposals 1 and 2**

At the Allscripts annual meeting, holders of shares of Allscripts common stock on the record date will be asked to vote on (1) the issuance of shares of Allscripts common stock to Misys as contemplated by the Merger Agreement, requiring approval by the affirmative vote of a majority of the shares of Allscripts common stock entitled to vote thereon represented in person or by proxy at the meeting (provided that a quorum is present in person or by proxy) (the "Share Issuance") and (2) an amendment and restatement of Allscripts' charter, to be implemented only if the Share Issuance proposal is approved, requiring approval of a majority of the outstanding shares of Allscripts common stock entitled to vote thereon, attached hereto as Annex B (the "Required Amendments").

**THE TRANSACTIONS WILL NOT BE COMPLETED UNLESS ALLSCRIPTS' STOCKHOLDERS APPROVE THE SHARE ISSUANCE AND THE REQUIRED AMENDMENTS.**

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### **Allscripts Proposal 3**

In addition, holders of shares of Allscripts common stock will be asked to vote on an additional amendment and restatement of Allscripts charter and by-laws requiring approval of eighty percent (80%) of the outstanding shares of Allscripts common stock, attached hereto as Annex C (the Additional Amendments ). Approval of the Additional Amendments is not required to consummate the Transactions. If approved, the Additional Amendments will only be implemented if the Share Issuance and Required Amendment proposals are also approved.

A separate vote by the holders of Allscripts common stock on the Merger Agreement or the Merger is not required under Delaware law.

### **Background of the Transactions**

On July 2, 2006, Allscripts received a letter from JPMorgan Cazenove Limited, soliciting indications of interest regarding a possible acquisition of all or part of Misys. On July 10, 2006, the Allscripts board of directors considered whether to put forth an indicative proposal regarding such a strategic transaction with Misys. At the meeting, the board concluded that it was only interested in pursuing MHS. At that time, MHS included hospital system and laboratories businesses which were subsequently divested by Misys in two separate transactions in the fourth quarter of 2007. The board recognized that an acquisition of MHS would enhance Allscripts position as one of the leaders in the growing electronic health records and physician practice management industry. After extensive discussion, the board decided to formally submit a non-binding indicative proposal on July 12, 2006.

Under the terms of the proposal, Allscripts offered to acquire all issued and outstanding equity interests in MHS through an acquisition entity sponsored by Allscripts and a financial partner (the Joint Bidder ). The offer remained subject to formal board approval, due diligence and the satisfactory negotiation of a transition services agreement. These conversations, and Allscripts proposal, were terminated at the end of August based on guidance from Misys advisors that it would only consider offers for sale of the entire company (not just the healthcare business).

On February 1, 2007, Mr. Lee Shapiro, the president of Allscripts, telephoned Mr. Michael Lawrie, the newly appointed chief executive officer of Misys, to express Allscripts interest in a strategic transaction involving MHS or a partnership between Allscripts and MHS. Mr. Shapiro believed that the combined entity would be well positioned to allow physicians and hospitals to provide better patient care and manage their businesses more effectively.

On March 19, 2007, Mr. Shapiro met with Mr. Lawrie, Mr. Roger L. Davenport, the executive vice president and general manager of MHS, and Mr. Paul Musselman, the executive vice president of strategy and corporate development of Misys, to discuss the possibility of an acquisition by Allscripts of MHS or a partnership between Allscripts and MHS. It was agreed that Mr. Shapiro and representatives of Misys and MHS would meet in April to discuss these matters further.

On April 26, 2007, executives from Allscripts, Misys and MHS met in Raleigh, North Carolina to discuss partnering opportunities between MHS and Allscripts. The discussions included scheduling future product demonstrations as well as a more general conversation about healthcare industry trends.

On June 8, 2007, Mr. Shapiro discussed further the potential for a partnership between MHS and Allscripts with Mr. Davenport. However, at that point, neither Allscripts nor Misys was prepared to move forward with a partnership.

On August 13, 2007, Mr. Glen Tullman, the chairman and chief executive officer of Allscripts, met with Mr. Lawrie in Chicago, Illinois. Messrs. Tullman and Lawrie discussed the possibility of a partnership between

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Allscripts and MHS. On August 23, 2007, Messrs. Shapiro and Davenport spoke telephonically about the partnership opportunity, including the impact of developments at the respective companies since the parties first initiated contact in February 2007.

On September 26, 2007, Messrs. Tullman and Lawrie met again in Chicago, Illinois to consider further a strategic relationship between Allscripts and MHS, including a possible acquisition by Allscripts of MHS. Both parties agreed to proceed with a more detailed discussion about cross-selling and other synergistic opportunities.

On October 5, 2007, Mr. Shapiro conferred telephonically with Mr. Musselman and Mr. Victor Kats, MHS director of business development, regarding a possible business combination or partnership opportunities between MHS and Allscripts.

On October 8, 2007, Mr. Kats provided Mr. Shapiro with a draft confidentiality agreement for his review. Later that week, on October 10, 2007, the confidentiality agreement was executed by Misys and the principal operating subsidiary of Allscripts.

On October 25, 2007, Messrs. Shapiro, Musselman and Kats convened a conference call to discuss further a potential transaction in which Allscripts would acquire MHS. In advance of the call, Mr. Shapiro provided Messrs. Musselman and Kats with a high-level summary of the strategic rationale for a transaction between the two entities.

During the remainder of 2007, Allscripts and Misys each continued internal analyses of a business combination between MHS and Allscripts and held occasional telephone conversations relating thereto.

On January 10, 2008, Messrs. Tullman and Lawrie met again in Chicago, Illinois to discuss a variety of issues pertaining to a possible acquisition by Allscripts of MHS, including the consideration to be received by Misys in a possible business transaction. Later that month, Mr. Musselman asked Mr. Shapiro whether the Allscripts board of directors would consider a transaction whereby Misys would acquire a controlling interest in Allscripts, which Mr. Musselman indicated was Misys preferred transaction structure. Mr. Shapiro replied that he would convey Mr. Musselman's inquiry to Mr. Tullman and the board.

In mid-January of 2008, Allscripts management determined that it should seek, subject to board approval, a financial advisor to provide advice and counsel on any potential strategic transaction. Management contacted Goldman, Sachs & Co. ( Goldman Sachs ) to serve in this capacity. This engagement was subsequently approved by the board of directors and confirmed in writing in March 2008.

On February 1, 2008, Messrs. Tullman and Lawrie convened telephonically to discuss whether Allscripts would be interested in receiving a proposal for a strategic transaction pursuant to which the businesses of MHS and Allscripts would be combined and Misys would acquire a controlling interest in the combined company. Mr. Tullman noted the potential benefits of a strategic transaction but highlighted that any proposal from Misys would need to be reviewed with the Allscripts board of directors before further discussions could be pursued.

On February 4, 2008, Mr. Tullman received a letter from Mr. Lawrie stating that the Misys board had formally authorized Mr. Lawrie to pursue an evaluation of the strategic merits of a potential combination. The letter summarized a number of key parameters for the upcoming discussions. In the letter, Mr. Lawrie proposed an exchange of 100% of MHS for Allscripts common stock and a purchase of Allscripts common stock for an unspecified amount of cash that, when taken together, would result in Misys owning not less than 60% of Allscripts (the Original Misys Proposal ). Mr. Lawrie would become chairman of the Allscripts board and Mr. Tullman would remain the chief executive officer and a board member. Mr. Lawrie proposed that the parties meet to consider the possible transaction. Prior to sending the letter, Mr. Lawrie telephoned Mr. Tullman to provide an overview of its content.

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On February 6, 2008, the Allscripts board of directors convened telephonically to consider the Original Misys Proposal. At the meeting, the board discussed its views on the Original Misys Proposal, its desire to obtain clarity on the level of cash Misys would include in the transaction and valuation issues. Representatives of Goldman Sachs and Sidley Austin LLP ( Sidley Austin ), the outside legal advisor to Allscripts, participated in the discussions. The board authorized management and its advisors to begin due diligence, the sharing of non-public information with Misys and further exploration of a strategic transaction with Misys. In addition, the Allscripts board authorized Goldman Sachs and Allscripts management to contact other parties that might be interested in a strategic transaction with Allscripts. Representatives of Goldman Sachs subsequently contacted nine parties regarding a possible acquisition of Allscripts. Each of the nine parties subsequently informed Goldman Sachs that they had no interest in pursuing a transaction with Allscripts at the current time.

After the February 6, 2008 Allscripts board meeting, Messrs. Tullman and Lawrie concluded that a series of meetings between senior executives within their respective organizations and advisors should be scheduled. An initial meeting was planned for February 8, with additional meetings to occur at later dates. The gatherings were designed to accelerate the due diligence process. Also, on February 7, Misys requested that Allscripts enter into an exclusivity agreement and Misys delivered a draft exclusivity agreement to Allscripts. Allscripts declined to enter into the exclusivity agreement.

On February 8, 2008, representatives of Misys and Allscripts met at Sidley Austin's offices in Chicago, Illinois, along with their financial and legal advisors. At the meetings, Allscripts and Misys shared presentations on their businesses and Misys presented its strategic rationale for a transaction with Allscripts. Misys renewed its request that Allscripts enter into an exclusivity agreement with Misys, which Allscripts again rejected.

On February 10, 2008, Misys contacted a representative of Goldman Sachs to convey revised terms of its proposal of a business combination involving MHS and Allscripts. Under this revised proposal, Misys would contribute MHS and \$350 million in cash to Allscripts. In exchange, Misys would receive 57.5% ownership in Allscripts, on a fully-diluted basis.

The following week, on February 12, 2008, the Allscripts board met telephonically. Mr. Tullman provided an overview of the on-going discussions and the due diligence activities since the last meeting of the board and a representative of Sidley Austin provided a detailed briefing about the duties and responsibilities of the board in connection with the Misys proposal. A representative of Goldman Sachs discussed the economic terms of the revised Misys proposal as well as its contacts with other companies regarding a potential transaction with Allscripts. A representative of Goldman Sachs noted that, while it had not heard back from all contacted parties, no one had yet expressed an interest in pursuing a business combination with Allscripts. The board engaged in extensive discussions regarding Misys' proposal and MHS' business. At this meeting, the board authorized management to continue negotiations with Misys and to enter into a written engagement with Goldman Sachs.

On February 16, 2008, a representative of Lehman Brothers, Inc. ( Lehman ), Misys' financial advisor which was formally retained on February 1, 2008, contacted a representative of Goldman Sachs with two potential options of revised terms for a business combination. Under option one, Misys proposed an ownership stake of 56.5% in Allscripts for a cash contribution of \$342 million and the merger of MHS with an Allscripts subsidiary. Under option two, Misys proposed an ownership stake of 55.0% in Allscripts for a cash contribution of \$312 million and the merger of MHS with an Allscripts subsidiary.

Also on February 16, 2008, a draft merger agreement was distributed by Debevoise & Plimpton LLP ( Debevoise ), U.S. legal counsel for Misys, to Sidley Austin. Representatives of Misys, MHS and Allscripts, and their respective legal, financial and accounting advisors met at the offices of Sidley Austin in Chicago during the week of February 18. On February 19, Sidley Austin provided Debevoise with a detailed markup of the draft merger agreement. Early in the week of February 18, representatives of Misys, Allscripts, Goldman Sachs and Lehman, Misys' financial advisor, held further discussions on the economic terms of Misys' proposal. During these discussions, Misys indicated a willingness to reduce its ownership in Allscripts from 57.5% to approximately 56%, while maintaining the \$350 million cash purchase of Allscripts shares.

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On February 20, Debevoise distributed a revised version of the merger agreement and representatives of Sidley Austin and Debevoise discussed a number of legal issues raised by that draft, including the amount of the termination fee, circumstances under which the board of directors could change its recommendation and whether either party should be entitled to force a vote of the other's stockholders.

On February 21, 2008, a representative of Goldman Sachs received a telephone call from a third party strategic company ( Party A ) expressing interest in exploring the possibility of a business combination with Allscripts. Party A entered into a confidentiality agreement with Allscripts on February 26, 2008.

Also on February 21, 2008, the Allscripts board convened in-person at the offices of Goldman Sachs in New York City. Representatives of Goldman Sachs, Sidley Austin and members of senior management also participated in portions of the meeting. Management and a representative of Goldman Sachs discussed Allscripts' various strategic alternatives, including a possible business combination with Misys and MHS. At this meeting, a representative of Goldman Sachs provided the board with a detailed financial analysis regarding the MHS business. Sidley Austin highlighted the board's on-going fiduciary obligation in connection with its evaluation of the proposed transactions. The board decided to continue the due diligence process and work towards a strategic transaction with Misys.

In the days following the Allscripts board meeting, senior management at Allscripts engaged in numerous discussions with their counterparts at Misys and MHS and had further in-person meetings at the offices of Sidley Austin in Chicago. Additionally, on February 22, 2008, Sidley Austin distributed a further revised version of the merger agreement to Debevoise and the parties continued with their due diligence.

On February 25, 2008, a representative of Lehman contacted a representative of Goldman Sachs with revised terms of a proposal for a business combination. Under the revised terms, Misys would acquire a 55.3% ownership stake in Allscripts in exchange for MHS and \$250 million in cash. On February 28, 2008, Mr. Tullman contacted Mr. Lawrie to discuss the revised proposal. During this conversation, Mr. Tullman informed Mr. Lawrie that the revised proposal was unacceptable and suggested a transaction whereby Misys would acquire a 54% ownership interest in Allscripts in exchange for MHS and \$350 million in cash.

On March 3, 2008, in response to an inquiry made by a representative of Allscripts, Allscripts received a telephone call from a representative of a private equity firm ( Party B ) expressing interest in exploring the possibility of acquiring Allscripts. Party B entered into a confidentiality agreement with Allscripts on March 4, 2008.

On March 4, 2008, the Allscripts board met telephonically to discuss the status of the negotiations with respect to the merger agreement. Representatives of Goldman Sachs and Sidley Austin participated in this meeting along with members of Allscripts senior management.

On March 5 through 7, representatives of Misys, MHS and Allscripts had further meetings and due diligence sessions at the offices of Sidley Austin in Chicago. During these meetings, Misys and Allscripts discussed economic terms for the transaction. Misys proposed that it would acquire a 54.5% ownership stake in Allscripts in exchange for MHS and \$312 million in cash. Debevoise distributed a revised draft of the merger agreement to Sidley Austin on March 5 and on March 7 Sidley distributed a revised draft merger agreement to Debevoise.

Also on March 5, 2008, Party A sent to Allscripts a non-binding letter expressing its interest in acquiring 100% of Allscripts' capital stock for an unspecified mix of cash and stock in Party A for a valuation of between \$16.50 to \$18.50 per share of Allscripts common stock. Representatives of Party A and Allscripts met at Sidley Austin's Chicago office from March 9 through March 11 to discuss the possible transaction and various due diligence topics.

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From March 7 through March 17, 2008, Sidley Austin and Debevoise, with input from their respective clients, exchanged drafts of and negotiated the terms of the merger agreement and other ancillary documents. Also during this time, representatives of Allscripts met separately with representatives of Misys and Party A.

On March 7, 2008, Messrs. Tullman and Shapiro and a representative of Goldman Sachs met with a representative of Party B in Chicago to discuss a possible transaction. At the Allscripts board of directors meeting later in the day of March 7, Mr. Tullman updated the Allscripts board on the status of discussions with Party A and Party B, noting that Party B had indicated that it would take at least four weeks to determine if it had any interest in acquiring Allscripts and what price it would be willing to offer. Mr. Tullman also noted that a second private equity firm ( Party C ) had contacted Mr. Shapiro with preliminary interest in discussing an acquisition of Allscripts. Mr. Shapiro had previously had conversations with Party C in mid-February and held further discussions regarding a possible acquisition of Allscripts on March 3. The Allscripts board determined to proceed in discussions with Misys and Party A but, given market conditions and the valuation likely to be offered, to not proceed in discussions with Party B or Party C at that time. Before Mr. Tullman informed Party B of this determination, he received a telephone call from Party B indicating that it was not interested in pursuing a transaction with Allscripts.

Also on March 7, 2008, Misys delivered to Mr. Tullman a draft of a new employment agreement for each of Messrs. Tullman, Shapiro and Davis.

On March 10, 2008, Messrs. Tullman and Lawrie met to discuss the proposed transaction. During this meeting, Mr. Lawrie suggested that Misys would be willing to increase the cash component of its offer to \$330 million, while leaving the Misys ownership level at 54.5%. Mr. Tullman informed Mr. Lawrie that he would convey this revised offer to the Allscripts board of directors.

Also on March 11, 2008, in response to the requirement from Misys that Messrs. Tullman, Davis and Shapiro enter into new employment agreements concurrently with the execution of the merger agreement, Messrs. Tullman, Davis and Shapiro retained Vedder Price LLP ( Vedder Price ) to assist in the negotiation of these new employment agreements. The proposed new employment agreements would waive the change of control termination rights that Messrs. Tullman, Davis and Shapiro otherwise would have in connection with the consummation of the Transactions, require Messrs. Tullman, Davis and Shapiro to maintain minimum investments in Allscripts and Misys. Upon closing of the transaction, Messrs. Tullman, Davis and Shapiro would receive restricted stock or restricted stock unit awards, a success bonus and a cash retention award following the first anniversary of the closing, subject to certain restrictions. Subject to the foregoing and clarifying and immaterial changes, the new employment agreements would be substantially similar to the existing employment agreements.

On March 13, 2008, the Allscripts board met telephonically to discuss the proposed transaction and the status of the due diligence process. Also on March 13, 2008, Party A informed Mr. Tullman and a representative of Goldman Sachs that it was not prepared to move forward with a business combination. Vedder Price also sent a revised form of employment agreement to Debevoise on March 13. Vedder Price and Debevoise continued to negotiate the terms of the employment agreements until March 17.

On March 16, 2008, Messrs. Tullman, Davis and Lawrie held further discussions in London, England. Later that day, a telephonic meeting of the Allscripts board was called to discuss the status of the proposed transaction with Misys, including a review of the proposed material terms thereof. During the meeting, Mr. Tullman informed the Allscripts board that Party A and Party B were not interested in pursuing a business combination with Allscripts and that there had been no further contacts from third parties expressing an interest in pursuing a business combination with Allscripts. Goldman Sachs discussed its financial analyses of the proposed transaction with Misys. Allscripts management also gave the Allscripts board its recommendation in regards to the proposed business combination. The board also discussed the possible employment agreements to be entered into between Allscripts and Messrs. Tullman, Shapiro and Davis. It was the consensus of the board that Philip Green, chairman of the compensation committee, would further review the terms of the employment agreements and report back to the directors at the next meeting.



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On March 17, 2008, Messrs. Tullman and Lawrie met again and tentatively resolved the remaining open issues regarding the proposed transaction. Thereafter, they discussed the process for negotiating and finalizing management's employment agreements. Later that day, the Allscripts board met telephonically to consider approval of the proposed transaction.

Prior to the start of the full board meeting, Mr. Green reviewed the financial terms of the proposed employment agreements for management with the non-management members of the board (Mr. Tullman, whose employment agreement was being considered, was not present) and representatives of Sidley Austin. Following that discussion, Mr. Tullman and other members of management joined the meeting. Mr. John McConnell, an Allscripts board member and owner of MHS predecessor, then informed the other directors and participants in the meeting that he was immediately resigning as a director because he did not want to participate in the final board action with respect to the proposed transaction. Mr. McConnell thereupon left the conference call and subsequently sent an email to the board confirming his resignation and the reasons therefor. Goldman Sachs delivered its oral opinion, which was subsequently confirmed by delivery of a written opinion dated March 17, 2008, that, as of such date, based upon and subject to the assumptions, limitations and qualifications set forth therein, the consideration to be paid by Allscripts was fair from a financial point of view to Allscripts. A copy of the Goldman Sachs opinion is included as Annex D to this proxy statement. After consideration and discussion, the Allscripts board approved the Transactions and related matters.

Later that evening, Allscripts and Misys executed the Merger Agreement. On March 18, 2008, prior to the opening of trading on the London Stock Exchange and NASDAQ, Allscripts and Misys issued a joint press release announcing the execution of the Merger Agreement.

On March 19, 2008, a representative of Goldman Sachs received a telephone call from a private equity firm expressing a preliminary interest in exploring an acquisition of Allscripts. During the same week, a member of Allscripts' senior management received a telephone call from Party C expressing interest in exploring an acquisition of Allscripts. In accordance with the terms of the merger agreement, Misys was notified of these contacts. Neither of these two parties made a formal proposal and each later notified Goldman Sachs or Allscripts of its decision to not pursue an acquisition of Allscripts at this time.

## **Recommendation of Allscripts Board; Allscripts' Reasons for the Transactions**

**The Allscripts board of directors has approved the Merger Agreement, the Merger and the other Transactions, has determined that the Merger Agreement, the Merger, the Required Amendments, the Additional Amendments and the other Transactions are advisable and in the best interests of Allscripts and its stockholders and recommends that Allscripts stockholders vote for the Share Issuance, Required Amendments and the Additional Amendments.**

In reaching its decision that the Transactions, the Required Amendments and Additional Amendments are advisable and in the best interests of Allscripts and its stockholders and in recommending the approval of the Share Issuance, Required Amendments and Additional Amendments, Allscripts' board of directors consulted with management, as well as Goldman, Sachs & Co., Allscripts' financial advisor, and Sidley Austin LLP, Allscripts' outside legal counsel, and considered various material factors, which are described below. The following discussion of the information and factors considered by the Allscripts board of directors is not exhaustive, but includes all material factors considered by the Allscripts board of directors. In view of the wide variety of factors considered by the Allscripts board of directors in connection with its evaluation of the Transactions, the Allscripts board of directors did not consider it practical to, nor did it attempt to, quantify, rank or otherwise assign relative weights to the specific factors that it considered in reaching its decision. In considering the factors described below, individual members of the Allscripts board of directors may have given different weight to different factors. The Allscripts board of directors considered this information as a whole, and overall considered the information and factors to be favorable to, and in support of, its determinations and

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recommendations. Among the material information and factors considered by the Allscripts board of directors were the following:

*Strategic Considerations.* The Allscripts board of directors considered a number of strategic benefits resulting from the Transactions, including that the combined company will be an industry leader with physicians in both Electronic Health Records ( EHR ) and Practice Management Systems ( PM ) categories, with the largest desktop presence and physician mindshare. As a result, there will be a significant EHR selling opportunity in MHS installed base of PM customers. The Transactions will also position Allscripts to connect to nearly half of all physicians in the United States, creating the opportunity to accelerate the pace of adoption for electronic-prescribing, EHRs and other health information technology solutions.

*Synergies.* The Allscripts board of directors considered that, although no assurance can be given that any particular level of cost synergies will be achieved, Allscripts management had identified certain estimated cost synergies following completion of the Transactions. The Allscripts board of directors has considered the synergy potential and timing to achieve synergies.

*Impact of the Transactions on Customers and Employees.* The Allscripts board of directors evaluated the expected impact of the Transactions on Allscripts customers and employees. Specifically, the Allscripts board of directors believes the merger will benefit customers by enhancing operations, strengthening reliability and extending connectivity across the continuum of care; and provide more opportunities for employees in a larger, more competitive company.

*Stock Price.* The Allscripts board of directors considered the stock price of Allscripts, including that the anticipated per share value of the Transactions to existing Allscripts stockholders of between \$14.30 and \$16.20 represented a premium of 63%-85% over the closing price of Allscripts common stock on March 17, 2008, the day prior to announcement of the Transactions, and a 37%-55% premium to Allscripts 30-day average share price of \$10.46 prior to announcement.

*Special Dividend.* The Allscripts board of directors considered the \$330 million cash dividend payable to stockholders of Allscripts as part of the Transactions.

*Financial Considerations.* The Allscripts board of directors considered the expected financial impact of the Transactions on Allscripts. In particular, the Allscripts board of directors considered the quantitative analysis of the Transactions on the combined company's earnings per share prepared by Allscripts management and financial advisor. The Allscripts board of directors also considered the historic financial condition, operating results and businesses of Allscripts and MHS, including information with respect to their respective earnings history.

*Opinion of Financial Advisor.* The Allscripts board of directors considered the opinion of Goldman, Sachs & Co. to the Allscripts board of directors that, as of March 17, 2008 and based upon and subject to the assumptions, qualifications and limitations discussed in such opinion, the consideration to be paid by Allscripts pursuant to the Merger Agreement was fair, from a financial point of view, to Allscripts.

*Strategic Alternatives.* The Allscripts board of directors considered the trends and competitive developments in the industry and the range of strategic alternatives available to Allscripts, including the possibility of business combinations with other participants in the industry or others or continuing to operate as a stand-alone entity. The Allscripts board of directors also considered the market-checks conducted by its financial advisor.

*Recommendation of Management.* The Allscripts board of directors took into account management's recommendation in favor of the Transactions.

*Terms of the Merger Agreement.* The Allscripts board of directors reviewed the terms of the Merger Agreement, including the restrictions on Allscripts interim operations, the conditions to each party's obligation

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to complete the Transactions, the instances in which each party is permitted to terminate the Merger Agreement and the related termination fees payable by each party in the event of termination of the Merger Agreement under specified circumstances. See [The Merger Agreement](#) for a detailed discussion of the terms and conditions of the Merger Agreement. The Allscripts board of directors also considered the course of negotiations of the Merger Agreement.

*Management Arrangements.* The Allscripts board of directors reviewed employment arrangements of certain executive officers of Allscripts to be adopted in connection with the execution of the merger agreement.

*Due Diligence.* The Allscripts board of directors considered the scope of the due diligence investigation conducted by management and Allscripts' outside advisors and evaluated the results thereof.

*Likelihood of Completion of the Transactions.* The Allscripts board of directors considered the likelihood that the Transactions will be completed on a timely basis, including the likelihood that the Merger and Share Issuance will receive all necessary regulatory approvals.

The Allscripts board of directors also considered the potential risks of the Transactions, including the following:

*Timing for Closing.* The Allscripts board of directors considered the significant time between announcement and closing given the audit requirements for MHS and the need for each party to obtain stockholder approval.

*Restrictions on Interim Operations.* The Allscripts board of directors considered the provisions of the Merger Agreement placing restrictions on Allscripts' operations until completion of the Transactions.

*Diversion of Management.* The Allscripts board of directors considered the possible diversion of management resulting from the substantial time and effort necessary to complete the Transactions and integrate the operations of Allscripts and MHS following completion of the Merger.

*Integration.* The Allscripts board of directors evaluated the challenges inherent in the combination of two business enterprises of the size and scope of Allscripts and MHS, including the possibility of not achieving the anticipated cost synergies and other benefits sought to be obtained from the Merger.

*Governance.* The Allscripts board of directors also considered the governance provisions, including those in the Relationship Agreement, that will be in effect following the Transactions, including the effects of having a majority stockholder. These provisions include certain minority stockholder protections. See [Relationship Agreement](#) for a detailed discussion of the terms and conditions of the Relationship Agreement.

*Stockholder Dilution.* The Allscripts board of directors also considered the fact that current Allscripts stockholders as a group would control less than a majority of Allscripts after consummation of the Transactions.

The Allscripts board of directors believed that, overall, the potential benefits of the Transactions to Allscripts and its stockholders outweighed the potential risks. It should be noted that this explanation of the Allscripts board's reasoning and other information presented in this section is, in part, forward-looking in nature and, therefore, should be read in light of the factors discussed in the [Cautionary Statement on Forward-Looking Statements](#) section on page 31 and the [Risk Factors](#) section beginning on page 23.

## **Opinion and Analysis of Allscripts' Financial Advisor**

Goldman Sachs delivered its opinion to Allscripts' board of directors that, as of March 17, 2008 and based upon and subject to the factors and assumptions set forth therein, the consideration to be paid by Allscripts pursuant to the Merger Agreement was fair from a financial point of view to Allscripts. Consideration is referred to in

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this section as the number of shares of Allscripts common stock that Allscripts will issue to Misys such that Misys will own 54.5% of the aggregate number of fully-diluted shares (as defined in the Merger Agreement) in exchange for \$330 million in cash and the acquisition by Allscripts of MHS. Goldman Sachs noted that the Merger Agreement also provides that on the Settlement Date (as defined in the Merger Agreement) Allscripts will pay an extraordinary cash dividend of \$330 million, in the aggregate, to all holders of shares of common stock of Allscripts other than Misys, Misys' affiliates and Allscripts, such dividend being referred to in this section as the \$330 million special cash dividend.

The full text of the written opinion of Goldman Sachs, dated March 17, 2008, which sets forth assumptions made, procedures followed, matters considered and limitations on the review undertaken in connection with the opinion, is attached as Annex D to this proxy statement. Goldman Sachs provided its opinion for the information and assistance of Allscripts' board of directors in connection with its consideration of the Transactions. The Goldman Sachs opinion is not a recommendation as to how any holder of shares should vote with respect to the Transactions or any other matter. The Goldman Sachs opinion has been approved by a fairness committee of Goldman Sachs.

In connection with rendering the opinion described above and performing its related financial analyses, Goldman Sachs reviewed, among other things:

the Merger Agreement;

the voting agreement between ValueAct Capital Master Fund, L.P. and Allscripts, dated March 17, 2008;

the voting agreement between ValueAct Capital Master Fund III, L.P. and Allscripts, dated March 17, 2008;

the relationship agreement between Allscripts and Misys, dated March 17, 2008;

the Charter and By-Laws Amendments and the Additional Charter and By-Laws Amendments (each as defined in Merger Agreement);

the annual report to stockholders and Annual Report on Form 10-K of Allscripts for the five years ending December 31, 2007;

annual reports of Misys for the five years ending May 31, 2007;

certain interim reports to stockholders and Quarterly Reports on Form 10-Q of Allscripts;

certain interim reports to stockholders of Misys;

certain other communications from Allscripts and Misys to their respective stockholders;

certain publicly available research analyst reports for Allscripts and Misys;

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certain internal financial analyses and forecasts for MHS prepared by Allscripts' management and approved for Goldman Sachs' use by Allscripts (the "MHS Forecasts"); and

certain internal financial analyses and forecasts, including sensitivity analyses, for Allscripts, prepared by its management and approved for Goldman Sachs' use by Allscripts (the "Forecasts"), including certain revenue, cost savings and operating synergies projected by the management of Allscripts to result from the Transactions (the "Synergies").

Goldman Sachs also held discussions with members of the senior management of Allscripts, Misys and MHS regarding their assessment of the strategic rationale for, and the potential benefits of, the Transactions and the past and current business operations, financial condition and future prospects of Allscripts and MHS. In addition, Goldman Sachs reviewed the reported price and trading activity for the shares of common stock of Allscripts, compared certain financial and stock market information for Allscripts and Misys with similar

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information for certain other companies the securities of which are publicly traded, reviewed the financial terms of certain recent business combinations in the healthcare information technology and software industries specifically and in other industries generally and performed such other studies and analyses, and considered such other factors, as it considered appropriate.

For purposes of rendering the opinion described above, Goldman Sachs relied upon and assumed, without assuming any responsibility for independent verification, the accuracy and completeness of all of the financial, legal, regulatory, tax, accounting and other information provided to, discussed with or reviewed by it. In that regard, Goldman Sachs assumed with the consent of Allscripts that the Forecasts, including the Synergies, and the MHS Forecasts had been reasonably prepared on a basis reflecting the best currently available estimates and judgments of the management of Allscripts, and that the Synergies would be realized in the amounts and time periods contemplated thereby. In addition, Goldman Sachs did not make an independent evaluation or appraisal of the assets and liabilities (including any contingent, derivative or off-balance-sheet assets and liabilities) of Allscripts or MHS. Goldman Sachs also assumed that all governmental, regulatory or other consents and approvals necessary for the consummation of the Transactions would be obtained without any adverse effect on Allscripts or MHS or on the expected benefits of the Transactions in any way meaningful to its analysis. Goldman Sachs' opinion does not address any legal, regulatory, tax or accounting matters, nor does it address the underlying business decision of Allscripts to engage in the Transactions or the relative merits of the Transactions as compared to any strategic alternatives that may be available to Allscripts. Goldman Sachs did not express any opinion as to the prices at which shares of common stock of Allscripts would trade at any time. Goldman Sachs' opinion addressed only the fairness from a financial point of view, as of the date of the opinion, to Allscripts of the consideration to be paid by Allscripts. Goldman Sachs did not express any view on, and its opinion did not address, any other term or aspect of the Merger Agreement or the Transactions, including, without limitation, the fairness of the Transactions to, or any consideration received in connection therewith by, the holders of any class of securities, creditors, or other constituencies of Allscripts or Misys; nor as to the fairness of the amount or nature of any compensation to be paid or payable to any of the officers, directors or employees of Allscripts, MHS or Misys, or class of such persons in connection with the Transactions, whether relative to the consideration to be paid by Allscripts pursuant to the Merger Agreement or otherwise. Goldman Sachs' opinion was necessarily based on economic, monetary, market and other conditions, as in effect on, and the information made available to it as of, the date of the opinion and Goldman Sachs assumed no responsibility for updating, revising or reaffirming its opinion based on circumstances, developments or events occurring after the date of its opinion.

The following is a summary of the material financial analyses delivered by Goldman Sachs to the board of directors of Allscripts in connection with rendering the opinion described above. The following summary, however, does not purport to be a complete description of the financial analyses performed by Goldman Sachs, nor does the order of analyses described represent relative importance or weight given to those analyses by Goldman Sachs. Some of the summaries of the financial analyses include information presented in tabular format. The tables must be read together with the full text of each summary and are alone not a complete description of Goldman Sachs' financial analyses. Except as otherwise noted, the following quantitative information, to the extent that it is based on market data, is based on market data as it existed on or before March 13, 2008 and is not necessarily indicative of current market conditions.

*Selected Companies Analysis.* Goldman Sachs reviewed and compared certain financial information for Allscripts to corresponding financial information, ratios and public market multiples for the following publicly traded corporations in the healthcare information technology and software industries:

Cerner Corporation;

CompuGROUP Holding AG;

Computer Programs & Systems, Inc.;

Eclipsys Corporation;

Quality Systems, Inc; and

The Sage Group plc.

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Although none of the selected companies is directly comparable to Allscripts, the companies included were chosen because they are publicly traded companies with operations that for purposes of analysis may be considered similar to certain operations of Allscripts.

Goldman Sachs also calculated and compared various financial multiples and ratios for Allscripts and the selected companies based on closing share prices and other publicly available historical financial data as of March 13, 2008 and projections from the Institutional Brokers Estimate System (IBES) and Wall Street research. With respect to Allscripts and the selected companies, Goldman Sachs calculated:

enterprise value, which is the market value of fully diluted common equity plus the estimated book value of debt less cash, as a multiple of estimated sales, for calendar year 2007;

enterprise value as a multiple of estimated earnings before interest and tax, referred to herein as EBIT, for calendar year 2007; and

enterprise value as a multiple of estimated earnings before interest, tax, depreciation and amortization, referred to herein as EBITDA, for calendar years 2007 and 2008.

The results of these analyses are summarized as follows:

<b>Enterprise Value as a multiple of:</b>	<b>Selected Companies (including Allscripts)</b>		
	<b>Range</b>	<b>Median</b>	<b>Allscripts</b>
2007 Sales	1.8x-4.9x	2.2x	2.2x
2007 EBIT	10.1x-40.0x	16.9x	20.5x
2007 EBITDA	9.2x-16.0x	10.4x	11.0x
2008E EBITDA	7.2x-12.7x	7.9x	7.5x

Goldman Sachs also calculated Allscripts and the selected companies estimated calendar years 2008 and 2009 price/earnings ratios. The following table presents the results of this analysis:

<b>Price/Earnings Ratio:</b>	<b>Selected Companies (including Allscripts)</b>		
	<b>Range</b>	<b>Median</b>	<b>Allscripts</b>
2008E	13.6x-20.1x	15.3x	14.9x
2009E	9.4x-23.4x	13.7x	11.6x

Goldman Sachs also considered EBITDA margins and EBIT margins for calendar year 2007, forward five-year compound annual growth rate of earnings per share for the five calendar years ending in 2012 and the ratio of the price/earnings ratio to the five-year compound annual growth rate of earnings per share for calendar year 2008. The following table presents the results of this analysis:

	<b>Selected Companies (including Allscripts)</b>		
	<b>Range</b>	<b>Median</b>	<b>Allscripts</b>
2007 EBITDA Margin	12.9%-34.1%	23.0%	19.8%
2007 EBIT Margin	5.1%-30.6%	14.4%	10.6%
5-Year Compound Annual Growth Rate of Earnings per Share	10.0%-25.0%	24.4%	25.0%
Ratio of Price/Earnings Ratio to 5-Year Compound Annual Growth Rate of Earnings per Share	0.6x-1.4x	0.8x	0.6x

*Illustrative Discounted Cash Flow Analysis Stand-Alone.* Goldman Sachs performed an illustrative discounted cash flow analysis on Allscripts on a stand-alone basis using projections for Allscripts prepared by its management. Goldman Sachs calculated indications of implied aggregate



equity values and implied present

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values per share of Allscripts stock as of January 1, 2008 based on unlevered free cash flows for the years 2008 through 2012 using discount rates ranging from 10.0% to 12.0%. Goldman Sachs calculated illustrative terminal values for Allscripts in the year 2012 based on assumed perpetuity growth rates of cash flows for year 2012 ranging from 2.0% to 4.0%. These illustrative terminal values were then discounted to calculate implied indications of present values using discount rates ranging from 10.0% to 12.0%. Goldman Sachs also calculated illustrative terminal values as a percentage of total aggregate equity value. The following tables present the results of this analysis:

	<b>Illustrative Per Share Value Indications</b>
Based on Perpetuity Growth Rates of Unlevered Free Cash Flows Beyond December 31, 2012	\$10.00-\$15.91
Terminal Value as a Percentage of Total Equity Value Based on Perpetuity Growth Rates of Unlevered Free Cash Flows Equity Value Beyond December 31, 2012	68.4%-79.2%

	<b>Illustrative Aggregate Equity Value Indications</b>
Based on Perpetuity Growth Rates of Unlevered Free Cash Flows Beyond December 31, 2012 (in millions)	\$663-\$1,073

Goldman Sachs also performed an illustrative discounted cash flow analysis on Allscripts using projections for Allscripts prepared by its management with downward adjustments to the annual sales growth rates and operating income margins. Goldman Sachs calculated indications of implied aggregate equity values and implied present values per share of Allscripts stock as of January 1, 2008 based on unlevered free cash flows for the years 2008 through 2012 using discount rates ranging from 10.0% to 12.0%. Goldman Sachs calculated illustrative terminal values for Allscripts in the year 2012 based on assumed perpetuity growth rates of cash flows for year 2012 ranging from 2.0% to 4.0%. These illustrative terminal values were then discounted to calculate implied indications of present values using discount rates ranging from 10.0% to 12.0%. Goldman Sachs also calculated illustrative terminal values as a percentage of total aggregate equity value. The following tables present the results of this analysis:

	<b>Illustrative Per Share Value Indications</b>
Based on Perpetuity Growth Rates of Unlevered Free Cash Flows Beyond December 31, 2012	\$8.32-\$13.37
Terminal Value as a Percentage of Total Equity Value Based on Perpetuity Growth Rates of Unlevered Free Cash Flows Equity Value Beyond December 31, 2012	70.5%-80.7%

	<b>Illustrative Aggregate Equity Value Indications</b>
Based on Perpetuity Growth Rates of Unlevered Free Cash Flows Beyond December 31, 2012 (in millions)	\$547-\$896

*Illustrative Discounted Cash Flow Analysis Combined Company.* Goldman Sachs also performed an illustrative pro forma discounted cash flow analysis on the combined entity as a result of the Transactions using projections for Allscripts and MHS prepared by Allscripts and Misys management, respectively. Goldman Sachs calculated indications of implied aggregate equity values and implied present values per share of stock of the combined entity as of January 1, 2008 based on unlevered free cash flows for the years 2008 through 2012 using discount rates ranging from 10.0% to 12.0%. Goldman Sachs also calculated indications of implied aggregate equity values and implied present values per share of stock of the combined entity as of January 1, 2008 based on unlevered free cash flows for the years 2008 through 2012 using discount rates ranging from 10.0% to 12.0% including the payment of the \$330 million special cash dividend. Goldman Sachs calculated illustrative terminal values for the combined entity as a result of the Transactions in the year 2012 based on assumed perpetuity

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growth rates of cash flows for year 2012 ranging from 2.0% to 4.0%. These illustrative terminal values were then discounted to calculate implied indications of present values using discount rates ranging from 10.0% to 12.0%. Goldman Sachs also calculated illustrative terminal values as a percentage of total aggregate equity value excluding the payment of the \$330 million special cash dividend. The following tables present the results of this analysis:

	<b>Illustrative Per Share Value Indications</b>
Based on Perpetuity Growth Rates of Unlevered Free Cash Flows Beyond December 31, 2012	\$8.76-\$13.98
Based on Perpetuity Growth Rates of Unlevered Free Cash Flows Beyond December 31, 2012 Including Payment of the \$330 Million Special Cash Dividend	\$13.63-\$18.85
Terminal Value as a Percentage of Total Equity Value Based on Perpetuity Growth Rates of Unlevered Free Cash Flows Equity Value Beyond December 31, 2012 Excluding Payment of the \$330 Million Special Cash Dividend	67.2%-78.3%

	<b>Illustrative Aggregate Equity Value Indications</b>
Based on Perpetuity Growth Rates of Unlevered Free Cash Flows Beyond December 31, 2012 (in millions)	\$1,304-\$2,082

Goldman Sachs also performed an illustrative pro forma discounted cash flow analysis on the combined entity as a result of the Transactions using projections for Allscripts and MHS prepared by Allscripts and Misys management, respectively, with downward adjustments to the annual sales growth rates and operating income margins. Goldman Sachs calculated indications of implied aggregate equity values and implied present values per share of stock of the combined entity as of January 1, 2008 based on unlevered free cash flows for the years 2008 through 2012 using discount rates ranging from 10.0% to 12.0%. Goldman Sachs also calculated indications of implied aggregate equity values and implied present values per share of stock of the combined entity as of January 1, 2008 based on unlevered free cash flows for the years 2008 through 2012 using discount rates ranging from 10.0% to 12.0% including the payment of the \$330 million special cash dividend. Goldman Sachs calculated illustrative terminal values for the combined entity as a result of the Transactions in the year 2012 based on assumed perpetuity growth rates of cash flows for year 2012 ranging from 2.0% to 4.0%. These illustrative terminal values were then discounted to calculate implied indications of present values using discount rates ranging from 10.0% to 12.0%. Goldman Sachs also calculated illustrative terminal values as a percentage of total aggregate equity value excluding the payment of the \$330 million special cash dividend. The following tables present the results of this analysis:

	<b>Illustrative Per Share Value Indications</b>
Based on Perpetuity Growth Rates of Unlevered Free Cash Flows Beyond December 31, 2012	\$7.87-\$12.63
Based on Perpetuity Growth Rates of Unlevered Free Cash Flows Beyond December 31, 2012 Including Payment of the \$330 Million Special Cash Dividend	\$12.74-\$17.50
Terminal Value as a Percentage of Total Equity Value Based on Perpetuity Growth Rates of Unlevered Free Cash Flows Equity Value Beyond December 31, 2012 Excluding Payment of the \$330 Million Special Cash Dividend	68.2%-79.1%

	<b>Illustrative Aggregate Equity Value Indications</b>
Based on Perpetuity Growth Rates of Unlevered Free Cash Flows Beyond December 31, 2012 (in millions)	\$1,172-\$1,880

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*Selected Transactions Analysis.* Goldman Sachs analyzed certain information relating to the following selected private market transactions in the healthcare information technology and software industries since 2000:

*Selected Precedent Transactions (Target / Acquirer)*

IDX Systems Corporation / General Electric Company (GE Healthcare);

PracticeWorks Pty, Ltd. / Eastman Kodak Company;

A4 Health Systems, Inc. / Allscripts Healthcare Solutions, Inc.;

Per-Se Technologies, Inc. / McKesson Corp.;

Emdeon Practice Services / The Sage Group plc (Sage Software);

Shared Medical Systems Corp. / Siemens AG (Siemens Medical Engineering Group); and

NDCHealth Corporation / Per-Se Technologies, Inc.

For each of the selected transactions, Goldman Sachs calculated and compared the levered aggregate consideration as a multiple of last twelve months, or LTM, EBITDA. While none of the companies that participated in the selected transactions used as a comparison above is directly comparable to Allscripts, the companies that participated in the selected transactions are companies with operations that, for the purposes of analysis, may be considered similar to certain of Allscripts' results, market size and product profile.

The following table presents the results of this analysis:

Levered Aggregate Consideration as a Multiple of:	Selected Transactions	
	Range	Median
LTM EBITDA	11.0x-20.8x	15.6x

\* *Based on LTM EBITDA for previous twelve months as of date of transaction announcement.*

*Present Value of Future Share Price Analysis - Stand-Alone.* Goldman Sachs performed an illustrative analysis of the implied present value of the future price per share of Allscripts common stock, which is designed to provide an indication of the present value of a theoretical future value of a company's equity as a function of such company's estimated future earnings and its assumed price to future earnings per share multiple. For this analysis, Goldman Sachs used the financial information for Allscripts prepared by Allscripts management for each of the fiscal years 2008 to 2012. Goldman Sachs first calculated the implied values per share of stock as of December for each of the fiscal years 2008 to 2011, by applying price to forward earnings per share multiples of 13.0x to 17.0x to estimates of per share earnings for each of the fiscal years 2008 to 2011, and then discounting such values back to January 1, 2008 using a discount rate of 12.0%. This analysis resulted in a range of implied present values of \$10.23 to \$14.42 per share of stock of Allscripts. Goldman Sachs also performed an illustrative analysis of the implied present value of the future price per share of stock of Allscripts using the financial information for Allscripts prepared by Allscripts for each of the fiscal years 2008 to 2012 with downward adjustments to the annual sales growth rates and operating income margins. Using the same methodology for calculation, this analysis resulted in a range of implied present values of \$8.65 to \$12.37 per share of stock of Allscripts.

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*Present Value of Future Share Price Analysis Combined Entity.* Goldman Sachs also performed an illustrative analysis of the implied present value of the future price per share of stock of the combined entity as a result of the Transactions. For this analysis, Goldman Sachs used the financial information for Allscripts and MHS prepared by Allscripts and Misys management, respectively, for each of the fiscal years 2008 to 2012. Goldman Sachs first calculated the implied values per share of stock as of December for each of the fiscal years 2008 to 2011, by applying price to forward earnings per share multiples of 13.0x to 17.0x to estimates of per share earnings for each of the fiscal years 2008 to 2011, and then discounting such values back using a discount

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rate of 12.0%. This analysis resulted in a range of implied present values of \$8.91 to \$12.47 per share of stock excluding the \$330 million special cash dividend and \$13.78 to \$17.34 per share of stock including the \$330 million special cash dividend. Goldman Sachs also performed an illustrative analysis of the implied present value of the future price per share of stock of the combined entity as a result of the Transactions using the financial information for Allscripts and MHS prepared by Allscripts and Misys management, respectively, for each of the fiscal years 2008 to 2012 with downward adjustments to the annual sales growth rates and operating income margins. Using the same method for calculation, this analysis resulted in a range of implied present values of \$8.20 to \$11.33 per share of stock excluding the \$330 million special cash dividend and \$13.07 to \$16.20 per share of stock including the \$330 million special cash dividend.

*Illustrative Value to Allscripts Stockholders Analysis.* Goldman Sachs performed an illustrative analysis of the value per share to holders of Allscripts common stock as a result of the Transactions. For this analysis, Goldman Sachs used the financial information for Allscripts and MHS prepared by Allscripts and Misys management, respectively. Using this information, Goldman Sachs calculated the total value per share to holders of Allscripts common stock, the implied aggregate equity value to holders of Allscripts common stock including the \$330 million special cash dividend and the ratio of the implied aggregate equity value including the \$330 million special cash dividend to last twelve months EBITDA, by calculating the aggregate equity value, as a result of the Transactions, as the product of an illustrative range of price to forward earnings per share multiples of 10.0x to 16.0x earnings per share of stock estimates for the fiscal year 2009 and the expected net income for fiscal year 2009. The following table presents the results of this analysis:

	<b>Illustrative Value to Holders of Allscripts Common Stock</b>
Total Value per Share of Allscripts Common Stock Including the \$330 Million Special Cash Dividend	\$12.83-\$17.61
Implied Aggregate Value Including the \$330 Million Special Cash Dividend	\$869,000,000-\$1,193,000,000
Ratio of Implied Aggregate Value Including the \$330 Million Special Cash Dividend to EBITDA	17.8x-24.3x

Goldman Sachs calculated the implied premium of the illustrative value per share relative to the latest one day, one week, one month and twelve months average market price of Allscripts common stock. The analysis indicated that the implied premium of the illustrative value per share to Allscripts holders represented:

a premium of 37.4% to 88.5% based on the latest one day market price of \$9.34 per share;

a premium of 34.1% to 84.0% based on the latest one week average market price of \$9.57 per share;

a premium of 19.9% to 64.5% based on the latest one month average market price of \$10.70 per share; and

a discount of 53.8% to 36.7% based on the latest twelve months high market price of \$27.80 per share.

Goldman Sachs also performed an illustrative analysis of the illustrative value to holders of Allscripts common stock as a result of the Transactions using the financial information for Allscripts prepared by Allscripts management for the fiscal year 2009 with downward adjustments to the annual sales growth rates and operating income margins. Using this information, Goldman Sachs calculated the total value per share to holders of Allscripts common stock, the implied aggregate equity value to holders of Allscripts common stock including the \$330 million special cash dividend and the ratio of the implied aggregate equity value including the \$330 million special cash dividend to last twelve months EBITDA, by calculating the aggregate equity value, as a result of the Transactions, as the product of an illustrative range of price to forward earnings per share multiples of 10.0x to 16.0x earnings per share of stock estimates for the fiscal year 2009 and the projected net income for fiscal year 2009. The following table presents the results of this analysis:

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	<b>Illustrative Value to Holders of Allscripts Common Stock</b>
Total Value per Share of Allscripts Common Stock Including the \$330 Million Special Cash Dividend	
Dividend	\$12.08-\$16.40
Implied Aggregate Value Including the \$330 Million Special Cash Dividend	\$818,000,000-\$1,111,000,000
Ratio of Implied Aggregate Value Including the \$330 Million Special Cash Dividend to EBITDA	16.8x-22.7x

Goldman Sachs calculated the implied premium of the illustrative value per share with downward adjustments to the annual sales growth rates and operating income margins relative to the latest one day, one week, one month and twelve months average market price of Allscripts common stock. The analysis indicated that the implied premium of the illustrative value per share to Allscripts holders represented:

a premium of 29.3% to 75.6% based on the latest one day market price of \$9.34 per share;

a premium of 26.2% to 71.4% based on the latest one week average market price of \$9.57 per share;

a premium of 12.8% to 53.3% based on the latest one month average market price of \$10.70 per share; and

a discount of 56.6% to 41.0% based on the latest twelve months high market price of \$27.80 per share.

The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Selecting portions of the analyses or of the summary set forth above, without considering the analyses as a whole, could create an incomplete view of the processes underlying Goldman Sachs' opinion. In arriving at its fairness determination, Goldman Sachs considered the results of all of its analyses and did not attribute any particular weight to any factor or analysis considered by it. Rather, Goldman Sachs made its determination as to fairness on the basis of its experience and professional judgment after considering the results of all of its analyses. No company or transaction used in the above analyses as a comparison is directly comparable to Allscripts, MHS, Misys or the contemplated transaction.

Goldman Sachs prepared these analyses for purposes of providing its opinion to the Allscripts board of directors as to the fairness from a financial point of view to Allscripts of the consideration to be paid by Allscripts pursuant to the Merger Agreement. These analyses do not purport to be appraisals nor do they necessarily reflect the prices at which businesses or securities actually may be sold. Analyses based upon forecasts of future results are not necessarily indicative of actual future results, which may be significantly more or less favorable than suggested by these analyses. Because these analyses are inherently subject to uncertainty, being based upon numerous factors or events beyond the control of the parties or their respective advisors, none of Allscripts, Goldman Sachs or any other person assumes responsibility if future results are materially different from those forecast.

The consideration to be paid by Allscripts pursuant to the Merger Agreement was determined through arms'-length negotiations between Allscripts and Misys and was approved by Allscripts' board of directors. Goldman Sachs provided advice to Allscripts during these negotiations. Goldman Sachs did not, however, recommend any specific amount of consideration to Allscripts or its board of directors or that any specific amount of consideration constituted the only appropriate consideration for the Transactions.

As described above, Goldman Sachs' opinion to the Allscripts board of directors was one of many factors taken into consideration by Allscripts board of directors in making its determination to approve the Merger Agreement. The foregoing summary does not purport to be a complete description of the analyses performed by Goldman Sachs in connection with the fairness opinion and is qualified in its entirety by reference to the written opinion of Goldman Sachs attached as Annex D to this proxy statement.

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Goldman Sachs and its affiliates are engaged in investment banking and financial advisory services, securities trading, investment management, principal investment, financial planning, benefits counseling, risk management, hedging, financing, brokerage activities and other financial and non-financial activities and services for various persons and entities. In the ordinary course of these activities and services, Goldman Sachs and its affiliates may at any time make or hold long or short positions and investments, as well as actively trade or effect transactions, in the equity, debt and other securities (or related derivative securities) and financial instruments (including bank loans and other obligations) of Allscripts, Misys and any of their respective affiliates or any currency or commodity that may be involved in the Transactions for their own account and for the accounts of their customers. Goldman Sachs acted as financial advisor to Allscripts in connection with, and participated in certain of the negotiations leading to the Transactions. In addition, Goldman Sachs has provided certain investment banking and other financial services to Allscripts and its affiliates from time to time, including having acted as a co-manager with respect to Allscripts' follow-on offering of 8,395,000 shares of common stock of Allscripts in February 2006. Goldman Sachs also may provide investment banking and other financial services to Allscripts, Misys and their respective affiliates in the future. In connection with the above-described services Goldman Sachs has received, and may receive in the future, compensation.

The board of directors of Allscripts selected Goldman Sachs as its financial advisor because it is an internationally recognized investment banking firm that has substantial experience in transactions similar to the Transactions. Pursuant to a letter agreement, dated February 6, 2008, Allscripts engaged Goldman Sachs to act as its financial advisor in connection with the Transactions. Pursuant to the terms of this engagement letter, Allscripts has agreed to pay Goldman Sachs a transaction fee of at least \$8,500,000, substantially all of which is payable upon consummation of the Transactions. In addition, Allscripts has agreed to reimburse Goldman Sachs for its expenses, including attorneys' fees and disbursements, and to indemnify Goldman Sachs and related persons against various liabilities, including certain liabilities under the federal securities laws.

**Interests of Certain Persons in the Transactions**

In considering the recommendation of our board of directors with respect to the Share Issuance, Required Amendments and Additional Amendments, you should be aware that our directors and our executive officers have certain interests in the Transactions that are different from, or in addition to, your interests as a stockholder. Our board of directors was aware of these actual and potential conflicts of interest and considered them along with other matters when they determined to approve, declare the advisability of and recommend the Share Issuance, Required Amendments and Additional Amendments. These interests are summarized below.

***Positions with Allscripts***

It is currently anticipated that Allscripts' executive officers, including Glen Tullman, Chief Executive Officer, Lee Shapiro, President, and William Davis, Chief Financial Officer (Messrs. Tullman, Shapiro and Davis, collectively, the Key Executives) will retain their positions with Allscripts after consummation of the Transactions. As discussed below under the heading Employment Agreements with Key Executives, the Key Executives have entered into employment agreements with Allscripts that will replace their existing employment agreements upon consummation of the Transactions. Other executive officers may enter into new employment agreements in connection with the closing of the Transactions, the terms and conditions of which have yet to be negotiated.

***Treatment of Allscripts Stock Options in the Transactions***

All outstanding options to acquire shares of Allscripts common stock are currently fully exercisable with the exception of options granted under one award agreement. The Transactions will constitute a change of control under such option award agreement. Accordingly, such stock options will become fully exercisable in connection with the consummation of the Transactions. Allscripts has agreed to take all necessary action to accelerate the exercisability of such stock options effective as of the record date for the special cash dividend so that holder of such award will participate in the cash dividend. Allscripts intends to take action necessary to allow for cashless exercise of outstanding stock options.

No holder of a stock option will be required to exercise his or her options to acquire Allscripts common stock, and unexercised stock options will remain outstanding after consummation of the Transactions until later



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exercised, subject to the option's terms regarding expiration. Options that are not exercised on or prior to the record date will be adjusted to preserve the intrinsic value of such options after taking into account the effect of the special cash dividend on the trading price of Allscripts common stock.

***Treatment of Allscripts Restricted Stock and Restricted Stock Units in the Transactions***

The Transactions will constitute a change of control under Allscripts' equity compensation award agreements. Accordingly, outstanding restricted stock and restricted stock units (other than those granted after the execution of the Merger Agreement) will vest in connection with the consummation of the Transactions. Allscripts has agreed to take all necessary action to accelerate the vesting of all restricted stock units (other than those granted after the execution of the Merger Agreement) effective as of the record date for the special cash dividend so that holders of such awards will participate in the cash dividend. With respect to the restricted stock units awarded after the execution of the Merger Agreement, the Transactions will accelerate the vesting of such awards such that fifty percent (50%) of the awards will vest on the first anniversary of the grant date and the other fifty percent (50%) will vest on the second anniversary of the grant date.

The table below sets forth, as of May 28, 2008, assuming the closing of the Transactions occurs on such date, (a) the number of shares of restricted stock held by our directors and executive officers the vesting of which will accelerate as of the closing of the Merger, (b) the number of restricted stock units held by our directors and executive officers the vesting of which will accelerate as of the record date for the special cash dividend and (c) the number of restricted stock units the vesting of which will accelerate on each of the first and second anniversary of the grant date thereof.

<b>Executive Officer</b>	<b>Number of Shares of Restricted Stock to Vest as a result of the Transactions</b>	<b>Number of Restricted Stock Units to Vest on the Record Date</b>	<b>Number of Restricted Stock Units to Vest on each of the 1<sup>st</sup> and 2<sup>nd</sup> Anniversaries of the Grant Date</b>
Glen Tullman	18,180	133,067	
M. Fazle Husain	1,514		
Marcel L. Gamache	2,271		
Bernard Goldstein	1,514		
Philip D. Green	1,514		
Robert A. Compton	3,029		
Michael J. Kluger	2,272		
Lee Shapiro	13,635	49,900	
William Davis	11,363	33,266	
Benjamin Bulkley		87,939	
Laurie McGraw	6,060	33,266	
John G. Cull	4,147	4,320	
Jeff Surges		33,266	
Scott Leisher	7,036	6,270	10,142
<b>Total</b>	<b>72,535</b>	<b>381,294</b>	<b>10,142</b>

***Employment Agreements with Key Executives***

In connection with the entry into the Merger Agreement, and as a condition thereto, the Key Executives (Messrs. Tullman, Shapiro and Davis) entered into new employment agreements that will be effective upon consummation of the Transactions. These new employment agreements were negotiated between Misys and the Key Executives. Except as noted below, the new employment agreements are substantially similar to the existing employment agreements between the Key Executives and Allscripts. In the absence of the new employment agreements, each of the Key Executives would have been entitled to terminate his employment with Allscripts and receive the payments described under "Election of Directors Potential Payments Upon Termination or Change of Control Payments Due to Termination Following a Change of Control." As noted below, the new employment agreements remove this right of the Key Executives to terminate their employment for constructive discharge as a result of the change of control resulting from consummation of the Transactions.

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*Retention Bonuses; Stock Awards.* The new employment agreements provide that each Key Executive will receive:

a restricted stock or restricted stock unit award immediately following the consummation of the Transactions, which award will vest over four years in accordance with Allscripts' customary vesting schedule and up to 20% of which may be made under an equity program of Misys (if such award is not granted within seven (7) days following the consummation of the Transactions, the new employment agreement will terminate and the existing employment agreement will remain in effect);

a retention bonus payable in cash on the later to occur of (i) the tenth day after the consummation of the Transactions and (ii) January 2, 2009; and

a cash award on the tenth day after the first anniversary of the closing of the Transactions if such Key Executive either (i) remains continuously employed from the consummation of the Transactions through the first anniversary thereof or (ii) is terminated by Allscripts without cause (as defined in the existing agreements, with the addition noted below under Ownership of Allscripts Common Stock ) prior to the first anniversary of the consummation of the Transactions or (iii) terminates his employment for constructive discharge (as defined in the existing agreements, except as noted below).

The following table sets forth the amounts of these retention bonuses and stock awards for each of the Key Executives.

Key Executive	Grant-Date Value of Stock Award	Retention Bonus Payment	Additional Retention Payment	Total
Glen Tullman	\$3,000,000	\$1,785,000	\$315,000	\$5,100,000
Lee Shapiro	\$2,000,000	\$1,211,250	\$213,750	\$3,425,000
William Davis	\$2,000,000	\$1,083,750	\$191,250	\$3,275,000

*Termination Without Cause or for Constructive Discharge.* Under the existing employment agreements with the Key Executives, a change of control is grounds for a Key Executive to terminate his employment for constructive discharge. The new employment agreements remove a change of control from the definition of constructive discharge. Additionally, the new employment agreements modify the payments to the Key Executives upon a termination by Allscripts without cause or by the Key Executive for constructive discharge as described below. Also, the severance payments and benefits described below do not apply if the termination is within the two-year period following a change in control; the severance payments and benefits applicable in that timeframe are discussed under the heading Payments Upon Change in Control below. The elements of the severance package in the new agreements, and the modifications from the current agreements, are as follows:

payment of unpaid performance bonus, if any, in respect of the prior fiscal year;

payment of one times the sum of base salary plus target performance bonus over 12 months (rather than the two times base salary over 24 months that is provided for under the current employment agreements); provided, however, that these payments are made only if the termination is after the first anniversary of the closing of the Transactions;

removal of the payment of a target bonus for the year of termination (which was to be paid 50% upon such termination and 50% over a 12 month period) that is provided for under the current employment agreements;

continuation of health benefits for 12 months (reduced from 24 months that is provided for under the current employment agreements); and

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removal of full vesting of equity awards that is provided for under the current employment agreements, but, if such termination is after the first anniversary of the closing of the Transactions, pro-rata vesting of the stock awards granted to the Key Executives in connection with the closing of the Transactions equal to (i) the number of shares of such award that would vest on the normal vesting date multiplied

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by (ii) a fraction, the numerator of which is the number of days elapsed since the last regular vesting date of such award (or grant date if no vesting date has occurred), and the denominator of which is the number of days between the last regular vesting date (or grant date if no vesting date has occurred) and the normal vesting date.

*Payments Upon a Change of Control; Severance Upon Termination Following a Change of Control.* The new employment agreements provide that the Key Executives will receive the following upon the occurrence of a change of control (other than the Transactions) if such Key Executive has remained continuously employed by Allscripts through the effective date of such change of control:

full vesting of all unvested equity awards;

a lump sum cash payment equal to the sum of such Key Executive's base salary and target bonus amount (generally fifty percent (50%) of base salary); and

an additional lump sum equal to the sum of such Key Executive's base salary and target bonus amount (an Additional Change of Control Payment), but only if Allscripts or representatives of the third party effecting the change of control do not offer such Key Executive a Comparable Job (as defined below) prior to the change of control, regardless of whether such Key Executive remains employed by Allscripts or its successor following such change of control.

Comparable Job is defined in the new employment agreements to mean employment following a change of control (i) with substantially the same duties and responsibilities as were held by such Key Executive immediately prior to the change of control (other than resulting from Allscripts no longer being a public company or changes in reporting responsibilities), (ii) at the same location at which such Key Employee provides services prior to such change of control or within 50 miles thereof and (iii) at the same or increased base salary and target performance bonus level as were in effect prior to such change of control.

The amendments to the employment agreements also contain the following changes to the definition of change of control:

a reduction in the threshold of incumbent directors needed for approval of new directors for such new directors to be deemed incumbent directors from two-thirds to a majority;

a reduction in the threshold of ownership of voting power, from sixty percent (60%) to fifty percent (50%), held in a surviving entity resulting from a transaction by the holders of the voting stock of Allscripts immediately prior to such transaction that would prevent the transaction from qualifying as a change of control;

remove any transaction by Misys or its affiliates from the scope of the definition; and

provide that a change of control of Misys will not be a change of control of Allscripts.

Additionally, the new employment agreements amend the severance package payable to a Key Executive due to a termination without cause or due to constructive discharge, if such termination occurs during the two-year period following a change of control. Severance in this situation consists of (i) a lump sum cash payment equal to the excess of the sum of such Key Executive's base salary and target bonus amount less the amount of any Additional Change of Control Payment paid to the Key Executive, and (ii) continuation of health benefits for twelve (12) months.

*Noncompetition and Nonsolicitation.* The amended employment agreements reduce the noncompetition and nonsolicitation period for the Key Executives from two years to one year.

*Ownership of Allscripts Common Stock.* The new employment agreements stipulate that each of the Key Executives must retain a minimum ownership of a level of shares of Allscripts common stock (including stock options, restricted stock and restricted stock units) or else he could be terminated by Allscripts for Cause. In the



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case of Messrs. Shapiro and Davis, they must maintain an ownership level with a fair market value equal to: (i) 100% of their respective base salaries from the effective date of the Transactions until the day prior to the first anniversary thereof, (ii) 66% of their respective base salaries from the first anniversary of the effective date of the Transactions until the day prior to the second anniversary thereof and (iii) 33% of their respective base salaries from the second anniversary of the effective date of the Transactions until the third anniversary of the effective date of the Transactions. In the case of Mr. Tullman, his minimum ownership level is measured as of the same periods noted above for Messrs. Shapiro and Davis, but with 200%, 133% and 66% as the required minimum percentages in clauses (i), (ii) and (iii) of the prior sentence, respectively.

*Other Amendments.* The new employment agreements also:

contain other conforming and incidental amendments;

provide that as a condition to the receipt of any severance payments and termination benefits, the Key Executives must execute a general release of employment claims against Allscripts within 45 days of termination.

remove the minimum dollar threshold of the Key Executives target performance bonus and add the general fifty percent (50%) target performance bonus; and

amend the employment agreements to conform to Section 409A of the Code.

***Employment Agreement Change of Control and Severance Payments to Other Executive Officers***

We previously entered into employment agreements with our other executive officers that provide for severance benefits under certain circumstances, including certain severance benefits that apply only in connection with a termination following a change of control, in addition to the payment of accrued but unpaid amounts. The following describes the provisions contained in the severance provisions of the employment agreements with our executive officers other than the Key Executives (whose new employment agreements are discussed above), Benjamin Bulkley, Laurie McGraw, John Cull, Scott Leisher and Jeffrey Surges.

The following table describes the estimated value of the potential payments that would have become payable to Benjamin Bulkley, Laurie McGraw, John Cull, Scott Leisher and Jeffrey Surges assuming a termination of employment without cause (as defined in the respective employment agreement) by Allscripts or constructive discharge (as defined in the respective employment agreement) by such executive, but not including a change of control, had occurred on May 28, 2008 based upon the closing price of Allscripts common stock on such date of \$12.39.

	Base Salary \$(1)	Non-Equity Incentive Plan Compensation \$(2)	Health Benefits \$(3)	Outplacement Services (\$)	Vesting of Stock Options \$(4)	Vesting of Stock Awards \$(5)	Other \$(6)
Benjamin E. Bulkley	420,000		4,047	10,000			
Laurie A.S. McGraw	325,000		4,047				
Jeffrey Surges	650,000		10,937				
John G. Cull	200,000		6,399				
Scott Leisher	255,000		6,399				514,873

- (1) Messrs. Bulkley, Cull, Leisher and Ms. McGraw are entitled to one year's base salary and Mr. Surges is entitled to two times his base salary as of the termination date, payable over a twelve month period for Messrs. Bulkley, Cull, Leisher and Ms. McGraw and a twenty-four month period for Mr. Surges.

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- (2) Per the employment agreements, (i) Mr. Surges would be entitled to his target performance bonus related to the year ended December 31, 2008; (ii) Mr. Bulkley and Ms. McGraw would be entitled to the actual performance bonus that would have been payable to them in 2008; (iii) Mr. Cull would be entitled to a pro-rated bonus based on the prior year's bonus; and (iv) Mr. Leisher is not entitled to any performance bonus.

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- (3) Mr. Surges is entitled to the continuance of 18 months of health benefits following the termination date. Messrs. Bulkley, Cull, Leisher and Ms. McGraw are entitled to the continuation of benefits for 12 months from the date of termination.
- (4) The termination without cause or by constructive discharge allows for the acceleration of the vesting of all stock options granted. All stock options were vested as of December 31, 2005 and therefore no acceleration of options would apply to such a termination.
- (5) Messrs. Bulkley, Cull and Surges' employment agreements do not provide for accelerated vesting. Although the employment agreements of Ms. McGraw and Mr. Leisher provide for acceleration of the vesting of all stock awards in the case of termination without cause or upon constructive discharge, the Company's stock award agreements do not provide for acceleration of vesting in such circumstances. The Company believes that the more specific terms of the award agreements control and reflect the intentions of the parties and, accordingly, that there is no accelerated vesting of the stock awards in such circumstances. This disclosure supersedes all prior disclosure of the Company related to this matter.
- (6) Mr. Leisher is entitled to payment of the residual sales commissions due to him for sales occurring prior to the effective date of such termination, payable in the manner it would have been determined and payable under the Commission Plan had there been no termination. If the employment of Mr. Bulkley or Ms. McGraw is terminated in connection with a change in control, such executives are entitled to certain severance payments and other compensation, which are not in addition to the benefits described in the preceding table. Messrs. Surges, Cull and Leisher's employment agreements do not provide for additional benefits if their employment is terminated following a change in control. The following table describes the estimated value of the potential payments that would have become payable to Mr. Bulkley and Ms. McGraw assuming a termination of employment following a change of control, assuming such change of control and termination both occurred on May 28, 2008 and based upon the closing price of Allscripts' common stock on such date of \$12.39.

	Base Salary \$(1)	Non-Equity Incentive Plan Compensation \$(2)	Health Benefits \$(3)	Outplacement Services (\$)	Vesting of Stock Options \$(4)	Vesting of Stock Awards \$(5)
Benjamin E. Bulkley	840,000	420,000	4,047	10,000		1,089,564
Laurie A.S. McGraw	325,000		4,047			487,249

- (1) Mr. Bulkley is entitled to a lump sum payment of two times his salary as of the date of termination. Ms. McGraw is entitled to a lump sum payment totaling her base salary as of the date of termination.
- (2) Mr. Bulkley is entitled to twice his target performance bonus for the year in which the termination occurs, 2008. Ms. McGraw has no provision in her employment agreement for a bonus payment upon a change of control.
- (3) Mr. Bulkley and Ms. McGraw are entitled to the continuation of benefits for 12 months from the date of termination.
- (4) The termination without cause or by constructive discharge allows for the acceleration of the vesting of all stock options granted. All stock options were vested as of December 31, 2005 and therefore no acceleration of options would apply to such a termination.
- (5) The termination in connection with a change in control provides for the acceleration of the vesting of all stock awards granted. The value of the accelerated stock awards is computed by multiplying the number of unvested shares by \$12.39, the closing price of Allscripts' common stock on May 28, 2008.

**Indemnification and Insurance**



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The Merger Agreement provides that for a period of six years after the effectiveness of the Merger, Allscripts will maintain in effect Allscripts current directors and officers liability insurance covering each person currently covered by the policy on terms and amounts no less favorable in any material respect to such directors and officers than those of such policy as in effect on the date of the Merger Agreement. However, Allscripts will not be required to expend in any one year an amount in excess of \$870,000, which is 300% of the current annual premiums paid by Allscripts. See The Merger Agreement Directors and Officers Liability Insurance.

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### **Material U.S. Federal Income Tax Consequences of the Transactions**

The following is a summary of the material U.S. federal income tax consequences of the Transactions to certain holders of Allscripts common stock. This summary is based on the Internal Revenue Code of 1986, as amended, referred to as the Internal Revenue Code in this proxy statement, Treasury regulations promulgated under the Internal Revenue Code, administrative rulings by the Internal Revenue Service and court decisions now in effect. All of these authorities are subject to change, possibly with retroactive effect so as to result in tax consequences different from those described below. This summary does not address all of the U.S. federal income tax consequences that might be applicable to a particular holder of Allscripts common stock. In addition, this summary does not address the U.S. federal income tax consequences of the Transactions to holders of Allscripts common stock who are subject to special treatment under U.S. federal income tax laws, including, for example, banks and other financial institutions, insurance companies, tax-exempt investors, S corporations, holders that are properly classified as partnerships under the Internal Revenue Code, dealers in securities, holders who hold their common stock as part of a hedge, straddle or conversion transaction, holders whose functional currency is not the U.S. dollar, holders who acquired our common stock through the exercise of employee stock options or other compensatory arrangements, holders who are subject to the alternative minimum tax provisions of the Internal Revenue Code and holders who do not hold their shares of Allscripts common stock as capital assets within the meaning of Section 1221 of the Internal Revenue Code. For purposes of this proxy statement, a U.S. holder means a stockholder of Allscripts other than an entity or arrangement treated as a partnership for U.S. federal income tax purposes, that for U.S. federal income tax purposes is:

an individual who is a citizen or resident of the United States;

a corporation (or other entity taxable as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States or of any political subdivision thereof;

an estate, the income of which is subject to U.S. federal income taxation regardless of its source; or

a trust if it (i) is subject to the primary supervision of a court within the United States and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) was in existence on August 20, 1996 and has properly elected under applicable U.S. Treasury Regulations to be treated as a United States person.

A non-U.S. holder means a stockholder of Allscripts other than a U.S. holder or a partnership. Except where specifically indicated, this discussion does not address the U.S. federal income tax consequences to Allscripts stockholders who are not U.S. holders. In addition, this summary does not address the tax consequences of the Transactions under state, local or foreign tax laws.

**This summary is provided for general information purposes only and is not intended as a substitute for individual tax advice. Each holder of Allscripts common stock should consult the holder's individual tax advisors as to the particular tax consequences of the Transactions, including the special cash dividend, to such holder, including the application and effect of any state, local, foreign or other tax laws and the possible effect of changes to such laws.**

### **The Merger**

The Merger is intended to be a reorganization under Section 368 of the Internal Revenue Code, although the Merger will not be treated as a reorganization if Misys elects to effect certain transactions prior to the Merger as provided in the Merger Agreement. The tax treatment of the Merger is not expected to affect the tax consequences of the Transactions to Allscripts stockholders.

### **The Special Cash Dividend**

As described more fully under The Transactions Consideration to be Received on page 41, Allscripts will declare and pay a special cash dividend on the fifth business day following the closing date for the Transactions to stockholders of record (other than Misys and its affiliates) as of the close of business on the



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business day immediately prior to the date on which the Merger is consummated. The following discussion assumes that the special cash dividend will be paid (and taken into account by stockholders) in 2008. If the special cash dividend is paid at a later time (which is not expected), the following discussion should be considered to refer to later years, as appropriate.

*Characterization of the Special Cash Dividend.* For U.S. federal income tax purposes, the special cash dividend should be:

taxable as a dividend to holders of Allscripts common stock to the extent of Allscripts' current and accumulated earnings and profits (as determined for U.S. federal income tax purposes);

thereafter, treated as a tax-free return of capital that reduces a stockholder's tax basis in its Allscripts common stock to the extent of such tax basis; and

thereafter, taxable as gain from the sale or exchange of the Allscripts common stock.

The special dividend is expected to exceed Allscripts' current and accumulated earnings and profits by a significant amount, and the remainder of this discussion assumes that to be the case. Therefore, for U.S. federal income tax purposes, the special cash dividend is expected to be treated in part as a taxable dividend and in part as a tax free return of capital that reduces stockholders' tax basis in their shares, and therefore is expected to have the effect of increasing the amount of gain (or decreasing the amount of loss) otherwise recognized on a subsequent taxable disposition of Allscripts common stock.

The portion of the special cash dividend that will be taxable as a dividend will not be determined until after the end of 2008, and possibly not until after the due date for tax returns on which the dividend must be reported, because that determination depends on the earnings and profits of Allscripts through the close of 2008. Not later than January 31, 2009, Allscripts will be required to send information returns to stockholders reporting the special cash dividend, and copies of the information returns are also required to be filed by Allscripts with the U.S. Internal Revenue Service. Also, stockholders will be required to report the special cash dividend on their tax returns for 2008 (or other taxable year of a stockholder in which the dividend is taken into account), which in the case of individuals are generally required to be filed on or before April 15, 2009 (assuming no extension). It is not expected that the determination of the taxable amount of the special cash dividend will be made prior to the due date for such information returns, and may not be made prior to the due date for tax returns required to be filed by stockholders. Stockholders might also be required to make estimated tax filings with respect to which the treatment of the special cash dividend is relevant prior to such determination.

Assuming that the taxable amount of the special cash dividend is not determined at the time Allscripts files the information returns, Treasury Regulations require that on the information returns required to be prepared by Allscripts the entire amount of the special cash dividend be reported as a taxable dividend. If, as expected, the special cash dividend exceeds the earnings and profits of Allscripts, the information returns will overstate the amount taxable as a dividend. The Internal Revenue Service has not provided clear guidance on how stockholders should file their tax returns in these circumstances. Stockholders who reflect the special cash dividend on their returns based on the information returns supplied by Allscripts will overstate the amount of the taxable dividend, which might result in their paying significantly higher taxes than if the actual amount of the taxable dividend were reflected on their tax returns. Stockholders who file their returns based on their estimate of the amount of the special cash dividend constituting a taxable dividend, however, might face increased audit risk due to the discrepancy between the amount reported by Allscripts and the amount reflected on their tax returns, and might be liable for interest and penalties if their estimate of tax resulting from the dividend understates the amount of tax ultimately determined to be due. Allscripts currently intends to provide stockholders with an amended information return, reflecting its determination of the portion of the special cash dividend constituting a taxable dividend, as soon as practicable after such determination is made, which is not expected to be made until after Allscripts' 2008 federal income tax return is completed. The due date for Allscripts' 2008 federal income tax return, taking into account expected extensions, is September 15, 2009. Thus, stockholders may need to file an amended tax return to reflect the correct amount of the taxable dividend.

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As described above, the portion of the special cash dividend that does not constitute a dividend for tax purposes will affect a stockholder's tax basis in its Allscripts common stock. As a result, until the exact amount of the special cash dividend constituting a taxable dividend is determined, stockholders who sell their Allscripts common stock will face uncertainty with respect to the computation of any gain or loss on the sale. Stockholders must reduce their tax basis by the amount ultimately determined not to constitute a dividend, regardless of the amount of dividend income reported on their tax returns and regardless of whether or not they amend their originally filed return. Stockholders who report gain or loss from a sale of Allscripts common stock prior to the time a determination is made as to the taxable amount of the special cash dividend may need to file an amended tax return to reflect the correct amount of gain or loss, after taking into account the effect of the special cash dividend on the tax basis of the shares sold.

**Taxation of Dividend Income.** The amount of the special cash dividend taxable as a dividend will be includable in a U.S. holder's income at the time the special cash dividend is actually or constructively received. That amount will be eligible for treatment as qualified dividend income taxable to individual and certain other non-corporate stockholders at a reduced rate of U.S. federal income tax (not exceeding fifteen percent (15%)), provided that:

such U.S. holder has held his or her shares of Allscripts common stock for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date;

such U.S. holder is not obligated to make related payments with respect to substantially similar or related property (e.g., pursuant to a short sale of such stock); and

certain other conditions are met.

Payments received in lieu of the special cash dividend from stock lending transactions will not be eligible for the reduced rate.

If with respect to the special cash dividend a stockholder is treated as recognizing qualified dividend income and the amount treated as a dividend equals or exceeds a specified percentage of the adjusted tax basis (or, if the taxpayer elects, fair market value) of the stockholder's Allscripts common stock (generally ten percent (10%)), under the extraordinary dividend rules of the Internal Revenue Code any loss recognized by the stockholder on the sale or exchange of such stock will, to the extent of such amount, be treated as long-term capital loss (even if it would be otherwise considered short-term under the general rules).

A corporate U.S. holder of Allscripts common stock might be eligible for the seventy percent (70%) dividends received deduction with respect to the special cash dividend. Corporate U.S. holders are urged to consult their own tax advisors regarding the limitations on the availability of the dividends received deduction, including the holding period rules of Section 246 of the Internal Revenue Code and the rules of Section 246A of the Internal Revenue Code regarding debt-financed portfolio stock. In addition, corporate U.S. holders who have held their shares for two years or less prior to the date on which Allscripts first announced the special cash dividend (which might be as early as March 17, 2008 for these purposes) are urged to consult their own tax advisors about the possible application of the extraordinary dividend rules of Section 1059 of the Internal Revenue Code and special elections that might be available in connection therewith.

**Special Considerations for Non-U.S. Holders.** In the case of a non-U.S. holder, the amount of the special cash dividend constituting a dividend for U.S. federal income tax purposes will generally be subject to U.S. federal income tax at a rate of thirty percent (30%) (or a lower rate specified in an applicable income tax treaty). Non-U.S. holders should consult their own tax advisors regarding the documentation required to claim relief under an applicable tax treaty. The amount not constituting a dividend generally will not be subject to U.S. federal income tax unless such amount is in excess of a non-U.S. holder's tax basis and the non-U.S. holder is an individual who is present in the United States for 183 days or more in the taxable year of the special dividend and certain other conditions are met. Notwithstanding the foregoing, the amount constituting a dividend, and the

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amount in excess of the non-U.S. holder's tax basis, will be subject to U.S. federal income tax at graduated rates applicable to United States persons to the extent the associated income is effectively connected with the non-U.S. holder's conduct of a trade or business within the United States (or, if so provided in an applicable tax treaty, is attributable to a permanent establishment of the non-U.S. holder in the United States) and, in the case of a corporate non-U.S. holder, such income might be subject to an additional branch profits tax.

The thirty percent (30%) income tax referenced above is generally collected by way of withholding. Because the amount of the special cash dividend constituting a dividend for U.S. federal income tax purposes will not be known at the time the special cash dividend is paid, it is expected that Allscripts or another U.S. withholding agent will withhold thirty percent (30%) from the gross amount of the special cash dividend paid to any non-U.S. holder (or such lower amount as is specified in an applicable income tax treaty). As a result, non-U.S. holders can expect that amounts withheld will exceed by a significant amount the taxes for which they are ultimately responsible. Non-U.S. holders may generally obtain a refund of any excess amounts withheld by filing an appropriate claim for refund with the Internal Revenue Service. As noted above, however, the amount of the special cash dividend constituting a dividend may not be known until calendar year 2009, after Allscripts' federal income tax return for its fiscal year ended May 31, 2009 is completed. Thus, non-U.S. holders may face significant delays in recovering any excess withheld amounts.

**Information Reporting and Backup Withholding.** Non-corporate holders of Allscripts common stock may be subject to information reporting and backup withholding with respect to the special cash dividend. Any non-corporate holder of Allscripts common stock will not be subject to backup withholding, however, if the stockholder:

furnishes a correct taxpayer identification number and certifies that the stockholder is not subject to backup withholding on the substitute Form W-9 or successor form included in the letter of transmittal to be delivered to the holder following completion of the holding company merger; or

is otherwise exempt from backup withholding.

Any amounts withheld under the backup withholding rules will be allowed as a refund or credit against the stockholder's U.S. federal income tax liability, provided the stockholder furnishes the required information to the Internal Revenue Service.

In addition, the amount of the special cash dividend paid to each non-U.S. holder, and the amount of U.S. federal income tax, if any, withheld from such payment, must be reported to the Internal Revenue Service and to such non-U.S. holder.

## **Accounting Treatment of the Merger**

SFAS 141 Business Combinations requires the use of the purchase method of accounting for business combinations. In applying the purchase method, it is necessary to identify both the accounting acquiree and the accounting acquirer. In a business combination effected through an exchange of equity interests, such as the Merger, the entity that issues the interests (Allscripts in this case) is generally the acquiring entity. In identifying the acquiring entity in a business combination effected through an exchange of equity interests, however, all pertinent facts and circumstances must be considered, including the following:

The relative voting interests in Allscripts after the Transactions. Misys will receive between 54.5% and 58.4% of the outstanding common stock and associated voting rights in Allscripts after the Transactions.

The composition of the governing body of Allscripts after the Transactions. The composition of the board members of Allscripts following the Merger will be comprised of a majority of members designated by Misys.

That the anticipated per share value to Allscripts' stockholders of the special cash dividend and retaining their shares of Allscripts common stock represents a premium to the market price of Allscripts' common stock prior to announcement of the Transactions.



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The composition of the senior management of Allscripts after the Transactions. Allscripts' senior management following the Merger will be the same as the Allscripts' management team prior to the Merger.

Upon considering all relevant facts and circumstances of the Merger, MHS will be treated as the accounting acquiror and Allscripts will be treated as the acquired company for financial reporting purposes. The assets and liabilities of Allscripts will be recorded, as of the completion of the Transactions, at their respective fair values while the assets and liabilities of MHS will be carried at their book values. In periods following the completion of the Transactions, the comparative historical financial statements of Allscripts will be those of MHS prior to the Transactions and the earnings of the combined company after the Transactions will reflect purchase accounting adjustments, including increased amortization and depreciation expense for fair value of acquired assets and assumed liabilities.

## **Regulatory Approvals**

Under the HSR Act, and the rules promulgated under the HSR Act by the Federal Trade Commission, the parties must file notification and report forms with the U.S. Federal Trade Commission and the Antitrust Division of the Department of Justice and observe specified waiting period requirements before consummating the acquisition. Allscripts and Misys each filed the requisite notification and report forms with the Federal Trade Commission and the Antitrust Division on April 30, 2008 and the HSR Act waiting period expired at 11:59 p.m. Eastern Daylight Time on May 30, 2008. In addition, Allscripts received a letter from NASDAQ staff seeking more information on the Transactions to determine whether the Transactions are a reverse merger as described in Marketplace Rule 4340(a). If it is determined that the Transactions would be a reverse merger, Allscripts will be required to meet all the initial NASDAQ listing requirements and submit an initial listing application.

## **Federal Securities Law Consequences; Resale Restrictions**

Allscripts common stock issued in accordance with the Merger Agreement to Misys will not be registered under the Securities Act of 1933 and will be subject to restrictions on affiliate transfers arising under the Securities Act of 1933.

## **No Appraisal Rights**

Allscripts stockholders are not entitled to exercise appraisal rights or to demand payment for their shares in connection with the Transactions.

## **Business Relationships between Allscripts and MHS**

Allscripts and MHS intend to enter into a non-exclusive Master Services Agreement (the Services Agreement) pursuant to which MHS would act in a subcontractor capacity to Allscripts. The Services Agreement is expected to have a two-year term, unless terminated earlier, including upon either party providing the other with 30 days' prior written notice. The fee payable by Allscripts to MHS for services MHS provides to Allscripts will be agreed to in a statement of work or, if not so specified, be seventy-five percent (75%) of the fees derived by Allscripts from its customers in connection with the services performed by MHS.

Allscripts and MHS have entered into a standard TouchWorks™ Reseller and Distribution Agreement whereby MHS was granted a limited, non-transferable, non-exclusive right and license to market and distribute certain Allscripts proprietary software in object code format.

## **Directors and Officers of Allscripts After the Transactions**

The Merger Agreement provides that, following the effective time of the Merger, Allscripts will expand its board of directors to ten members, which will be comprised of four continuing Allscripts directors, including



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Allscripts chief executive officer, and six new directors to be nominated by Misys. Mr. Tullman, the current Chairman and Chief Executive Officer of Allscripts, will remain the Chief Executive Officer of Allscripts and, if he is elected by stockholders as a director pursuant to Proposal 4 or otherwise appointed to the board, will serve on Allscripts board. Mr. Lawrie will serve as the Chairman of the Allscripts board of directors and as the Executive Chairman of Allscripts (the senior officer of Allscripts). If Allscripts stockholders approve the Share Issuance and the Required Amendments but do not approve the Additional Amendments and the Transaction is completed, Allscripts will take action to allocate the new members to its board of directors to the vacancies in existing classes of the board of directors. For a more detailed discussion of the expected composition of Allscripts board of directors after completion of the Transactions, see Additional Agreements; Post-Transaction Governance Board of Directors of Allscripts After the Transactions beginning on page 92.

In connection with the entry into the Merger Agreement, and as a condition thereto, Glen Tullman, Lee Shapiro and William Davis entered into employment agreements with Allscripts to be effective as of the closing of the Transactions. It is currently expected that the other executive officers of Allscripts will remain after completion of the Transactions pursuant to their existing employment agreements.

**Special Tax Considerations**

As of December 31, 2007 the net operating loss carryover of Allscripts for federal income tax purposes was believed to be approximately \$205,000,000. The Transactions will result in an ownership change within the meaning of Section 382 of the Internal Revenue Code. As a result, in years ending after the Transactions, Allscripts use of its net operating loss carryovers will be subject to an annual limitation determined in part by multiplying the applicable long-term tax-exempt rate for the month in which the Transactions occur (presently 4.71%) by the value of the stock of Allscripts on the date of the Transactions, determined under special rules. Although the annual limitation will restrict Allscripts ability to use its net operating loss carryovers to offset future taxable income, Allscripts does not expect such restriction to have a material adverse effect on its cash flow in future periods. The actual effect of the annual limitation will depend on future circumstances, however, and therefore it is not possible to predict with certainty the effect of the annual limitation on Allscripts.

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### **THE MERGER AGREEMENT**

The following is a summary of the material provisions of the Merger Agreement. The summary of the Merger Agreement has been included to provide Allscripts stockholders with information regarding its material terms and provisions. This summary does not purport to describe all of the terms of the Merger Agreement and is qualified in its entirety by the reference to the Merger Agreement, which is incorporated by reference herein and included in this document as Annex A. All stockholders of Allscripts are urged to read the Merger Agreement carefully and in its entirety to understand the rights and obligations of Allscripts, Misys and MHS under the Merger Agreement.

The rights and obligations of the parties are governed by the express terms and conditions of the Merger Agreement and not by this summary or any other information included in this document. This summary is not intended to provide any other factual information about Allscripts, MHS, Misys or their subsidiaries. Such information can be found elsewhere in this document and in the public filings that Allscripts makes with the SEC, which are available without charge at <http://www.sec.gov>. See also [Where You Can Find More Information](#) on page 159.

#### **General**

The Merger Agreement provides for the merger of Merger Sub with and into MHS, with MHS continuing as the surviving corporation as a wholly-owned subsidiary of Allscripts. The Merger Agreement also provides for the purchase by Misys or one of its subsidiaries of additional shares of Allscripts common stock for either \$331,750,000 or \$330,000,000. In consideration for the merger of MHS into Merger Sub, Misys or one of its subsidiaries will be issued shares of Allscripts common stock that, when taken together with the shares of Allscripts common stock purchased for cash, will result in Misys or such subsidiary owning 54.5% of the number of fully-diluted shares of Allscripts common stock.

Fully-Diluted Shares is defined in the Merger Agreement as the sum of:

all issued and outstanding shares of Allscripts common stock;

all shares of Allscripts common stock issuable upon conversion or exchange of any outstanding security (other than Allscripts common stock issuable upon exercise of stock options); and

for in-the money-options (meaning shares of Allscripts common stock issuable upon exercise of stock options for which the exercise price of such option exceeds the amount obtained by subtracting (i) the per share amount of the special cash dividend from (ii) the average closing price of Allscripts common stock as reported on NASDAQ during the fifteen (15) business day period ending on the fifth business day prior to the date the Transactions are consummated), an amount equal to the number of shares subject to such options calculated on the treasury method, provided, that in the case where the adjusted exercise price of a stock option resulting from the effect of the special cash dividend would be zero or negative, the calculation shall be appropriately modified to include adjustments increasing the number of shares of Allscripts common stock subject to such options with the goal of preserving the intrinsic value of such options.

#### **Effective Time**

The effective time of the Merger will be the time and date of the filing of the certificate of merger that will be filed with the Secretary of State of the State of North Carolina or at such later time as Allscripts and Misys may agree and provide for in the certificate of merger.

#### **Consideration to be Received**

Pursuant to the Merger Agreement, Allscripts will declare and pay a special dividend of \$330,000,000, in the aggregate, which dividend will be contingent upon the consummation of the Transactions. The special cash

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dividend will be paid on the fifth business day following the closing date of the Transactions to holders of record of Allscripts common stock (other than Misys and its affiliates) as of the close of business on the business day prior to such closing date. It is currently anticipated that the per share amount of this special cash dividend will be between \$4.90 and \$5.65. Allscripts stockholders will also continue to own their shares of Allscripts common stock after completion of the Transactions and need not exchange or tender their shares of common stock.

### **Certain Post-Closing Governance Matters**

The Merger Agreement requires that Allscripts use commercially reasonable efforts to cause the:

increase the total number of directors on its board to ten,

resignation of the members of the board of directors other than the chief executive officer of Allscripts and three other members; and

appointment by the remaining members of six additional individuals designated by Misys.

In connection with the Merger Agreement, Allscripts entered into the Relationship Agreement, which provides for various corporate governance matters, substantially all of which will become effective upon the closing of the Transactions. For a more complete discussion of these matters, see Additional Agreements; Post Transaction Governance Relationship Agreement below. In addition, Allscripts is seeking stockholder approval of the amendment and restatement of Allscripts' charter and by-laws. These amendments have the effect of altering the governance of Allscripts after the closing of the Transactions, see Proposal 2 Required Amendments and Proposal 3 Additional Amendments. Immediately after the Transactions, Misys will own in excess of fifty percent (50%) of the voting capital stock in Allscripts. Because Allscripts stockholders prior to the Transactions will, in the aggregate, become minority stockholders in Allscripts, they will not have the ability to approve or block approval of proposals to be voted upon by Allscripts stockholders, unless the Additional Amendments are not approved, in which case, the affirmative vote of the holders of eighty percent (80%) of the outstanding common stock will still be required to amend certain provisions of Allscripts' certificate of incorporation and by-laws, as described below under the heading Proposal 3 The Required Amendments.

### **Representations and Warranties**

The Merger Agreement contains substantially reciprocal representations and warranties that Misys and MHS made to Allscripts and Merger Sub, on the one hand, and Allscripts and Merger Sub made to Misys and MHS, on the other hand, as of specific dates. The assertions embodied in those representations and warranties were made solely for purposes of the Merger Agreement and may be subject to important qualifications and limitations agreed by Allscripts, Merger Sub, Misys and MHS in connection with negotiating the terms of the Merger Agreement or contained in disclosure schedules. These disclosure schedules contain information that modify, qualify or create exceptions to the representations and warranties set forth in the Merger Agreement. Moreover, some of those representations and warranties may not be accurate or complete as of any specified date and are modified, qualified and created in important part by the underlying disclosure schedules, may be subject to a contractual standard of materiality different from those generally applicable to stockholders, or may have been used for the purpose of allocating risk among Allscripts, Merger Sub, Misys and MHS. For the foregoing reasons, the representations and warranties should not be relied upon as statements of factual information.

The representations and warranties contained in the Merger Agreement will not survive the closing of the Transactions or a termination of the Merger Agreement. The representations relate to, among other topics, the following:

due organization, good standing and power;

subsidiaries;

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authority to enter into and perform the Merger Agreement and the other agreements executed in connection therewith as well as the execution, delivery and enforceability of such agreements;

no conflicts with or violations of governance documents, material agreements or laws as a result of the execution and delivery of the Merger Agreement and other agreements or the consummation of the Transactions;

capital structure;

title to tangible assets;

real property;

absence of liens;

intellectual property;

litigation and related proceedings;

material contracts;

compliance with applicable laws;

brokers;

securities law filings of Allscripts;

financial statements and controls;

environmental matters;

employee benefits and labor matters;

taxes;

no material adverse effect;

absence of undisclosed liabilities;

healthcare law compliance;

voting requirements;

business conducted in the ordinary course;

accuracy of information provided by Misys and MHS;

title to assets and property of MHS;

no ownership of Allscripts stock by Misys;

absence of arrangements between Misys and the surviving company;

insurance;

opinion of the financial advisors to Misys; and

opinion of the financial advisors to Allscripts.

The term material adverse effect, is defined in the Merger Agreement to mean, with respect to any party, any state of facts, change, development, effect, condition or occurrence that would reasonably be expected to be material and adverse to the business, assets, properties, financial condition or results of operations of such person and its subsidiaries, in each case, taken as a whole; *provided, however*, that to the extent any state of facts, change, development, effect, condition or occurrence is caused by or results from any of the following, it will not

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be taken into account in determining whether there has been a material adverse effect with respect to the applicable person and its subsidiaries, taken as a whole:

- (i) the adoption, proposal, implementation or change in laws or interpretations thereof by any governmental entity;
- (ii) changes in global, national or regional political conditions (including any outbreak, escalation or diminishment of hostilities, war or any act of terrorism);
- (iii) any change, event or circumstance in the industry of such person generally;
- (iv) changes affecting the United States or United Kingdom financial or securities markets or the economy in general;
- (v) changes in GAAP or IFRS regulatory accounting requirements applicable to such person or its subsidiaries or the interpretations thereof;
- (vi) except with respect to: (i) the representations and warranties of Allscripts and Merger Sub dealing with the obtaining of certain consents and approvals and compliance with laws, agreements and constituent documents, and (ii) the representations and warranties of Misys and MHS dealing with the authority of each to enter into the agreements related to the Transactions; the announcement of the execution of or existence of the Merger Agreement, the Merger and the transactions contemplated thereby (including losses or threatened losses of relationships with employees, customers, distributors or suppliers), or actions taken by such person or any of its subsidiaries that are required pursuant to the Merger Agreement; or
- (vii) any change in the market price or trading volume of the equity securities of Allscripts or Misys on or after the date of the Merger Agreement, except the events underlying the changes, effects and circumstances described in this clause (vii) are not included within the scope of this clause,

except, in the cases of clauses (ii), (iii), and (iv) above, only to the extent that, such event, change, circumstance, or effect has a materially disproportionate effect on such person or its subsidiaries, taken as a whole, compared with other comparable companies operating in the same industry.

## **Covenants**

Each of Allscripts, on the one hand, and MHS, on the other, have undertaken certain covenants in the Merger Agreement restricting the conduct of their respective businesses between the date the Merger Agreement was signed and the completion of the Transactions. The following summarizes certain of these covenants:

### ***Ordinary Conduct of Allscripts***

Except as provided for in the Merger Agreement, from the execution date of the Merger Agreement until the closing of the Transactions, Allscripts is required to, and will cause each of its subsidiaries to, conduct its business in a commercially reasonable manner consistent with industry practice, and is required to use its commercially reasonable efforts to preserve intact its business organization and goodwill and relationships with customers, suppliers and others having business dealings with it, to keep available the services of its current officers and key employees and to maintain its current rights and franchises, in each case, consistent with industry practice. In addition, except as provided in the Merger Agreement or as required by applicable law or by a governmental entity of competent jurisdiction, Allscripts will not, and will not permit any of its subsidiaries to, without the prior written consent of Misys (not to be unreasonably withheld, conditioned or delayed):

adopt or propose any change in the certificate or articles of incorporation, certificate of formation, limited liability company agreement, by-laws, minute books, or any other similar charter or organizational documents of Allscripts or any of its subsidiaries;

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(i) other than the extraordinary dividend payable pursuant to the terms of the Merger Agreement, declare, set aside, make or pay any dividend or other distribution (whether in cash, stock or property) in respect of any of its capital stock except for the declaration and payment of cash dividends or distributions by any direct or indirect wholly-owned subsidiary of Allscripts, (ii) split, combine or reclassify any of its capital stock or issue or propose or authorize the issuance of any other securities (including options, warrants or other similar security exercisable for, or convertible into, such other security) in respect of, in lieu of, or in substitution for, shares of its capital stock except for any transaction by a direct or indirect wholly-owned subsidiary of Allscripts which remains a direct or indirect wholly-owned subsidiary of Allscripts after consummation of such transaction or (iii) repurchase, redeem or otherwise acquire any shares of the capital stock of Allscripts or any subsidiary of Allscripts, or any rights, warrants or options to acquire any such shares or interests, other than pursuant to the Allscripts Stock Plans and award agreements thereunder or other than for such actions that are only in respect of shares of any direct or indirect wholly-owned subsidiary of Allscripts;

issue, sell, grant, pledge or otherwise encumber any shares of its capital stock or other securities (including any options, warrants or similar security exercisable for or convertible into such capital stock or similar security) other than (i) issuances of Allscripts common stock pursuant to the exercise of options outstanding on the date hereof, issuances of Allscripts common stock in settlement of restricted stock units outstanding on the date hereof, issuances required by employee stock purchase plans and other equity-based securities outstanding on the date hereof, (ii) issuances by a wholly-owned subsidiary of Allscripts of capital stock to Allscripts or another wholly-owned subsidiary of Allscripts, (iii) issuances pursuant to the Convertible Debentures and (iv) as disclosed pursuant to the Merger Agreement;

merge or consolidate with any person (other than Allscripts or a wholly-owned subsidiary of Allscripts) or acquire a material amount of the assets or equity of any other person (other than Allscripts or a wholly-owned subsidiary of Allscripts), other than (i) acquisitions disclosed pursuant to the Merger Agreement and (ii) acquisitions the fair market value of the total consideration (including the value of indebtedness acquired or assumed) for which does not exceed \$10,000,000 for any individual acquisition, or \$20,000,000 in the aggregate;

sell, lease, license, subject to a lien (other than those permitted under the Merger Agreement), encumber or otherwise surrender, relinquish or dispose of any material assets, property or rights (including capital stock of a subsidiary of Allscripts) except (i) pursuant to existing written contracts or commitments, (ii) in an amount not in excess of \$10,000,000 in the aggregate or (iii) pursuant to non-exclusive licensing agreements in the ordinary course of business consistent with past practice;

(i) make any loans, advances or capital contributions to, or investments in, any other person other than (x) by Allscripts or any subsidiary of Allscripts to or in Allscripts or any subsidiary of Allscripts or (y) pursuant to any contract or other legal obligation existing at the date of the Merger Agreement or (ii) create, incur, guarantee or assume any indebtedness, issuances of debt securities, guarantees, loans or advances not in existence as of the date of the Merger Agreement, except indebtedness not to exceed \$10,000,000 in the aggregate, and obtained on customary commercial terms for a valid business purpose, indebtedness in replacement of existing indebtedness on customary commercial terms, and guarantees by Allscripts of indebtedness of wholly-owned subsidiaries of Allscripts or guarantees by the Allscripts subsidiaries of indebtedness of Allscripts;

amend or otherwise modify benefits under any Allscripts employee benefit plan in any material respect, accelerate the payment or vesting of benefits or amounts payable or to become payable under any Allscripts employee benefit plan as currently in effect on the date hereof in any material respect, fail to make any required contribution to any Allscripts employee benefit plan in any material respect, merge or transfer any Allscripts employee benefit plan or the material assets or liabilities of any Allscripts employee benefit plan, change the sponsor of any Allscripts employee benefit plan, or



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terminate or establish any material Allscripts employee benefit plan, except in each case as reasonably appropriate to reflect changes in applicable law or GAAP;

grant any increase in the compensation or benefits of directors, officers, managers, employees or consultants of Allscripts or any subsidiary of Allscripts other than (i) increases in the compensation of employees (other than executive officers or directors of Allscripts) or consultants in the ordinary course of business consistent with past practice, (ii) benefits increases that are not material and that apply to all similarly situated employees, or (iii) as required by any Allscripts employee benefit plan or by law;

enter into or amend or modify in any material respect any severance, consulting, retention, collective bargaining agreement or employment agreement, plan, program or arrangement, except, in each case, (i) in the ordinary course of business consistent with past practice (except for officers with a yearly base salary in excess of \$175,000 or managers or directors of Allscripts), (ii) as required by the terms of such agreement, plan, program or arrangement, or (iii) to comply with applicable law;

hire or terminate the employment or contractual relationship of any officer, employee or consultant of Allscripts or any subsidiary of Allscripts, as the case may be, other than hirings or terminations in the ordinary course consistent with past practice;

settle or compromise any claim or enter into any consent decree, injunction or similar restraint or form of equitable relief in settlement of any material claim other than (i) such settlements and compromises that (A) relate to taxes, (B) are in the ordinary course consistent with past practice or (C) do not require payments by Allscripts in excess of \$1,000,000, net of any insurance proceeds or coverage, and (ii) such consent decrees, injunctions or similar restraints or forms of equitable relief that, individually or in the aggregate, are not material to Allscripts;

(i) make or rescind any material election relating to taxes, (ii) settle or compromise any material claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to taxes, (iii) make a request for a written ruling of a taxing authority relating to taxes, other than any request for a determination concerning qualified status of any Allscripts employee benefit plan intended to be qualified under IRS Code Section 401(a), (iv) enter into a written and legally binding agreement with a taxing authority relating to material taxes, (v) amend any material tax return or (vi) except as required by law, change in any material respect any of its methods of reporting income or deductions for U.S. federal income tax purposes from those employed in the preparation of its U.S. federal income tax returns for the taxable year ending December 31, 2006;

other than in the ordinary course of business consistent with past practice, (i) adversely modify or amend in any material respect or terminate any Allscripts contract or (ii) enter into any successor agreement to an expiring Allscripts contract that changes the terms of the expiring contract in a way that is materially adverse to Allscripts or any Allscripts subsidiary;

enter into or renew or extend any material agreements or arrangements that limit or otherwise restrict Allscripts or any Allscripts subsidiary or any of their respective affiliates or any successor thereto, or that could, after the effective time of the Merger, limit or restrict Misys or Allscripts or any of their respective subsidiaries or, in each case, any successors thereto, from engaging or competing in any line of business or in any geographic area, which agreements or arrangements, individually or in the aggregate, would reasonably be expected to be materially adverse to Misys or Allscripts, taken as a whole with their respective subsidiaries, after giving effect to the Merger;

make or agree to make any capital expenditure or expenditures (which for the avoidance of doubt does not include capitalized software), or enter into any agreements or arrangements providing for payments for capital expenditures, other than capital expenditures set forth in the budget previously provided to Allscripts or as disclosed pursuant to the Merger Agreement or otherwise in an aggregate amount not to exceed \$1,000,000 or increase the research and development budget by an amount greater than \$10,000,000;



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change any method of accounting or accounting principles or practices by Allscripts or any subsidiary of Allscripts in any material respect, except for any such change required by a change in GAAP, law or by a governmental entity;

terminate or cancel, or amend or modify in any material respect, any material insurance policies maintained by and covering Allscripts or the Allscripts subsidiaries or their respective properties which is not replaced by a comparable amount of insurance coverage;

adopt or implement a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization of Allscripts or any Allscripts subsidiary; or

agree or commit to do any of the foregoing.

***Ordinary Conduct of MHS***

Except as provided for in the Merger Agreement, from the execution date of the Merger Agreement until the closing of the Transactions, MHS is required to (and Misys is required to cause MHS to) conduct its business in a commercially reasonable manner consistent with industry practice, and is required to use its commercially reasonable efforts to preserve intact its business organization and goodwill and relationships with customers, suppliers and others having business dealings with it, to keep available the services of its current officers and key employees and to maintain its current rights and franchises, in each case, consistent with industry practice. In addition, during such time, except as provided in the Merger Agreement or as required by applicable law or by a governmental entity of competent jurisdiction, MHS will not (and Misys will cause MHS to not), without the prior written consent of Allscripts (not to be unreasonably withheld, conditioned or delayed):

adopt or propose any change in the certificate of formation, limited liability company agreement, minute books, or any other similar charter or organizational documents;

(i) declare, set aside, make or pay any dividend or other distribution (whether in cash, stock or property) in respect of any of its equity interests, (ii) split, combine or reclassify any of its equity interests or issue or propose or authorize the issuance of any other securities (including options, warrants or other similar security exercisable for, or convertible into, such other security) in respect of, in lieu of, or in substitution for, any of its equity interests or (iii) repurchase, redeem or otherwise acquire any of its equity interests, or any rights, warrants or options to acquire any such interests;

issue, sell, grant, pledge or otherwise encumber any of its equity interests or other securities (including any options, warrants or similar security exercisable for or convertible into any such equity interests or similar security);

merge or consolidate with any person or acquire a material amount of the assets or equity of any other person, other than (i) acquisitions disclosed pursuant to the Merger Agreement and (ii) acquisitions the fair market value of the total consideration (including the value of indebtedness acquired or assumed) of which does not exceed \$10,000,000 for any individual acquisition, or \$20,000,000 in the aggregate;

sell, lease, license, subject to a lien (other than those permitted under the Merger Agreement), encumber or otherwise surrender, relinquish or dispose of any material assets, property or rights except (i) pursuant to existing written contracts or commitments, (ii) in an amount not in excess of \$10,000,000 in the aggregate or (iii) pursuant to non-exclusive licensing agreements in the ordinary course of business consistent with past practice;

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(i) make any loans, advances or capital contributions to, or investments in, any other person other than pursuant to any contract or other legal obligation existing at the date of the Merger Agreement or (ii) create, incur, guarantee or assume any indebtedness, issuances of debt securities, guarantees, loans or advances not in existence as of the date of the Merger Agreement, except indebtedness not to exceed \$10,000,000 in the aggregate, and obtained on customary commercial terms for a valid business purpose or indebtedness in replacement of existing indebtedness on customary commercial terms;

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amend or otherwise modify benefits under any MHS employee benefit plan (which for purposes of the Merger Agreement includes any Misys employee benefit plan in which MHS employees participate) in any material respect, accelerate the payment or vesting of benefits or amounts payable or to become payable under any MHS employee benefit plan as currently in effect on the date hereof in any material respect, fail to make any required contribution to any MHS employee benefit plan in any material respect, merge or transfer any MHS employee benefit plan or the material assets or liabilities of any MHS employee benefit plan, change the sponsor of any MHS employee benefit plan, or terminate or establish any material MHS employee benefit plan, except in each case as reasonably appropriate to reflect changes in applicable law or IFRS, for any changes for which Misys will be solely liable, or as would relate to similarly situated employees of Misys and its subsidiaries;

grant any increase in the compensation or benefits of directors, officers, managers, employees or consultants of MHS other than (i) increases in the compensation of employees (other than executive officers or directors of MHS) or for consultants in the ordinary course of business consistent with past practice, (ii) benefits increases that are not material and that apply to all similarly situated employees, (iii) as required by any MHS employee benefit plan or by law or (iv) except for any increases for which Misys will be solely liable;

enter into or amend or modify in any material respect any severance, consulting, retention, collective bargaining agreement or employment agreement, plan, program or arrangement of MHS, except, in each case, (i) in the ordinary course of business consistent with past practice (except for officers with a yearly base salary in excess of \$175,000 or managers or directors of MHS), (ii) as required by the terms of such agreement, plan, program or arrangement, or (iii) to comply with applicable law;

hire or terminate the employment or contractual relationship of any officer, employee or consultant of MHS, as the case may be, other than hirings or terminations in the ordinary course consistent with past practice;

settle or compromise any claim or enter into any consent decree, injunction or similar restraint or form of equitable relief in settlement of any material claim other than (i) such settlements and compromises that (A) relate to taxes, (B) are in the ordinary course consistent with past practice or (C) do not require payments by MHS in excess of \$1,000,000, net of any insurance proceeds or coverage, and (ii) such consent decrees, injunctions or similar restraints or forms of equitable relief that, individually or in the aggregate, are not material to MHS;

(i) make or rescind any material election relating to taxes, (ii) settle or compromise any material claim, action, suit, litigation, proceeding, arbitration, investigation, audit or controversy relating to taxes, (iii) make a request for a written ruling of a taxing authority relating to taxes, other than any request for a determination concerning qualified status of any MHS employee benefit plan intended to be qualified under IRS Code Section 401(a), (iv) enter into a written and legally binding agreement with a taxing authority relating to material taxes, (v) amend any material tax return or (vi) except as required by law, change in any material respect any of its methods of reporting income or deductions for U.S. federal income tax purposes from those employed in the preparation of its U.S. federal income tax returns for the taxable year ending May 31, 2007;

other than in the ordinary course of business consistent with past practice, (i) adversely modify or amend in any material respect or terminate any MHS contract or (ii) enter into any successor agreement to an expiring MHS contract that changes the terms of the expiring contract in a way that is materially adverse to MHS;

enter into or renew or extend any material agreements or arrangements that limit or otherwise restrict MHS or any of its respective affiliates or any successor thereto, or that could, after the effective time of the Merger, limit or restrict Misys or Allscripts or any of their respective subsidiaries or, in each case, any successors thereto, from engaging or competing in any line of business or in any geographic area, which agreements or arrangements, individually or in the aggregate, would reasonably be expected to

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be materially adverse to Misys or Allscripts, taken as a whole with their respective subsidiaries, after giving effect to the Merger;

make or agree to make any capital expenditure or expenditures (which for the avoidance of doubt does not include capitalized software), or enter into any agreements or arrangements providing for payments for capital expenditures, other than capital expenditures set forth in the budget previously provided to Allscripts or as disclosed pursuant to the Merger Agreement or increase the research and development budget by an amount greater than \$10,000,000;

change any method of accounting or accounting principles or practices by MHS in any material respect, except for any such change required by a change in IFRS, law or by a governmental entity;

terminate or cancel, or amend or modify in any material respect, any material insurance policies maintained by MHS covering MHS or MHS properties which is not replaced by a comparable amount of insurance coverage;

adopt or implement a plan of complete or partial liquidation, dissolution, restructuring, recapitalization or other reorganization of MHS; or

agree or commit to do any of the foregoing.

***Non-Solicitation***

The Merger Agreement provides that Allscripts will not, and will not permit or authorize its subsidiaries to, and will use commercially reasonable efforts to cause its and its subsidiaries officers, employees, agents, advisors, directors or other representatives to not:

solicit, initiate or knowingly encourage any inquiry or the making of any proposal that is a Takeover Proposal (as defined below);

enter into any letter of intent, memorandum of understanding, merger agreement or other agreement relating to a Takeover Proposal; or

continue or participate in any discussions or negotiations regarding a Takeover Proposal or furnish to any person that has made or has considered making a Takeover Proposal any information or data, or take any other actions to knowingly encourage a Takeover Proposal.

However, prior to receipt of Allscripts stockholders approval of the Share Issuance and Required Amendments, Allscripts may, in response to a *bona fide* written Takeover Proposal that was not solicited after the date of the Merger Agreement and did not result from a breach of Allscripts non-solicitation obligations under the Merger Agreement, participate in discussions or negotiations with, and furnish certain information to, the third party making such proposal, if:

the board of directors of Allscripts determines, in good faith, after consulting with its outside legal counsel and a financial advisor of internationally recognized reputation that (i) the failure to furnish such information or participate in such discussions or negotiations would be inconsistent with its fiduciary duties under applicable law and (ii) such Takeover Proposal could reasonably be expected to lead to a Superior Proposal (as defined below);

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prior to Allscripts furnishing any such information to a third party, the third party first signs a confidentiality agreement with terms and conditions no less restrictive than those contained in the confidentiality agreement between Allscripts and Misys;

as promptly as practicable (and in any case within 24 hours) after the receipt of a Takeover Proposal or any inquiry that could reasonably be expected to lead to a Takeover Proposal, Allscripts advises Misys orally and, as promptly as practicable thereafter, in writing of any such Takeover Proposal or other inquiry, the identity of the person making any such proposal or inquiry and the material terms of any such Takeover Proposal or inquiry; and

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Allscripts keeps Misys reasonably informed of the status of any such Takeover Proposal, including material changes to the terms and conditions and provides Misys with copies of all written Takeover Proposals and related agreements, draft agreements and material modifications thereof.

Additionally, the provision described above does not prohibit Allscripts from complying with Rules 14a-9, 14d-9 and Rule 14e-2 under the Exchange Act or making any other disclosure to its stockholders that the board of directors of Allscripts determines, after consultation with its outside legal counsel, the failure to make would be inconsistent with its fiduciary duties under applicable laws other than a change in its recommendation except as otherwise permitted by the Merger Agreement.

A Takeover Proposal means, with respect to Allscripts or MHS, as applicable:

any proposal for a merger, consolidation, business combination, share exchange, share acquisition, share tender offer, reorganization, recapitalization, liquidation, dissolution or similar transaction involving Allscripts or MHS, as applicable, and its subsidiaries with any third party in which the stockholders of the third party or such party itself will own, directly or indirectly, more than twenty percent (20%) of the Allscripts or MHS, as applicable, outstanding capital stock immediately following the transaction, including pursuant to the issuance by Allscripts of more than twenty percent (20%) of any class of its voting securities;

any direct or indirect acquisition, whether by tender or exchange offer or otherwise, by any third party of twenty percent (20%) or more of any class of capital stock of Allscripts or MHS, as applicable, or of twenty percent (20%) or more of the consolidated assets of Allscripts or MHS, as applicable, and its subsidiaries, in a single transaction or a series of related transactions.

A Superior Proposal means, with respect to any person, any *bona fide* written proposal from a third party to acquire, directly or indirectly:

at least sixty percent (60%) of the voting power of such person's capital stock or other equity interests; or

at least sixty percent (60%) of the consolidated assets of such person and its subsidiaries, which transaction such person's board of directors (or other similar governing body) determines in good faith, after consultation with its outside counsel and a financial advisor of internationally recognized reputation, would be, if consummated, more favorable to the stockholders of such person (or, if such person is MHS, the stockholders of Parent) than the Merger taking into account all of the terms and conditions of such proposal and of the Merger Agreement (including any proposal to amend the terms of the Merger Agreement) and all financial, regulatory, legal and other aspects of such proposal.

Similarly, Misys and MHS have agreed to substantially identical non-solicitation restrictions and exceptions, with differences resulting from differences in governing law and the proposals being put to Misys' shareholders.

### ***Board of Directors Covenant to Recommend; Change in Recommendation***

*General.* Allscripts has agreed that its board of directors will recommend the approval of the Share Issuance, the Required Amendments and the Additional Amendments to Allscripts stockholders and neither such board of directors nor a committee thereof will:

withdraw, modify or qualify in a manner adverse to Misys (or publicly propose or resolve to take any such action) its recommendation of the approval of the Share Issuance, Required Amendments and Additional Amendments;

fail to make the recommendation that Allscripts stockholders approve the Share Issuance, Required Amendments and Additional Amendments;





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adopt a Takeover Proposal (or publicly propose or resolve to take any such action); or

approve or cause or permit Allscripts to enter into any letter of intent, memorandum of understanding, merger agreement or similar agreement providing for a Takeover Proposal.

*Change in Recommendation for Superior Proposal and Intervening Events.* Notwithstanding the foregoing, prior to the receipt of Allscripts stockholder approval of the Share Issuance and the Required Amendments, Allscripts board of directors may:

in response to a Superior Proposal, effect a change in its recommendation of the Share Issuance, Required Amendments and Additional Amendments, provided that:

Allscripts board of directors determines in good faith, after consultation with its outside legal counsel and a financial advisor of internationally recognized reputation that failure to take such action would be inconsistent with its fiduciary duties under applicable law; and

Allscripts has provided Misys with written notice of its intent to change its recommendation, including the most recent version of any written agreement relating to the Superior Proposal; and

within three business days of receipt of such notice (or two business days in the case of revised or modified proposals), Misys does not make a proposal that the board of directors of Allscripts determines in good faith, after consultation with its outside legal counsel and a financial advisor of internationally recognized reputation is at least as favorable to the stockholders of Allscripts as such Superior Proposal, and

in connection with an Intervening Event (as defined below), effect a change in its recommendation if Allscripts:

has provided Misys with information describing such Intervening Event in reasonable detail as soon as reasonably practicable after becoming aware of it;

keeps Misys reasonably informed of developments with respect to such Intervening Event; and

provides Misys with at least three business days prior written notice advising Misys that the Allscripts board of directors intends to take such action and specifying the reasons therefor in reasonable detail and within three business days of receipt of such notice Misys does not make a proposal that results in there no longer being an Intervening Event.

*Intervening Event* means, with respect to any person, an event or circumstance material to such person and its subsidiaries, taken as a whole (other than an increase in the market price of such person's common stock or any event or circumstance resulting from a breach of the Merger Agreement by such person or its subsidiaries), that was neither known to the board of directors of such person at such time nor anticipated as of the date of the Merger Agreement, which event or circumstance becomes known to or by the board of directors of Allscripts prior to the receipt of its stockholder approval of the Share Issuance and Required Amendments or the board of directors of Misys prior to the Misys shareholder approval of the Merger and the Merger Agreement and which causes the board of directors of such person to conclude in good faith, after consultation with its outside legal counsel and a financial advisor of internationally recognized reputation, that its failure to effect a change in its recommendation, would be inconsistent with its fiduciary duties (or, in the case of Misys, statutory duties) to its stockholders under applicable law; provided, however, that in no event will the receipt, existence or terms of a Takeover Proposal or any matter relating thereto or consequence thereof constitute an Intervening Event.

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*Option to Force Vote of Stockholders.* Notwithstanding any change in recommendation, whether due to an Intervening Event or a Superior Proposal, Misys has the option, exercisable within five business days of any such change in recommendation, to cause Allscripts to submit the Share Issuance to a vote of Allscripts stockholders. If Misys exercises its option to force a vote, it will not be entitled to receive a termination fee in the event the Allscripts stockholders do not approve the Share Issuance and the Required Amendments. If Misys fails to exercise such option, Allscripts may terminate the Merger Agreement.

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Similarly, Misys and MHS have agreed to substantially identical provisions relating to the Misys board of directors obligation to recommend approval of this Agreement and the Merger to its stockholders, Misys ability to effect a change in its recommendation or terminate the Merger Agreement, and the option of Allscripts to force a vote of Misys shareholders, with differences resulting from differences in governing law, the proposals being put to Misys shareholders and the fact that Takeover Proposals and Superior Proposals are measured with respect to MHS and not Misys.

## **Structural Changes**

Pursuant to the Merger Agreement, Misys may elect at any time prior to the tenth business day prior to the closing date, to:

cause some or all of the limited liability company interests of MHS to be transferred to Misys or one or more of Misys affiliates prior to the closing; and

increase the number of shares of Allscripts common stock that Misys or its affiliated designees will purchase from Allscripts from 18,857,142 to 18,957,142 for a price of \$331,750,000, in which case, in addition to the shares of Allscripts common stock that Misys or its designated affiliate are entitled to under the Merger Agreement, the limited liability company interests of MHS will also be converted into the right to receive \$1,750,000.

If Misys makes the election described in the second bullet point above, the parties will treat the Merger as a taxable sale and not as a reorganization under the Internal Revenue Code.

## **Additional Agreements**

### ***Financial Statements***

Misys and MHS agreed to deliver to Allscripts certain audited, in accordance with GAAP, historical financial information of MHS within nine weeks after the date of the Merger Agreement for inclusion in this proxy statement. Misys and MHS have further agreed to provide Allscripts with interim financial statements when available and to provide audited financial statements of MHS for the fiscal year ended May 31, 2008 if required in this proxy statement. Allscripts also agreed to provide Misys, within nine weeks after the date of the Merger Agreement, with a reconciliation from GAAP to IFRS of Allscripts consolidated balance sheet and income statement for the years ended December 31, 2005, 2006 and 2007 for inclusion in Misys circular.

### ***Termination of Certain Agreements; Indebtedness and Working Capital***

Misys has agreed that, prior to the closing of the Transactions, it will release, terminate and settle all intercompany agreements and accounts between MHS, on the one hand, and Misys and its other subsidiaries, on the other hand, other than the agreements to be entered into in connection with the Transactions. Misys has further agreed to take all action necessary to ensure that MHS has no indebtedness as of the closing of the Merger and to cause MHS to have working capital as of the closing of the Merger in an amount consistent with past practice and in an amount sufficient to meet the requirements of MHS business.

### ***Proxy Statement/Allscripts Stockholder Meeting***

Allscripts has agreed to use commercially reasonable efforts to prepare and file with the SEC the preliminary proxy statement for the Allscripts stockholder meeting, as well as to respond promptly to any SEC inquiries, and thereafter to, as promptly as practicable, mail the definitive proxy statement to Allscripts stockholders. Misys has agreed to use commercially reasonable efforts to provide any information or responses to SEC comments or other assistance reasonably requested in connection with the preliminary proxy statement. Allscripts will as promptly as reasonably practicable establish a record date for, duly call, give notice of, convene and hold a meeting of its stockholders to approve the Share Issuance, Required Amendments and Additional Amendments.

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### ***Misys Shareholders Meeting***

Misys has agreed that, as promptly as reasonably practicable, the board of directors of Misys or a duly appointed committee thereof will direct that the Merger be submitted to its stockholders for approval and approve a form of circular to be posted to the stockholders of Misys in connection with the Misys shareholders meeting.

### ***Commercially Reasonable Efforts***

Allscripts, Merger Sub, Misys and MHS have agreed to use their respective commercially reasonable efforts to take, or cause to be taken, in good faith, all actions that are necessary, proper or advisable under applicable laws to consummate and make effective the Merger and the other Transactions. These actions include (i) taking all reasonable acts necessary to cause all conditions precedent to be satisfied, (ii) obtaining all necessary actions or non actions, waivers, consents, approvals, orders and authorizations from governmental entities and the making of necessary registrations and filings and the taking of all reasonable steps as may be necessary to obtain any necessary approvals or waivers from any governmental entity, (iii) the obtaining of all material consents, approvals or waivers from third parties and (iv) the execution and delivery of any additional instruments necessary to consummate the Merger and the Transactions. Allscripts and Misys also agreed to cooperate and to use their respective commercially reasonable efforts to avoid the entry of, or to have vacated or terminated, any decree, order, or judgment that would restrain, prevent or delay the closing of the Transactions, on or before October 31, 2008, and to avoid or eliminate each and every impediment under any antitrust, competition or trade regulation law that may be asserted by any governmental authority with respect to the Transactions.

### ***Directors and Officers Liability Insurance***

The Merger Agreement provides that for a period of at least six years after the effectiveness of the Merger, Allscripts will maintain in effect Allscripts current directors and officers liability insurance covering each person currently covered by the policy on terms and amounts no less favorable in any material respect to such directors and officers than those of such policy as in effect on the date of the Merger Agreement. However, Allscripts will not be required to expend in any one year an amount in excess of \$870,000, which is 300% of the current annual premiums paid by Allscripts.

The Merger Agreement further provides that Allscripts must obtain and maintain for six years after the effectiveness of the Merger, or obtain a six-year tail policy, a directors and officers liability insurance policy covering each director and officer of MHS immediately prior to the Merger on terms and amounts no less favorable in any material respect to such directors and officers than those of the policy in effect for such persons on the date the Merger Agreement was entered into. However, Allscripts will not be required to expend in any one year an amount in excess of \$870,000 for such policy.

### ***Employees and Employee Benefits***

Allscripts, Misys and MHS agreed in the Merger Agreement to the following:

During the twelve month period following the date of the Merger, Allscripts will provide Allscripts employees and MHS employees total compensation and employee benefits that are substantially comparable in the aggregate to those currently provided by Allscripts and MHS.

With respect to any employee benefit plan, program or arrangement in which an Allscripts employee or MHS employee becomes eligible to participate following the Transactions, such plans will credit such employees with service to the extent such service was recognized under a similar plan prior to the Transactions, but such credit will not be effective for the accrual of benefits under a defined benefit plan, or for retiree medical benefits or as would result in a duplication of benefits. Such plans will further waive pre-existing condition exclusions and actively at work requirements and credit employees for payments already made to the extent necessary to cause employees to be treated similarly to how they would have been treated had they remained in the plan in which they participated prior to the Transactions.

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Allscripts will honor all unused vacation days of Allscripts employees and MHS employees under the vacation program of Allscripts or MHS immediately prior to the effective time of the Merger but Allscripts may institute a use it or lose it rule by giving advance notice to affected employees.

Allscripts will honor, pay, perform and satisfy any and all of MHS liabilities, obligations and responsibilities to, or in respect of, each MHS employee arising under the terms of any employee benefit plan, program or arrangement of MHS and any of MHS liabilities, obligations and responsibilities that are administrative and nonmaterial arising under any Misys employee benefit plan (and any other liabilities, obligations and responsibilities regarding Misys employee benefit plans will be addressed in the Transition Services Agreement).

Allscripts will take all actions necessary to allow for the exercise of outstanding stock options under the Amended and Restated Allscripts 1993 Stock Incentive Plan and the Allscripts 2001 Non-Statutory Stock Plan and the payment of withholding taxes through the withholding of shares of Allscripts common stock under such plans. Allscripts will notify optionholders of their right to exercise options and participate in the special cash dividend, and Allscripts will make adjustments to any unexercised options to reflect the special cash dividend. Allscripts will take all action necessary to accelerate and settle all restricted stock units outstanding prior to the date of the Merger Agreement under such plans effective as of the record date.

Misys will cause one of its U.S. subsidiaries other than MHS to establish a deferred compensation plan which will assume the responsibility for all liabilities under the MHS Executive Deferred Compensation Plan for or relating to participants who are not current or former employees of MHS or any of its subsidiaries.

### ***Tax Matters***

The Merger Agreement allocates liability for taxes between the parties. Under the Merger Agreement, in general, Misys will be responsible for (i) federal income taxes imposed on MHS that are attributable to pre-closing periods, other income taxes imposed on MHS as a result of MHS being a member of a consolidated, combined or unitary tax return, (ii) all taxes imposed on MHS as a result of a distribution of certain assets to Misys prior to the closing, and (iii) any taxes imposed as a result of the transfer of some or all of the limited liability company interests of MHS to Misys or one or more of Misys affiliates prior to the closing. Allscripts will be responsible, in general, for all other taxes imposed on MHS after the closing and for transfer taxes.

### ***Software License Agreement***

Allscripts and Misys have agreed to use commercially reasonable efforts to negotiate a software license agreement (the Software Agreement) on mutually acceptable terms prior to closing of the Transactions which will grant MHS and its affiliates (including Allscripts) a royalty-free, worldwide license, on an open-source basis, to continue to use certain assets.

### ***Trademark License Agreement***

Upon and as a result of the completion of the Merger, Misys will terminate its existing trademark license to MHS and replace it with a royalty-free license (the Trademark Agreement) enabling MHS to use the Misys brand name and logo and certain Misys healthcare specific marks and to sublicense Allscripts and its affiliates to use such licensed marks in their respective healthcare information technology businesses.

### **Conditions to the Consummation of the Transactions**

The respective obligations of Allscripts, Misys and MHS to consummate the Transactions are subject to the satisfaction or, where permitted, waiver of the following conditions:

the Allscripts stockholders will have approved the Share Issuance and the Required Amendments;

the Misys shareholders will have approved the Merger and the Merger Agreement;

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any waiting period under the HSR Act will have expired or been terminated, which occurred at 11:59 p.m. Eastern Daylight Time on May 30, 2008, and any other antitrust or merger control clearances or consents required for the Merger or local implementation has been obtained;

Allscripts shall have received a tax opinion from Sidley Austin LLP in form and substance reasonably satisfactory to Allscripts and Misys and MHS shall have received a tax opinion from Debevoise & Plimpton LLP in form and substance reasonably satisfactory to Misys; and

no injunction or order of any court or administrative agency of competent jurisdiction that prohibits or prevents the consummation of the Transactions will be in effect.

In addition, the respective obligations of Misys and MHS to consummate the Transactions are subject to the satisfaction or waiver of the following conditions:

the representations and warranties of Allscripts related to organization, standing and power, business activities of Merger Sub, capital structure and authority shall be true and correct in all material respects as of the date of the Merger Agreement and at and as of the effective time of the Merger (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date);

the representations and warranties of Allscripts, other than those enumerated in the preceding bullet point, shall be true and correct (without giving effect to any limitation as to materiality or Material Adverse Effect set forth therein) as the date of the Merger Agreement and at and as of the effective time of the Merger (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date), except where the failure of such representations and warranties to be so true and correct would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on Allscripts;

Allscripts will have performed or complied in all material respects with obligations required by the Merger Agreement to be performed or complied with by Allscripts at or prior to the closing date;

Allscripts will have delivered to Misys an officer's certificate to the effect that each of the conditions specified in the preceding three bullet points have been satisfied;

since the date of the Merger Agreement there shall not have been any material adverse effect with respect to Allscripts;

Allscripts will have delivered to Misys a duly and validly executed Relationship Agreement, and such agreement shall not have been rescinded or revoked by Allscripts; and

(i) the total number of directors of the Allscripts board shall have been increased to ten, (ii) all members of the board of directors, other than the chief executive officer of Allscripts and three other members, shall have tendered their resignation, and (iii) the remaining members of the board shall have appointed six additional individuals designated by Misys.

The obligation of Allscripts to consummate the Transactions is subject to the satisfaction of the following additional conditions:



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the representation of each of Misys and MHS relating to organization, standing and power, capital structure, authority, financial statements of MHS and lack of ownership of Allscripts common stock shall be true and correct in all material respects as of the date of the Merger Agreement and at and as of the effective time of the Merger as if made at and as of such time (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date);

the representations and warranties of each of Misys and MHS, other than those enumerated in the preceding bullet point, shall be true and correct (without giving effect to any limitation as to materiality

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or Material Adverse Effect set forth therein) as of the date of the Merger Agreement and at and as of the effective time of the Merger (except to the extent that any such representation and warranty expressly speaks as of an earlier date, in which case such representation and warranty shall be true and correct as of such earlier date), except where the failure of such representations and warranties to be so true and correct would not, individually or in the aggregate, reasonably be expected to have a material adverse effect on MHS;

Misys and MHS will have performed or complied in all material respects with obligations required by the Merger Agreement to be performed or complied with by Misys and MHS at or prior to the closing date;

Misys will have delivered to Allscripts an officer's certificate to the effect that each of the conditions specified in the preceding three bullet points have been satisfied;

since the date of the Merger Agreement there shall not have been any material adverse effect with respect to MHS;

Misys will have delivered to Allscripts a duly and validly executed Relationship Agreement, Software Agreement and Trademark Agreement, and such agreements shall not have been rescinded or revoked by Misys; and

if Misys exercises its right to transfer some or all of the limited liability company interests of MHS, Allscripts shall not have determined, in good faith, that such transfer would be reasonably likely to be material and adverse to Allscripts' enterprise value, after taking into account any indemnification provided to Allscripts under the terms of the Merger Agreement or otherwise offered by Misys; provided, that any effect of such transfer on the basis that Allscripts may have in the limited liability company interests in MHS at any time for the purposes of any tax shall not be taken into account.

**Termination of the Merger Agreement**

The Merger Agreement may be terminated and the Transactions may be abandoned at any time prior to the closing date in the following manner:

by mutual written consent of Misys and Allscripts;

by either Misys or Allscripts if:

the closing date does not occur by October 31, 2008, provided, however, that, if by October 31, 2008 the applicable waiting periods under the HSR Act have not expired or been terminated, the termination date may be extended by either Misys or Allscripts until the earlier of December 31, 2008 and four business days from the expiration or termination of the HSR Act waiting period, except that a party may not terminate the Merger Agreement if the cause of the Merger not being completed is that party's failure to perform its obligations under the Merger Agreement;

any governmental entity issues an order, decree or ruling or takes other action permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by the Merger Agreement, and such order, decree, ruling or other action will have become final and nonappealable;

upon a vote at a duly held stockholders' meeting the Allscripts stockholders do not approve the Share Issuance and the Required Amendments; or

upon a vote at a duly held stockholders meeting the Misys shareholders do not approve the Merger and the Merger Agreement.

by Misys if:

Allscripts breaches or fails to perform any of its representations and warranties or covenants and agreements contained in the Merger Agreement, which breach or failure to perform would give

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rise to the failure of a condition in the Merger Agreement and could not be cured within 20 days of written notice to Allscripts of such breach;

between the date of the Merger Agreement and the effective time of the Merger there occurs any state of facts, change, development, effect, condition or occurrence that, individually or in the aggregate, would reasonably be expected to have a material adverse effect on Allscripts, and it is incapable of being cured by October 31, 2008 (or December 31, 2008 if the HSR Act waiting period has not expired or been terminated on or prior to October 31, 2008), so long as neither Misys or MHS is then in breach of any of their respective representations, warranties or covenants such that a condition to Allscripts obligation to close would not be satisfied;

Allscripts breaches or is deemed to have breached in any material respect its non-solicitation obligations;

the board of directors of Allscripts changes its recommendation to its stockholders, or, in the case of a Takeover Proposal made by way of a tender offer or exchange offer, failed to recommend that its stockholders reject such offer within the ten business day period specified in Section 14e-2(a) under the Exchange Act; or

Misys is entitled to terminate the Merger Agreement in response to a Superior Proposal or due to an Intervening Event.

by Allscripts if:

Misys or MHS breaches or fails to perform any of its representations and warranties or covenants and agreements contained in the Merger Agreement, which breach or failure to perform would give rise to the failure of a condition in the Merger Agreement and could not be cured within 20 days of written notice to Misys of such breach;

between the date of the Merger Agreement and the effective time of the Merger there occurs any state of facts, change, development, effect, condition or occurrence that, individually or in the aggregate, would reasonably be expected to have a material adverse effect on MHS, and it is incapable of being cured by October 31, 2008 (or December 31, 2008 if the HSR Act waiting period has not expired or been terminated on or prior to October 31, 2008), so long as Allscripts is not then in breach of any of its representations, warranties or covenants such that a condition to MHS and Misys obligation to close would not be satisfied;

either Misys or MHS breaches or is deemed to have breached in any material respect its non-solicitation obligations;

the board of directors of Misys changes its recommendation to the shareholders with respect to their vote on the Merger; or

Misys does not exercise its option to force a vote of Allscripts stockholders after an Intervening Event or Superior Proposal.

**Effect of Termination**

If the Merger Agreement is terminated, it will become void and of no effect, except that the provisions related to the obligations to keep information confidential, termination fees and expenses, the general provisions and the termination section will survive the termination. No termination will relieve any party from liability for a willful and material breach of any representations, warranties or covenants and agreements set forth in the Merger Agreement, and all rights and remedies of the non-breaching party under the Merger Agreement in the case of any such breach, will be preserved.



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### **Fees and Expenses**

*General.* Subject to certain exceptions, the Merger Agreement provides that all fees and expenses incurred by Allscripts in connection with the Merger Agreement or in connection with the Transactions will be paid by Allscripts, whether or not the Merger is consummated. Subject to certain exceptions, all fees and expenses incurred by Misys and MHS in connection with the Merger Agreement or in connection with the Transactions will be paid by Misys; *provided, however*, that upon consummation of the Transactions, MHS as the surviving company will pay up to \$5,000,000 of the fees and expenses of Misys and MHS (except fees and expenses incurred by Misys in connection with any financing of the Transactions, all of which will be paid by Misys) incurred in connection with the Merger.

*Termination Fee.* Allscripts will pay to Misys and MHS a fee of \$14,281,883 if:

- (i) Allscripts breaches or is deemed to have breached in any material respect its non-solicitation obligations, provided, that, within twelve months after the date of such termination, Allscripts enters into a definitive agreement to consummate, or consummates, a Takeover Proposal, except that all references in the definition of Takeover Proposal to 20% are changed to 50.1%;
  - (ii) unless Misys exercised its option to force a vote of Allscripts stockholders, if the board of directors of Allscripts changes its recommendation to the stockholders with respect to the Share Issuance and the Required Amendments, or, in the case of a Takeover Proposal made by way of a tender offer or exchange offer, fails to recommend that Allscripts stockholders reject such offer within the ten business day period specified in Section 14e-2(a) under the Exchange Act;
  - (iii) Allscripts terminates the Merger Agreement in response to a Superior Proposal or due to an Intervening Event; or
  - (iv) unless Misys exercised its option to force a vote of Allscripts stockholders, the Allscripts stockholder approval of the Share Issuance and the Required Amendments is not obtained, provided, that, after the date of the Merger Agreement and prior to the Allscripts stockholder meeting, (A) a *bona fide* Takeover Proposal is made to Allscripts or publicly to its stockholders which has not been withdrawn prior to such stockholders meeting or (B) any person shall have publicly announced its specific intention to make a *bona fide* Takeover Proposal, which shall not have been withdrawn prior to the Allscripts stockholder meeting and, in the case of (A) or (B), within twelve months after the date of such termination, Allscripts enters into a definitive agreement to consummate, or consummates, a Takeover Proposal, except that all references in the definition of Takeover Proposal to 20% are changed to 50.1%.
- Misys and MHS will pay to Allscripts a fee of GBP£7,136,657 if:

- (i) either Misys or MHS breaches or is deemed to have breached in any material respect its non-solicitation obligations, provided that, within twelve months after the date of such termination, MHS enters into a definitive agreement to consummate, or consummates, a Takeover Proposal, except that all references in the definition of Takeover Proposal to 20% are changed to 50.1%;
- (ii) unless Allscripts exercised its option to force a vote of Misys shareholders, if the board of directors of Misys changes its recommendation to the stockholders with respect to their vote on the Merger and the Merger Agreement; or
- (iii) Misys terminates the Merger Agreement in response to a Superior Proposal or due to an Intervening Event; or
- (iv) unless Allscripts exercised its option to force a vote of Misys shareholders, the Misys shareholder approval of the Merger and the Merger Agreement is not obtained, provided, that, after the date of the Merger Agreement and prior to the Misys shareholder meeting, (A) a *bona fide* Takeover Proposal with respect to MHS is made to MHS, Misys or Misys shareholders which has not been withdrawn prior to



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such shareholders meeting or (B) any person shall have publicly announced its specific intention to make a *bona fide* Takeover Proposal with respect to MHS, which shall not have been withdrawn prior to the Misys shareholder meeting and, in the case of (A) or (B), within twelve months after the date of such termination, MHS enters into a definitive agreement to consummate, or consummates, a Takeover Proposal with respect to MHS, except that all references in the definition of Takeover Proposal to 20% are changed to 50.1%.

**Survival**

No representations and warranties of Allscripts, MHS or Misys will survive the closing date.

**Amendments and Waiver**

No amendment to, or waiver or extension of time for performance of obligations under the Merger Agreement is effective unless it is in writing and signed by all parties. Upon approval of the Merger and the Transactions by the stockholders of Allscripts and Misys, there will be no amendment, waiver or extension of time for performance of obligations that by applicable law or the rules of any relevant stock exchange or regulatory body requires further approval by the stockholders of either Misys or Allscripts. After the effective time of the Merger, the Merger Agreement can only be amended, or a provision waived or a period of time extended for the performance of obligations if the audit committee of the board of directors of Allscripts approves such action by a majority vote of the members of such committee then in office.



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**ADDITIONAL AGREEMENTS; POST-TRANSACTION GOVERNANCE**

Allscripts, MHS, and Misys or their respective subsidiaries, in each case as applicable, have entered into or, before the consummation of the Transactions, will enter into, ancillary agreements relating to the Transactions and various interim and on-going relationships between Allscripts, MHS and Misys. The material terms of these agreements are summarized below and, in the case of the Voting Agreements (as defined below) and Relationship Agreement, are qualified in their entirety by reference to the complete agreements.

**Voting Agreement**

In connection with the Merger Agreement, Allscripts entered into a voting agreement (collectively, the Voting Agreements ) with each of ValueAct Capital Master Fund L.P. and ValueAct Capital Master Fund III, L.P. (collectively, ValueAct ), pursuant to which ValueAct has agreed, among other things, to vote its ordinary shares of Misys to approve the Merger, the Merger Agreement and the other transactions contemplated thereby and against any proposed adjournment of the meeting of Misys shareholders. As of June 2, 2008, ValueAct owned approximately 19.4% of Misys outstanding ordinary shares. ValueAct has agreed to fully complete, execute and deliver to Misys its proxy voting as required under the Voting Agreement. ValueAct's obligation under the Voting Agreements terminates upon the earliest of the effective time of the Transactions, termination of the Merger Agreement, a change in Misys board of directors recommendation with respect to the Merger Agreement and the Transactions and December 12, 2008. ValueAct has agreed to not dispose of any ordinary shares of Misys and that any additional shares it acquires will be subject to the terms of the Voting Agreements. Allscripts encourages its stockholders to read the Voting Agreements in their entirety.

**Transition Services Agreement**

Misys and Allscripts have agreed to use commercially reasonable efforts to negotiate and enter into a mutually acceptable transition services agreement (the Transition Services Agreement ) at or prior to the consummation of the Transactions. The terms of the Transition Services Agreement are to be no less favorable to Allscripts than could be obtained from a third-person. The purpose of the Transition Services Agreement is for Misys to provide various transition services to Allscripts to enable Allscripts to manage an orderly transition in its operation of MHS. Misys and Allscripts have not negotiated the Transition Services Agreement, therefore the cost of services to be provided is not yet ascertainable.

The Transition Services Agreement will provide that transition services are to be provided for a specified number of years after the closing date of the Transactions unless otherwise extended or terminated. The services to be provided under the transition services agreement will be:

research, development and support services (including with respect to facilities in Bangalore, India and Manila, Philippines);

management services and related costs (including certain specified Misys overhead costs), such services and costs to be reasonable and agreed to in good faith by the respective chief financial officers of Misys and Allscripts annually; provided, that in no event will the costs (including overhead costs and other allocations) exceed \$3,000,000 for any year;

human resource services;

procurement services;

tax services;

finance services (including SAP rollout); and

other services to be mutually agreed.

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### **Relationship Agreement**

#### *Overview*

In connection with the entry into the Merger Agreement, Allscripts and Misys entered into the Relationship Agreement. The Relationship Agreement sets forth the agreement between Misys and Allscripts with respect to certain governance and other matters. Substantially all of the provisions of the Relationship Agreement will become effective as of the effective time of the Merger. Provisions related to the duration, waiver and amendment, enforcement, trading in Allscripts and Misys shares and establishing procedures to ensure regulatory compliance after the closing of the Transactions are currently in effect.

#### *Board Composition and Election*

Following the closing of the Transactions, the Allscripts board of directors will be expanded from seven to ten directors. The initial directors will be nominated as provided in the Merger Agreement. Thereafter, the nominating and governance subcommittee of the nominating committee of Allscripts' board of directors (which will be composed of a majority of Misys' director nominees) will have the right to nominate six directors, including the chairman of the board. The nominating and governance committee's right to nominate six directors will be reduced as Misys' ownership of Allscripts' outstanding common stock falls below specified percentages. If the Required Amendments are approved, an independent nominating subcommittee (which will be composed of independent directors that are Legacy Allscripts Directors, as defined below) of the nominating committee will be formed to nominate three independent directors and the chief executive officer of Allscripts for election by stockholders as directors.

#### *Voting*

Misys has agreed that it will cause its and its affiliates' shares of Allscripts common stock to (i) be voted in favor of the election of the directors nominated by the independent nominating committee and (ii) not be voted for (and to vote against) the removal of any such directors nominated by the independent nominating committee.

Misys has further agreed that, except with the consent of the audit committee of the Allscripts' board of directors and except in connection with a vote in favor of the Additional Amendments, it will not and will cause each of its affiliates to not vote in favor of (and will vote against) any proposal which seeks to alter, amend, repeal, in whole or in part, or adopt any provision inconsistent with, or grant any waivers under the Relationship Agreement or Articles III, IV, V and VIII of Allscripts' by-laws or Articles Ninth, Tenth, Thirteenth or the first, third or seventh paragraphs of Article Seventh of Allscripts' proposed charter as amended if the Required Amendments are approved. If the Additional Amendments are approved, the reference to Article Fourteenth in the immediately prior sentence would be a reference to Article Thirteenth.

In furtherance of the voting agreements described in this section, Misys has granted an irrevocable proxy to certain executive officers of Allscripts to vote Misys' shares of Allscripts common stock as so required, including if such actions are taken by written consent.

#### *Anti-Dilution Protection; Pre-emptive Rights*

The Relationship Agreement contains pre-emptive rights for Misys in the event of issuances of Allscripts common stock, subject to certain limited exceptions. If Allscripts proposes to issue shares in any transaction, other than under employee plans addressed below, it must offer to Misys on the same terms and conditions the number of such shares that would result in Misys retaining after such issuance its percentage of the fully diluted shares of Allscripts prior to such issuance. Additionally, the Relationship Agreement provides Misys with anti-dilution protection in the event that Allscripts takes any action to adjust or split its shares of common stock.

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Allscripts' ability to grant awards under its employee incentive and employee stock purchase plans is limited pursuant to the terms of the Relationship Agreement. From the closing of the Transactions until May 31, 2010, Allscripts may only grant awards that do not exceed, in the aggregate, of (i) one and one-half percent (1.5%) of the fully diluted number of shares of Allscripts common stock plus (ii) the number of shares underlying awards under Allscripts equity plans that are cancelled, forfeited or surrendered plus (iii) the number of shares of Allscripts common stock that Allscripts repurchases for cash in the open market or from participants of its equity plans as the payment for the exercise price or tax withholdings of a grant minus (iv) the number of shares represented by out-of-the-money options as of the closing of the transaction that become in-the-money options.

### *Standstill and Transfer Restrictions*

Misys has agreed that it will not acquire more than sixty percent (60%) of the fully diluted number of shares of Allscripts common stock without the prior consent of Allscripts' audit committee (which will be composed of a majority of directors that are Legacy Allscripts Directors). Misys has further agreed that it will not, and will not permit any of its affiliates to, sell, transfer or otherwise dispose of fifteen percent (15%) or more of the outstanding shares of Allscripts common stock unless to another affiliate of Misys or approved by Allscripts' board of directors.

### *Operating Requirements and Provision of Information*

Allscripts has agreed to certain operating restrictions and requirements. These include Allscripts' agreement to do all things reasonably practicable to maintain its NASDAQ listing, align its financial reporting procedures with those of Misys, use commercially reasonable efforts to change its fiscal year end to May 31 (the same fiscal year end date that Misys uses) and to ensure that neither it nor any of its subsidiaries intentionally or knowingly causes or permits any action which would result in Misys breaching its listing obligations or disclosure and transparency rules. Misys and Allscripts have each further agreed to provide the other with information within its possession or control and reasonably required by the other to comply with applicable regulatory requirements.

### *Termination and Amendment*

The Relationship Agreement has an indefinite term and may be terminated after the closing of the Transactions only by the written consent of Misys and Allscripts, which consent of Allscripts after the closing of the Transactions requires approval of the audit committee of the Allscripts board of directors (which will be composed of a majority of directors that are Legacy Allscripts Directors). The Relationship Agreement also terminates in the event that the Merger Agreement is terminated. Notwithstanding the foregoing, the provisions relating to:

the composition of the board of directors (other than the reduction of Misys' ability to nominate directors as its shareholdings in Allscripts is reduced)

operating requirements; and

antidilution,

will terminate when Misys and its affiliates hold less than fifty percent (50%) of then outstanding number of shares of Allscripts common stock. Additionally, the provisions relating to the sharing of information between Allscripts and Misys and announcement of certain matters will terminate when Misys and its affiliates hold less than thirty-five percent (35%) of then outstanding number of shares of Allscripts common stock and the standstill provision will terminate when Misys and its affiliates hold less than twenty percent (20%) of then outstanding number of shares of Allscripts common stock.

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### *Corporate Headquarters*

The Relationship Agreement also requires that the Allscripts headquarters and principal office be located in Chicago, Illinois for eighteen months after closing of the Transactions and thereafter, without the prior consent of Allscripts, Misys will do all things practicable to maintain the headquarters and principal office in Chicago.

### *Other Matters*

Upon the request of Misys, if Misys owns at least ten percent (10%) of Allscripts voting securities, Allscripts and Misys will negotiate in good faith to provide Misys with customary registration rights.

### **Board of Directors of Allscripts After the Transactions**

Pursuant to the Merger Agreement and the Relationship Agreement, the Allscripts board of directors will be comprised of ten directors upon the completion of the Transactions. We currently anticipate that the following Allscripts directors will continue to serve on the Allscripts board of directors after the effective time:

*Glen E. Tullman*, 48, joined Allscripts as Chief Executive Officer in August 1997 to lead our transition into the Healthcare Information Sector. In May 1999, Mr. Tullman became our Chairman of the Board. Prior to joining Allscripts, from October 1994 to July 1997, Mr. Tullman was Chief Executive Officer of Enterprise Systems, Inc., a healthcare information services company providing resource management solutions to large integrated healthcare networks. From 1983 to 1994, Mr. Tullman served in a number of management roles, including President and Chief Operating Officer, of CCC Information Services, Inc., a provider of information systems to property and casualty insurers. Mr. Tullman currently serves on the International Board of the Juvenile Diabetes Research Foundation.

[ADDITIONAL CONTINUING ALLSCRIPTS DIRECTOR BIOS TO COME]

In addition, we currently anticipate that Misys will designate the following individuals for election to the Allscripts board of directors, effective immediately after the consummation of the Merger:

*Sir Dominic Cadbury*, 68, spent his career at Cadbury Schweppes, which he joined in 1964, being appointed to the Board in 1975, serving as Group Chief Executive from 1983 to 1993, then as Chairman until May 2000. He was Chairman of The Economist Group from 1993 to 2003. He retired as Chairman of the Wellcome Trust on 30 April 2006. He served on the board of New Star Asset Management Group plc as Deputy Chairman and as senior independent non-executive Director from October 2005 until March 2007. Sir Dominic is Chancellor of Birmingham University. Sir Dominic has been the senior independent Director of Misys since May 2000 and held that role until November 2005 when he was appointed Chairman of Misys.

*Mike Lawrie*, 55, is the Chief Executive Officer and has been a member of the Board of Misys since November 2006. Mr. Lawrie was previously a general partner with ValueAct Capital. Prior to that, he was Chief Executive Officer of Siebel Systems Inc., the international software and solutions company, from 2004 to 2005. Mr. Lawrie spent 27 years with IBM where he rose to become Senior Vice President and Group Executive with responsibility for sales and distribution of all IBM products and services worldwide. Previously at IBM he was the General Manager for all operations in Europe, the Middle East and Africa. He previously served on the US Advisory Board of NTT DoCoMo and as a Director of SSA Global, Inc, Symbol Technology, Inc. and Good Technology, Inc. Mr. Lawrie recently retired as a trustee of Ohio University. Mr. Lawrie is a non-executive Director of Juniper Networks, Inc.

*Jim Malone*, 59, joined the Board of Misys as Chief Financial Officer in June 2007. Mr. Malone joined Misys from The TriZetto Group, Inc, a NASDAQ listed company providing information technology for the health insurance payer community, where he was Chief Financial Officer since 2004. Prior to this, he was Chief

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Financial Officer and Chief Accounting Officer at IMS Health, the NYSE listed healthcare and pharmaceutical information provider. From 1995 to 1997, he was Senior Vice President and Controller at Cognizant. He started his career at PriceWaterhouse in New York. His subsequent career has included roles at Dun and Bradstreet, Reuben Donnelley and Siemens AG.

*John King*, 69, has over 30 years experience of the US healthcare industry, most recently as President and Chief Executive Officer of Legacy Health System until 1999. Prior to Legacy, Mr. King was President and CEO of Evangelical Health Systems (now Advocate Health Systems). He is a member of the American Hospital Association and a fellow in the American College of Healthcare Executives. John serves on the boards of the Center for Healthcare Governance, Health Dialog and Health East and has been a Non-Executive Director of Misys since November 2005.

*Cory A. Eaves*, 38, Executive Vice President, Chief Technology Officer and Chief Information officer of Misys since August 2007. Mr. Eaves was previously the Chief Technology Officer of SSA Global, one of the world’s largest enterprise software providers. Prior to that, he held technology and product management positions at a number of software and private equity firms, including General Atlantic Partners, Internet Venture Works, Lycos and Emerson Electric.

*Kelly J. Barlow*, 39, CFA, has been a partner at ValueAct Capital since August 2003. Prior to joining, Mr. Barlow worked at EGM Capital for more than six years. During his tenure at EGM, he served primarily as portfolio manager of the firm’s flagship long/short equity fund. Prior to EGM Capital, Mr. Barlow worked at Wells Capital Management, a wholly owned subsidiary of Wells Fargo Bank. While there, Mr. Barlow was part of the four-person growth stock team, responsible for managing more than \$1 billion in small-cap equities. Mr. Barlow is a former director of Sirva, Inc.

The following chart provides information regarding the anticipated composition of the committees of the Allscripts board of directors immediately after the consummation of the Transactions, assuming the Required Amendments are approved.

Director	Audit	Nominating and Governance	Compensation
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**Other Post-Transaction Governance**

In connection with the Transactions, Allscripts is seeking stockholder approval of the Required Amendments and the Additional Amendments to its certificate of incorporation and by-laws. These amendments and restatements will alter the governance of Allscripts after completion of the Transactions. Allscripts stockholders are urged to read the proposed amended and restated certificate of incorporation and amended and restated by-laws of Allscripts showing these changes, which are attached to this proxy statement as Annex B and Annex C. For a more detailed discussion of the governance changes resulting from the Required Amendment and the Additional Amendment, see Proposal 2 Required Amendments and Proposal 3 Additional Amendments below.

Following completion of the Transactions, we expect that Allscripts will qualify as a controlled company, as that term is defined by Rule 4350(c)(5) of the NASDAQ Marketplace Rules as a result of Misys and its subsidiaries collectively owning more than 50% of the voting power of the outstanding common stock of the combined company. Accordingly, we believe that Allscripts will be generally exempt from the requirements of Rule 4350(c) of the NASDAQ Marketplace Rules that would otherwise require us to have, among other things: a majority of independent directors; a compensation committee composed solely of independent directors; compensation of executive officers determined by a majority of independent directors or a compensation committee composed solely of independent directors; a nominating committee composed solely of independent directors; and director nominees selected, or recommended for the board of directors selection, either by a majority of the independent directors or a nominating committee composed solely of independent directors.

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The following unaudited pro forma condensed combined financial statements combine the historical consolidated financial statements of Allscripts, MHS (an operating unit of Misys Holdings, Inc., a subsidiary of Misys) and ECIN. These unaudited pro forma condensed combined financial statements give effect to the Transactions, which will be accounted for as a reverse acquisition under the purchase method of accounting. For this purpose, MHS will be deemed the accounting acquirer, and Allscripts will be deemed the accounting acquiree. The pre-acquisition combined financial statements of MHS will be treated as the historical financial statements of the combined company and Allscripts' historical stockholders' equity will not be carried forward to the combined company as of the date of the merger. MHS' historical financial statements have been prepared as a carve-out set of financial statements.

Allscripts and ECIN have a fiscal year end as of December 31, and Misys and MHS have a fiscal year end as of May 31. Allscripts will adopt the fiscal year end of MHS upon consummation of the Transactions. These unaudited pro forma condensed combined financial statements will be presented as if Allscripts has adopted the fiscal year end as of May 31. As permitted by SEC rules and regulations, Allscripts has combined the Allscripts and ECIN consolidated statement of operations for the nine and twelve-months ended March 31, 2008 and June 30, 2007, respectively, with MHS' combined statement of operations for the nine and twelve-months ended February 29, 2008 and May 31, 2007, respectively, for purposes of the unaudited pro forma condensed combined financial statements.

The unaudited pro forma condensed combined statement of operations for the nine-month period ended February 29, 2008 and for the year ended May 31, 2007 gives effect to the Transactions as if they had occurred June 1, 2006. The unaudited pro forma condensed combined balance sheet assumes that the Transactions were consummated on February 29, 2008, and combines Allscripts' historical consolidated balance sheet as of March 31, 2008 with MHS' historical combined balance sheet as of February 29, 2008. ECIN, having been acquired on December 31, 2007, is not presented separately in the unaudited pro forma condensed combined balance sheet as it is already included in Allscripts' audited consolidated balance sheet at that date.

The unaudited pro forma condensed consolidated balance sheet of Allscripts as of February 29, 2008 was derived from its unaudited condensed consolidated financial statements as of March 31, 2008 (as filed on Form 10-Q with the SEC on May 12, 2008). As a result of the newly adopted fiscal year end for purposes of these unaudited pro forma condensed financial statements, the unaudited pro forma condensed consolidated statement of operations of Allscripts for the nine-months ended February 29, 2008 was derived from the audited consolidated financial statements of Allscripts for the year ended December 31, 2007 (as filed on Form 10-K with the SEC on February 29, 2008), the unaudited condensed consolidated financial statements of Allscripts, for the six-months ended June 30, 2007 (as filed on Form 10-Q with the SEC on August 9, 2007), and the unaudited condensed consolidated financial statements of Allscripts for the three-months ended March 31, 2008 (as filed on Form 10-Q with the SEC on May 12, 2008). The unaudited pro forma condensed consolidated statement of operations of Allscripts for the year ended May 31, 2007 was derived from the audited consolidated financial statements of Allscripts for the year ended December 31, 2006 (as filed on Form 10-K with the SEC on March 1, 2007), the unaudited condensed consolidated financial statements of Allscripts for the six-months ended June 30, 2006 (as filed on Form 10-Q with the SEC on August 9, 2006), and the unaudited condensed consolidated financial statements of Allscripts for the six-months ended June 30, 2007 (as filed on Form 10-Q with the SEC on August 9, 2007).

The unaudited pro forma condensed combined statement of operations of MHS for the year ended May 31, 2007 was derived from MHS' audited combined statement of operations for the year ended May 31, 2007 included elsewhere in this proxy statement. The unaudited pro forma condensed combined balance sheet and statement of operations as of and for the nine months ended February 29, 2008 were derived from MHS' unaudited combined financial statements as of and for the nine months ended February 29, 2008 included elsewhere in this proxy statement.

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The unaudited pro forma condensed combined financial statements also include the operations of ECIN on a pro forma basis. ECIN's operations are included within Allscripts' consolidated operations from December 31, 2007. Therefore, the unaudited pro forma condensed consolidated statement of operations of ECIN for the nine-months ended February 29, 2008 was derived from the unaudited consolidated financial statements of ECIN for the year ended December 31, 2007 and the unaudited consolidated financial statement of ECIN for the six-months ended June 30, 2007. The unaudited pro forma condensed consolidated statement of operations of ECIN for the year ended May 31, 2007 was derived from the unaudited consolidated financial statements of ECIN for the six-months ended June 30, 2006, the audited consolidated financial statements for the year ended December 31, 2006, and the unaudited consolidated financial statements for the six-months ended June 30, 2007. Certain of ECIN's consolidated financial statements are included in Allscripts' Current Report on Form 8-K/A (Amendment No. 1) dated February 28, 2008.

The pro forma adjustments are based upon available information, preliminary estimates and certain assumptions that Allscripts believes are reasonable and are described in the accompanying notes to the unaudited pro forma condensed combined financial statements. The unaudited pro forma condensed combined financial statements do not take into account (i) any synergies or cost savings that may or are expected to occur as a result of the Transactions or (ii) any cash or non-cash charges that Allscripts may incur in connection with the Transactions, the level and timing of which cannot yet be determined. The unaudited pro forma condensed combined financial statements have been prepared in accordance with SEC rules and regulations.

The unaudited pro forma condensed combined financial statements assume that the merger transaction would be accounted for using the purchase method of accounting in accordance with Financial Accounting Standards Board (FASB) Statement No. 141, Business Combinations (SFAS No. 141), and the resultant goodwill and other intangible assets will be accounted for under FASB Statement No. 142, Goodwill and Other Intangible Assets (SFAS No. 142). The total purchase price has been preliminarily allocated based on available information and preliminary estimates and assumptions that management believes are reasonable. However, the allocation of purchase price has not been finalized and the actual adjustments to our combined financial statements upon the closing of the Transaction will depend on a number of factors, including additional information available and the net assets on the closing date of the Transaction. Additionally, the value of the identified intangibles is also preliminary and has not been valued at the reporting unit level and potentially, other intangible assets may exist, such as in-process research and development and unfavorable/favorable contracts. Accordingly, there can be no assurance that the final allocation of purchase price will not materially differ from the preliminary allocations reflected in the unaudited pro forma combined financial statements.

The unaudited pro forma condensed combined financial statements are provided for informational purposes only and are subject to a number of uncertainties and assumptions and do not purport to represent what the combined companies' actual performance or financial position would have been had the Transactions occurred on the dates indicated and does not purport to indicate financial position or results of operations as of any future date or for any future period. Please refer to the following information in conjunction with these unaudited pro forma condensed combined financial statements: the accompanying notes to these unaudited pro forma condensed combined financial statements, MHS' and Allscripts' historical financial statements and the accompanying notes thereto included herein or incorporated by reference herein, MHS Management's Discussion and Analysis of Financial Condition and Results of Operations included in this proxy statement and Management's Discussion and Analysis of Financial Condition and Results of Operations from Allscripts' Annual Report on Form 10-K as of and for the year ended December 31, 2007 and from Allscripts' Quarterly Report on Form 10-Q as of and for the three months ended March 31, 2008.

As used herein, (i) the terms "we", "our", "us", "Allscripts" and "the Company" refer to Allscripts Healthcare Solutions, Inc. and its consolidated subsidiaries, (ii) the term "MHS" refers to Misys Healthcare Systems, and (iii) the term "ECIN" refers to Extended Care Information Network, Inc.



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**Table of Contents****Description of the Transactions and acquisition and basis of presentation*****The Transactions***

On March 17, 2008, Allscripts entered into an Agreement and Plan of Merger (the *Merger Agreement*) with Misys plc ( *Misys* ), a public limited company incorporated under the laws of England, Misys Healthcare Systems, LLC ( *MHS* ), a North Carolina limited liability company and wholly-owned indirect subsidiary of Misys, and Patriot Merger Company, LLC, a North Carolina limited liability company and wholly-owned subsidiary of Allscripts ( *Merger Sub* ).

The Merger Agreement provides for (i) Allscripts to issue and Misys or one of its subsidiaries shall purchase either 18,857,142 or 18,957,142 shares of Allscripts common stock for an aggregate purchase price of either \$330,000,000 or 331,750,000, respectively ( the *Share Purchase* ) and (ii) the merger of Merger Sub with and into MHS, with MHS being the surviving company (the *Merger* and together with the *Share Purchase*, the *Transactions* ). The unaudited pro forma condensed combined financial statements have been prepared under the assumption that the *Share Purchase* would result in a \$330,000,000 purchase price. At the effective time of, and as a result of the Merger, each issued and outstanding limited liability company interest of MHS shall be cancelled and converted into the right to receive that number of newly issued shares of Allscripts common stock that, together with the shares of Allscripts common stock to be purchased by Misys or one of its subsidiaries in the *Share Purchase*, shall equal 54.5% of the aggregate number of shares of the post-merger company on a fully-diluted basis. Allscripts' existing equityholders, which includes holders of our convertible debentures, will retain 45.5% of the aggregate number of shares of the post-merger company on a fully-diluted basis. Pursuant to the Merger Agreement, Allscripts will declare and pay a special cash dividend of \$330,000,000, in the aggregate, which dividend will be contingent upon the consummation of the *Transactions*. The special cash dividend will be paid on the fifth business day following the closing date for the *Transactions* to holders of record of Allscripts common stock (other than Misys and its affiliates) as of the close of business on the business day prior to such closing date.

The transaction is a reverse merger under SFAS No. 141 where MHS is the accounting acquirer and Allscripts the legal acquirer. Allscripts fiscal year end is December 31 for financial reporting purposes, whereas MHS' fiscal year end is May 31. Allscripts anticipates adopting the May 31 fiscal year end of MHS upon consummation of the *Transactions*. The unaudited pro forma condensed combined financial statements will be presented as if Allscripts has adopted the May 31 fiscal year end.

***ECIN acquisition***

On December 31, 2007, Allscripts entered into a Stock Purchase Agreement with certain stockholders of Extended Care Information Network, Inc. ( *ECIN* ). Pursuant to the Stock Purchase Agreement and a merger contemplated thereby pursuant to Section 253 of the Delaware General Corporation Law, Allscripts acquired all of the outstanding capital stock of ECIN for approximately \$93.5 million, subject to determining the final level of positive working capital at closing. The acquisition of ECIN has been accounted for as a business combination under SFAS No. 141. The results of operations of ECIN are included in the accompanying historical condensed combined statement of operations of Allscripts for the three months ended March 31, 2008.

***Basis of presentation***

The unaudited pro forma condensed combined financial statements have been prepared based on the historical financial information of Allscripts, MHS and ECIN giving effect to the merger transaction and acquisition and related adjustments described in these notes. Certain note disclosures normally included in the financial statements prepared in accordance with generally accepted accounting principals in the United States have been condensed or omitted as permitted by the SEC rules and regulations.

These unaudited pro forma condensed combined financial statements are not necessarily indicative of the results of operations that would have been achieved had the *Transactions* actually taken place at the dates indicated and do not purport to be indicative of future position or operating results.

**Table of Contents*****Purchase accounting***

The Merger has been accounted for using the purchase method of accounting in accordance with SFAS No. 141 as a reverse merger. In a reverse merger, the post-acquisition net assets of the surviving combined company includes the historical cost basis of the net assets of the accounting acquirer, MHS, plus the fair value of the net assets of the accounting acquiree, Allscripts, representing a complete (i.e., 100%) change in accounting basis of Allscripts' assets and liabilities. Further, under the purchase method, the purchase price is allocated to the assets acquired and liabilities assumed based on their estimated fair values, with any excess of the purchase price over the estimated fair value of the identifiable net assets acquired recorded as goodwill.

The cost of acquisition and related purchase price allocation included in the accompanying unaudited pro forma condensed combined financial statements is based on a preliminary evaluation of the fair value of the assets and liabilities assumed of Allscripts and may change when the final valuation of certain intangible assets and acquired working capital is determined. Given a complete change in accounting basis of Allscripts, the cost of acquisition represents the total fair value of Allscripts at the date of acquisition plus estimated acquisition-related transaction costs and exchanges in certain share-based awards. The total fair value of Allscripts was calculated by the outstanding common shares of Allscripts at date of announcement on March 18, 2008 multiplied by Allscripts' five day average share price at the date of announcement. For purposes of these pro formas, the value of Allscripts stock price is more readily determinable than the value of its net assets and, therefore, we believe this calculation represents an appropriate fair value for purpose of the cost of acquisition.

The following represents the preliminary allocation of the cost of acquisition (in millions):

Fair value of Allscripts	\$ 601.3
Share-based compensation fair value	15.4
Estimated acquisition-related transaction costs	6.0
 Total preliminary purchase price	 \$ 622.7

Acquisition related transaction costs include our estimate of banking, legal and accounting fees and other external costs related to the Transactions.

Allscripts is treated as the accounting acquiree for financial reporting purposes, and as a result its outstanding vested stock options and awards are deemed to be newly issued awards and treated as purchase consideration. The purchase price attributable to the share-based awards represents the fair value of Allscripts vested options using the Black-Scholes option pricing model as of the announcement date.

The following represents the allocation of the total purchase price based on management's preliminary valuation (in millions):

Total preliminary purchase consideration	\$622.7
Less: Historical Allscripts' net assets acquired	342.4
 Excess purchase price over adjusted historical net assets acquired	 280.3
Step-up of net intangible assets	(113.6)
Fair value adjustment to deferred revenues	(13.1)
Deferred income taxes associated with pro forma adjustments	49.4
 Pro forma adjustment to goodwill	 \$203.0

Goodwill represents the excess of the purchase price over the fair value of net tangible and identifiable intangible assets acquired. Goodwill is not amortized, but rather tested for impairment on an annual basis or between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair



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value below its carrying value. In the event that we determine that the value of goodwill has become impaired, we will incur an accounting charge for the amount of impairment during the fiscal quarter in which such determination is made.

Identifiable intangible assets acquired consist of developed technology, core technology, trade names, customer relationships and sales backlog. The fair value of identifiable intangible assets is based on a preliminary estimate of fair value. Net tangible assets were valued at their respective carrying amounts, which we believe approximate fair market value, except for adjustments to deferred revenues.

As part of the Transactions, our Board of Directors is expected to approve a plan to accelerate, as of the record date for the special cash dividend, vesting of certain restricted stock unit awards that were not due to fully vest until the closing of the Transactions. As a result of the acceleration, Allscripts will incur an additional, non-cash, non-recurring stock-based compensation expense of approximately \$16.8 million. This amount represents a nonrecurring charge which results directly from the transaction and therefore will not be shown in the unaudited condensed and combined financial statements.

**Table of Contents****Unaudited Pro Forma Condensed Combined Balance Sheet**

As of February 29, 2008

	Historical Allscripts*	Historical MHS	Pro Forma Adjustments	Pro Forma Combined
	(In thousands, except per share data)			
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$43,721	\$	\$303,000 A	\$346,721
Marketable securities	10,196			10,196
Accounts receivable, net	80,997	54,611		135,608
Deferred income taxes	17,700	6,845		24,545
Inventories	6,300			6,300
Prepaid expenses and other current assets	19,534	10,831		30,365
<b>Total current assets</b>	<b>178,448</b>	<b>72,287</b>	<b>303,000</b>	<b>553,735</b>
Long-term marketable securities	7,464			7,464
Fixed assets, net	21,209	6,823		28,032
Software development costs, net	25,509			25,509
Deferred income taxes		5,977	(5,977) E	
Intangible assets, net	104,070	9,232	113,550 B	226,852
Goodwill	240,545	82,406	203,001 C	525,952
Other assets	4,498	8,000		12,498
<b>Total assets</b>	<b>\$581,743</b>	<b>\$184,725</b>	<b>\$613,574</b>	<b>\$1,380,042</b>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	\$14,284	\$7,837	\$	\$22,121
Accrued expenses	18,753	15,178		33,931
Accrued compensation	4,862	16,247		21,109
Dividends payable			330,000 A	330,000
Deferred revenue	55,589	26,860	(13,139) D	69,310
Current portion of long-term debt, line of credit, and capital lease obligation	285	7,385	(6,259) N	1,411
<b>Total current liabilities</b>	<b>93,773</b>	<b>73,507</b>	<b>310,602</b>	<b>477,882</b>
Long-term debt	135,089	942	(82,500) L	53,531
Deferred income taxes	8,236		43,432 E	51,668
Other liabilities	2,198	64		2,262
<b>Total liabilities</b>	<b>239,296</b>	<b>74,513</b>	<b>271,534</b>	<b>585,343</b>
<b>Stockholders' equity and net parent investment</b>				
Preferred stock				
Common stock	569		1,059	1,628
Misys plc's net parent investment		110,212	(110,212)	
Additional paid in capital	855,203		(62,132)	793,071
Accumulated deficit	(513,162)		513,162	
Accumulated other comprehensive loss	(163)		163	
<b>Total stockholders' equity and net parent investment</b>	<b>342,447</b>	<b>110,212</b>	<b>342,040 F</b>	<b>794,699</b>
<b>Total liabilities and stockholders' equity and net parent investment</b>	<b>\$581,743</b>	<b>\$184,725</b>	<b>\$613,574</b>	<b>\$1,380,042</b>

\* As of March 31, 2008.

See accompanying notes to the unaudited pro forma condensed combined financial statements.

**Table of Contents****Unaudited Pro Forma Condensed Combined Income Statement****For the Nine Months Ended February 29, 2008**

	Historical Allscripts*	Historical MHS	Historical ECIN*	Allscripts Pro Forma Adjustments	ECIN Pro Forma Adjustments	Pro Forma Combined
(In thousands, except per share amounts)						
<b>Revenue:</b>						
Software and related services	\$175,370	\$286,722	\$10,157	\$(595) D	\$	\$471,654
Prepackaged medications	32,386					32,386
Information services	11,178					11,178
<b>Total revenue</b>	<b>218,934</b>	<b>286,722</b>	<b>10,157</b>	<b>(595)</b>		<b>515,218</b>
<b>Cost of revenue:</b>						
Software and related services	75,606	130,741		(5,079) M	2,570 G	203,838
Prepackaged medications	27,138					27,138
Information services	7,480			(738) M		6,742
<b>Total cost of revenue</b>	<b>110,224</b>	<b>130,741</b>		<b>(5,817)</b>	<b>2,570</b>	<b>237,718</b>
<b>Gross profit</b>	<b>108,710</b>	<b>155,981</b>	<b>10,157</b>	<b>5,222</b>	<b>(2,570)</b>	<b>277,500</b>
<b>Operating expenses:</b>						
Selling, general and administrative expenses	85,260	92,957	7,493		(2,570) G	183,140
Research and development		28,281				28,281
Amortization of intangible assets	8,923	11,128		1,897 B,M		21,948
<b>Income from operations</b>	<b>14,527</b>	<b>23,615</b>	<b>2,664</b>	<b>3,325</b>		<b>44,131</b>
Interest expense	(3,496)	(206)	(399)	2,806 L,N	(1,131) H	(2,426)
Interest income and other, net	2,383	52	103	(1,106) I		1,432
<b>Income before income taxes</b>	<b>13,414</b>	<b>23,461</b>	<b>2,368</b>	<b>5,025</b>	<b>(1,131)</b>	<b>43,137</b>
Provision for income taxes	3,266	9,014	924	1,960 J	(441) J	14,723
<b>Net income</b>	<b>\$10,148</b>	<b>\$14,447</b>	<b>\$1,444</b>	<b>\$3,065</b>	<b>\$(690)</b>	<b>\$28,414</b>
Net income per share basic	\$0.18					\$0.20
Net income per share diluted	\$0.18					\$0.20
Weighted-average shares outstanding used in computing basic net income per share	56,363					144,269 K
Weighted-average shares outstanding used in computing diluted net income per share	57,798					145,704 K

\* For the nine months ended March 31, 2008

See accompanying notes to the unaudited pro forma condensed combined financial statements.



**Table of Contents****Unaudited Pro Forma Condensed Combined Income Statement****For the Twelve Months Ended May 31, 2007**

	Historical Allscripts*	Historical Misys Healthcare	Historical ECIN*	Allscripts Pro Forma Adjustments	ECIN Pro Forma Adjustments	Pro Forma Combined
(In thousands, except per share amounts)						
<b>Revenue:</b>						
Software and related services	\$204,365	\$379,693	\$16,650	\$(13,295) D	\$	\$587,413
Prepackaged medications	42,838					42,838
Information services	13,611					13,611
<b>Total revenue</b>	<b>260,814</b>	<b>379,693</b>	<b>16,650</b>	<b>(13,295)</b>		<b>643,862</b>
<b>Cost of revenue:</b>						
Software and related services	85,545	189,128		(2,965) M	4,143 G	275,851
Prepackaged medications	35,670					35,670
Information services	7,314			(452) M		6,862
<b>Total cost of revenue</b>	<b>128,529</b>	<b>189,128</b>		<b>(3,417)</b>	<b>4,143</b>	<b>318,383</b>
<b>Gross profit</b>	<b>132,285</b>	<b>190,565</b>	<b>16,650</b>	<b>(9,878)</b>	<b>(4,143)</b>	<b>325,479</b>
<b>Operating expenses:</b>						
Selling, general and administrative expenses	93,667	121,101	12,079		(4,143) G	222,704
Research and development		40,880				40,880
Amortization of intangible assets	10,773	22,392		3,654 B,M		36,819
<b>Income from operations</b>	<b>27,845</b>	<b>6,192</b>	<b>4,571</b>	<b>(13,532)</b>		<b>25,076</b>
Interest expense	(3,740)	(272)	(847)	3,772 L,N	(2,213) H	(3,300)
Interest income and other, net	3,594	94	116	(1,834) I		1,970
Gain on sale of equity investment	2,392					2,392
<b>Income before income taxes</b>	<b>30,091</b>	<b>6,014</b>	<b>3,840</b>	<b>(11,594)</b>	<b>(2,213)</b>	<b>26,138</b>
Provision for income taxes	11,851	2,160	1,498	(4,522) J	(863) J	10,124
<b>Net income</b>	<b>\$18,240</b>	<b>\$3,854</b>	<b>\$2,342</b>	<b>\$(7,072)</b>	<b>\$(1,350)</b>	<b>\$16,014</b>
<b>Net income per share basic</b>	<b>\$0.33</b>					<b>\$0.11</b>
<b>Net income per share diluted</b>	<b>\$0.32</b>					<b>\$0.11</b>
<b>Weighted-average shares outstanding used in computing basic net income per share</b>	<b>55,078</b>					<b>142,984 K</b>
<b>Weighted-average shares outstanding used in computing diluted net income per share</b>	<b>56,846</b>					<b>144,752 K</b>

\* For the twelve months ended June 30, 2007.

See accompanying notes to the unaudited pro forma condensed combined financial statements.

**Table of Contents****Notes To Unaudited Pro Forma Condensed Combined Financial Statements**

- (A) The Merger Agreement provides for Allscripts to issue and Misys or one of its subsidiaries to purchase either 18.96 or 18.86 million shares of Allscripts common stock for an aggregate purchase price of either \$331.75 or \$330.0 million. Pursuant to the Merger Agreement, Allscripts will declare and pay a special cash dividend of \$330.0 million, in the aggregate, which dividend will be contingent upon the consummation of the Transactions. The special cash dividend will be paid on the fifth business day following the closing date for the Transactions to holders of record of Allscripts common stock (other than Misys and its affiliates) as of the close of business on the business day prior to such closing date. In addition, Allscripts cash balances are expected to decrease by approximately \$27 million in deal related costs incurred subsequent to March 31, 2008 upon consummation of the deal with Misys, which primarily consist of approximately \$9 million in investment banker fees, \$7.2 million in change of control related payments, \$5 million in reimbursable deal costs to Misys, \$2 million in legal costs, integration consulting costs of approximately \$2.3 million, and other professional fees totaling approximately \$1.5 million. Approximately \$6 million of the total deal related costs represent deal costs for purchase accounting consideration and the remaining \$21 million in deal related costs will be expensed as incurred. The following cash adjustments are reflected in the pro forma condensed combined balance sheet as of February 29, 2008:

Dividend cash received pursuant to the Merger Agreement	\$330.0
Estimated acquisition costs	(27.0)
	<b>\$303.0</b>

- (B) Reflects the pro forma impact of the recognized intangible assets of Allscripts. The preliminary estimate of the step up to fair value of intangible assets acquired of \$113.6 million has been allocated to developed technology with useful lives of 7-10 years and customer relationships with useful lives of 15-20 years. The intangible amortization adjustments include the reversal of capitalized software amortization from cost of revenue to intangible amortization totaling \$3.4 million and \$5.8 million for the annual and nine-month pro forma adjustments, respectively. The preliminary intangible amortization related to the acquired intangible assets is as follows:

	Preliminary Allscripts intangible asset step-up	Estimated intangible lives (straight-line amortization assumed)	Annual intangible amortization adjustment	Nine-month intangible amortization adjustment
Preliminary Allscripts intangible asset valuation	\$ 217.6	7-20 years	\$ 14.5	\$ 10.8
Less: Historical Allscripts intangible assets	(104.0)		(10.8)	(8.9)
Intangible asset step-up valuation	\$ 113.6		\$ 3.7	\$ 1.9
Reversal of capitalized software amortization from cost of revenue			(3.4)	(5.8)
Incremental pro forma adjustment			\$ 0.3	\$ (3.9)

- (C) Reflects the pro forma impact of the recognized goodwill of Allscripts. The preliminary adjustment to estimate the fair value of goodwill is \$203.0 million.

- (D) Reflects the preliminary fair value adjustment to deferred revenues acquired of Allscripts. The preliminary fair value represents an amount equivalent to the estimated cost plus an appropriate profit margin to perform services based on deferred revenue balances of Allscripts as of February 29, 2008. The following

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adjustments representing the February 29, 2008 balance sheet adjustment, and the income statement adjustments for the nine months ended February 29, 2008 and the year ended May 31, 2007:

**Allscripts deferred**

revenue at February 29, 2008	Deferred revenue adjustment to reflect future service	Revised deferred revenue as of February 29, 2008	Annual deferred revenue adjustment	Nine-month deferred revenue adjustment
\$55.6	\$(13.1)	\$42.5	\$13.3	\$0.6

The revenue adjustments in the table above reflects an ECIN deferred revenue adjustment of \$3.2 million that was recorded for purchase accounting as of December 31, 2007. The related pro forma revenue adjustments were \$1.0 million and \$0.4 million for the year ended May 31, 2007 and for the nine months ended February 29, 2008, respectively.

- (E) The pro forma adjustment to deferred taxes represents the estimated impact of the pro forma adjustments at a statutory tax rate of 39%. A deferred tax liability of \$44.3 million has been recorded based on the preliminary step-up value of \$113.6 million that has been allocated to acquired intangible assets as of February 29, 2008. A deferred tax liability of \$5.1 million has been recorded based on the preliminary adjustments for deferred revenue of \$13.1 million to revenue as of February 29, 2008. Additionally, a \$6.0 million long-term deferred tax asset has been reclassified as a deferred tax liability for MHS.

The deferred taxes adjustment is as follows:

Deferred tax liability for preliminary step-up value for acquired intangible assets	\$44.3
Deferred tax liability for deferred revenue adjustment	5.1
Reclassification of long-term deferred tax asset	(6.0)
Pro forma adjustment to deferred taxes	\$43.4

- (F) In a reverse acquisition, the capital stock account of the combined entity reflects the par value of the legal acquirer's stock, and the capital stock of the accounting acquirer would be adjusted with an offset to additional paid in capital. Further, retained earnings (deficit) of the accounting acquirer is carried forward after the acquisition, and the retained earnings of the legal acquirer is eliminated with an offset to additional paid in capital. MHS is a carve-out entity of an operating unit of Misys Holdings, Inc. (a subsidiary of Misys) with a Parent's net investment account that combines the equity accounts of MHS. As such and for purposes of the unaudited pro forma condensed combined balance sheet, accumulated deficit of Allscripts has been eliminated with an offset to additional paid in capital, and the capital account of Allscripts has been maintained to reflect the capital stock of the combined entity. Stockholders' equity is computed as follows:

Fair value of Allscripts at announcement date	\$601.3
Share-based compensation fair value	15.4
Conversion of Notes	82.5
Less: Allscripts historical stockholders' equity	(342.4)
Less: Additional deal related costs	(21.0)
Add: Misys assumption of unsecured line of credit obligation	6.2
Pro forma adjustment to stockholders' equity	\$342.0

- (G) Represents a portion of ECIN's operating expenses reclassified to cost of goods sold to conform cost classifications for both companies.

	<b>Operating expenses as reported</b>	<b>Expenses reclassified to cost of goods sold</b>	<b>Ending SG&amp;A expenses</b>
For the nine months ended February 29, 2008	\$7.5	\$(2.6)	\$4.9
For the year ended May 31, 2007	\$12.1	\$(4.2)	\$7.9

- (H) The ECIN acquisition taking place on June 1, 2006 for pro forma presentation would have resulted in the Credit Agreement being signed on June 1, 2006 and would have resulted in an increase in interest expense

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for the nine months ended February 29, 2008 and the year ended May 31, 2007 and ECIN's total debt would have been eliminated on June 1, 2006. The interest expense adjustments are as follows:

	<b>Total interest expense as reported</b>	<b>Increase in interest expense for new credit facility</b>	<b>Decrease in interest expense elimination of ECIN debt</b>	<b>Total adjustments to interest expense</b>
For the nine months ended February 29, 2008	\$0.4	\$1.5	\$(0.4)	\$1.1
For the year ended May 31, 2007	\$0.8	\$3.0	\$(0.8)	\$2.2

- (I) The net cash purchase price payment for the ECIN acquisition and the \$27 million in cash payments for deal related costs would have resulted in a decrease in Allscripts' cash balance and therefore a decrease in interest income for the nine months ended February 29, 2008 and the year ended May 31, 2007, as presented below:

	<b>Interest Income as Reported</b>	<b>Revised Interest Income</b>	<b>Decrease in Interest Income</b>
For the nine months ended February 29, 2008	\$0.1	\$(1.0)	\$1.1
For the year ended May 31, 2007	\$0.1	\$(1.7)	\$1.8

- (J) The pro forma adjustment to income tax expense represents the estimated income tax impact of the pro forma adjustments at a statutory tax rate of 39%.
- (K) Pro forma earnings per share (EPS), basic and diluted, includes the addition of 18.9 million shares of common stock which will be issued to Misys for an aggregate purchase price of \$330.0 million (see A above), an additional 60.4 million shares of common stock which will be issued to Misys in order for Misys to acquire its 54.5% ownership, on a fully-diluted basis, of the combined entity, 1.3 million shares of restricted stock awards that will vest at consummation of merger and 7.3 million shares of common stock related to the conversion of the 3.5% convertible senior debentures. Diluted EPS also includes the effect of dilutive securities. The numerator in the calculation for basic EPS does not include dividends payable to Allscripts' stockholders.

	<b>Historical weighted average shares - basic</b>	<b>Share issuance</b>	<b>Pro forma weighted average shares - basic</b>
For the nine months ended February 29, 2008	56.4	87.9	144.3
For the year ended May 31, 2007	55.1	87.9	143.0

	<b>Historical weighted average shares - diluted</b>	<b>Share issuance</b>	<b>Pro forma weighted average shares - diluted</b>
For the nine months ended February 29, 2008	57.8	87.9	145.7
For the year ended May 31, 2007	56.8	87.9	144.7

- (L) On the signing date of the Merger, 7.3 million shares of Allscripts' common stock were reserved for issuance upon conversion of Allscripts' outstanding 3.50% convertible senior debentures. Based on the current share price, we have assumed that the holders of the senior

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debentures convert into shares of Allscripts common stock. As such, convertible debt will decrease by \$82.5 million. Consequently, these unaudited pro forma condensed combined financial statements reflect an adjustment to the outstanding debt and related common stock in the condensed combined balance sheet as well as an adjustment to reflect a reduction of interest expense and related amortization of debt issuance costs as if the holders of these debentures had converted the outstanding 3.50% convertible senior debentures into 7.3 million shares of



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Allscripts common stock on June 1, 2006. No assurances can be given that the holders of Allscripts 3.50% convertible senior debentures will actually convert into shares of Allscripts common stock.

	<b>Total interest expense as reported</b>	<b>Adjustment to decrease interest expense after conversion</b>
For the nine months ended February 29, 2008	\$3.5	\$(2.6)
For the year ended May 31, 2007	\$3.7	\$(3.5)

- (M) This reflects a reclassification of historical capitalized software amortization from costs of goods sold to intangible amortization for the nine months ended February 29, 2008 and the year ended May 31, 2007.
- (N) In accordance with the Merger Agreement, all debt obligations of MHS will be assumed by Misys. As of February 29, 2008, MHS had a balance of \$6.2 million under its unsecured line of credit which has been eliminated in the pro forma condensed balance sheet. The related interest expense of \$0.3 million and \$0.2 million has also been eliminated for the year ended May 31, 2007 and for the nine months ended February 29, 2008, respectively.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS FOR MHS**

**(Dollar and share amounts in thousands, except per share amounts)**

*The following discussion and analysis should be read together with the Selected Historical and Pro Forma Financial Data section beginning on page 17 of this proxy statement and MHS combined financial statements and related notes included elsewhere in this report. This discussion contains certain forward-looking statements that involve risks, uncertainties and assumptions. You should read the cautionary statements made in this report as applying to related forward-looking statements wherever they appear in this report. MHS and the combined company's (after completion of the Transaction) actual results may be materially different from the results discussed below, see Risk Factors beginning on page 23 and other sections of this proxy statement for more information.*

**Overview**

Misys Healthcare Systems, LLC ( MHS ) is a provider of healthcare information technology solutions for physician practices and home healthcare providers primarily in North America. MHS provides solutions that automate workflow, keep caregivers informed, and connect physicians to each other and the entire community of care, creating efficiency and improving the quality of care.

MHS reports financial results in two segments: Ambulatory and Homecare. The Ambulatory segment provides physician practices with clinical and practice management solutions and related services. Ambulatory solutions include electronic medical records ( EMR ) software, practice management ( PM ) software, related installation and training services, electronic claims administration ( EDI ) services and the resale of related hardware.

The Ambulatory segment's EMR solution, Misys EMR, utilizes tablet PCs or desktop workstations to assist the practice staff and automate routine activities such as documenting clinical encounters, dictating, ordering lab tests, prescribing as well as providing access to a wealth of clinical data. The business has two PM solutions; Vision, designed to handle enterprise settings, and Tiger, designed for the smaller practice. The Vision solution is designed with a patient centered approach that leverages a relational database and an open architecture which enables easy access to patient information. The Ambulatory segment's PM solution includes functionality such as workflow management, scheduling, registration, accounts receivable control, claims and statement processing, automated patient collections and insurance follow-up, denial tracking, referral management, job scheduling for automating unattended tasks, among others. The Ambulatory segment provides EDI services through its Payerpath solution. Payerpath is a comprehensive solution that addresses every step in the reimbursement cycle for healthcare organizations including electronic claims submission, printing and mailing patient statements, electronic remittance, and claims status management. The Payerpath solution creates workflow efficiency and allows practices to improve cash flow through functionality such as eligibility verification, web based access to codes as well as auditing that screens for code or other compliance issues, and secondary billing automation. During fiscal year 2008, which began on June 1, 2007, the Ambulatory segment introduced its MyWay solution, which is an integrated EMR and PM solution designed for smaller practices. The MyWay solution is built on a unified database, which makes administering the clinical and business aspects of a practice seamless. As well as being offered on a perpetual license basis, the MyWay solution is available on a hosted basis, which is attractive to smaller practices due to the lower up-front investment required. The MyWay solution is a powerful tool for practices that includes functionality such as offline synchronization, adaptive learning, intelligent navigation, template-free charting and easy customization. The MyWay solution became generally available and revenue generating in the fourth quarter of fiscal year 2008.

The Homecare segment provides home health providers with clinical and practice management solutions and related services. Homecare solutions include software, related installation and training services, and the

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resale of related hardware. The Homecare solution is an integrated system that combines business, clinical, and scheduling features into a single package. The Homecare solution provides home health, hospice, and private duty organizations with a user friendly product that enables staff to work more effectively both inside and outside the office, and effectively manage patient care and clerical and financial functions. It also helps organizations automate virtually all of their processes, from record keeping, to scheduling, to statistical reporting.

Cost of revenue for MHS Ambulatory segment consists primarily of salaries, bonuses and benefits of MHS billable professionals, third-party software costs, hardware costs, third-party transaction processing costs, amortization of proprietary technology acquired under purchase accounting, depreciation and amortization and other direct engagement costs. Cost of revenue for MHS Homecare segment consists primarily of salaries, bonuses and benefits of MHS billable professionals, third-party software costs, hardware costs, depreciation and amortization and other direct engagement costs.

Selling, general and administrative expenses consist primarily of salaries, bonuses and benefits for management and support personnel, commissions, facilities costs, general operating expenses, and selling and marketing expenses.

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

Amortization of intangibles consists of amortization of customer relationship and trade name intangibles acquired under purchase accounting related to the Medic, Payerpath and Amicore acquisitions.

Interest expense consists primarily of interest on capital leases as well as interest on MHS line of credit. Interest income and other consists primarily of interest earned on cash as well as gains and losses on disposals of property and equipment.

## **Critical Accounting Policies and Estimates**

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

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

### ***Carve Out Basis of Accounting***

These combined financial statements were derived from the books and records of certain subsidiaries of Misys Holdings, Inc. (the Holdings), a subsidiary of Misys plc and of which MHS is a wholly owned subsidiary. The financial statements reflect the assets, liabilities, revenues and expenses that are directly related to MHS as it was operated within Misys Holdings, Inc. General corporate expenses of Misys Holdings, Inc. which are not directly related to MHS including certain corporate executives' salaries, accounting and legal fees, departmental costs for accounting, finance, legal, information technology, purchasing, marketing, human

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resources as well as other general overhead costs are allocated to MHS. These allocations are based on a variety of factors, dependent upon the nature of the costs being allocated, including revenues and number of employees. MHS management believes these allocations are made on a reasonable basis; however, the financial statements included herein may not necessarily reflect MHS results of operations, financial position and cash flows in the future or what its results of operations, financial position and cash flows would have been had MHS operated as a stand-alone entity during the periods presented.

### ***Revenue Recognition***

Revenue represents the fair value of consideration received or receivable from clients for goods and services provided by MHS. Revenue from System Sales includes software and related hardware. Revenue from Professional Services includes implementation, training and consulting services. Revenue from Maintenance includes support and maintenance services. Revenue from Transaction Processing and Other includes EDI services and other.

Revenue from System Sales is recognized when a signed contract exists, the fee is fixed or determinable, delivery to a customer has occurred, and the collection of the resulting receivable is considered probable. In instances where a significant vendor obligation exists, revenue recognition is delayed until the obligation has been satisfied. No revenue is recognized for multiple deliveries or multiple element products if an element of the contract remains undelivered and is essential to the functionality of the elements already delivered. In multiple element arrangements, the total arrangement fee is allocated according to the fair value of each element using vendor-specific objective evidence. Vendor-specific objective evidence of fair value is determined using the price charged when the element is sold separately. In software arrangements in which vendor specific objective evidence of fair value of all of the undelivered elements is known, but not of the delivered element, the residual method to record revenue is utilized. In the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is allocated to the delivered element and is recognized as revenue.

Revenue on certain larger contracts is recognized on a percentage of completion basis over the period from the commencement of performance on the contract to customer acceptance. The degree of completion of a contract is measured using the costs incurred to date or milestones reached, depending upon the nature of the individual contract and the most appropriate measure of the percentage of completion. Losses on contracts are recognized as soon as a loss is foreseen by reference to the estimated costs of completion.

Maintenance fees are recognized ratably over the period of the contract based on vendor specific objective evidence of fair value. Revenue from Professional Services, such as implementation, training and consulting services, is recognized as the services are performed based on vendor specific objective evidence of fair value. Revenue from EDI services is recognized as services are provided and is determined based on the volume of transactions processed.

In accordance with Emerging Issues Task Force Issue Number 01-14, *Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred* ( EITF 01-14 ), MHS records reimbursements for out-of-pocket expenses incurred as revenue in the statement of operations.

### ***Allowance for Doubtful Accounts Receivable***

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

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### ***Goodwill and Intangible Assets***

MHS evaluates the value of intangible assets based upon the present value of the future economic benefits expected to be derived from the assets. MHS assesses the impairment of goodwill annually, or more frequently if events or changes in circumstances indicate that the asset might be impaired. MHS assesses the impairment of identifiable intangibles if events or changes in circumstances indicate that the asset might be impaired.

For goodwill, the impairment evaluation includes a comparison of the carrying value of the reporting unit (including goodwill) to that reporting unit's fair value. If the reporting unit's estimated fair value exceeds the reporting unit's carrying value, no impairment of goodwill exists. If the fair value of the reporting unit does not exceed the unit's carrying value, then an additional analysis is performed to allocate the fair value of the reporting unit to all of the assets and liabilities of that unit as if that unit had been acquired in a business combination. If the implied fair value of the reporting unit goodwill is less than the carrying value of the unit's goodwill, an impairment charge is recorded for the difference.

Intangible assets with estimable useful lives are stated at cost and are amortized using the straight-line method over the remaining estimated economic lives of those assets.

### ***Income Taxes***

MHS' income taxes are calculated on a separate tax return basis, although MHS' operations have historically been included in the U.S. federal and state returns of the U.S. Misy's consolidated group of companies.

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

In addition, MHS is subject to the continuous examination of MHS' income tax returns by the Internal Revenue Service and other tax authorities. A change in the assessment of the outcomes of such matters could materially impact MHS' combined financial statements. The calculation of tax liabilities involves dealing with uncertainties in the application of complex tax regulations. In accordance with FIN 48, *Accounting for Uncertainty in Income Taxes*—an Interpretation of FASB Statement No. 109, MHS recognizes liabilities for anticipated tax audit issues based on MHS' estimate of whether, and the extent to which, additional taxes may be required. If MHS ultimately determines that payment of these amounts is unnecessary, then MHS reverses the liability and recognizes a tax benefit during the period in which MHS determines that the liability is no longer necessary. MHS also recognizes tax benefits to the extent that it is more likely than not that MHS' positions will be sustained if challenged by the taxing authorities. To the extent MHS prevails in matters for which liabilities have been established, or is required to pay amounts in excess of MHS' liabilities, MHS' effective tax rate in a given period may be materially affected. An unfavorable tax settlement would require cash payments and may result in an increase in MHS' effective tax rate in the year of resolution. A favorable tax settlement would be recognized as a reduction in MHS' effective tax rate in the year of resolution. MHS reports interest and penalties related to uncertain income tax positions as income taxes.

As of February 29, 2008 and May 31, 2007 and 2006, MHS recognized a net deferred tax asset of \$12,822, \$11,058 and \$6,882, respectively. Net deferred tax assets are primarily comprised of net deductible temporary differences and net operating loss carryforwards that are available to reduce taxable income in future periods. MHS considers it more likely than not that it will have taxable income in the future to allow it to realize MHS' deferred tax assets. A valuation allowance is required when it is more likely than not that all or a portion of a

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deferred tax asset will not be realized. In assessing the need for a valuation allowance, MHS considers all available positive and negative evidence, including past operating results, projections of future taxable income and the feasibility of ongoing tax planning strategies.

**Results of Operations**

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

**PERCENTAGES OF REVENUE**

	Nine Months Ended February 29 and February 28, Respectively		Year Ended May 31,		
	2008	2007	2007	2006	2005
<b>Revenue</b>					
System sales	17.1%	19.4%	18.8%	24.5%	26.7%
Professional services	7.8	8.6	8.8	9.7	8.8
Maintenance	36.9	35.1	35.1	32.1	30.7
Transaction processing and other	38.2	36.9	37.3	33.7	33.8
Total revenue	100.0	100.0	100.0	100.0	100.0
<b>Cost of revenue</b>					
System sales	9.2	12.2	12.1	16.0	18.2
Professional services	6.9	7.6	7.5	7.3	6.9
Maintenance	14.9	15.0	14.9	13.3	13.2
Transaction processing and other	14.7	15.3	15.3	14.9	15.2
Total cost of revenue	45.7	50.1	49.8	51.5	53.5
Gross profit	54.3	49.9	50.2	48.5	46.5
Selling, general and administrative	32.4	29.5	31.9	29.4	29.2
Research and development	9.9	11.2	10.8	7.8	7.5
Amortization of intangibles	3.9	5.9	5.9	6.0	6.6
Income from operations	8.1	3.3	1.6	5.3	3.2
Interest expense	-0.1	-0.1	-0.1	0.0	0.0
Interest income and other, net	0.0	0.0	0.0	0.0	0.2
Net income before tax	8.0	3.2	1.5	5.3	3.4
Income tax expense	-3.1	-1.3	-0.6	-2.0	-1.3
Net income	4.9%	1.9%	0.9%	3.3%	2.1%

***Nine Months Ended February 29, 2008 Compared to Nine Months Ended February 28, 2007******Revenue***

Revenue for the nine months ended February 29, 2008 increased \$3,974, or 1.4%, from \$282,748 during the nine months ended February 28, 2007 to \$286,722 in the comparable period in 2008. The increase in revenue during the 2008 nine month period was driven by MHS Homecare segment, partially offset by a decline in revenue in MHS Ambulatory segment. Revenue in the Homecare segment for the nine months ended February 29, 2008 increased \$6,167, or 30.5%, from \$20,205 in the 2007 nine month period to \$26,372 in the comparable period of 2008. This revenue growth was as a result of higher orders for MHS Homecare product in the 2008 nine month period as well as revenue recorded under the percentage of completion basis on orders that were signed prior to the 2008 nine month period. Also contributing to the increase was higher

maintenance

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revenue as a result of a higher customer base as well as MHS' annual consumer price index price increase on renewed maintenance agreements. Revenue in the Ambulatory segment for the nine months ended February 29, 2008 decreased \$2,193, or 0.8%, from \$262,543 in the 2007 nine month period to \$260,350 in the comparable period in 2008. This decline in revenue was concentrated in system sales and professional services and was as a result of a decline in orders for MHS' EMR and PM products in the 2008 nine month period versus the comparable period in 2007. This decline was partially offset by an increase in maintenance revenue related to MHS' growing customer base and MHS' annual consumer price index price increase on renewed maintenance agreements as well as an increase in transaction processing and other revenue related to organic growth as MHS continues to penetrate its existing customer base with its Payerpath solution.

*Cost of Revenue*

Cost of revenue for the nine months ended February 29, 2008 decreased \$10,950, or 7.7%, from \$141,691 during the nine months ended February 28, 2007 to \$130,741 in the comparable period in 2008. This decline in cost of revenue was driven by MHS' Ambulatory segment, partially offset by an increase in MHS' Homecare segment. Cost of revenue in the Ambulatory segment for the nine months ended February 29, 2008 decreased \$11,678, or 8.7%, from \$134,880 in the 2007 nine month period to \$123,202 in the comparable period in 2008. This decline in cost of revenue in the Ambulatory segment is primarily as a result of the decline in revenue and is concentrated in systems sales and professional services cost of revenue. The improvement in gross profit margin from Ambulatory system sales was primarily as a result of more favorable pricing achieved on third party royalties and hardware as a result of cost cutting program initiated in the 2008 nine month period. Cost of revenue in the Homecare segment for the nine months ended February 29, 2008 increased \$728, or 13.0%, from \$5,601 in the 2007 nine month period to \$6,329 in the comparable period in 2008. The increase in cost of revenue in the Homecare segment is primarily as a result of the increase in revenue and was concentrated in professional services and maintenance cost of revenue. The improvement in gross profit margin in Homecare was driven by professional services and was primarily as a result of improved utilization of billable staff in the 2008 nine month period.

*Selling, General and Administrative*

Selling, general and administrative costs for the nine months ended February 29, 2008 increased \$9,649, or 11.6%, from \$83,308 during the nine months ended February 28, 2007 to \$92,957 in the comparable period in 2008. This increase was primarily related to costs incurred in the 2008 nine month period that were not allocated to a segment including severance costs related to executive turnover and downsizing, fees paid to strategy consultants and an increase in costs allocated from Misys as a result of higher headcount. The severance costs totaled \$4,518 and were related to headcount reductions resulting from a functional reorganization of MHS as well as an effort to reduce costs. The severance pertained to the elimination of approximately 130 positions. Savings from the headcount reductions were partially offset in the 2008 nine month period and are expected to be largely offset in fiscal year 2009 due to hiring for new positions created as part of the reorganization effort. Severance of \$1,798 remains in accrued compensation and benefits at February 29, 2008, of which approximately \$400 will be paid in the fourth fiscal quarter of 2008, and the remainder paid in fiscal 2009. MHS' Homecare segment also had an increase in selling, general and administrative costs, primarily related to the addition of headcount to accommodate growth. These increases in cost were partially offset by a decline in selling, general and administrative costs in MHS' Ambulatory segment related to salary and travel savings from lower headcount, partially offset by higher stock based compensation costs and higher bad debt expense.

*Research and Development*

Research and development costs for the nine months ended February 29, 2008 decreased \$3,501, or 11.0%, from \$31,782 during the nine months ended February 28, 2007 to \$28,281 in the comparable period in 2008. This decrease in costs was concentrated in MHS' Ambulatory segment and is primarily as a result of significant third party costs related to a development project initiated in the 2007 nine month period which did not recur in the



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2008 nine month period. This project was terminated late in 2007 as MHS management determined that it was in the best interest of MHS to explore alternatives to developing the product in-house.

*Amortization of Intangibles*

Amortization of intangibles for the nine months ended February 29, 2008 decreased \$5,662, or 33.7%, from \$16,790 during the nine months ended February 28, 2007 to \$11,128 in the comparable period in 2008. Amortization of intangibles includes amortization of customer relationship and trade name intangibles acquired in MHS Medic, Payerpath and Amicore acquisitions. This cost declined as the Medic customer relationship asset became fully amortized during the 2008 nine month period versus a full period of amortization in the comparable period in 2007.

*Interest Expense and Interest Income and Other*

Interest expense for the nine months ended February 29, 2008 increased \$21, or 11.4%, from \$185 during the nine months ended February 28, 2007 to \$206 in the comparable period in 2008. Interest income and other, net, for the nine months ended February 29, 2008 decreased \$31, or 37.3%, from \$83 in the nine months ended February 28, 2007 to \$52 in the comparable period in 2008. Interest expense consists of interest on MHS line of credit as well as interest on capital leases. The increase in interest expense was primarily related to a higher average balance outstanding on MHS line of credit during the 2008 nine month period. Interest income and other consists of interest earned on MHS cash balances as well as gain or loss on disposals of property and equipment. The decrease in interest income and other in the 2008 nine month period was primarily due to lower interest earned on cash and the fact that the 2007 nine month period had a gain on the sale of property and equipment, whereas the 2008 nine month period did not.

*Income Tax Expense*

Income tax expense of \$9,014 and \$3,552 was recorded for the nine months ended February 29, 2008 and February 28, 2007, respectively, resulting in an effective tax rate of 38.4% and 39.1%, respectively.

***Year Ended May 31, 2007 Compared to Year Ended May 31, 2006****Revenue*

Revenue for the year ended May 31, 2007 decreased \$2,043, or 0.5%, from \$381,736 in 2006 to \$379,693 in 2007. Both MHS Ambulatory and Homecare segments experienced a decline in revenue in 2007. Revenue in the Ambulatory segment for the year ended May 31, 2007 decreased \$1,852, or 0.5%, from \$353,555 in 2006 to \$351,703 in 2007. This decline in revenue in MHS Ambulatory segment was primarily related to a decline in system sales and professional services revenue due to a decline in new orders for MHS PM and EMR products. This decline was largely offset by an increase in maintenance revenue related to MHS growing customer base as well as MHS annual consumer price index price increase on renewed maintenance agreements and an increase in transaction processing and other revenue related to both organic growth as MHS continues to penetrate its existing customer base with the Payerpath solution and a full year of revenue from the acquisition of Payerpath in late 2006. Revenue in the Homecare segment for the year ended May 31, 2007 decreased \$191, or 0.7%, from \$28,181 in 2006 to \$27,990 in 2007. This decline in revenue in MHS Homecare segment was primarily related to a decline in system sales and professional services revenue primarily as a result of a larger proportion of new contracts being accounted for on a percentage of completion basis and was largely offset by an increase in maintenance revenue related to MHS growing customer base as well as MHS annual consumer price index price increase on renewed maintenance agreements.

**Table of Contents***Cost of Revenue*

Cost of revenue for the year ended May 31, 2007 decreased \$7,635, or 3.9%, from \$196,763 in 2006 to \$189,128 in 2007. Both MHS Ambulatory and Homecare segments experienced a decline in cost of revenue in 2007. Cost of revenue in the Ambulatory segment for the year ended May 31, 2007 decreased \$1,471, or 0.8%, from \$181,110 in 2006 to \$179,639 in 2007. This decline in cost of revenue in the Ambulatory segment was primarily as a result of the decline in revenue and was concentrated in systems sales cost of revenue. This decline was largely offset by an increase in maintenance cost of revenue due to the maintenance revenue growth, as well as an increase in transaction processing and other cost of revenue due to organic revenue growth as well as due to the Payerpath acquisition in late 2006. Cost of revenue in the Homecare segment for the year ended May 31, 2007 decreased \$594, or 7.0%, from \$8,470 in 2006 to \$7,876 in 2007. The decline in cost of revenue in the Homecare segment is primarily as a result of the decline in revenue and was concentrated in system sales cost of revenue. System sales cost of revenue includes amortization of proprietary technology intangibles, which decreased by \$5,570 in 2007 due to the fact that the Medic acquisition proprietary technology asset became fully amortized in 2006. Amortization of acquisition intangibles is not allocated to MHS segments.

*Selling, General and Administrative*

Selling, general and administrative costs for the year ended May 31, 2007 increased \$8,966, or 8.0%, from \$112,135 in 2006 to \$121,101 in 2007. This increase in costs was concentrated in MHS Ambulatory segment with approximately \$7,515 resulting from the fact that 2007 reflects an entire year of costs from MHS Payerpath and Amicore businesses, which were acquired in the last half of 2006. Also contributing to the increase in the Ambulatory segment was higher spend on marketing, higher recruiting and relocation costs due to executive turnover, an increase in bad debt expense and outside support, partially offset by lower share based compensation expense and lower travel costs. Share based compensation has declined largely due to executive turnover. Travel was lower in 2007 than in 2006, but in 2006 travel had been higher than normal because of travel related to the Payerpath and Amicore acquisitions. In addition, MHS undertook cost saving activities in 2007. The increase in costs in the Ambulatory segment was partially offset by a decline in unallocated selling, general and administrative costs as certain Payerpath and Amicore integration costs in 2006 did not recur in 2007, partially offset by a higher allocation of costs from Misys in 2007 as a result of higher headcount.

*Research and Development*

Research and development costs for the year ended May 31, 2007 increased \$11,288, or 38.1%, from \$29,592 in 2006 to \$40,880 in 2007. This increase in costs was concentrated in MHS Ambulatory segment with approximately \$5,608 resulting from the fact that 2007 includes an entire year of costs from MHS Payerpath and Amicore businesses, which were acquired in the last half of 2006. Also contributing to the increase in the Ambulatory segment was a significant increase in third party costs related to a major new product development project initiated in 2007. This project was terminated late in 2007 as MHS management determined that it was in the best interest of MHS to explore alternatives to developing the product in-house.

*Amortization of Intangibles*

Amortization of intangibles for the year ended May 31, 2007 decreased \$647, or 2.8%, from \$23,039 in 2006 to \$22,392 in 2007. Amortization of intangibles includes amortization of customer relationship and trade name intangibles acquired in MHS Medic, Payerpath and Amicore acquisitions. This cost declined in 2007 as the Medic trade name asset became fully amortized during 2006, partially offset by a full year of amortization on the Payerpath and Amicore acquisitions, which occurred in the last half of 2006.

*Interest Expense and Interest Income and Other*

Interest expense for the year ended May 31, 2007 increased \$88, or 47.8%, from \$184 in 2006 to \$272 in 2007. Interest income and other, net, for the year ended May 31, 2007 increased \$62, or 193.8%, from \$32 in

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2006 to \$94 in 2007. Interest expense consists of interest on MHS line of credit as well as interest on capital leases. The increase in interest expense is primarily related to a higher average balance outstanding on MHS line of credit during 2007. Interest income and other consists of interest earned on MHS cash balances as well as gain or loss on disposals of property and equipment. The increase in interest income and other in 2007 was primarily due to the fact that 2007 had a gain on the sale of property and equipment, whereas 2006 includes a loss on disposal of property and equipment.

*Income Tax Expense*

Income tax expense of \$2,160 and \$7,519 was recorded for the years ended May 31, 2007 and 2006, respectively, resulting in an effective tax rate of 35.9% and 37.5%, respectively. The decline in the effective tax rate in 2007 is due to relative impact of certain deductions on the lower taxable income in 2007.

*Year Ended May 31, 2006 Compared to Year Ended May 31, 2005**Revenue*

Revenue for the year ended May 31, 2006 increased \$19,221, or 5.3%, from \$362,515 in 2005 to \$381,736 in 2006. This increase in revenue was driven by MHS Ambulatory segment. Revenue in the Ambulatory segment for the year ended May 31, 2006 increased \$19,098, or 5.7%, from \$334,457 in 2005 to \$353,555 in 2006. System orders were down slightly in 2006 as compared to 2005, resulting in relatively flat systems sales revenue in 2006. However, professional services revenue increased \$4,920 in 2006 related to the installation of orders signed in the prior year, as 2005 was a growth year for orders. Maintenance revenue contributed \$8,419 of the revenue increase as a result of MHS growing customer base as well as MHS annual consumer price index price increase on renewed maintenance agreements. Finally, transaction processing and other revenue contributed \$6,113 of the revenue increase and was related to both the acquisition of Payerpath in 2006 as well as organic growth. Revenue in MHS Homecare segment was flat as a decline in system sales revenue was offset by growth in maintenance revenue as a result of MHS growing customer base as well as MHS annual consumer price index price increase on renewed maintenance agreements.

*Cost of Revenue*

Cost of revenue for the year ended May 31, 2006 increased \$2,720, or 1.4%, from \$194,043 in 2005 to \$196,763 in 2006. This increase was driven by MHS Ambulatory segment, partially offset by a decline in amortization of intangibles, which is not allocated to a segment. Cost of revenue in the Ambulatory segment for the year ended May 31, 2006 increased \$9,186, or 5.3%, from \$171,924 in 2005 to \$181,110 in 2006. Ambulatory system sales cost of revenue contributed to the increase due to higher costs of resold third party software in 2006. Professional services and maintenance cost of revenue contributed to the increase as a result of the increase in revenue. Finally, transaction processing and other cost of revenue increased as a result of the Payerpath acquisition in 2006 as well as the organic growth in revenue. System sales cost of revenue includes amortization of proprietary technology intangibles, which decreased by \$6,233 in 2006 due to the fact that the Medic acquisition proprietary technology asset became fully amortized in 2006.

*Selling, General and Administrative*

Selling, general and administrative costs for the year ended May 31, 2006 increased \$6,310, or 6.0%, from \$105,825 in 2005 to \$112,135 in 2006. This increase was concentrated in MHS Ambulatory segment with approximately \$2,525 resulting from selling, general and administrative expenses of the Payerpath and Amicore businesses, which were acquired in the last half of 2006. Also contributing to the increase in the Ambulatory segment was an increase in travel costs, due mainly to travel for the Payerpath and Amicore acquisitions, as well as increased outside support costs and rent and repairs and maintenance costs, partially offset by lower stock based compensation expense and lower bad debt expense. Also contributing to the increase was higher unallocated selling,

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general and administrative costs in 2006 as a result of costs related to integrating the Payerpath and Amicore acquisitions including the write-off of Amicore in-process research and development of \$786.

*Research and Development*

Research and development costs for the year ended May 31, 2006 increased \$2,279, or 8.3%, from \$27,313 in 2005 to \$29,592 in 2006. This increase was concentrated in MHS Ambulatory segment and was primarily as a result of development effort on new releases of MHS EMR product. Also contributing to this increase was approximately \$1,457 resulting from the Payerpath and Amicore businesses, which were acquired in the last half of 2006.

*Amortization of Intangibles*

Amortization of intangibles for the year ended May 31, 2006 decreased \$959, or 4.0%, from \$23,998 in 2005 to \$23,039 in 2006. Amortization of intangibles includes amortization of customer relationship and trade name intangibles acquired in MHS Medic, Payerpath and Amicore acquisitions. This cost declined in 2006 as the Medic trade name asset became fully amortized during 2006, partially offset by amortization on the Payerpath and Amicore acquisitions, which occurred in the last half of 2006.

*Interest Expense and Interest Income and Other*

Interest expense for the year ended May 31, 2006 increased \$70, or 61.4%, from \$114 in 2005 to \$184 in 2006. Interest income and other, net, for the year ended May 31, 2006 decreased \$786, or 96.1%, from \$818 in 2005 to \$32 in 2006. Interest expense consists of interest on MHS line of credit as well as interest on capital leases. The increase in interest expense was related to both an increase in interest on MHS line of credit as well as an increase in interest incurred on capital leases. Interest income and other consists of interest earned on cash as well as gain or loss on disposals of property and equipment. The decrease in interest income and other in 2006 was primarily due to the fact that 2005 had a \$787 gain on the disposal of property and equipment, whereas 2006 includes a \$26 loss on the disposal of property and equipment.

*Income Tax Expense*

Income tax expense of \$7,519 and \$4,891 was recorded for the years ended May 31, 2006 and 2005, respectively, resulting in an effective tax rate of 37.5% and 40.6%, respectively. The lower effective tax rate in 2006 is primarily as a result of certain research and development and domestic manufacturing deductions that were not available in 2005.

**Liquidity and Capital Resources**

Treasury for the entire group of Misys companies is managed centrally by Misys. All of MHS excess cash is swept periodically to Misys. MHS cash needs are principally met by cash generated from operations, and when necessary cash infusions from Misys and borrowings on MHS line of credit.

*As of February 29, 2008*

At February 29, 2008 and May 31, 2007, MHS had cash equivalents of \$0 and \$1,370, respectively. The decrease of \$1,370 is reflective of the following:

*Operating activities*

During the nine months ended February 29, 2008 we used \$6,670 in net cash in operations, compared to \$8,662 in the same period in 2007. This net improvement of \$1,992 is due primarily to an increase of \$8,663 in

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net income and related non-cash reconciling adjustments (primarily amortization on intangibles), offset by a change in operating assets and liabilities of \$6,671 due to heavier use of cash in trade receivables and prepaid and other current assets, partially offset by less cash used for accounts payable and accrued expenses. The additional cash used in trade receivables was caused by an increase in the number of customers electing to be billed for maintenance annually (versus quarterly or monthly) as most annual maintenance billings occur in the first calendar quarter. Also contributing to the increase in trade receivables was that MHS began offering longer payment terms in the 2008 nine month period. Prepaid and other current assets used more cash primarily as a result of the purchase of MyWay licenses from iMedica. Less cash was used for accounts payable and accrued expenses in the 2008 nine month period due to timing of payments.

*Investing activities*

During the nine months ended February 29, 2008 we used \$8,619 of cash in investing activities, compared to \$597 in the same period in 2007. The additional use of cash in the 2008 nine month period was primarily as a result of MHS \$8,000 cost method investment in iMedica.

*Financing activities*

During the nine months ended February 29, 2008 we generated \$13,919 in cash from financing activities, compared to a net use of \$2,316 in the same period in 2007. This variance is attributable to the change in Holdings net investment as we leverage Misys centralized treasury function to meet MHS working capital needs while complying with the requirement that any excess cash on hand be sent to Misys.

MHS has an unsecured \$8,000 line of credit promissory note with a national bank, which bears interest at Libor plus 0.5% and expires on October 31, 2008. The outstanding balance on the line of credit was \$6,259 and \$3,235 as of February 29, 2008 and May 31, 2007, respectively.

*As of May 31, 2007*

At May 31, 2007 and 2006, MHS had cash equivalents of \$1,370 and \$12,449, respectively. The decrease of \$11,079 is reflective of the following:

*Operating activities*

During the year ended May 31, 2007 MHS generated \$19,582 in net cash from operations, compared to \$44,290 in the same period in 2006. This net decline of \$24,708 was due primarily to a decrease of \$9,801 in net income and related non-cash reconciling adjustments (primarily amortization on intangibles and non-cash stock based compensation expense, partially offset by change in deferred income taxes), and a decline in operating assets and liabilities of \$14,907 due to heavier use of cash in trade receivables, accrued compensation and benefits, deferred revenue and other long-term liabilities, partially offset by less cash used for accrued expenses. The increase in trade receivables was as a result of returning to normal levels after an unusually strong cash collections month in the prior period, causing the May 2006 balance to be lower than typical. The heavier use of cash in accrued compensation and benefits was primarily related to lower amounts of commissions payable to sales employees as MHS had high turnover in the sales department and MHS had a higher proportion of commission payments paid upon contract execution in 2007, which is the normal practice when the customer pays at least a 50% deposit on the related order. Deferred revenue was lower at May 2007 as compared to May 2006 due to the decline in System Sales revenue in 2007. The movement in cash related to long-term liabilities and accrued expenses were related to timing of payments.

*Investing activities*

During the year ended May 31, 2007 MHS used \$832 of cash in investing activities, compared to \$54,732 in 2006. The heavy use of cash in 2006 was the result of the purchase of Payerpath and Amicore which used a

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combined \$52,994 in cash. Investing activities in 2007 reflect normal course of business spend on capital purchases of \$1,195, partially offset by \$350 related to receipt of the final working capital adjustment on the Payerpath acquisition.

*Financing activities*

During the year ended May 31, 2007 MHS used \$29,829 in cash from financing activities, compared to cash provided of \$3,189 in 2006. This variance is attributable to the change in Holding s net investment as we leverage Misys centralized treasury function to meet our working capital needs while complying with the requirement that any excess cash on hand be sent to Misys.

**Future Capital Requirements**

MHS believes that its cash flow from operations and its line of credit will be sufficient to meet the anticipated cash needs of MHS business for the next twelve months. MHS primary needs for cash over the next twelve months will be to fund working capital, fund capital expenditures, contractual obligations and investment needs of MHS current business.

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

If sources of liquidity are not available or if MHS cannot generate sufficient cash flow from operations during the next twelve months, MHS or Allscripts 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**

MHS has various contractual obligations, which are recorded as liabilities in its combined financial statements. Other items, such as operating lease contract obligations are not recognized as liabilities in MHS combined financial statements but are required to be disclosed.

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

	Total	2008	2009	2010	2011	2012	2013	Thereafter
Operating leases	\$52,001	\$7,352	\$6,344	\$5,056	\$4,647	\$4,336	\$4,357	\$19,909
Capital leases	2,535	1,589	746	200				
Line of credit	3,235	3,235						
Total contractual obligations	\$57,771	\$12,176	\$7,090	\$5,256	\$4,647	\$4,336	\$4,357	\$19,909

On August 23, 2007, MHS entered into a strategic OEM agreement with iMedica whereby MHS licensed certain iMedica electronic health and practice management software to be marketed under MHS MyWay brand. Prepaid royalty fees related to this agreement of \$2,500 were paid during the nine months ended February 29, 2008 and a second and final installment payment of \$2,500 was made during the fourth quarter of fiscal year 2008.

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In December 2007, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards No. 141 (revised 2007), Business Combinations ( FAS 141R ). FAS 141R establishes principles and requirements for how the acquirer in a business combination recognizes and measures in its financial statements the fair value of identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date. FAS No. 141R is effective for fiscal years beginning after December 15, 2008 and will be applied by MHS to business combinations consummated after the effective date. MHS management is currently evaluating the impact of the adoption of FAS 141R on the combined financial statements.

In December 2007, FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements ( FAS 160 ), an amendment of Accounting Research Bulletin No. 51, Consolidated Financial Statements ( ARB 51 ). FAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. This pronouncement is effective for fiscal years beginning after December 15, 2008. Management does not believe the adoption will have a material effect on the combined financial statements.

In February 2007, FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115, ( FAS 159 ). FAS 159 allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities under an instrument-by-instrument election. Most of the provisions in FAS 159 are elective; however, it applies to all companies with available-for-sale and trading securities. A company will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. FAS 159 is effective for fiscal years beginning after November 15, 2007, with early adoption permitted provided that the entity also adopts FAS 157. MHS management does not believe the adoption will have a material effect on the combined financial statements.

In September 2006, FASB issued SFAS No. 157, Fair Value Measurements ( FAS 157 ). FAS 157 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. MHS management does not believe the adoption will have a material effect on the combined financial statements.

In September 2006, FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 ( FIN 48 ). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in a company's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on description, classification, interest and penalties, accounting in interim periods, disclosure, and transition. On June 1, 2007, MHS adopted the provisions of FIN 48. MHS believes it has no material exposures which are not currently provided for. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FIN 48. In addition, MHS did not record a cumulative effect adjustment related to the adoption of FIN 48 (unaudited). MHS' policy for recording interest and penalties associated with tax audits is to record such items as a component of income taxes.

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**Quantitative and Qualitative Disclosures About Market Risk (Dollars in thousands)**

As of May 31, 2007, MHS did not own any derivative financial instruments, but MHS was exposed to market risks, primarily changes in LIBOR interest rates. MHS is exposed to the risk that MHS earnings and cash flows could be adversely impacted by fluctuations in interest rates due to balances outstanding on MHS line of credit. Based upon the short term nature of MHS borrowings on the line of credit, an increase in interest rates of 1.0% would not have a material impact on MHS financial position or results of operations.

As of May 31, 2007, MHS had cash and cash equivalents of \$1,370. Declines in interest rates over time will reduce MHS interest income on these balances. Based upon the fact that MHS cash is managed centrally as part of the Misys treasury function MHS generally keeps a minimal amount of cash on hand, therefore a decrease in interest rates of 1.0% would not have a material impact on MHS financial position or results of operations.



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**PROPOSAL 2 THE REQUIRED AMENDMENTS**

The following is a summary of the material provisions of the Required Amendments. This summary is qualified in its entirety by reference to the proposed Second Amended and Restated Certificate of Incorporation of Allscripts (the Proposed Required Charter ), which is included in this document as Annex B and incorporated by reference herein.

**Overview**

In connection with the entry into the Merger Agreement, and primarily to provide for the governance of Allscripts after consummation of the Transactions, the Allscripts board of directors has approved, subject to stockholder approval, an amendment and restatement to its charter (the Required Amendments ), the approval of which requires the affirmative vote of a majority of the outstanding shares of Allscripts common stock entitled to vote thereon. Approval of the Required Amendments by Allscripts stockholders at the annual meeting is a condition to the Transactions. If the Required Amendments are approved by Allscripts stockholders, Allscripts board of directors will amend and restate the by-laws of Allscripts as required under the Merger Agreement and summarized below (the Required By-Law Amendments ). If the Required Amendments are approved but the Share Issuance is not approved or the Transactions are not completed for any other reason, Allscripts will not implement the Required Amendments or the Required By-Law Amendments.

**The Required Amendments**

***Name***

The Required Amendments will change Allscripts corporate name to Allscripts-Misys Healthcare Solutions, Inc.

***Authorized Share Increase***

As part of the Required Amendments, the total number of shares of stock of all classes that Allscripts will have authority to issue will be increased from 151,000,000 to 200,000,000, consisting of 199,000,000 shares of common stock, which is an increase of 49,000,000 shares, and 1,000,000 shares of preferred stock, which is unchanged from the current certificate of incorporation. As of May 28, 2008, there were approximately 57,226,910 shares of Allscripts common stock issued and outstanding and no shares of preferred stock issued and outstanding. As of May 28, 2008, there were approximately 4,474,500 shares of Allscripts common stock reserved for issuance pursuant to outstanding Allscripts stock options and other equity-based awards and 7,329,424 shares of Allscripts common stock reserved for issuance pursuant to the convertible debentures. The maximum possible number of shares of Allscripts common stock required to be issued to Misys under the Merger Agreement is approximately 84,800,000, which would result in a total of approximately 155,800,000 shares of Allscripts common stock either issued and outstanding shares or reserved for issuance.

Although Allscripts management currently has no definitive plans for the issuance of any additional authorized shares of Allscripts common stock, the authorization of additional shares of Allscripts common stock would permit the issuance for future stock dividends, possible acquisitions, stock option plans, and other appropriate corporate purposes, subject to the antidilution and other restrictions on stock issuances set forth in the Relationship Agreement discussed above. Other than with respect to the rights granted to Misys under the Relationship Agreement as discussed above under the heading Additional Agreements; Post-Transaction Governance the Relationship Agreement Antidilution Protection, shares of Allscripts common stock will not be entitled to pre-emptive rights nor will stockholders have any pre-emptive right to acquire any additional shares of common stock when issued.

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### ***Board Committees***

The Required Amendments include new provisions setting forth specific committees of the board of directors as well as the composition and authority thereof. If the Required Amendments are approved, each committee of the Allscripts board of directors must consist of at least two directors, one of which must be a current Allscripts director or an independent director nominated to the board of directors by the current Allscripts directors who serve on the Allscripts board after consummation of the Transactions or their successors (each, a Legacy Allscripts Director ).

#### ***Audit Committee.***

The Required Amendments require that the audit committee of the Allscripts board of directors consist of three Legacy Allscripts Directors, one of whom must be a financial expert. In addition to the powers and responsibilities granted to the audit committee pursuant to its charter or by the board of directors, the audit committee will have certain approval rights, including approval of any commercial or other transaction (including a squeeze-out) and other arrangements between Allscripts and its subsidiaries, on the one hand, and Misys and its other subsidiaries, on the other hand, and approval of any delisting of Allscripts common stock from NASDAQ or any other exchange. Such actions must also be approved by a majority of the entire board. Certain of these additional rights granted to the audit committee are described above under the heading Additional Agreements; Post Transaction Governance Relationship Agreement.

#### ***Nominating Committee***

The nominating committee will consist of five directors, three of which will be Legacy Allscripts Directors and the remaining two of which will be nominated by the majority of the entire board of directors (a Misys Director ). The Required Amendments explicitly grant the nominating committee the power to nominate directors to stand for election, whether at a meeting of stockholders or to fill a vacancy, and to establish governance principles. These powers to nominate directors are to be delegated to the following subcommittees and in the following manner:

the independent nominating subcommittee, which will consist of Legacy Allscripts Directors, will have the sole authority to nominate three independent directors and the chief executive officer to stand for election by the stockholders as directors or to nominate replacements for these directors; and

the nominating and governance subcommittee, which will consist of one Legacy Allscripts Director and two Misys Directors, will have the sole authority to nominate six directors (other than persons nominated by the independent nominating subcommittee) to stand for election as directors by the stockholders or to nominate replacements for vacancies of directors previously nominated by the nominating and governance subcommittee.

#### ***Compensation Committee.***

Pursuant to the Required Amendments, the compensation committee will consist of two Legacy Allscripts Directors and the chairman of the board. The compensation committee is expressly granted the authority to approve all executive officer compensation and recommend the adoption of new equity incentive plans to the full board of directors, which in each case is subject to the further approval of a majority of the entire board of directors.

### ***Takeover Items***

Under Allscripts current certificate of incorporation, Allscripts has elected to be governed by Section 203 of the Delaware General Corporation Law. The Required Amendment, however, provides that Allscripts will elect not to be governed by Section 203 of the Delaware General Corporation Law, which election would take

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effect one year after the amended certificate of incorporation is filed with the Delaware Secretary of State. Section 203 of the Delaware General Corporation Law generally provides that if a person or group acquires fifteen percent (15%) or more of a corporation's voting stock (thereby becoming an interested stockholder) without prior board approval, such interested stockholder may not, for a period of three years, engage in a wide range of business combination transactions with the corporation. However, pursuant to the Relationship Agreement, Misys has agreed that it will not, and will not permit any of its affiliates to, sell, transfer or otherwise dispose of fifteen percent (15%) or more of the outstanding shares of Allscripts common stock unless such sale or transfer is to another affiliate of Misys or approved by Allscripts' board of directors.

The current Article Eleventh of Allscripts' certificate of incorporation includes a provision that, in determining whether an acquisition proposal (as defined in the current charter) is in the best interests of Allscripts and its stockholders, the board of directors may, to the extent permitted by law, consider all factors it deems relevant, including social, legal and economic effects upon employees, suppliers, customers and the communities in which Allscripts is located. The Required Amendments remove Article Eleventh.

### ***Amendments***

The Required Amendments include a new section that, subject to the provisions of Allscripts by-laws or as otherwise provided in the Proposed Required Charter, the provisions related to Amendment of By-Laws (Article Ninth), Committees of the Board (Article Tenth), Classification and Nomination of Directors (the first, third and seventh paragraphs of Article Seventh) and Amendments (Article Fourteenth), may only be amended or waived with the consent of a majority of the members of the audit committee. The Required Amendments and the Relationship Agreement also provide that Misys will not propose or vote in favor of any amendment, alteration, modification or change of the certificate of incorporation that would be inconsistent with the Relationship Agreement or the by-laws.

### ***Other Amendments***

The Required Amendments also include certain clarifying, conforming, incidental and miscellaneous amendments.

### **The Required By-Law Amendments**

As noted above, if the Required Amendments are approved by Allscripts' stockholders at the annual meeting and the Transactions are consummated, the Allscripts board of directors will amend and restate Allscripts' by-laws to implement changes to the by-laws required under the Merger Agreement. This by-law amendment and restatement is summarized below. This summary is qualified in its entirety by reference to the proposed by-laws as so amended and restated, which are included in this document as Annex B and incorporated by reference herein.

### ***Board and Officer Changes***

The Required By-Law Amendments contain amendments from the current Allscripts by-laws relating to the board of directors and Allscripts officers including:

setting a quorum of the board at six members;

setting the dates for quarterly board meetings as June 1, September 1, December 1 and March 1 and lengthening the required notice of board meetings to 72 hours;

designating the chairman of the board as the executive chairman;

specifying that the chief executive officer reports to the board of directors;

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removing the provision designating the president as the person presiding over stockholder or board meetings in the absence of the chairman of the board; and

specifying the power of the chief financial officer.

### ***Board Committees***

The Required By-Law Amendments include amendments to include the same provisions on board committees set forth above under the heading Required Charter Amendments-Board Committees. In addition, the Required By-Law Amendments include the creation of a disclosure committee of the Allscripts board of directors, to be composed of management and operations personnel of Allscripts. The disclosure committee will have responsibilities including:

approval of any material press release or material disclosure by Allscripts;

informing the board of directors in advance of all planned disclosure by Allscripts;

responsibility for ensuring that management reports all material developments to the board of directors and for determining which developments should be reported to Misys in connection with Misys regulatory disclosure obligations;

recommending to the board of directors any additional disclosure of other announcements as may be required to permit the non-independent directors (other than the chief executive officer) to fulfill their obligations under the Relationship Agreement; and

instituting protocols to address trading on material non-public information.

### ***Amendments***

The Required By-Law Amendments provide that, subject to the provisions of the Allscripts certificate of incorporation or as otherwise provided in the by-laws, the by-laws may only be amended by the affirmative vote of a majority of the entire board of directors, except that the provisions of the by-laws related to Directors (Article III), Officers (Article IV), Committees of the Board (Article V) and Amendments (Article VIII), may only be amended or waived with the consent of a majority of the members of the audit committee and a majority of the entire board of directors. The current by-laws provide that except as provided in the Allscripts certificate of incorporation or by-laws, any provision of the by-laws may be amended by the affirmative of holders of a majority of the common stock present in person or by proxy and entitled to vote or by a majority vote of the directors present at a meeting of the board at which a quorum is present.

### ***Other Amendments***

The Required By-Law Amendments also include certain clarifying, conforming, incidental and miscellaneous amendments, including provisions regarding remote communications for stockholder or director meetings.

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**PROPOSAL 3 THE ADDITIONAL AMENDMENTS**

The following is a summary of the material provisions of the Additional Amendments. This summary is qualified in its entirety by reference to the proposed Second Amended and Restated Certificate of Incorporation of Allscripts (the Proposed Fully-Amended Charter ) and Amended and Restated By-Laws of Allscripts (the Proposed Fully-Amended By-Laws ), which are included in this document as Annex C and incorporated by reference herein. The Proposed Fully-Amended By-Laws include the Required By-Law Amendments described above.

**Overview**

In connection with the entry into the Merger Agreement, and primarily to provide for additional changes to the governance of Allscripts after consummation of the Transactions, the Allscripts board of directors has approved, subject to stockholder approval, an additional amendment and restatement to its charter and by-laws, the approval of which requires the affirmative vote of at least eighty percent (80%) of the outstanding shares of Allscripts common stock. Approval of the Additional Amendments by Allscripts stockholders at the annual meeting is not a condition to the Transactions. If the Additional Amendments are approved but the Share Issuance and the Required Amendments are not approved or the Transactions are not completed for any other reason, Allscripts will not implement the Additional Amendments.

**Charter Amendments**

***Board of Director Matters***

The Additional Amendments amend and restate Article Seventh of the current certificate of incorporation of Allscripts to:

set the size of the board of directors at ten;

provide that directors stand for election at each annual meeting, instead of the current classification of the board of directors whereby directors are elected to the board once every three years and delete the provisions related to the classification of the board of directors;

provide that vacancies on the board be filled by either the independent nominating committee or the nominating and governance committee, as applicable, and not by a majority of the entire board of directors;

provide that directors may be removed without cause by the affirmative vote of a majority of Allscripts voting power; and

delete the list of enumerated powers granted to the board of directors, except for the approval of the annual budget and the board's power to amend the by-laws, which included the power:

to authorize the borrowing of money or the issuance of bonds and other indebtedness;

to authorize the sale, lease or other disposition of any part or parts of the properties of Allscripts or to cease to conduct any business;

to authorize the purchase or other acquisition of shares of stock or any of its bonds, debentures or other securities or indebtedness;

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to fix and determine, and vary the amount of, the working capital of Allscripts, and to determine the use or investment of any assets of Allscripts; and

to authorize the negotiation and execution on behalf of Allscripts of agreements with officers and other employees of Allscripts relating to the payment of severance.

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### ***Action by Written Consent***

The Additional Amendments would remove the prohibition against stockholder action by written consent in Allscripts' certificate of incorporation. As a result, any action of Allscripts' stockholders that may be taken at a meeting may be taken by written consent, without prior notice, as described below under the heading "By-Law Amendments." Misys will have the power to take action by written consent without prior notice to, or the vote of, any other stockholder of Allscripts since Misys will own a majority of the common stock of Allscripts after completion of the Transactions.

### ***Ability to Call Special Meeting***

The Additional Amendments would remove the ability of Allscripts' president to call a special meeting of stockholders. As a result, a special meeting of stockholders may only be called by the chairman of the board or upon a resolution of the board approved by a majority of the entire board of directors. As a result, Misys Directors will have the ability to call or prevent a special meeting of Allscripts stockholders if the Additional Amendments are approved.

### ***Supermajority Approval Requirements***

The Additional Amendments would also delete the supermajority eighty percent (80%) stockholder voting requirement currently required to amend:

Article Seventh of the certificate of incorporation, relating to the powers of the board of directors, including its power to amend the by-laws;

Article Eighth of the certificate of incorporation, relating to action by written consent of stockholders and holding stockholder and director meetings and to having offices within or outside of the State of Delaware; and

Sections 3 and 7 of Article II of the by-laws regarding stockholder action and quorum and voting requirements, and Sections 1, 2 and 3 of Article III of the by-laws, regarding the number, election and terms of directors, vacancies and newly created board seats and removal of directors.

### **By-Law Amendments**

#### ***Board of Director Matters***

The Additional Amendments amend Article III of the current by-laws to implement the board of director related amendments as made to the Allscripts charter described above under the heading "Charter Amendment - Board of Director Matters," as follows:

set the size of the board of directors at ten;

provide that directors stand for election at each annual meeting, instead of the current classification of the board of directors whereby directors are elected to the board once every three years and delete the provisions related to the classification of the board of directors;

provide that vacancies on the board be filled by either the independent nominating committee or the nominating and governance committee, as applicable, and not by a majority of the entire board of directors; and

provide that directors may be removed without cause by the affirmative vote of a majority of Allscripts voting power.



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***Action by Written Consent***

The Additional Amendments amend Article II, Section 3 of the by-laws to provide for action by written consent of the stockholders, with or without notice, if:

such action is approved by the necessary vote of stockholders;

the consents are delivered to the Company within 60 days of the date of the delivery of the earliest consent so delivered to the Company;

stockholders who do not consent are provided with written notice of such action by written consent; and

such action is not the election of directors, which may not be accomplished by written consent.

If the board of directors did not set a record date of stockholders for such written action, the record date will be the first date a written consent is delivered to the Company, unless board action is required by applicable law to effect such action taken by written consent, in which case the record date will be the date the board takes such required action.

***Other Changes.***

A number of clarifying and other conforming or incidental changes will be made to Allscripts by-laws.

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**DESCRIPTION OF ALLSCRIPTS CAPITAL STOCK**

The following summary of the terms of the capital stock of Allscripts before and after the Transactions, assuming stockholders approve both the Required Amendments and the Additional Amendments, is not meant to be complete and is qualified by reference to Allscripts Amended and Restated Certificate of Incorporation and By-Laws and to the proposed Second Amended and Restated Certificate of Incorporation and Amended and Restated By-Laws of Allscripts, which is included as Annex C and all applicable provisions of the Delaware General Corporation Law, as amended. Copies of Allscripts Amended and Restated Certificate of Incorporation are incorporated by reference and will be sent to stockholders of Allscripts upon request. See [Where You Can Find More Information](#).

**Authorized Capital Stock**

Allscripts current authorized capital stock consists of 150,000,000 shares of common stock, \$0.01 par value per share and 1,000,000 shares of preferred stock, \$0.01 par value per share. As of the close of business on May 28, 2008, there were 57,226,910 shares of Allscripts common stock issued and outstanding and no shares of Allscripts preferred stock issued and outstanding.

Allscripts is proposing to increase its number of authorized capital stock to 200,000,000 consisting of 199,000,000 shares of common stock and 1,000,000 shares of preferred stock.

**Allscripts Common Stock**

*Voting and Other Rights.* Holders of Allscripts common stock are entitled to one vote for each share held of record on all matters submitted to a vote of stockholders, including the election of directors, and do not have cumulative voting rights. Generally, matters to be decided by the stockholders will be decided by the vote of holders of a majority of the shares of Allscripts common stock entitled to vote on the subject matter and represented in person or by proxy at a meeting at which a quorum is present except for certain extraordinary corporate actions that, under Delaware law, require a majority of the outstanding shares entitled to vote thereon, such as approval of certain mergers, asset sales and dissolutions. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of holders of shares of any series of preferred stock that Allscripts may designate and issue at any time in the future.

*Dividend Rights; Rights Upon Liquidation.* Holders of Allscripts common stock are entitled to receive dividends ratably, if any, as may be declared by the board of directors out of legally available funds. Upon Allscripts liquidation, dissolution or winding-up, holders of Allscripts common stock are entitled to share ratably in all assets remaining after payment of Allscripts debts and other liabilities.

*Pre-emptive Rights.* Holders of Allscripts common stock currently have no preemptive, subscription, redemption or conversion rights. If the Transactions are completed, including the approval by stockholders of the Required Amendments, Misys will have certain pre-emptive rights as described above under [Relationship Agreement](#).

**Allscripts Preferred Stock**

Allscripts board of directors is authorized, without further stockholder approval but subject to any limitations prescribed by law, to establish from time to time one or more classes or series of preferred stock covering up to an aggregate of 1,000,000 shares of preferred stock, and to issue these shares of preferred stock in one or more series. Each class or series of Allscripts preferred stock will cover the number of shares and will have the preferences, voting powers, qualifications and special or relative rights or privileges as are determined by the board of directors, which may include, among others, dividend rights, liquidation preferences, voting rights, conversion rights and redemption rights.

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Allscripts board of directors may authorize the issuance of preferred stock with voting or conversion rights that could dilute the voting power or other rights of the holders of Allscripts common stock. The issuance of preferred stock could also delay, defer or prevent a change of control of Allscripts or otherwise negatively affect the market price of Allscripts common stock. Allscripts has no present plans to issue any shares of preferred stock.

### **Listing**

Allscripts common stock trades on NASDAQ under the trading symbol MDRX.

### **Allscripts Transfer Agent and Registrar**

The transfer agent and registrar of the Allscripts common stock is LaSalle Global Trust Services.

### **Specific Provisions of Allscripts Charter and By-Laws and Delaware Law**

#### *Amended and Restated Certificate of Incorporation; By-Laws*

*Board of Directors.* Allscripts amended and restated certificate of incorporation and by-laws, as currently in effect, provide that Allscripts board of directors is divided into three classes of directors serving staggered three-year terms. The Additional Amendments include the elimination of the staggered nature of the election of Allscripts directors, resulting in the annual election of each director. The classification of the board has the effect of requiring at least two annual stockholder meetings, instead of one, to replace a majority of the members of the board. Some practical effects of these classification provisions are the following:

This delay ensures that Allscripts directors, if confronted by a stockholder attempting to force a proxy contest, tender offer, exchange offer, or an extraordinary corporate transaction, would have sufficient time to review the proposal and any available alternatives before they act in what they believe to be the best interests of the stockholders. However, even if a change in the composition of the board would be beneficial to Allscripts and its stockholders, it will take at least two annual meetings of stockholders to make this change.

A classified board may discourage third party proxy contests, tender offers, or attempts to obtain control of the company. This will happen even if an attempt might be beneficial to Allscripts and its stockholders. Therefore, there is an increased likelihood that incumbent directors will retain their positions.

A classified board discourages accumulations of large blocks of Allscripts stock by purchasers whose objective is to take control of the board. This could reduce the likelihood of fluctuations in the market price of the common stock that might result from accumulations of large blocks of stock. Stockholders therefore might not have opportunities to sell their shares of Allscripts common stock at the higher market price that an accumulation of stock could create.

Allscripts current certificate of incorporation and by-laws further provide that directors may be removed only for cause and only by the holders of at least eighty percent (80%) of the outstanding shares of stock entitled to vote generally in the election of directors, voting as a single class. The Additional Amendments include the elimination of the for cause only removal provision, thereby allowing for the removal of directors without cause, and would also lower the threshold for removal to a majority from eighty percent (80%).

*Advance Notice Provisions.* Allscripts by-laws establish advance notice procedures for stockholder proposals and nominations of candidates for election as directors other than nominations made by or at the direction of Allscripts board of directors or a committee of Allscripts board.

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*Special Meeting Requirements; Stockholder Action.* Allscripts' current certificate of incorporation and by-laws require that special meetings of stockholders be called only at the request of a majority of Allscripts' board of directors, the chairman of Allscripts' board of directors or Allscripts' president. In addition, Allscripts' current certificate of incorporation and by-laws provide that Allscripts' stockholders may only take action at a duly called meeting and not by written consent. The Additional Amendments would, if approved, allow stockholders to take action by written consent and would remove the ability of Allscripts' president to call a special meeting of stockholders.

*Consideration of Constituencies.* Allscripts' current certificate of incorporation allows Allscripts' board of directors, to the extent permitted by law, to consider all factors it deems relevant, including the effects on Allscripts' employees, suppliers and customers and the communities in which Allscripts operate, in determining whether an acquisition proposal is in Allscripts' best interests and the best interests of Allscripts' stockholders. The Required Amendments would, if approved, eliminate this provision.

*Limitation of Liability; Indemnification.* Allscripts' current and proposed certificate of incorporation provide that Allscripts may, subject to some limitations, indemnify Allscripts' directors and officers against expenses, including attorneys' fees, judgments, fines and certain settlements, actually and reasonably incurred by them in connection with any suit or proceeding to which they are a party so long as they acted in good faith and in a manner reasonably believed to be in or not opposed to Allscripts' best interests. Allscripts' current and proposed certificate of incorporation also provide that no director will be personally liable to Allscripts or Allscripts' stockholders for monetary damages for any breach of fiduciary duty as a director, except as otherwise provided under Delaware law.

These provisions may deter a hostile takeover or delay a change of control of Allscripts.

### *Delaware Law*

Allscripts is currently governed by Section 203 of the Delaware General Corporation Law, which is described below. If the Required Amendments are approved, Allscripts will no longer be governed by Section 203 of the Delaware General Corporation Law. Section 203 of the Delaware General Corporation Law prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the time that the stockholder became an interested stockholder, unless:

prior to such time, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;

upon completion of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least eighty-five percent (85%) of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the number of shares outstanding those shares owned by persons who are both directors and officers and shares which can be issued under employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or

at or subsequent to that time, the business combination is approved by the board of directors of the corporation and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines an interested stockholder as any entity or person (and the affiliates and associates of such person) who (i) is the owner of fifteen percent (15%) or more of the outstanding voting stock of the corporation or (ii) is an affiliate or associate of the corporation and was the owner of fifteen percent (15%) or more of the outstanding voting stock of the corporation within the 3-year period immediately prior to

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the date on which it is sought to be determined whether such person is an interested stockholder. Section 203 defines business combination to include:

any merger or consolidation involving the corporation and the interested stockholder;

any sale, lease, exchange, mortgage, transfer, pledge or other disposition of ten percent (10%) or more of the assets of the corporation involving the interested stockholder;

subject to specified exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;

subject to specified exceptions, any transaction involving the corporation or a majority owned subsidiary that increases the proportionate share of the stock of any class or series of the corporation or such subsidiary owned by the interested stockholder; or

any receipt by the interested stockholder of the benefit (except proportionately as a stockholder of the corporation) of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

The provisions of Section 203 may encourage companies interested in acquiring Allscripts to negotiate in advance with Allscripts board of directors. These provisions may also have the effect of preventing changes in Allscripts board of directors and may make it more difficult to accomplish transactions which stockholders may otherwise deem to be in their best interests.

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**CHAPTER FOUR ELECTION OF DIRECTORS: ALLSCRIPTS PROPOSAL 4**

**General**

Seven directors currently serve on our board of directors, a majority of whom are Independent Directors in accordance with the regulations of the SEC and the listing standards of NASDAQ. The directors are divided into three classes. Each director serves for a term of three years, until a qualified successor director has been elected, or until he resigns or is removed by the board. The Additional Amendments to be voted upon at the annual meeting would, if approved, result in the elimination of the classified nature of our board of directors. If the Additional Amendments are approved, we expect that each director continuing as a director with a term expiring after the next annual meeting of stockholders after consummation of the Transactions will resign as a director and be reappointed by the board of directors (or a committee thereof) for a term expiring at the next annual meeting of stockholders.

At the annual meeting, you will be asked to elect two directors, each to serve a term expiring at the third annual meeting of stockholders following their election. The remaining five directors will continue to serve on the board as described below. The 2008 nominees are Messrs. Glen Tullman and M. Fazle Husain. Both nominees currently serve on our board of directors.

**Vote Required**

Election of directors requires the affirmative vote of a majority of the shares of Allscripts common stock entitled to vote thereon and present in person or represented by proxy (provided that a quorum is present). Broker non-votes have no effect on the election of directors and abstentions have the effect of votes against a director.

**THE ALLSCRIPTS BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR EACH DIRECTOR STANDING FOR RE-ELECTION.**

**Biographical Information of Allscripts Directors**

**Nominees**

*M. Fazle Husain*, 43, was elected to our board of directors in April 1998. Mr. Husain is a Managing Director of Metalmark Capital, a division of Citigroup Alternative Investments. Prior to joining Metalmark, Mr. Husain was with Morgan Stanley & Co. for 18 years, where he was a Managing Director in the private equity and venture capital investment business. Mr. Husain has served on the board of directors of several public and private healthcare businesses, including Cross Country Healthcare, Cardiac Pathways, Enterprise Systems, Suros Surgical, The Medicines Company, SouthernCare Hospice, Cambridge Heart and Vanguard Health Systems.

*Glen E. Tullman*, 48, joined Allscripts as Chief Executive Officer in August 1997 to lead our transition into the Healthcare Information Sector. In May 1999, Mr. Tullman became our Chairman of the Board. Prior to joining Allscripts, from October 1994 to July 1997, Mr. Tullman was Chief Executive Officer of Enterprise Systems, Inc., a healthcare information services company providing resource management solutions to large integrated healthcare networks. From 1983 to 1994, Mr. Tullman served in a number of management roles, including President and Chief Operating Officer, of CCC Information Services, Inc., a provider of information systems to property and casualty insurers. Mr. Tullman currently serves on the International Board of the Juvenile Diabetes Research Foundation.

**Directors Continuing to 2009 Annual Meeting**

*Marcel L. Gus Gamache*, 65, was elected to our board of directors in August 2003. From 1994 to 2005, Mr. Gamache was President and Chief Executive Officer of ConnectiCare, a Farmington, Connecticut-based

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managed care company serving more than 270,000 members in Connecticut and western Massachusetts. Prior to his work at ConnectiCare, Mr. Gamache was employed for 19 years at Blue Cross and Blue Shield of Massachusetts where he served as internal auditor, Controller and Senior Vice President for Information Services. Mr. Gamache currently serves on the board of directors of a number of privately-held companies.

*Bernard Goldstein, 77*, was elected to our board of directors in 2001. From 1979 to 1996, Mr. Goldstein was a Managing Director of Broadview International, LLC, a financial services firm specializing in merger and acquisition transactions for communications, IT, and media companies. Thereafter, he served as a director of Broadview until 2002. He is a past President of the Information Technology Association of America, the industry trade association of the computer service industry, and past Chairman of the Information Technology Foundation. Mr. Goldstein was a director of Apple Computer Inc. until August 1997, and a director of Sungard Data Systems, Inc. until 2005.

*Philip D. Green, 57*, was elected to our board of directors in 1992. Mr. Green is President, Strategic Business Initiatives, at the University of Pittsburgh Medical Center (UPMC). Before joining UPMC in July 2006, Mr. Green was a partner with the law firm of Gardner Carton & Douglas, LLP since June 2004. From June 2000 until June 2004, Mr. Green was a partner with Akin, Gump, Strauss, Hauer & Feld, L.L.P. From 1989 until June 2000, Mr. Green was a partner with the law firm of Green, Stewart, Farber & Anderson, P.C., of which Mr. Green was a founding partner. From 1978 through 1989, Mr. Green was a partner in the Washington, D.C. based law firm of Schwalb, Donnenfeld, Bray & Silbert, P.C. Mr. Green serves on the board of directors of I-trax, Inc.

### **Directors Continuing to 2010 Annual Meeting**

*Robert A. Compton, 52*, was elected to our board of directors in August 2003. In 2005, Mr. Compton founded Vontoo Corporation, an on-demand, permission-based voice messaging company and currently serves as its Chief Executive Officer. Previously, he was Founder and Chief Executive Officer of NoInk Communications, a provider of handheld and web-based software solutions for pharmaceutical and medical device sales professionals, from 2002 until the company's sale in 2004. From 1999 to January 2000, Mr. Compton was President of the Neurologic Technologies Division of Medtronic, Inc., a medical technology company. From 1997 until 1999, Mr. Compton was President and Chief Operating Officer of Sofamor Danek Group, Inc., a medical device manufacturer, which was acquired by Medtronic, Inc. in January 1999. From 1988 until 1997, Mr. Compton served as general partner of CID Equity Partners, a venture capital firm. Mr. Compton currently serves as the Chairman of the Board on the board of directors of Exact Target.

*Michael J. Kluger, 51*, was elected to our board of directors in 1994. Since November 2001, Mr. Kluger has been a Managing Director of Altaris Capital Partners LLC, a private equity healthcare firm. From 1992 until November 2001, Mr. Kluger served as a Managing Director of Liberty Capital Partners, Inc., a New York investment management firm and the general partner of Liberty Partners, L.P. From June 2001 to March 2005, Mr. Kluger served on the board of directors of ConnectiCare, Inc.

### **Meetings and Committees of the Allscripts Board**

During 2007, our board of directors met five times. In addition to meetings of the full board, directors attended meetings of the board committees. Allscripts has standing Audit, Compensation, and Nominating and Governance Committees. Robert A. Compton serves as the lead independent director and focuses on key governance issues, board self-evaluations and the Chief Executive Officer evaluation. In 2007, Messrs. Kluger and Gamache attended four of the five board meetings, Messrs. McConnell, who no longer serves as a director, and Compton attended three of the five board meetings and all other directors attended all five meetings. All Board members attended at least 75% of their requisite committee meetings. As discussed in detail above under the headings Board of Directors of Allscripts After the Transactions, Proposal 2- The Required Amendments and Proposal 3- The Additional Amendments, the composition and responsibilities of the committees of the board of directors will change if the Required Amendments or Additional Amendments are approved.

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### **Audit Committee**

The Audit Committee is responsible for ensuring the integrity of the financial information reported by Allscripts. In accordance with its written charter, the Audit Committee is directly responsible for appointment, compensation, retention and oversight of the work of the independent auditor, approves the scope of annual audits performed by the independent auditor and reviews the results of those audits. In addition, the Audit Committee oversees the accounting and financial reporting process of Allscripts and meets with management, the independent auditors and Allscripts internal staff to review audit results and opinions, as well as financial, accounting and internal control matters. Michael J. Kluger, Marcel L. Gus Gamache and Bernard Goldstein serve on the Audit Committee. Mr. Kluger serves as the Chairman of the Audit Committee. The board of directors has determined that each of the members of the Audit Committee is independent in accordance with the regulations of the SEC and the listing standards of NASDAQ. In addition, the board of directors has determined that each member of the Audit Committee has a working familiarity with basic finance and accounting practices, including the ability to read and understand financial statements. Finally, the board of directors has determined that Mr. Goldstein is an audit committee financial expert under the rules of the SEC. The Audit Committee has adopted a charter that specifies the composition and responsibilities of the committee. A copy of the Audit Committee Charter is posted on our website at [www.allscripts.com](http://www.allscripts.com) and is available to stockholders upon written request made to our Secretary at the corporate address shown below. During 2007, the Audit Committee met four times.

### **Compensation Committee**

The Compensation Committee determines executive officers' salaries, bonuses and other compensation and administers our Amended and Restated 1993 Stock Incentive Plan and our 2001 Non-statutory Stock Option Plan. Additionally, the Compensation Committee makes recommendations to the board regarding the compensation of non-management directors. Philip D. Green, M. Fazle Husain and Michael J. Kluger serve on the Compensation Committee. Mr. Green serves as the Chairman of the Compensation Committee. The board of directors has determined that each of the members of the Compensation Committee is independent in accordance with the regulations of the SEC and the listing standards of NASDAQ. The Compensation Committee has adopted a charter that specifies the composition and responsibilities of the Compensation Committee, which is posted on our website at [www.allscripts.com](http://www.allscripts.com) and is available to stockholders upon written request made to our Secretary at the address shown below. During 2007, the Compensation Committee met five times. For additional information regarding the Compensation Committee and the role of the Chief Executive Officer regarding individual compensation actions, see Executive Compensation Discussion and Analysis.

The Compensation Committee periodically reviews the compensation program for non-employee directors in comparison to the practices of a peer group. Based upon this review, the Compensation Committee may recommend to the board of directors adjustments to the compensation of non-employee directors to bring director compensation in line with competitive practices. The pay objective for non-employee directors is to provide a competitive level and mix of pay that enhances Allscripts' ability to attract and retain highly qualified directors.

### **Nominating and Governance Committee**

The Nominating and Governance Committee assists the board in identifying qualified individuals to become board members and recommending to the board the director nominees; develops and recommends to the board corporate governance guidelines applicable to Allscripts; leads the board in its annual review of the board's performance; reviews and assesses succession planning; and makes recommendations to the board with respect to the assignment of individual directors to various committees. The Committee has adopted a charter that specifies the composition and responsibilities of the Nominating and Governance Committee, which is posted on our website at [www.allscripts.com](http://www.allscripts.com) and is available to stockholders upon written request made to our Secretary at the address shown below. Marcel L. Gus Gamache and Philip D. Green serve on the Nominating and Governance Committee. The board of directors has determined that each of the current members of the Nominating and



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Governance Committee is independent in accordance with the regulations of the SEC and the listing standards of NASDAQ. During 2007, the Nominating and Governance Committee met one time.

### **Governance**

#### ***Corporate Governance Guidelines***

The board of directors has adopted a set of Corporate Governance Guidelines to assist the board in the exercise of its responsibilities. The Corporate Governance Guidelines cover topics including, but not limited to, director qualification standards, board and committee composition, director requirements regarding service, director compensation, director access to management and independent advisors, director orientation and continuing education, succession planning and the annual evaluations of the Chief Executive Officer and the board and its committees. The Nominating and Governance Committee is responsible for overseeing and reviewing the Corporate Governance Guidelines and recommending to the board any changes to the guidelines. The full text of the Corporate Governance Guidelines is available on our website at [www.allscripts.com](http://www.allscripts.com).

#### ***Code of Conduct***

Allscripts has adopted a Code of Conduct that applies to all of our directors, officers and employees, including our Chief Executive Officer, Chief Financial Officer and senior financial and accounting officers. Our Code of Conduct requires that all of our directors, officers and employees avoid conflicts of interest, comply with all laws and other legal requirements, conduct business in an honest and ethical manner and otherwise act with integrity and in Allscripts' best interest. We maintain a current copy of our Code of Conduct, and will promptly post any amendments to or waivers of our Code of Conduct, on our website at [www.allscripts.com](http://www.allscripts.com). Stockholders may request a written copy of the Code of Conduct by contacting our Secretary, Lee Shapiro, at the corporate address shown below.

In furtherance of our procedures to ensure compliance with the Sarbanes Oxley Act of 2002, each of our employees is required to complete an annual on-line, interactive education program concerning policies of our Code of Conduct.

#### ***Director Independence***

Each of our directors other than Mr. Tullman qualifies as independent in accordance with the listing requirements of NASDAQ. The NASDAQ definition of independence includes a series of objective tests, such as that the director is not an employee of the company and has not engaged in various types of business dealings with the company. As required by NASDAQ rules, the board has made a subjective determination as to each independent director that no relationships exist which, in the opinion of the board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, the board reviewed and discussed information provided by each director and by Allscripts with regard to each director's business and personal activities as they may relate to Allscripts and Allscripts' management. With respect to Mr. Compton, the board considered that he serves as Chairman of the Board of an e-mail marketing solutions company to which Allscripts has paid less than \$105,000 during each of the last two years. In addition, with respect to Mr. Goldstein, Mr. Compton and Mr. Green, the board considered that each of these directors held an investment of less than 0.1% in ECIN, which was acquired by Allscripts on December 31, 2007. The board of directors concluded that each of Mr. Compton, Mr. Gamache, Mr. Goldstein, Mr. Green, Mr. Husain and Mr. Kluger are independent within the meaning of independence under the listing standards of NASDAQ. Allscripts Corporate Governance Guidelines require the independent members of the board of directors to meet at least twice per year in executive sessions without management.

#### ***Communications with Directors***

Interested parties may communicate concerns to any of our non-management directors by writing to the director in care of our Secretary at the address set forth below. In accordance with the policy adopted by our

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non-management directors, our Secretary will promptly relay to the addressee all communications that he determines require prompt attention by a non-management director and will regularly provide the non-management directors with a summary of all communications addressed to non-management directors.

### ***Nominations for Directors***

The Nominating and Governance Committee is responsible for the proposal of nominees for service as directors and will consider recommendations offered by stockholders in accordance with our by-laws. The Nominating and Governance Committee selects individuals as director nominees based on their business and professional accomplishments, integrity, demonstrated ability to make independent analytical inquiries, ability to understand our business and willingness to devote the necessary time to board duties. In considering individuals for nomination, the Nominating and Governance Committee consults with the Chief Executive Officer. An existing director's qualifications in meeting these criteria are considered each time such director is re-nominated for board membership. Assuming that appropriate biographical and background information is provided to the Nominating and Governance Committee, the Nominating and Governance Committee would apply the same process and standards to the evaluation of each potential director nominee, regardless of whether he or she is recommended by one or more stockholders or is identified by some other method.

The Nominating and Governance Committee may hire outside advisors to assist it in identifying and/or evaluating potential director nominees. The Nominating and Governance Committee did not utilize outside advisors in deciding to nominate the director candidates for the upcoming annual meeting of stockholders. If you wish to recommend a nominee for director for the 2009 Annual Meeting of Stockholders, pursuant to our by-laws, our Secretary must receive your written nomination not less than 120 nor more than 150 days prior to the anniversary of the date of the 2008 annual meeting of stockholders. You should submit your proposal to the Secretary at our address set forth below. Our by-laws require that you provide: (1) your name and address and the name and address of the nominee; (2) a statement that you are a record holder of Allscripts common stock entitled to vote at the meeting and that you plan to appear in person or by proxy at the meeting to make the nomination; (3) a description of all arrangements or understandings under which you are making the nominations; (4) any other information that the rules of the SEC require to be included in a proxy statement; and (5) the nominee's agreement to serve as a director, if elected.

### ***Attendance at Annual Meeting***

All members of our board of directors are invited to attend our annual meeting of stockholders. Their attendance, however, is not required. Last year, Mr. Tullman represented the board at our meeting.

### **Director Compensation**

Each non-employee director is paid \$1,500 for each Board of Directors meeting attended in person, and each director is reimbursed for travel expenses incurred when attending meetings. Under our Amended and Restated 1993 Stock Incentive Plan, directors who are not Allscripts employees are eligible to receive stock awards in the form of stock options, restricted stock or restricted stock units at the discretion of the Board of Directors or the Compensation Committee. Mr. Tullman, who is our Chairman and Chief Executive Officer, does not receive any additional compensation for services as a director.

**Table of Contents****2007 Non-Employee Director Compensation Table**

The table below summarizes compensation for non-employee directors during 2007.

	Year	Fees Earned or Paid in		Total (\$)
		Cash (\$ (1))	Stock Awards (\$ (2)(3)(4))	
Robert A. Compton	2007	4,500	24,907	29,407
Marcel L. Gus Gamache	2007	4,500	18,692	23,192
Bernard Goldstein	2007	6,000	12,462	18,462
Philip D. Green	2007	6,000	12,462	18,462
M. Fazle Husain	2007	6,000	12,462	18,462
Michael J. Kluger	2007	6,000	18,677	24,677
John P. McConnell (5)	2007	3,000		3,000

- (1) This column reports the amount of cash compensation earned in 2007. Each non-employee director receives a fee of \$1,500 for attendance at Board meetings. No fees are paid for telephonic meetings. We reimburse each non-employee director for expenses associated with attending Board and committee meetings and other Board-related activities.
- (2) The dollar value represents the amount Allscripts recognized for financial statement reporting purposes in 2007 in accordance with Statement of Financial Accounting Standards No. 123 (Revised), Share-Based Payment (FAS 123(R)) for restricted stock awards granted on January 17, 2006, applying the same assumptions used in the Company's financial statements and accompanying notes; except that for purposes of this table and in accordance with SEC disclosure rules, we have disregarded the estimate of forfeitures related to service-based vesting conditions. The restricted stock awards vest 25% on each of the first four anniversary dates from the grant date. Such awards become fully vested in the event of a Change of Control of Allscripts, as defined in the Restricted Stock Award Agreements relating to such grants, and, as to each director, in the event such director is not re-elected to the Allscripts Board of Directors. Any dividends are subject to the same restrictions as the underlying shares. All shares of restricted stock issued to a director are included in such director's beneficial ownership of Allscripts common stock, as of May 28, 2008, with the exception of John McConnell, who resigned from the board on March 17, 2008 and is excluded from the beneficial ownership table included herein. See Note 9 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2007 for additional information regarding the application of FAS 123(R).
- (3) The following table displays the restricted stock held by non-employee directors as of December 31, 2007:

	Grant Date of Stock Award	Shares of Restricted Stock(#)	Grant Date Fair Value(\$)
Robert A. Compton	1/17/2006	6,060	99,626
Marcel L. Gus Gamache	1/17/2006	4,545	74,720
Bernard Goldstein	1/17/2006	3,030	49,813
Philip D. Green	1/17/2006	3,030	49,813
M. Fazle Husain	1/17/2006	3,030	49,813
Michael J. Kluger	1/17/2006	4,545	74,720

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- (4) The table in footnote 3 shows the aggregate number of shares of restricted stock held by each non-employee director as of December 31, 2007. Mr. McConnell did not hold any shares of restricted stock. The aggregate number of options held by each non-employee director as of December 31, 2007 was as follows:

	<b>Number of Options Outstanding as of December 31, 2007</b>
Robert A. Compton	35,000
Marcel L. Gus Gamache	50,000
Bernard Goldstein	55,000
Philip D. Green	70,200
M. Fazle Husain	
Michael J. Kluger	90,000
John P. McConnell	

- (5) Mr. McConnell submitted his letter of resignation on March 17, 2008 and is no longer serving on the Allscripts Board of Directors.

**Executive Officers**

Following is certain information about the executive officers of Allscripts, based on information furnished by them.

*Glen E. Tullman*, 48, joined Allscripts as Chief Executive Officer in August 1997 to lead our transition into the Healthcare Information Sector. In May 1999, Mr. Tullman became our Chairman of the Board. Prior to joining Allscripts, from October 1994 to July 1997, Mr. Tullman was Chief Executive Officer of Enterprise Systems, Inc., a healthcare information services company providing resource management solutions to large integrated healthcare networks. From 1983 to 1994, Mr. Tullman served in a number of management roles, including President and Chief Operating Officer, of CCC Information Services, Inc., a provider of information systems to property and casualty insurers. Mr. Tullman currently serves on the International Board of the Juvenile Diabetes Research Foundation.

*William J. Davis*, 40, became our Chief Financial Officer in October 2002, and is responsible for Allscripts' financial operations as well as our human resource and MIS operations. Mr. Davis was the Chief Financial Officer of Lante Corporation, an Internet consulting company, from 2000 until August 2002 and was Controller of Lante Corporation from 1999 through 2000. From 1991 through 1999, Mr. Davis was a Senior Manager in the Technology Group of PriceWaterhouseCoopers LLP. Mr. Davis currently serves on the board of directors of Systems Xcellence, Inc.

*Lee A. Shapiro*, 52, became President of Allscripts in 2002 and has been with Allscripts since April 2000. Mr. Shapiro has directed our strategic initiatives, including our acquisitions of A4 Health Systems, Inc., ChannelHealth Incorporated, Advanced Imaging Concepts, Inc. and RxCentric. Prior to joining Allscripts, Mr. Shapiro was the Chief Operating Officer of Douglas Elliman-Beitler, a commercial office management and development company, where he directed all business activities throughout the United States. Previously, Mr. Shapiro was President of SES Properties, Inc., a closely held, fully integrated real estate company based in Carlsbad, California. Concurrently, Mr. Shapiro formed City Financial Bancorp and served as its Vice Chairman, responsible for acquisition of financial institutions, financing, regulatory issues, legal affairs, review and restructuring of operations and the ultimate sale of the company. Mr. Shapiro also practiced commercial law at Barack, Ferrazzano, Kirschbaum, Perlman & Nagelberg, a Chicago law firm.

*Benjamin E. Bulkeley*, 44, joined the company as Chief Operating Officer in April 2007. Mr. Bulkeley was most recently Senior Vice President of Global Commercial Operations for Invitrogen Corporation, a provider of essential life science technologies for disease research and drug discovery. Prior to joining Invitrogen Corporation in October 2003, Mr. Bulkeley spent 16 years at General Electric Company ( GE ), most recently as

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Vice President of Global Services for GE's Medical Systems Information Technologies division. Mr. Bulkley has served on the board of directors of the California Healthcare Institute, The Analytical and Life Science Systems Association (ALSSA), and also San Diego's CONNECT.

*Laurie A.S. McGraw*, 44, joined Allscripts in January 2001 as a result of Allscripts' acquisition of IDX Systems Corporation's ChannelHealth subsidiary. Ms. McGraw has served as the President of Allscripts' Touchworks business unit since July 2004. She has spent the past fifteen years focused on clinical automation in various roles running implementations, sales and service groups with both IDX and Allscripts. Ms. McGraw has previously served on the 2004 Board of Examiners for the Baldrige National Quality Program and is currently on the board of directors for the AeA, a non-profit technology trade association.

*John G. Cull*, 46, was appointed President of our Medication Services business unit in July 2003. From 1991 to 2003, Mr. Cull served in various roles at Allscripts including Controller, Senior Vice President of Finance, Secretary, Treasurer and, from 1995 to 1998, Chief Financial Officer. From 1986 to 1991, Mr. Cull served as Controller of Federated Foods, Inc., a food brokerage company. Prior to joining Federated Foods, Mr. Cull was employed by Arthur Andersen and Co.

*Jeff A. Surges*, 40, joined Allscripts in December 2007 in connection with Allscripts' acquisition of ECIN. Mr. Surges currently is the President of the Allscripts' Hospital Solutions Group, a business unit that combines our emergency department information systems and our care management solutions under one umbrella. Mr. Surges has nearly 20 years of experience managing high-growth technology companies in the healthcare and information services industries, most recently serving as President and Chief Executive Officer of ECIN before being acquired by Allscripts. Prior to joining ECIN in October 1999, Mr. Surges was General Manager of McKessonHBOC's Resource Management Group, a supply management and healthcare information technology company. Mr. Surges joined HBOC in 1997 in connection with its acquisition of Enterprise Systems, Inc.

*T. Scott Leisher*, 49, joined Allscripts in March 1998 and has served in a number of executive roles including leading sales and marketing as Executive Vice President, Sales and Marketing and President of our eRx business unit. Mr. Leisher currently is an Executive Vice President responsible for the Enterprise Sales Team which focuses on the largest enterprise clients and strategic sales opportunities. Prior to joining Allscripts, Mr. Leisher was with CCC Information Services from 1986 to 1998 where he served in a number of management positions, completing his tenure there as Senior Vice President in their Insurance Division.

## **Section 16(A) Beneficial Ownership Information**

Section 16(a) of the Securities Exchange Act of 1934 requires executive officers, directors and 10% stockholders to file reports of ownership and changes of ownership of Allscripts' common stock with the SEC. Based on a review of copies of these reports and amendments provided to us and written representations from executive officers and directors, we believe that, during 2007 and during the subsequent period through the date of this proxy statement, the following reports were not filed on a timely basis: Mr. Cull - two reports relating to two transactions, Mr. Bulkley - one report relating to one transaction, Mr. Leisher - one report relating to one transaction and Donato J. Tramuto - one report relating to one transaction.

## **Executive Compensation**

**Compensation Discussion and Analysis** (as used in this section, the Company refers to Allscripts)

### ***General***

Philip D. Green, M. Fazle Husain and Michael J. Kluger are the members of the Compensation Committee. The Board of Directors has determined that each member of the Committee is independent as defined in Rule 4200(a)(15) of the NASDAQ's listing standards. Pursuant to the Compensation Committee charter, the Compensation Committee has the sole authority to determine the compensation of the Company's Chief

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Executive Officer, to review and approve the compensation of the Company's other executive officers, and to review the compensation of the Company's directors and recommend changes in the directors' compensation to the Board of Directors. The Committee also oversees the administration of the Company's incentive compensation plans, equity-based compensation plans and any material employee benefit, bonus, retirement, severance or other compensation plan. During 2007, the Compensation Committee met five times. The Committee has adopted a charter that specifies the composition and responsibilities of the Committee, which is posted on our website at [www.allscripts.com](http://www.allscripts.com) and is available to stockholders upon written request made to our Secretary at 222 Merchandise Mart Plaza, Suite 2024, Chicago, IL 60654.

### ***Executive Pay Policy***

The Compensation Committee seeks to establish and implement a compensation system for the Company's executive officers that is performance-oriented and designed to meet the following objectives:

Enable the Company to attract, motivate and retain its executive officers by providing incentives which are competitive in the executive market;

Reward outstanding performance for an individual's direct contribution to company and business unit goals;

Provide long-term incentive compensation through equity grants;

Provide for compensation that is both externally competitive and internally equitable; and

Ensure our officers' compensation is aligned with our corporate strategies and business objectives, and the long-term interest of our stockholders.

The principal components of the compensation program for the Company's executive officers are base salary, quarterly cash payments under an annual bonus award plan and long-term incentive compensation in the form of restricted stock. The Company also provides a 401(k) retirement savings plan with matching contributions, group health and welfare plans, group term life insurance and severance benefits upon a termination of employment under certain circumstances, including following a change of control of the Company. The Company does not maintain supplemental retirement programs or defined benefit pension plans for its executive officers because the Committee believes that the existing compensation arrangements enable the Company's executive officers to adequately plan for their retirement.

Under the direction of the Compensation Committee, the Company has entered into employment agreements with each of its Named Executive Officers (NEOs). Based on its experience with the Company, the Committee believes that employment agreements with shorter terms and annual performance reviews promote better performance by Company executives. One component of the NEO employment agreements is the severance arrangements. Each employment agreement provides for the payment of specified severance benefits upon termination of the NEO's employment with the Company under certain circumstances. The Committee believes that it is necessary to enter into severance arrangements in order to attract and retain qualified executive officers. For a detailed discussion of the Company's employment agreements with its NEOs, see Narrative to Summary Compensation Table and Plan-Based Awards Table included in this proxy statement.

### ***Specific Compensation Programs***

The Compensation Committee believes that the Company's compensation programs for its executive officers are competitive and appropriately designed to attract and retain key employees, reward performance and promote long-term shareholder value. The Committee plans to continue to review the compensation payable to the Company's executive officers, periodically evaluate the Company's compensation practices against competitive data and to make changes to the Company's compensation structure to ensure that the programs are designed and implemented to achieve the Committee's stated goals.

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The Compensation Committee relies on various sources of information to establish and maintain the Company's compensation programs and also relies on the experience and knowledge it has gained over the years from the administration of the Company's compensation programs. The Committee also considers information and recommendations provided to it by management, including benchmarking data that management has obtained from third parties. No executive officer participates in the Committee's deliberations over any component of his or her own compensation. The Compensation Committee has evaluated the base salary, annual bonus plan and long-term incentive compensation for various members of senior management of the Company, including the NEOs. In particular, the Compensation Committee has compared Allscripts' compensation programs for our Chief Executive Officer (CEO), Chief Financial Officer (CFO), President and Chief Operating Officer (COO) against those offered by a group of companies that include other healthcare software companies and general software companies in our peer group. The Compensation Committee has used the information to assist it in evaluating the levels and competitiveness of the Company's compensation structure and meeting the Committee's stated compensation objectives. The Compensation Committee compared the compensation levels of the CEO, CFO, President and COO with a peer group consisting of the following companies:

**Healthcare Software Companies**

Eclipsys Corporation  
The Trizetto Group, Inc.  
Quality Systems, Inc.  
Cerner Corporation

**Software Companies**

Quest Software, Inc.  
Informatica Corporation  
Wind River Systems, Inc.  
MicroStrategy, Inc.  
Progress Software Corporation  
Verint Systems, Inc.  
Lawson Software, Inc.

Allscripts engaged an outside firm to prepare a compensation analysis report that was provided to the Compensation Committee in January 2008. The compensation analysis report used data made available from Equilar, Inc., a nationally recognized executive compensation database, and it compared the compensation of Allscripts' CEO, CFO, President and COO to the compensation of similar executives at the companies included in the peer group listed above. The compensation figures in the analysis were prepared with information available as of January 21, 2008 and are reported for each company's last fiscal year furnished in a proxy statement. Due to the timing of proxy filings this translates to using data points in the compensation report which are generally two years old.

Using the data compiled in the Equilar compensation study, our executive officers fall in the following compensation ranges when compared to the peer group. The metrics evaluated to arrive at total compensation include salary, annual bonus, stock awards and stock options valued at grant date fair value and other compensation as reported in the Summary Compensation Table included in this proxy statement.

	<b>CEO</b>	<b>CFO</b>	<b>President</b>	<b>COO</b>
Minimum 2006 Total Compensation	\$623,400	\$339,300	\$364,600	\$520,400
Maximum 2006 Total Compensation	\$4,918,800	\$5,069,700	\$1,747,800	\$8,848,000
Average 2006 Total Compensation	\$1,939,000	\$1,456,800	\$1,036,100	\$2,042,900
Allscripts 2006 Total Compensation	\$1,103,500	\$784,700	\$885,500	\$759,800
Allscripts Ranking	6 of 12	9 of 12	7 of 11	8 of 11
Allscripts Percentile	50 <sup>th</sup>	28 <sup>th</sup>	41 <sup>st</sup>	23 <sup>rd</sup>

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Based on the compensation data gathered in January 2008 with respect to the most recently reported fiscal year and with the rationale of more closely aligning compensation to that of the peer group, the minimum and maximum total target annual compensation amounts, based on salary, bonus, long-term incentive compensation, retirement and perquisites, shown in the table below were recommended by the firm for the following Allscripts executives:

<b>Title</b>	<b>Minimum Total Target Annual Compensation</b>	<b>Maximum Total Target Annual Compensation</b>	<b>2007 Actual Compensation Awarded (1)</b>	<b>2007 Compensation Had Target Bonus Been Achieved (2)</b>
Chief Executive Officer	\$1,250,000	\$2,600,000	\$608,000	\$845,500
Chief Financial Officer	\$650,000	\$1,100,000	\$487,521	\$687,521
President	\$962,500	\$1,500,000	\$505,019	\$705,019
Chief Operating Officer	\$962,500	\$1,500,000	\$482,275	\$682,275

(1) Figures obtained from the Summary Compensation Table included in this proxy statement.

(2) Allscripts incentive compensation plan is designed to reward individuals for superior achievement over and above the expected, day-to-day performance of their respective job duties and responsibilities. In 2007, Allscripts revenue topped \$280 million and its net income reached \$20 million compared to revenue of \$228 million and net income of \$12 million in 2006. Despite this revenue and net income growth, Allscripts shares, as of December 31, 2007 were trading approximately 35-40% lower than the 52-week high during 2007, after failing to meet quarterly market expectations since June 2007. Due to our stock performance and since the 2007 financial targets were not met, no cash incentives were paid to the NEOs during 2007, however, Mr. Bulkley is contractually entitled to a \$50,000 cash bonus but Mr. Bulkley has voluntarily deferred the receipt of such bonus until he provides further notice to Allscripts. This column includes the compensation that would have been awarded to the respective executive officers had their target bonus, 50% of their salary, been awarded in 2007.

As is evident in the table above and based on the peer group, Allscripts executive compensation (including and excluding the target bonus) falls below the minimum total target annual compensation range, with the exception of Allscripts CFO. Based on Allscripts overall financial growth, the compensation analysis above and for other reasons summarized under Executive Pay Policy in this proxy statement, the Compensation Committee increased Allscripts executive salaries as described below, effective February 15, 2008, and issued restricted stock to our executives during January 2008 to bring our executive compensation packages more in line with target compensation ranges.

**Base Salary.** Base salaries are paid to the Company's executive officers to compensate them for the performance of their respective job duties and responsibilities. The Committee reviews base salaries of the Company's executive officers on an annual basis. In setting annual base salaries, the Committee takes into consideration the Company's overall financial and operating performance in the prior year, the Company-wide target for base salary increases for all employees, market and competitive salary information, changes in the scope of an executive officer's job responsibilities and other relevant factors. The Committee also reviews the executive officer's performance and the performance of the divisions, business units and departments for which he or she is responsible. For the Chief Executive Officer, the Committee evaluates the Chief Executive Officer's performance and determines the salary adjustment. For the other executive officers, the Committee receives an evaluation from the Chief Executive Officer on the executive officer's performance and a recommendation for a salary adjustment.



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Using the data compiled in the Equilar compensation study, our executive officers fall in the following salary ranges when compared to the peer group defined above using data compiled for the year ended December 31, 2006:

	CEO	CFO	President	COO
Minimum 2006 Salary	\$150,000	\$208,800	\$206,400	\$111,700
Maximum 2006 Salary	\$848,800	\$400,000	\$450,000	\$450,000
Average 2006 Salary	\$494,700	\$300,200	\$345,100	\$317,100
Allscripts 2006 Salary	\$375,000	\$290,000	\$315,000	\$290,000
Allscripts Ranking	10 of 12	8 of 12	6 of 11	8 of 11
Allscripts Percentile	15 <sup>th</sup>	38 <sup>th</sup>	45 <sup>th</sup>	30 <sup>th</sup>

Based on the annual reviews of the Company's executive officers during 2006 and 2007 and the competitive salary information disclosed above, the Compensation Committee approved the base salary increases for the NEOs set forth below. Each salary adjustment for 2007 was effective as of January 1, 2007, with the exception of Mr. Bulkley, who has an effective date of April 24, 2007 which coincides with his hire date. The Compensation Committee determined the 2008 salary increases and stock grants based on a number of considerations, including an analysis of compensation arrangements at a number of comparable healthcare software and general software companies, the Company's year-over-year performance in revenue growth and earnings as compared to prior years and that of other comparable companies, the relative complexity of the business challenges faced by management and the environment in which the Company competes and the absence of equity grants to many of the officers over the prior 18 months. The salary adjustments for 2008 are effective as of February 15, 2008 although, due to the fact that the Company did not meet revenue and net income targets for 2007, the NEOs have voluntarily foregone the increases until the NEOs provide further notice:

Name	2006 Salary	2007 Salary	2008 Salary
Glen E. Tullman, Chairman and Chief Executive Officer	\$375,000	\$475,000	\$700,000
William J. Davis, Chief Financial Officer	290,000	400,000	420,000
Lee A. Shapiro, President	315,000	400,000	475,000
Benjamin E. Bulkley, Chief Operating Officer		400,000	420,000
Laurie A.S. McGraw, President TouchWorks business unit	245,000	290,000	325,000

**Annual Employee Incentive Compensation Plan.** The Company has one cash bonus plan, the Executive Management Bonus Plan (EMBP), in which NEOs participate. This plan, which is described below, provides cash compensation to NEOs only if, and to the extent that, performance conditions set by the Compensation Committee are met.

The EMBP applies to all NEOs and provides for payment ranges and targets based on attainment of three performance objectives:

1. Corporate or Business Unit revenue attainment (32% weighting)
2. Corporate or Business Unit operating income attainment (48% weighting)
3. Quarterly attainment of individual objectives (20% weighting)

Performance objectives for the EMBP are developed through a systematic process. Based on a review of business plans, management, including the NEOs, develops preliminary recommendations for Compensation Committee review. The Committee reviews management's preliminary recommendations and establishes final financial targets and individual objectives. In establishing final targets, the Committee strives to ensure that the incentives provided pursuant to the EMBP are consistent with the strategic goals set by the Board, that the goals set based on the financial budget are sufficiently ambitious so as to provide a meaningful incentive and that

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bonus payments, assuming target levels of budgeted performance are attained, will be consistent with the overall NEO compensation program established by the Committee. If target levels of performances are attained, the payout is generally 50% of base salary. For 2007, the revenue goal to receive a target EMBP payout was \$331 million and the operating income target, before inclusion of bonus expense, stock-based compensation expense and deal-related amortization, was \$73 million.

Allscripts incentive compensation plan is designed to reward individuals for superior achievement over and above the expected, day-to-day performance of their respective job duties and responsibilities. In 2007, Allscripts' revenue topped \$280 million and its net income reached \$20 million compared to revenue of \$228 million and net income of \$12 million in 2006. Despite this revenue and net income growth, Allscripts shares, as of December 31, 2007 were trading approximately 35-40% lower than the 52-week high during 2007, after failing to meet quarterly market expectations since June 2007. Due to our stock performance and since the 2007 financial targets were not met, no cash incentives were paid to the NEOs during 2007, however, Mr. Bulkley is contractually entitled to a \$50,000 cash bonus but Mr. Bulkley has voluntarily deferred the receipt of such bonus until he provides further notice to Allscripts. The Committee reserves the discretion to reduce or not pay bonuses under the EMBP even when the relevant performance targets are met.

The incentive awards under the EMBP are generally determined and paid on a quarterly basis, 45 days following the end of the latest fiscal quarter. The Chief Executive Officer submits his recommendations for incentive awards for the executive officers other than himself to the Committee for their review and approval based on the ranges and targets identified in the plan, the performance measures discussed above and the Chief Executive Officer's assessment of the individual's achievements and objectives attainment. In accordance with the Compensation Committee charter and established practice, the quarterly cash incentive award for the Chief Executive Officer is determined solely by the Committee in closed session outside the presence of the Chief Executive Officer.

**Stock-Based Awards.** Under our Amended and Restated 1993 Stock Incentive Plan, the Compensation Committee may grant executive officers and other employees incentive and non-qualified stock options, restricted stock and other forms of stock-based awards. On January 1, 2006, Allscripts adopted Statement of Financial Accounting Standards No. 123 (Revised), Share-Based Payment ( FAS 123(R) ). FAS 123(R) requires companies to recognize stock-based compensation expense related to all stock awards issued to employees, including options, in the statement of operations based on their fair values on the date of the grant and after applying an estimated forfeiture rate. Due to the accounting requirements mandated by the adoption of FAS 123(R), Allscripts does not expect to grant options to employees in the future, and instead, expects to use awards of restricted stock and restricted stock units as stock-based incentives to employees. The issuance of restricted stock for the Company's executive officers is subject to the Committee's discretion and is generally tied to the overall financial and operating performance of the Company, the individual performance of the executive officer and the performance of the business unit, department or function for which he or she is responsible. Restricted stock awards generally vest 25% on each of the first four anniversary dates from the date of grant. The holders of restricted shares, but not unvested restricted stock units, are entitled to vote and receive dividends, if any, declared and paid on the Company's common stock.

The Committee believes its Stock Incentive Plan and the related issuance of restricted stock is consistent with its stated objective of establishing an executive compensation system program that aligns the long-term interest of our executive officers with those of our stockholders.

The Compensation Committee awarded the 2008 stock grants set forth below based on a number of considerations, including an analysis of compensation arrangements at a number of comparable healthcare software and general software companies, the Company's year-over-year performance in revenue growth and earnings as compared to prior years and that of other comparable companies, the relative complexity of the business challenges faced by management and the environment in which the Company competes, the absence of equity grants to many of the Officers over the prior 18 months and the desirability of using equity grants to

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further align the interests of management with the stockholders of the Company. The Compensation Committee approved the restricted stock award grants set forth below in 2007 and 2008.

	Grant Date	Number of Shares
Glen E. Tullman	01/25/08	133,067
William J. Davis	01/25/08	33,266
Lee A. Shapiro	01/25/08	49,900
Benjamin E. Bulkley	06/19/07	21,922
	10/09/07	21,598
	01/25/08	49,900
Laurie A.S. McGraw	01/25/08	33,266

All of the foregoing awards are subject to the Company's standard four-year vesting schedule. All equity-based awards are made by the Compensation Committee. The Committee does not delegate this responsibility to executive officers. The Compensation Committee has not selected a particular time each year in which equity-based awards are granted. There is no program, plan, or practice to time grants to our executives in coordination with the release of material non-public information. All stock option and restricted stock grants to executive officers have been in amounts approved solely by the Compensation Committee, a committee of independent directors. The exercise price of all stock option grants to executive officers has been the closing market price on the date of the grant.

***Perquisites***

Allscripts generally does not provide its NEOs with significant perquisites and personal benefits in excess of \$10,000. However, during 2007, Allscripts reimbursed Mr. Bulkley and Ms. McGraw for the expenses incurred to relocate to the corporate office located in Chicago, Illinois.

The total perquisites provided to each NEO are described in footnote 4 to the Summary Compensation Table included in this proxy statement and includes relocation expense payments and parking expense payments.

***Severance Arrangements in Employment Agreements***

Allscripts has entered into severance arrangements as a component of the employment agreements with members of our senior management team, including the NEOs. These agreements provide for payments and other benefits if the officer's employment terminates for a qualifying event or circumstance, such as being terminated without Cause or leaving employment for Constructive Discharge, as these terms are defined in the employment agreements. For our NEOs, Constructive Discharge includes a termination by the executive following a Change of Control (as defined in their respective employment agreements). A termination following a Change of Control generally results in the NEOs receiving additional compensation. Additional information regarding the employment agreements, including a quantification of benefits that would have been received by our NEOs had termination occurred on December 31, 2007, is found under the heading Potential Payments upon Termination or Change-of-Control in this proxy statement.

The Committee believes that these severance and change of control arrangements are an important part of overall compensation for our NEOs. The Committee believes that these agreements will help to secure the continued employment and dedication of our NEOs, notwithstanding any concern that they might have at such time regarding their own continued employment, prior to or following a change of control. The Committee also believes that these agreements are important as a recruitment and retention device, as many of the companies with which we compete for executive talent have similar agreements in place for their senior employees.

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***Tax Considerations***

Under Internal Revenue Code Section 162(m), a company generally may not deduct compensation in excess of \$1,000,000 paid to the Chief Executive Officer and the other four most highly compensated officers. Certain performance based compensation is not included in compensation for purposes of the limit. The structure of Allscripts executive compensation program has not historically given rise to Section 162(m) concerns, although it could do so in 2008 and in future years. The Compensation Committee recognizes the desirability of preserving the deductibility of payments made to the NEOs and will continue to assess the impact of Section 162(m) on its compensation practices. However, the Compensation Committee believes that it must maintain flexibility in its approach in order to structure a program that is the most effective in attracting, motivating and retaining the Company's key executives.

**Compensation Committee Report**

The Compensation Committee of the board of directors of Allscripts Healthcare Solutions, Inc. oversees Allscripts compensation program on behalf of the board. In fulfilling its oversight responsibilities, the Compensation Committee reviewed and discussed with management the Compensation Discussion and Analysis set forth above.

In reliance on the review and discussions referred to above, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Company's Annual Report on Form 10-K/A for the fiscal year ended December 31, 2007 and Allscripts proxy statement to be filed in connection with Allscripts 2008 Annual Meeting of Stockholders.

COMPENSATION COMMITTEE

Philip D. Green (Chairman)

M. Fazle Husain

Michael J. Kluger

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The following table shows the total compensation of Allscripts Chief Executive Officer, Chief Financial Officer and President, one of the three other most highly compensated executive officers for 2007 and 2006, as well as Allscripts two other most highly compensated executive officers in 2007. We refer to these five individuals as Named Executive Officers or NEOs in this proxy statement.

Name and Principal Position	Year	Salary (\$)	Bonus (\$ (1))	Stock Awards (\$ (2))	Non-Equity Incentive Plan Compensation (\$ (3))	All Other Compensation (\$ (4))	Total (\$)
Glen E. Tullman Chief Executive Officer	2007	475,000		121,512		11,488	608,000
	2006	375,000	47,084	88,007	179,060	7,950	697,101
William J. Davis, Chief Financial Officer	2007	400,000		75,956		11,565	487,521
	2006	290,000	38,040	55,001	140,165	7,520	530,726
Lee A. Shapiro President	2007	400,000		91,137		13,882	505,019
	2006	315,000	37,950	66,011	153,167	8,565	580,693
Benjamin E. Bulkley Chief Operating Officer (5)	2007	274,359	50,000	128,539		29,377	482,275
Laurie A.S. McGraw President, TouchWorks business unit (6)	2007	290,000		49,814		85,336	425,150

- (1) The cash bonuses paid to our NEOs in 2006 were awarded in recognition of the successful completion of the acquisition of A4 Health Systems, Inc. No cash bonuses were paid in respect of 2007, except that Mr. Bulkley is contractually entitled to a \$50,000 cash bonus under his employment agreement, although Mr. Bulkley has voluntarily deferred receipt of the payment until he provides further notice.
- (2) Dollar value in the Stock Awards column represents the amount the Company recognized in 2006 and 2007, respectively, as expense for financial statement purposes in accordance with FAS 123(R) with respect to restricted stock awards granted in 2006 and 2007, applying the same assumptions used in the Company's financial statements and accompanying notes; except that for purposes of this table and in accordance with SEC disclosure rules, we have disregarded the estimate of forfeitures related to service-based vesting conditions. See Note 9 to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 31, 2007 for a discussion of the relevant assumptions used in calculating these amounts pursuant to FAS 123(R). For further information on these awards, see the 2007 Grants of Plan-Based Awards table in this proxy statement.
- (3) These amounts reflect payments under our Executive Management Bonus Plan ( EMBP ) and are based upon the attainment of pre-established performance objectives. No incentive amounts were earned under the EMBP during 2007.
- (4) The amounts reported under All Other Compensation include relocation and parking perquisites, 401(k) matching contributions and taxable benefits for premiums paid for group life insurance as follows:

	Relocation Expense Payments (\$)	Parking Expense Payments (\$)	401(k) Matching Contribution (\$)	Group Life Insurance Taxable Benefits (\$)	Total (\$)
Glen E. Tullman		3,468	7,750	270	11,488
William J. Davis		3,468	7,917	180	11,565
Lee A. Shapiro		3,468	10,000	414	13,882
Benjamin E. Bulkley	25,774		3,333	270	29,377
Laurie A.S. McGraw	77,341	867	6,948	180	85,336

(5) Mr. Bulkley was hired as Chief Operating Officer on April 24, 2007.

(6) Ms. McGraw was not a Named Executive Officer in 2006.

**Table of Contents****2007 Grants of Plan Based Awards**

The following table provides information regarding non-equity incentive plan awards and restricted stock awards granted in 2007 to the NEOs. With the exception of the grants of restricted stock shown below to Mr. Bulkley, no equity-based awards were made in 2007.

Name	Grant Date	Estimated Possible Payouts Under Non-Equity Incentive Plan Awards (\$)(1)	All Other Stock Awards: Number of Shares of Restricted Stock (#)(2)	Grant Date Fair Value of Stock Awards (\$)
Glen E. Tullman		237,500		
William J. Davis		200,000		
Lee A. Shapiro		200,000		
Benjamin E. Bulkley		200,000		
	06/19/2007		21,922(3)	572,822
	10/09/2007		21,598(4)	576,235
Laurie A.S. McGraw		116,000		

- (1) The amounts set forth in this column reflect the target cash incentive compensation amounts, which is 50% of annual salary for all NEOs except Ms. McGraw who had a target cash incentive payout of 40% of her annual salary and is based upon achievement of performance goals at target levels under our EMBP. The Company does not establish threshold or maximum payouts. No cash incentive payments were made under our EMBP for 2007.
- (2) The amounts set forth in this column reflect the number of shares of restricted stock granted under our Amended and Restated 1993 Stock Incentive Plan.
- (3) These shares vest in four equal annual installments beginning on April 24, 2008.

**Narrative to Summary Compensation Table and Plan-Based Awards Table****Employment Agreements**

Allscripts entered into employment agreements with Messrs. Tullman and Shapiro effective July 8, 2002 and amended effective January 1, 2005 and July 7, 2006, with Mr. Davis effective October 8, 2002 and amended effective January 1, 2005 and July 7, 2006, with Mr. Bulkley effective April 24, 2007 and with Ms. McGraw effective January 31, 2003 and amended effective April 17, 2003 and July 7, 2006. In the case of Messrs. Tullman, Shapiro, Davis and Ms. McGraw, the term of the agreement will expire on December 31, 2008, but Allscripts may renew each agreement for additional one-year periods. Mr. Bulkley's agreement has an initial term of one year, expiring April 24, 2008 but may be renewed for additional one year periods upon written notice from the Company.

Under the employment agreements, as amended, each of the NEOs are entitled to receive the following base salaries in 2008 although, due to the fact the Company did not meet financial targets for 2007, the NEOs have voluntarily foregone the increases until the NEOs provide further notice:

Name	2008 Salary
Glen E. Tullman, Chairman and Chief Executive Officer	\$700,000
William J. Davis, Chief Financial Officer	420,000
Lee A. Shapiro, President	475,000
Benjamin E. Bulkley, Chief Operating Officer	420,000

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Laurie A.S. McGraw, President TouchWorks business unit	325,000
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Each executive is also entitled to a performance bonus subject to the sole discretion of, and based upon criteria selected by, the Chief Executive Officer, the Board of Directors or a committee of the Board of Directors. Each executive's target performance bonus, if any, is equal to 50% of his base salary with the exception of



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Ms. McGraw who had a target bonus of 40% of her annual salary through 2007, but may, based on performance, exceed such amount. Under the employment agreements, as amended, with each Named Executive Officer, non-renewal of an executive's employment agreement by Allscripts will be deemed to be a termination without Cause. If we terminate Messrs. Tullman, Davis or Shapiro without Cause (including a non-renewal of an executive's employment agreement by Allscripts) or if any of them terminates his employment for Constructive Discharge (as each of those terms is defined in the employment agreements) he will be entitled to severance in an amount equal to two years' base salary. Should Mr. Bulkley be terminated without Cause (including a non-renewal of his employment agreement by Allscripts) or if Mr. Bulkley terminates his employment for Constructive Discharge (as each of those terms is defined in the employment agreements), he is entitled to one month of severance for each month of employment, up to a maximum of 12 months, paid monthly. If we terminate Ms. McGraw without Cause (including a non-renewal of her employment agreement by Allscripts) or if she terminates her employment for Constructive Discharge (as each of those terms is defined in the employment agreements), she will be entitled to severance in an amount equal to one year of base salary. Each NEO will also be entitled to any salary accrued but not yet paid as of the termination date, the unpaid performance bonus, if any, for the calendar year preceding the termination date and any performance bonus for the calendar year in which the termination date occurs (as determined and payable had there been no termination). Messrs. Tullman, Davis and Shapiro are entitled to the continuation of health benefits for a period of 24 months following the termination date and Mr. Bulkley and Ms. McGraw are entitled to the continuation of health benefits for a period of 12 months following the termination date and all NEOs are entitled to the acceleration of the vesting of all stock option or other stock awards granted with the exception of Mr. Bulkley whose employment agreement does not provide for accelerated vesting.

Under the employment agreements, as amended, following a Change of Control (as defined in the employment agreements), each of the NEOs may terminate his or her employment for Constructive Discharge or in the case of Ms. McGraw, if she is not offered a comparable job within 50 miles of her then current location. Under those circumstances, each NEO is entitled to a severance payment equal to two times his then in effect base salary and his target performance bonus, with the exception of Ms. McGraw who is entitled to a lump sum severance payment equal to one time her then in effect base salary and has no provision in her employment agreement for a bonus payment following a Change of Control. Additionally, a Change of Control triggers the acceleration of the vesting of all stock option or other stock awards granted to the NEOs. The term Change of Control includes changes in control of Allscripts Healthcare Solutions, Inc. or its principal subsidiary, Allscripts, LLC. In the event that any payment by us to the NEOs would be subject to the excise tax imposed by Section 4999 of the Internal Revenue Code, we have agreed to pay such executive an amount, net of taxes, equal to such excise tax amount.

The employment agreements also provide that each of Messrs. Tullman, Davis, Shapiro and Bulkley will not compete with Allscripts during the term of his employment and (other than in the case of a termination by Allscripts without Cause or a termination by such executive for Constructive Discharge) for two years thereafter. Ms. McGraw's employment agreement provides that she will not compete with Allscripts during the term of her employment and (other than in the case of a termination by Allscripts without Cause or a termination by Ms. McGraw for Constructive Discharge) for one year thereafter.

For a quantification of benefits payable upon termination or a change of control, see Potential Payments Upon Termination or Change-of-Control in this proxy statement.

***Restricted Stock***

The Compensation Committee elected to grant Mr. Bulkley 21,922 and 21,598 restricted stock units on June 19, 2007 and October 9, 2007, respectively. The June 19, 2007 grant was communicated to Mr. Bulkley upon his April 24, 2007 hire date, but was subject to shareholder approval of an amendment to the Allscripts stock incentive plan to increase the number of shares that may be issued thereunder. Therefore, the restricted stock was approved and granted immediately following our June 19, 2007 annual meeting of shareholders using the closing stock price on June 19, 2007 of \$26.13 to value the award. The June 19, 2007 stock grant vests in four

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equal annual installments beginning on April 24, 2008. The October 9, 2007 restricted stock grant vests 25% on each of the first four anniversaries of the grant date. In the event of a Change of Control of Allscripts, as defined in the Restricted Stock Award Agreements relating to such grants, vesting of the stock awards will accelerate such that the unvested portion of the awards will vest immediately. Any dividends are subject to the same restrictions as the underlying shares.

**Stock Options**

The Compensation Committee did not grant any stock options to the NEOs during 2007 and does not intend to grant stock options in the future.

**2007 Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth information regarding stock options and restricted stock held by each of the NEOs at December 31, 2007.

	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (1)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested (\$) (2)
Glen E. Tullman	3,889		\$5.63	3/1/2011		
President and Chief Executive Officer	125,000		\$6.75	7/26/2011		
	206,000		\$3.53	6/24/2013		
	75,000		\$9.49	4/1/2014		
	150,000		\$10.67	12/31/2014	21,816(4)	423,667
William J. Davis	108,000		\$3.53	6/24/2013		
Chief Financial Officer	35,000		\$9.49	4/1/2014		
	50,000		\$10.67	12/31/2014	13,636(4)	264,811
Lee A. Shapiro	50,000		\$13.31	9/27/2010		
President	25,500		\$6.88	12/15/2010		
	125,000		\$5.63	3/1/2011		
	25,000		\$6.75	7/26/2011		
	51,126		\$3.53	6/24/2013		
	35,000		\$9.49	4/1/2014		
	75,000		\$10.67	12/31/2014	16,362(4)	317,750
Benjamin E. Bulkley						

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Chief Operating Officer

				43,520(3)	845,158
Laurie A.S. McGraw	5,903	\$29.65	11/15/2009		
	67	\$27.57	8/25/2010		
President, Clinical	50,000	\$5.63	3/1/2011		
Solutions Group	20,000	\$6.75	7/26/2011		
	59,758	\$3.53	6/24/2013		
	20,000	\$9.49	4/1/2014		
	15,000	\$10.57	12/30/2014		
	10,000	\$10.67	12/31/2014		
				9,090(5)	176,528

**Note:** Multiple awards have been aggregated where the expiration date and the exercise and/or base price of the instruments are identical.

- (1) The amounts set forth in this column reflect the number of shares of unvested restricted stock granted under our Amended and Restated 1993 Stock Incentive Plan.

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- (2) The amounts set forth in this column equal the number of shares of restricted stock indicated multiplied by the closing price of our common stock (\$19.42) on December 31, 2007. The amounts assume all of the shares of restricted stock will vest based upon continued service.
- (3) Restricted stock was granted in two installments, 21,922 shares granted on April 24, 2007 (and approved at the annual shareholder meeting on June 19, 2007 valued at \$26.13 per share, which is equal to the closing price of Allscripts stock on June 19, 2007) and 21,598 shares granted on October 9, 2007. Each issuance vests in four equal annual installments, with the June grant vesting period beginning on April 24, 2008 and the October grant vesting period beginning on the first anniversary of the October 9 Grant Date.
- (4) Restricted stock was granted in two equal annual installments, 50% on January 17, 2006 and 50% on July 17, 2006. The remaining unvested shares will vest in three equal annual installments of the respective grant date beginning on January 17, 2008.
- (5) Restricted stock was granted on January 17, 2006 and the remaining unvested shares will vest in three equal annual installments on January 17, 2008, 2009 and 2010.

**2007 Options Exercises and Stock Vested**

The following table sets forth: (i) the number of shares of Allscripts common stock acquired during 2007 upon the exercise of stock options and the value realized upon exercise and (ii) the number of shares acquired upon vesting of restricted stock awards and the value realized upon vesting.

	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$ (1))	Number of Shares Acquired on Vesting (#) (2)	Value Realized on Vesting (\$ (3))
Glen E. Tullman	388,111	8,744,620	7,274	194,543
William J. Davis	82,000	1,894,416	4,546	121,583
Lee A. Shapiro	128,874	3,067,409	5,456	145,920
Benjamin E. Bulkley (4)				
Laurie A.S. McGraw	60,242	1,433,857	3,031	86,535

- (1) Values reflect the difference between the market price of the underlying securities at exercise and the exercise price of the options.
- (2) Of the amounts shown in this column, Allscripts withheld the following shares to cover tax withholding obligations: Mr. Tullman 1,071 shares, Mr. Davis 669 shares, Mr. Shapiro 803 shares and Ms. McGraw 1,019 shares.
- (3) The value realized equals the fair market value of Allscripts common stock on the vesting date, multiplied by the number of shares vested.
- (4) Mr. Bulkley has no outstanding options and did not vest in any restricted stock awards during 2007 due to his hire date of April 24, 2007 and also due to our standard restricted stock awards vesting schedule in four equal annual installments, beginning one year after the grant date.

**Potential Payments Upon Termination or Change of Control**

The information below describes the estimated value of the potential payments that would have become payable to each Named Executive Officer assuming a termination of employment or change of control and termination of employment had occurred on December 31, 2007 based upon the closing price of Allscripts common stock on December 31, 2007 of \$19.42, given the NEOs compensation as of such date. For

information regarding the employment agreements with each NEO, including a description of each NEO's rights upon termination of his or her employment under different circumstances and of the noncompetition covenants contained in the employment agreements, see Executive Compensation Narrative to Summary Compensation Table and Plan-Based Awards Table Employment Agreements in this proxy statement.

**Table of Contents*****Payments Due to Termination Without Cause by Allscripts or Constructive Discharge by Executive (Includes Non-renewal of Employment Agreement by Allscripts and excludes Change of Control)***

	Base Salary (\$ (1))	Non-Equity Incentive Plan Compensation (\$ (2))	Health Benefits (\$ (3))	Outplacement Services (\$)	Vesting of Stock Options (\$ (4))	Vesting of Stock Awards (\$ (5))
Glen E. Tullman	950,000	237,500	8,886			
William J. Davis	800,000	200,000	13,686			
Lee A. Shapiro	800,000	200,000	8,886			
Benjamin E. Bulkley	266,667	50,000	4,443	10,000		
Laurie A.S. McGraw	290,000		4,443			

- (1) Messrs. Tullman, Davis and Shapiro are entitled to two times their respective salary as of December 31, 2007, payable over a twenty-four month period. During his first year of employment, Mr. Bulkley is entitled to 1 month of severance for each month of employment, up to twelve months, payable over a twelve-month period. Mr. Bulkley's payout would be for eight months of employment (May-December 2007), assuming a change of control Without Cause or Constructive Discharge by Mr. Bulkley had occurred on December 31, 2007. Ms. McGraw is entitled to her current year's base salary, payable over a twelve-month period.
- (2) Per the employment agreements, each of Messrs. Tullman, Davis and Shapiro would be entitled to his target performance bonus related to the year ended December 31, 2007. Mr. Bulkley would have been entitled to his \$50,000 guaranteed bonus and Ms. McGraw would be entitled to the actual performance bonus that would have been payable to her in 2007 if her employment were terminated, in this case \$0.
- (3) Messrs. Tullman, Davis and Shapiro are entitled to the continuance of 24 months of health benefits following the termination date. Mr. Bulkley and Ms. McGraw are entitled to the continuation of benefits for 12 months from the date of termination.
- (4) The termination without Cause or by Constructive Discharge allows for the acceleration of the vesting of all stock options granted. All stock options were vested as of December 31, 2005 and therefore no acceleration of options would apply to a termination at December 31, 2007.
- (5) Mr. Bulkley's employment agreement does not provide for accelerated vesting. Although the employment agreements of Messrs. Tullman, Davis and Shapiro and Ms. McGraw provide for acceleration of the vesting of all stock awards in the case of termination without cause or upon constructive discharge, the Company's stock award agreements do not provide for acceleration of vesting in such circumstances. The Company believes that the more specific terms of the award agreements control and reflect the intentions of the parties and, accordingly, that there is no accelerated vesting of the stock awards in such circumstances. This disclosure supersedes all prior disclosure of the Company related to this matter.

***Payments Due to Termination Following a Change of Control***

	Base Salary (\$ (1))	Non-Equity Incentive Plan Compensation (\$ (2))	Health Benefits (\$ (3))	Outplacement Services (\$)	Vesting of Stock Options (\$ (4))	Vesting of Stock Awards (\$ (5))
Glen E. Tullman	950,000	475,000	8,886			423,667
William J. Davis	800,000	400,000	13,686			264,811
Lee A. Shapiro	800,000	400,000	8,886			317,750
Benjamin E. Bulkley	800,000	400,000	4,443	10,000		845,158

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Laurie A.S. McGraw	290,000	4,443	176,528
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- (1) Messrs. Tullman, Davis, Shapiro and Bulkley are entitled to a lump sum payment of two times their respective salary as of December 31, 2007. Ms. McGraw is entitled to a lump sum payment totaling her base salary as of December 31, 2007.
- (2) Per their employment agreements, Messrs. Tullman, Davis, Shapiro and Bulkley are entitled to twice their target performance bonus related to the year ended December 31, 2007. Ms. McGraw has no provision in her employment agreement for a bonus payment upon a Change of Control.

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- (3) Messrs. Tullman, Davis, and Shapiro are entitled to the continuance of 24 months of health benefits following the termination date. Mr. Bulkley and Ms. McGraw are entitled to the continuance of 12 months of health benefits following the termination date.
  
- (4) The termination due to Change of Control allows for the acceleration of the vesting of all stock options granted. All stock options were vested as of December 31, 2005 and therefore no acceleration of options would apply to a termination at December 31, 2007.
  
- (5) The termination due to Change of Control allows for the acceleration of the vesting of all stock awards granted. The market value of the accelerated stock awards is computed by multiplying the number of unvested shares by \$19.42, the closing price of Allscripts common stock on December 31, 2007.

***Payments Due to Termination With Cause by Allscripts, Upon Non-renewal by Executive or by Death or Disability***

There were no accrued but unpaid salary amounts and no accrued but unpaid performance bonus at December 31, 2007 and therefore, there would have been no payments made to the executives assuming a termination With Cause on December 31, 2007.

***Change of Control Without a Termination Event***

Under award agreements held by the NEOs, all unvested stock options and restricted stock awards will immediately vest upon the occurrence of a Change of Control (as defined in the award agreement). The first two tables above set forth the value at December 31, 2007 of the acceleration of unvested restricted stock held by the NEOs, which is determined by multiplying the unvested shares by \$19.42, the closing price of Allscripts common stock on December 31, 2007.

**Ownership of Allscripts Common Stock**

The following table sets forth the number of shares of Allscripts common stock beneficially owned as of May 28, 2008 by:

our Named Executive Officers or NEOs ;

each director;

all directors and executive officers as a group; and

each stockholder that we know to own beneficially more than 5% of Allscripts common stock based on information filed with the Securities and Exchange Commission.



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Beneficial ownership is a technical term broadly defined by the Securities and Exchange Commission ( SEC ) to mean more than ownership in the usual sense. In general, beneficial ownership includes any shares that the holder can vote or transfer and stock options and warrants that are exercisable currently or become exercisable within 60 days. These shares are considered to be outstanding for the purpose of calculating the percentage of outstanding Allscripts common stock owned by a particular stockholder, but are not considered to be outstanding for the purpose of calculating the percentage ownership of any other person. Percentage of ownership is based on 57,226,910 total shares of Allscripts common stock outstanding as of May 28, 2008. Except as otherwise noted, the stockholders named in this table have sole voting and dispositive power for all shares shown as beneficially owned by them.

Named Executive Officers and Directors (1)	Shares of Common Stock Beneficially Owned (2)(3)	Options and Warrants Exercisable Within 60 Days	Total	Percent of Class
Glen E. Tullman	437,471	559,889	997,360	1.7
William J. Davis	27,513	193,000	220,513	*
Lee A. Shapiro	36,643	389,959	426,602	*
Benjamin E. Bulkley	5,481		5,481	*
Laurie A.S. McGraw	16,409	180,728	197,137	*
Robert A. Compton	53,420	35,000	88,420	*
Marcel L. Gus Gamache	4,545	50,000	54,545	*
Bernard Goldstein	113,028		113,028	*
Philip D. Green	28,940	70,200	99,140	*
M. Fazle Husain	40,177		40,177	*
Michael J. Kluger	30,745	90,000	120,745	*
All directors and executive officers as a group (14 persons)	874,976	1,860,621	2,735,597	4.6

5% Stockholders	Shares of Common Stock Beneficially Owned	Percent of Class
Waddell & Reed Financial Inc. (4)	5,401,275	9.4
FMR LLC (5)	4,718,022	8.2
Franklin Resources, Inc. (6)	3,125,700	5.5

\* Amount represents less than 1% of our common stock.

- (1) Unless otherwise set forth in the following footnotes, the address of each beneficial owner is 222 Merchandise Mart Plaza, Suite 2024, Chicago, IL 60654.
- (2) Includes unvested shares of restricted stock awards that are subject to risk of forfeiture as follows: Mr. Tullman 18,180 shares; Mr. Davis 11,363 shares; Mr. Shapiro 13,635 shares; Ms. McGraw 6,060 shares; Mr. Compton 3,029 shares; Mr. Gamache 2,271 shares; Mr. Goldstein 1,514 shares; Mr. Green 1,514 shares; Mr. Husain 1,514 shares; and Mr. Kluger 2,272 shares; and all directors and executive officers as a group (14 persons) 72,535.
- (3) Beneficial ownership does not include unvested shares of restricted stock units as follows: Mr. Tullman 133,067 shares; Mr. Davis 33,266 shares; Mr. Shapiro 49,900 shares; Mr. Bulkley 87,939 shares; Ms. McGraw 33,266 shares; and all directors and executive officers as a group (14 persons) 391,436.
- (4)

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Based upon information contained in a Schedule 13G filed with the SEC on February 1, 2008, Waddell & Reed Financial Inc. and related entities have sole voting and dispositive power with respect to 5,401,275 shares as of December 31, 2007. The address for Waddell & Reed Financial Inc. is 6300 Lamar Avenue, Overland Park, KS 66202.

- (5) Based upon information contained in a Schedule 13G filed with the SEC on March 10, 2008, FMR LLC and related entities have sole voting power with respect to 1,600 shares and sole dispositive power with respect

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to 4,718,022 shares as of February 29, 2008. The address for FMR LLC is 82 Devonshire Street, Boston, MA 02109.

- (6) Based upon information contained in a Schedule 13G filed with the SEC on February 4, 2008, Franklin Resources, Inc. and related parties have sole voting power with respect to 3,118,700 shares and sole dispositive power with respect to 3,125,700 shares as of December 31, 2007. The address for Franklin Resources, Inc. is One Franklin Parkway, San Mateo, CA 94403-1906.

**Equity Compensation Plan Information**

The following table provides information as of December 31, 2007 about Allscripts common stock that may be issued upon the exercise of options and rights under all of our existing equity compensation plans, including our Amended and Restated 1993 Stock Incentive Plan and our 2001 Non-statutory Stock Option Plan. Stockholders did not approve the 2001 Non-statutory Stock Option Plan, which is described below.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted-average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))(c)
Equity compensation plans approved by security holders	2,834,457	\$9.07	1,350,518(2)
Equity compensation plans not approved by security holders	1,013,124	\$4.82	124,146
Total (1)	3,847,581	\$7.79	1,474,664

- (1) Excludes 184,757 shares subject to options outstanding pursuant to the ChannelHealth Incorporated 1999 Stock Option Plan, which we assumed in connection with our 2001 acquisition of ChannelHealth Incorporated (the ChannelHealth Options ). The ChannelHealth Options have a weighted-average exercise price of \$29.83 per share.

- (2) Number of shares available for issuance under the Amended and Restated 1993 Stock Incentive Plan. Awards available for issuance include options, stock appreciation rights, restricted stock and restricted stock units.

**2001 Non-statutory Stock Option Plan**

The Board originally adopted the 2001 Non-statutory Stock Option Plan (the 2001 Plan ) on January 31, 2001 and amended the Plan from time to time prior to June 30, 2003. The 2001 Plan was not approved by our stockholders. The 2001 Plan will terminate on January 31, 2011. Currently, the Board of Directors may amend or terminate the 2001 Plan at any time, subject to NASDAQ stockholder approval requirements. Under the 2001 Plan, the Compensation Committee may grant stock options to key individuals performing services for us, including employees (other than officers or directors), consultants and independent contractors.

Since its inception, 4,500,000 shares of common stock have been reserved for issuance under the 2001 Plan. At December 31, 2007, there were 1,013,124 shares of common stock reserved for issuance upon exercise of options and 124,146 shares available for future issuance under the 2001 Plan. The number of shares underlying options made to any one participant in a calendar year may not exceed 1,000,000 shares. The number of shares that can be issued and the number of shares subject to outstanding options may be adjusted in the event of a stock split, stock dividend, recapitalization or other similar event affecting the number of shares of our outstanding common stock.

The Compensation Committee administers the 2001 Plan. Subject to the specific provisions of the 2001 Plan, the Compensation Committee determines award eligibility, timing, amount and terms of the options. The

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Compensation Committee also interprets the 2001 Plan, establishes rules and regulations under the 2001 Plan and makes all other determinations necessary or advisable for the 2001 Plan's administration. Options under the 2001 Plan must be nonqualified stock options. The Compensation Committee may specify any period of time following the date of grant during which options are exercisable, so long as the exercise period is not more than 10 years. Upon exercise, the option holder may pay the exercise price in such form as the Compensation Committee will provide. Unless otherwise permitted by the Internal Revenue Code and Rule 16b-3 under the Securities Exchange Act of 1934 and approved in advance by the Compensation Committee, an option under the 2001 Plan may not be sold, assigned or otherwise transferred during its holder's lifetime.

### **Certain Relationships and Related Party Transactions**

We or one of our subsidiaries may occasionally enter into transactions with certain related persons. Related persons include our executive officers, directors, 5% or more beneficial owners of our common stock, immediate family members of these persons and entities in which one of these persons has a direct or indirect material interest. We refer to transactions with these related persons as related party transactions. In accordance with our written policy, the Audit Committee is responsible for the review and approval of each related party transaction exceeding \$120,000. The Audit Committee considers all relevant factors when determining whether to approve a related party transaction including, without limitation, whether the terms of the proposed transaction are at least as favorable to us as those that might be achieved with an unaffiliated third party. Among other relevant factors, the Audit Committee considers the following:

the size of the transaction and the amount of consideration payable to a related person;

the nature of the interest of the applicable executive officer, director or 5% stockholder in the transaction;

whether the transaction may involve a conflict of interest;

whether the transaction involves the provision of goods or services to us that are available from unaffiliated third parties; and

whether the proposed transaction is on terms and made under circumstances that are at least as favorable to us as would be available in comparable transactions with or involving unaffiliated third parties.

All related party transactions below have been approved by the Audit Committee in conjunction with our policy described above with the exception of the ECIN acquisition which was approved by a special committee of the Board of Directors.

Glen Tullman, Allscripts Chief Executive Officer and a member and Chairman of Allscripts Board of Directors, was the Chairman of ECIN's board of directors and a stockholder of ECIN holding approximately 2.33% of ECIN's common stock on a fully diluted basis at the time Allscripts acquisition of ECIN was consummated. Mr. Tullman received the same per share consideration as the other selling stockholders of ECIN (equaling approximately 2.33% of the total consideration being paid to equityholders of ECIN).

Glen Tullman, Allscripts Chief Executive Officer, served on the Advisory Board of Acquirent, LLC, a telemarketer and a reseller of our e-prescribing solution through December 31, 2007. During the years ended December 31, 2007 and 2006, we paid \$33,000 and \$149,000, respectively, to this company and had \$0 and \$34,000 accrued as of December 31, 2007 and 2006, respectively.

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, although he resigned from Allscripts board in March 2008. 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

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Med3000 pursuant to which Med3000 possesses the right to market, resell and sublicense Allscripts' electronic health record solutions to its customers. As of December 31, 2007, Med3000 has agreed to purchase from Allscripts approximately \$2,558,000 of hardware, software and related services. For the year ended December 31, 2007, Allscripts recognized \$425,000 of revenue under such contracts. As of December 31, 2007, Allscripts had \$217,000 in accounts receivable with Med3000. As of December 31, 2006, Med3000 has agreed to purchase from Allscripts approximately \$1,650,000 of hardware, software and related services. For the year ended December 31, 2006, Allscripts recognized \$1,062,000 of revenue under such contracts. As of December 31, 2006, Allscripts had \$321,000 in accounts receivable with Med3000.

Warren Tullman, the brother of our Chief Executive Officer, Glen E. Tullman, is employed as a Senior Vice President at Allscripts. During 2007, Mr. Warren Tullman received compensation including a base salary of \$140,000, commission payments totaling \$204,700 and was granted 1,115 shares of restricted stock.

### **Audit Committee Report**

The Audit Committee is comprised of three directors, each of whom is independent, as defined in NASDAQ's listing standards and SEC regulations. The Audit Committee operates under a charter adopted by the Board and consistent with NASDAQ and SEC requirements.

Management is responsible for Allscripts' financial reporting process, including its systems of internal and disclosure controls, and for the preparation of consolidated financial statements in accordance with accounting principles generally accepted in the United States of America. Allscripts' independent public accountants, appointed by the Audit Committee, are responsible for auditing those financial statements.

The Audit Committee of Allscripts held four meetings during 2007. During the meetings, discussions were had with management and Grant Thornton LLP, Allscripts' independent accountants, regarding matters required by Statement on Auditing Standards No. 61 (Communications with Audit Committees), Statement on Auditing Standards No. 99 (Consideration of Fraud in a Financial Statement Audit) and SEC rules regarding auditor independence discussed in Final SEC Releases Nos. 33-8183 and 33-8183a. Discussions were also held with Grant Thornton regarding its independence from Allscripts. The Committee also received from Grant Thornton written disclosures and the letter regarding its independence required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees).

Throughout 2007, management completed documentation, testing and evaluation of Allscripts' internal control over financial reporting pursuant to the requirements set forth in Section 404 of the Sarbanes-Oxley Act of 2002 and related regulations. At each quarterly meeting, management provided updates to the Audit Committee regarding progress made to complete management's assessment of its internal control over financial reporting. As of February 29, 2008, management concluded that the internal control over financial reporting was effective at December 31, 2007 and Grant Thornton concurred with management's assessment. The conclusions of both management's and Grant Thornton's assessments were included in Allscripts' Annual Report on Form 10-K for the year ended December 31, 2007, as amended, under Item 9A, Controls and Procedures. The Audit Committee continues to oversee Allscripts' efforts related to its internal control over financial reporting and management's preparations for the evaluation in 2008.

During its meetings, the Audit Committee reviewed and discussed the unaudited quarterly and audited annual financial statements with management and Grant Thornton. Based on the foregoing, the Audit Committee recommended to the Board that the audited financial statements be included in Allscripts' Annual Report on Form 10-K for the fiscal year ended December 31, 2007, filed with the Securities and Exchange Commission.

Audit Committee

Michael J. Kluger, Chairman

Marcel L. Gus Gamache

Bernard Goldstein

**Table of Contents****CHAPTER FIVE RATIFICATION OF GRANT THORNTON: ALLSCRIPTS PROPOSAL 5**

The audit committee of Allscripts board of directors has re-appointed Grant Thornton LLP as Allscripts' independent registered public accounting firm to audit and report on the financial statements and internal control over financial reporting for the fiscal year ending December 31, 2008. Although we are not required to do so, we believe that it is appropriate to request that stockholders ratify the appointment of Grant Thornton. Approval of this proposal requires the affirmative vote of a majority of the shares of common stock, present in person or by proxy at the annual meeting and entitled to vote thereon. If stockholders do not ratify the appointment, the audit committee will investigate the reasons for the stockholders' rejection and the audit committee may reconsider the appointment. Representatives of Grant Thornton will be present at the annual meeting. They will have the opportunity to make a statement if they so desire and to respond to appropriate questions.

**THE ALLSCRIPTS BOARD OF DIRECTORS AND AUDIT COMMITTEE UNANIMOUSLY RECOMMEND A VOTE FOR RATIFICATION OF THE APPOINTMENT OF GRANT THORNTON LLP AS OUR INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR 2008.**

**Disclosure of Independent Accountant Fees**

The following table shows the fees billed for audit, audit-related, tax and all other services rendered in 2007 and 2006 by Grant Thornton LLP, our principal independent public accountants for these years:

	Year Ended December 31, 2007	Year Ended December 31, 2006
Audit Fees *	\$776,877	\$651,946
Audit-related fees		
Tax fees		
All other fees		
<b>Total</b>	<b>\$776,877</b>	<b>\$651,946</b>

\* Audit fees include fees for the audit of the annual financial statements, the audit of internal control over financial reporting, the reviews of financial statements included in Allscripts' quarterly Form 10-Qs and fees in connection with our Form S-3 filings and fees related to our acquisition of ECIN and A4.

**Pre-Approval of Audit and Permissible Non-Audit Services of the Independent Registered Public Accountants**

The audit committee has established a policy to pre-approve all audit and permissible non-audit services provided by the independent registered public accountants.

Prior to engagement of the independent registered public accountants for the next year's audit, management will submit a list of services and related fees expected to be rendered during that year within each of the following four categories of service to the audit committee for approval.

1. Audit services include audit work performed on the financial statements, as well as work that generally only the independent registered public accountants can reasonably be expected to provide, including comfort letters, statutory audits, and discussions surrounding the proper application of financial accounting and/or reporting standards.
2. Audit-related services are for assurance and related services that are traditionally performed by the independent registered public accountants, including due diligence related to mergers and acquisitions, employee benefit plan audits, and special procedures required to meet certain regulatory requirements.

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3. Tax services include all services, except those services specifically related to the audit of the financial statements, performed by the independent registered public accountants tax personnel, including tax analysis, assisting with coordination of execution of tax related activities primarily in the area of corporate development, supporting other tax related regulatory requirements, and tax compliance and reporting.

4. Other fees are those associated with services not captured in the other categories. As a general matter, Allscripts no longer requests such services from the independent registered public accountants.

Prior to engagement, the audit committee pre-approves independent registered public accountants services within each category. The fees are budgeted and the audit committee requires the independent registered public accountants and management to report actual fees versus the budgeted fees periodically throughout the year by category of service. During the year, circumstances may arise when it may become necessary to engage the independent registered public accountants for additional services not contemplated in the original pre-approval categories. In those instances, the audit committee requires specific pre-approval before engaging the independent registered public accountants.

The audit committee may delegate pre-approval authority to one or more of its members.

**CHAPTER SIX ADJOURNMENT OF THE ANNUAL MEETING: ALLSCRIPTS PROPOSAL 6**

We are asking our stockholders to vote on a proposal to approve any adjournment of the annual meeting, at the Allscripts board of directors request, for the purpose of soliciting additional proxies if there are not sufficient votes at the annual meeting to approve the Share Issuance and the Required Amendments. Approval of this proposal requires the affirmative vote of a majority of the shares of common stock, present in person or by proxy at the annual meeting and entitled to vote thereon.

**OUR BOARD OF DIRECTORS RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF ANY ADJOURNMENT OF THE ANNUAL MEETING FOR THE PURPOSE OF SOLICITING ADDITIONAL PROXIES.**

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**WHERE YOU CAN FIND MORE INFORMATION**

The SEC allows Allscripts to incorporate by reference certain information into this proxy statement, which means that Allscripts can disclose important information to its stockholders by referring its stockholders to other documents that Allscripts filed separately with the SEC. Allscripts stockholders should consider the incorporated information as if Allscripts reproduced it in this proxy statement, except for any information directly superseded by information contained in this proxy statement.

Stockholders may read and copy any reports, statements or other information filed by Allscripts at the SEC's public reference room at Station Place, 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of this information by mail from the public reference section of the SEC at Station Place, 100 F Street, N.E., Washington, D.C. 20549, at prescribed rates. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference room. Allscripts' SEC filings made electronically through the SEC's EDGAR system are available to the public at the SEC's website located at [www.sec.gov](http://www.sec.gov). You can also inspect reports, proxy statements and other information about Allscripts at the offices of The NASDAQ Stock Market. For further information on obtaining copies of our public filings at The NASDAQ Stock Market, you should call (212) 401-8700.

Allscripts incorporates by reference into this proxy statement the following financial statements and other information (SEC File No. 000-32085), which contain important information about Allscripts and its business and financial results:

Allscripts' Annual Report on Form 10-K for the fiscal year ended December 31, 2007, filed with the SEC on February 29, 2008, as amended by Form 10-K/A filed with the SEC on April 25, 2008;

Allscripts' Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2008, filed with the SEC on May 12, 2008;

Current Reports on Form 8-K filed with the SEC on March 18, 2008 and March 19, 2008; and

The description of Allscripts' common stock contained in Allscripts' 1934 Act registration statement on Form S-4 as amended on December 7, 2000.

Allscripts may file additional documents with the SEC pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Securities Exchange Act of 1934 on or after the date of this proxy statement and before the annual meeting. The SEC allows Allscripts to incorporate by reference into this proxy statement such documents. Allscripts stockholders should consider any statement contained in this proxy statement (or in a document incorporated into this proxy statement) to be modified or superseded to the extent that a statement in a subsequently filed document modifies or supersedes such statement.

**Allscripts stockholders may get copies of any of the incorporated documents (excluding exhibits, unless the exhibits are specifically incorporated) at no charge by requesting copies in writing or by telephone from Allscripts at the following address: Allscripts Healthcare Solutions, Inc., Attn: Lee Shapiro, Secretary, 222 Merchandise Mart Plaza, Suite 2024, Chicago, Illinois 60654; telephone: (866) 358-6869. If an Allscripts stockholder requests any incorporated documents, Allscripts will mail such documents to the requesting stockholder by first class mail, or another equally prompt means, within one business day after it receives the request. Documents should be requested by [redacted], 2008 in order to receive them before the annual meeting.**

All information contained in this document with respect to Misys plc and Misys Healthcare Systems, LLC has been provided by Misys plc and has not been independently verified by Allscripts. All information contained or incorporated by reference in this document with respect to Allscripts and its subsidiaries has been provided by Allscripts.



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Stockholders should not rely on information other than that contained or incorporated by reference in this proxy statement. Allscripts has not authorized anyone to provide information that is different from that contained in this proxy statement. This proxy statement is dated \_\_\_\_\_, 2008. No assumption should be made that the information contained in this proxy statement is accurate as of any date other than that date, and the mailing of this proxy statement will not create any implication to the contrary. Notwithstanding the foregoing, if there is any material change in any of the information previously disclosed, Allscripts will, where relevant and if required by applicable law, update such information through a supplement to this proxy statement.

**FUTURE PROPOSALS**

The deadline has passed for submitting a proposal to be raised at the 2008 annual meeting of stockholders. Proposals of stockholders intended to be presented at Allscripts' next annual meeting of stockholders should be received by the Secretary on or before \_\_\_\_\_, 2009 for inclusion in the Proxy Statement for the 2009 Annual Meeting of Stockholders. The notice (for proposals other than proposals relating to nominations described on page 135 of this proxy statement) must contain a brief description of the business proposed to be brought before the meeting and the reasons for conducting the business at the meeting. In addition, the notice must present certain information concerning the stockholder making the proposal, who must be a stockholder of record at the time of giving the notice and be entitled to vote at the meeting.

**OTHER MATTERS**

At the date of this proxy statement, Allscripts management does not know of any business to be presented at the annual meeting other than the matters set forth above. No other business may be brought before the annual meeting other than the matters set forth above and those matters which may arise in connection therewith. However, if any other matter shall properly come before this annual meeting or any adjournment or postponement thereof and shall be voted upon, the proposed proxy will be deemed to confer authority to the individuals named as authorized therein to vote the shares represented by the proxy as to any matters that fall within the purposes set forth in the notice of annual meeting.

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# **Misys Healthcare Systems**

*(An operating unit of Misys Holdings, Inc., a subsidiary of Misys plc)*

## **Combined Financial Statements**

**For the Nine Months Ended February 29, 2008 and**

**February 28, 2007 (Unaudited) and the Years**

**Ended May 31, 2007, 2006 and 2005**

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**Misys Healthcare Systems**

*(An operating unit of Misys Holdings, Inc., a subsidiary of Misys plc)*

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**February 29, 2008, February 28, 2007 (Unaudited)**

**and May 31, 2007, 2006 and 2005**

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**Report of Independent Registered Public Accounting Firm**

To the Board of Directors of Misys plc

and the Shareholders of Misys Healthcare Systems

In our opinion, the accompanying combined balance sheets and the related combined statements of operations, of parent's net investment and of cash flows present fairly, in all material respects, the financial position of Misys Healthcare Systems (the "Business") (an operating unit of Misys Holdings, Inc., a subsidiary of Misys plc) at May 31, 2007, 2006 and 2005, and the results of its operations and its cash flows for each of the three years in the period ended May 31, 2007 in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Business' management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with the standards of the Public Company Accounting Oversight Board (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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

April 30, 2008

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**Table of Contents****Misys Healthcare Systems***(An operating unit of Misys Holdings, Inc., a subsidiary of Misys plc)***Combined Balance Sheets****(In thousands)**

	<b>February 29, 2008 (unaudited) (as restated, see Note 3)</b>	<b>2007</b>	<b>May 31, 2006</b>	<b>2005</b>
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$	\$1,370	\$12,449	\$19,702
Trade receivables, net	54,611	39,376	35,076	36,031
Prepaid and other current assets	10,831	8,119	7,722	7,277
Deferred tax asset	6,845	6,394	6,888	7,012
<b>Total current assets</b>	<b>72,287</b>	<b>55,259</b>	<b>62,135</b>	<b>70,022</b>
Property and equipment, net	6,823	7,348	8,682	7,997
Deferred tax asset	5,977	4,664		
Investment in iMedica	8,000			
Goodwill	82,406	82,406	82,756	47,335
Intangible assets, net	9,232	21,570	45,575	61,526
<b>Total assets</b>	<b>\$184,725</b>	<b>\$171,247</b>	<b>\$199,148</b>	<b>\$186,880</b>
<b>Liabilities and Parent's Net Investment</b>				
Current liabilities				
Line of credit	\$6,259	\$3,235	\$	\$
Accounts payable	7,837	18,098	18,629	19,051
Accrued expenses	15,178	15,387	12,757	7,984
Accrued compensation and benefits	16,247	18,091	20,836	19,620
Deferred revenue	26,860	32,892	35,568	35,401
Current portion of capital lease obligation	1,126	1,431	1,405	1,298
<b>Total current liabilities</b>	<b>73,507</b>	<b>89,134</b>	<b>89,195</b>	<b>83,354</b>
Non-current portion of capital lease obligation	942	944	1,448	922
Deferred tax liability			6	17,039
Other long-term liabilities	64		854	
<b>Total liabilities</b>	<b>74,513</b>	<b>90,078</b>	<b>91,503</b>	<b>101,315</b>
Commitments and contingencies (note 12)				
Parent's net investment	110,212	81,169	107,645	85,565
<b>Total liabilities and parent's net investment</b>	<b>\$184,725</b>	<b>\$171,247</b>	<b>\$199,148</b>	<b>\$186,880</b>

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



**Table of Contents****Misys Healthcare Systems***(An operating unit of Misys Holdings, Inc., a subsidiary of Misys plc)***Combined Statements of Operations****(In thousands)**

	<b>Nine Months Ended</b>		<b>Year Ended May 31,</b>		
	<b>2008</b>	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>			
	<i>(as restated, see Note 3)</i>				
<b>Revenue</b>					
System sales	\$49,170	\$54,880	\$71,368	\$93,487	\$96,772
Professional services	22,438	24,199	33,422	36,957	31,773
Maintenance	105,720	99,219	133,440	122,584	111,445
Transaction processing and other	109,394	104,450	141,463	128,708	122,525
<b>Total revenue</b>	<b>286,722</b>	<b>282,748</b>	<b>379,693</b>	<b>381,736</b>	<b>362,515</b>
<b>Cost of revenue</b>					
System sales	26,266	34,618	45,947	61,123	65,938
Professional services	19,647	21,441	28,508	27,828	24,849
Maintenance	42,636	42,504	56,634	50,860	48,025
Transaction processing and other	42,192	43,128	58,039	56,952	55,231
<b>Total cost of revenue</b>	<b>130,741</b>	<b>141,691</b>	<b>189,128</b>	<b>196,763</b>	<b>194,043</b>
<b>Gross profit</b>	<b>155,981</b>	<b>141,057</b>	<b>190,565</b>	<b>184,973</b>	<b>168,472</b>
Selling, general and administrative	92,957	83,308	121,101	112,135	105,825
Research and development	28,281	31,782	40,880	29,592	27,313
Amortization of intangibles	11,128	16,790	22,392	23,039	23,998
<b>Income from operations</b>	<b>23,615</b>	<b>9,177</b>	<b>6,192</b>	<b>20,207</b>	<b>11,336</b>
Interest expense	(206)	(185)	(272)	(184)	(114)
Interest income and other, net	52	83	94	32	818
<b>Net income before tax</b>	<b>23,461</b>	<b>9,075</b>	<b>6,014</b>	<b>20,055</b>	<b>12,040</b>
Income tax expense	(9,014)	(3,552)	(2,160)	(7,519)	(4,891)
<b>Net income</b>	<b>\$14,447</b>	<b>\$5,523</b>	<b>\$3,854</b>	<b>\$12,536</b>	<b>\$7,149</b>

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

**Table of Contents****Misys Healthcare Systems***(An operating unit of Misys Holdings, Inc., a subsidiary of Misys plc)***Combined Statements of Parent's Net Investment****(In thousands)**

<b>Parent's net investment as of June 1, 2004</b>	<b>\$104,886</b>
Net income	7,149
Stock-based compensation	5,982
Change in parent's net investment, net	(32,452)
<b>Parent's net investment as of May 31, 2005</b>	<b>85,565</b>
Net income	12,536
Stock-based compensation	4,998
Change in parent's net investment, net	4,546
<b>Parent's net investment as of May 31, 2006</b>	<b>107,645</b>
Net income	3,854
Stock-based compensation	951
Change in parent's net investment, net	(31,281)
<b>Parent's net investment as of May 31, 2007</b>	<b>81,169</b>
Net income (unaudited)(as restated, see Note 3)	14,447
Stock-based compensation (unaudited)(as restated, see Note 3)	2,018
Change in parent's net investment, net (unaudited)(as restated, see Note 3)	12,578
<b>Parent's net investment as of February 29, 2008 (unaudited) (as restated, see Note 3)</b>	<b>\$110,212</b>

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



**Table of Contents****Misys Healthcare Systems***(An operating unit of Misys Holdings, Inc., a subsidiary of Misys plc)***Combined Statements of Cash Flows****(In thousands)**

	<b>Nine Months Ended February 29 and February 28, Respectively</b>		<b>Year Ended May 31,</b>		
	<b>2008</b>	<b>2007</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>			
	<i>(as restated, see Note 3)</i>				
<b>Cash flows from operating activities</b>					
Net income	\$14,447	\$5,523	\$3,854	\$12,536	\$7,149
Adjustments to reconcile net income to net cash (used in) provided by operating activities					
Depreciation and amortization	2,520	2,971	3,833	3,702	3,544
(Gain) loss on disposal of property and equipment		(9)	(12)	26	(787)
Amortization of intangibles	12,338	18,000	24,005	30,222	37,414
Write-off of acquired in-process research and development				786	
Non-cash stock based compensation expense	2,018	782	951	4,998	5,982
Change in deferred income taxes	(1,764)	(5,449)	(4,176)	(12,777)	(12,755)
Provision for doubtful accounts	1,570	648	1,709	472	1,404
Changes in operating assets and liabilities					
Trade receivables	(16,805)	(9,421)	(6,009)	1,828	(2,984)
Prepaid and other current assets	(2,712)	2,183	(397)	120	400
Accounts payable	(10,261)	(12,032)	(531)	(1,036)	8,183
Accrued expenses	(209)	(4,697)	2,630	1,541	1,485
Accrued compensation and benefits	(1,844)	(3,490)	(2,745)	1,216	1,073
Deferred revenue	(6,032)	(2,817)	(2,676)	(198)	864
Other long-term liabilities	64	(854)	(854)	854	(66)
Net cash (used in) provided by operating activities	(6,670)	(8,662)	19,582	44,290	50,906
<b>Cash flows from investing activities</b>					
Purchase of businesses, net of cash acquired		350	350	(52,994)	
Cost investment in iMedica	(8,000)				
Proceeds from disposal of property and equipment		9	13		1,766
Purchase of property and equipment	(619)	(956)	(1,195)	(1,738)	(1,063)
Net cash (used in) provided by investing activities	(8,619)	(597)	(832)	(54,732)	703
<b>Cash flows from financing activities</b>					
Change in parent's net investment	12,578	(3,064)	(31,281)	4,546	(32,452)
Line of credit payments	(81,462)	(82,564)	(127,786)	(82,510)	(95,998)
Line of credit borrowings	84,486	84,649	131,021	82,510	94,325
Payment of capital lease obligation	(1,683)	(1,337)	(1,783)	(1,357)	(1,385)
Net cash provided by (used in) financing activities	13,919	(2,316)	(29,829)	3,189	(35,510)
Net (decrease) increase in cash and cash equivalents	(1,370)	(11,575)	(11,079)	(7,253)	16,099

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Cash and cash equivalents, beginning of period	1,370	12,449	12,449	19,702	3,603
Cash and cash equivalents, end of period	\$	\$874	\$1,370	\$12,449	\$19,702

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

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**Misys Healthcare Systems**

*(An operating unit of Misys Holdings, Inc., a subsidiary of Misys plc)*

**Notes to Combined Financial Statements**

**(Dollars and share amounts in thousands, except per share amounts)**

**1. Description of Business**

Misys Healthcare Systems (the Company or the Business) is a provider of healthcare information technology solutions for physician practices and home healthcare providers primarily in North America. The Business is headquartered in Raleigh, North Carolina and has operations in Richmond, Virginia, Austin, Texas and Bangalore, India. The Business is an operating unit of Misys Holdings, Inc. (the Parent), a wholly owned subsidiary of Misys plc.

The Business has two reportable segments: Ambulatory and Homecare. The Ambulatory segment provides physician practices with clinical and practice management solutions and related services. Ambulatory solutions include electronic medical records (EMR) software, practice management (PM) software, related installation and training services, electronic claims administration (EDI) services and the resale of related hardware.

The Homecare segment provides home health providers with clinical and practice management solutions and related services. Homecare solutions include software, related installation and training services, and the resale of related hardware.

**2. Basis of Presentation**

These combined financial statements were derived from the books and records of certain subsidiaries of Misys Holdings, Inc. The financial statements reflect the assets, liabilities, revenues and expenses that are directly related to the Business as it was operated within Misys Holdings, Inc. General corporate expenses of Misys Holdings, Inc. which are not directly related to the Business including certain corporate executives salaries, accounting and legal fees, departmental costs for accounting, finance, legal, information technology, purchasing, marketing, human resources as well as other general overhead costs are allocated to the Business. These allocations are based on a variety of factors, dependent upon the nature of the costs being allocated, including revenues and number of employees. Management believes these allocations are made on a reasonable basis; however, the financial statements included herein may not necessarily reflect the Business results of operations, financial position and cash flows in the future or what its results of operations, financial position and cash flows would have been had the Business operated as a stand-alone entity during the periods presented.

Parent's net investment in the Business as shown in the balance sheets includes capital contributed by Misys plc and the balance of intercompany advances. The advances are used by the Business, along with operating cash flows, for working capital needs and other general purposes. No interest has been recorded in these financial statements for the intercompany advances.

The accompanying unaudited interim combined financial statements have been prepared by the Company and reflect all adjustments, consisting of normal recurring adjustments, which in the opinion of management are necessary to fairly state the financial position and the results of operations for the interim periods presented. The combined financial statements omit certain information and footnote disclosures necessary to present the statements in accordance with accounting principles generally accepted in the United States. Results for the interim periods are not necessarily indicative of results for the entire fiscal year.

**Table of Contents****Misys Healthcare Systems***(An operating unit of Misys Holdings, Inc., a subsidiary of Misys plc)***Notes to Combined Financial Statements (Continued)****(Dollars and share amounts in thousands, except per share amounts)****3. Restatement of Unaudited Interim Financial Statements (Unaudited)**

The unaudited interim financial statements and effected footnotes as of February 29, 2008 and for the nine months ended February 29, 2008 and February 28, 2007 have been restated to reflect additional selling, general and administrative costs totaling \$12,773 and \$2,642, respectively (and related tax impacts) that were erroneously excluded. The costs that were excluded in the nine month period ended February 29, 2008 consisted primarily of severance costs of \$4,518 and professional fees of \$2,135. Effects of the restatement by line item were as follows:

	<b>As of February 29, 2008</b>	
	<b>As</b>	<b>As</b>
	<b>Previously</b>	<b>As</b>
	<b>Reported</b>	<b>Restated</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
<i>Balance Sheet Data</i>		
Deferred tax asset (current)	\$6,572	\$6,845
Total current assets	72,014	72,287
Deferred tax asset (long term)	6,093	5,977
Total assets	184,568	184,725
Parent's net investment	110,055	110,212
Total liabilities and parent's net investment	\$184,568	\$184,725

	<b>Nine Months Ended</b>		<b>Nine Months Ended</b>	
	<b>February 29, 2008</b>		<b>February 28, 2007</b>	
	<b>As</b>		<b>As</b>	
	<b>Previously</b>	<b>As</b>	<b>Previously</b>	<b>As</b>
	<b>Reported</b>	<b>Restated</b>	<b>Reported</b>	<b>Restated</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>	<i>(unaudited)</i>
<i>Statement of Operations Data</i>				
Selling, general and administrative	\$80,684	\$92,957	\$80,666	\$83,308
Income from operations	35,888	23,615	11,819	9,177
Net income before tax	35,734	23,461	11,717	9,075
Income tax expense	(13,659)	(9,014)	(4,569)	(3,552)
Net income	22,075	14,447	7,148	5,523
<i>Statement of Cash Flow Data</i>				
Net income	22,075	14,447	7,148	5,523
Non-cash stock based compensation expense	2,319	2,018	782	782
Change in deferred income taxes	(1,607)	(1,764)	(5,449)	(5,449)
Net cash provided by (used in) operating activities	1,416	(6,670)	(7,037)	(8,662)
Change in parent's net investment	4,492	12,578	(4,689)	(3,064)
Net cash provided by (used in) financing activities	\$5,833	\$13,919	\$(3,941)	\$(2,316)

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**Misys Healthcare Systems**

*(An operating unit of Misys Holdings, Inc., a subsidiary of Misys plc)*

**Notes to Combined Financial Statements (Continued)**

**(Dollars and share amounts in thousands, except per share amounts)**

**4. Summary of Significant Accounting Policies**

**Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosures of contingent liabilities at the date of the financial statements as well as the reported amounts of revenues and expenses during the reporting period. Changes in the facts or circumstances underlying these estimates could result in material changes and actual results could differ from these estimates.

**Cash and Cash Equivalents**

Cash equivalents are highly liquid investments that are readily convertible to known amounts of cash and have an original maturity of three months or less at the time of purchase.

**Accounts Receivable**

Accounts receivable are stated at estimated net realizable value. The allowance for doubtful accounts is based on historical write-off experience and specific identification and account balances are charged off when the potential for recovery is considered remote.

**Property and Equipment**

Property and equipment is primarily comprised of computer equipment, office equipment, software, and leasehold improvements, which are recorded at cost. These assets are depreciated using the straight-line method over their estimated useful lives.

Expenditures for repairs and maintenance are charged to expense as incurred. The costs of major renewals and betterments are capitalized and depreciated over their estimated useful lives. Upon disposition, the asset and related accumulated depreciation accounts are relieved and any related gain or loss is credited or charged to interest income and other.

**Software Development Costs**

Statement of Financial Accounting Standards No.86, *Accounting for the Costs of Computer Software to Be Sold, Leased or Otherwise Marketed* ( FAS 86 ) requires capitalization of software development costs incurred from the time technological feasibility of the software is established until the software is available for general release. The Company has determined that due to the late stage in which technological feasibility is established that no material costs are eligible for capitalization under FAS 86. Research and development costs and other computer software maintenance costs related to software development are expensed as incurred.

**Impairment of Long-Lived Assets**

The Company evaluates the recoverability of its property and equipment and other long-lived assets in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* ( SFAS 144 ) which requires the Company to evaluate recoverability of

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long-lived assets whenever events or circumstances indicate that an impairment may have occurred. An impairment loss is recognized when the net book value of such assets exceeds the estimated future undiscounted cash flows attributable to the assets or the business to which the assets relate. Impairment losses are measured as the amount by which the carrying value exceeds the fair value of the assets. No such impairments have been recognized in the nine months ended February 29, 2008 and February 28, 2007 (unaudited) or the years ended May 31, 2007, 2006 and 2005.

**Asset Held under Capital Lease**

Assets held under capital lease are recorded at the lower of the net present value of the minimum lease payments or the fair value of the leased asset at the inception of the lease. Amortization expense is computed using the straight-line method over the shorter of the estimated useful life of the assets or the period of the related lease.

**Goodwill and Intangible Assets**

Goodwill represents the excess of the purchase price of an acquired enterprise or assets over the fair value of the identifiable net assets acquired. Under SFAS No. 142, *Goodwill and Other Intangible Assets*, goodwill is not amortized but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that the assets might be impaired.

For goodwill, the impairment evaluation includes a comparison of the carrying value of the reporting unit (including goodwill) to that reporting unit's fair value. If the reporting unit's estimated fair value exceeds the reporting unit's carrying value, no impairment of goodwill exists. If the fair value of the reporting unit does not exceed the unit's carrying value, then an additional analysis is performed to allocate the fair value of the reporting unit to all of the assets and liabilities of that unit as if that unit had been acquired in a business combination. If the implied fair value of the reporting unit goodwill is less than the carrying value of the unit's goodwill, an impairment charge is recorded for the difference.

Intangible assets with estimable useful lives are stated at cost and are amortized using the straight-line method over the remaining estimated economic lives of those assets.

**Revenue Recognition**

Revenue represents the fair value of consideration received or receivable from clients for goods and services provided by the Business. Revenue from System Sales includes software and related hardware. Revenue from Professional Services includes implementation, training and consulting services. Revenue from Maintenance includes support and maintenance services. Revenue from Transaction Processing and Other includes EDI services and other.

Revenue from system sales is recognized when a signed contract exists, the fee is fixed or determinable, delivery to a customer has occurred, and the collection of the resulting receivable is considered probable. In instances where a significant vendor obligation exists, revenue recognition is delayed until the obligation has been satisfied. No revenue is recognized for multiple deliveries or multiple element products if an element of the contract remains undelivered and is essential to the functionality of the elements already delivered. In multiple element arrangements, the total arrangement fee is allocated according to the fair value of each element using vendor-specific objective evidence. Vendor-specific objective evidence of fair value is determined using the price charged when the element is sold separately. In software arrangements

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in which vendor specific objective evidence of fair value of all of the undelivered elements is known, but not of the delivered element, the residual method to record revenue is utilized. In the residual method, the fair value of the undelivered elements is deferred and the remaining portion of the arrangement fee is allocated to the delivered element and is recognized as revenue.

Revenue on certain larger contracts is recognized on a percentage of completion basis over the period from the commencement of performance on the contract to customer acceptance. The degree of completion of a contract is measured using the costs incurred to date or milestones reached, depending upon the nature of the individual contract and the most appropriate measure of the percentage of completion. Losses on contracts are recognized as soon as a loss is foreseen by reference to the estimated costs of completion.

Maintenance fees are recognized ratably over the period of the contract based on vendor specific objective evidence of fair value. Revenue from professional services, such as implementation, training and consulting services, is recognized as the services are performed based on vendor specific objective evidence of fair value. Revenue from EDI services is recognized as services are provided and is determined based on the volume of transactions processed.

In accordance with Emerging Issues Task Force Issue Number 01-14, *Income Statement Characterization of Reimbursements Received for Out-of-Pocket Expenses Incurred* ( EITF 01-14 ), the Company records reimbursements for out-of-pocket expenses incurred as revenue in the statement of operations. These amounts totaled approximately \$2,609 and \$1,940 for the nine months ended February 29, 2008 and February 28, 2007 (unaudited), respectively and \$3,410, \$2,009 and \$1,578, for the years ended May 31, 2007, 2006 and 2005, respectively.

**Stock-Based Compensation**

Effective June 1, 2006, the Company adopted the provisions of the SFAS No. 123(R), *Share-Based Payment* ( SFAS No. 123(R) ). SFAS No. 123(R) replaced SFAS No. 123, *Accounting for Stock-Based Compensation* ( SFAS No. 123 ), and superseded Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* ( APB No. 25 ). Under the fair value recognition provisions of this statement, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which is the vesting period. Prior to the adoption of SFAS No. 123R, the Company measured compensation expense for its employee stock-based compensation plans using the fair value method prescribed by SFAS No. 123. The adoption of SFAS No. 123(R) did not have a material impact on the Company's financial statements.

**Income Taxes**

The Company accounts for income taxes using the liability method, which requires the recognition of deferred tax assets or liabilities for the temporary differences between financial reporting and tax basis of the Company's assets and liabilities and for tax carryforwards at enacted statutory tax rates in effect for the years in which the differences are expected to reverse. The effect on deferred taxes of a change in tax rates is recognized in income in the period in which the enactment date of the tax rate change occurs. In addition, valuation allowances are established when necessary to reduce deferred tax assets to the amounts expected to be realized.

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**Concentration of Credit Risk**

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and trade receivables. The Company maintains its cash balances with major commercial banks.

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

The majority of revenue is derived from customers located in the United States. All long-lived assets are located in the United States. There were no customers that accounted for greater than 10% of revenue or accounts receivable in nine months ended February 29, 2008 or February 28, 2007 (unaudited), or during the years ended May 31, 2007, 2006, and 2005.

The Company provides its software customers with a standard product warranty beginning with live use of the software. If a software product is found to have a material defect that causes the product not to operate in accordance with the software specifications, the Company will deliver any necessary alterations to the customer.

**Fair Value of Financial Instruments**

SFAS No. 107, *Disclosure about Fair Value of Financial Instruments*, requires that the Company disclose the fair value of its financial instruments when it is practical to estimate. The fair values of the Company's accounts receivables, accounts payable and short-term borrowings approximate their carrying values because of their short-term nature.

**Self Insurance**

The Company is self-insured for medical liabilities and certain health benefit options up to certain limits. The Company has umbrella policies in place above those limits. The provision for estimated medical claims includes estimates of the ultimate costs for reported claims and claims incurred but not reported.

**Research and Development Costs**

The Company expenses research and development costs including salaries and related human resource costs, third-party contractor expenses, and other expenses in developing new products and upgrading and enhancing existing products. Research and development costs for the nine months ended February 29, 2008 and February 28, 2007 (unaudited) were \$28,281 and \$31,782, respectively and for the years ended May 31, 2007, 2006 and 2005 were \$40,880, \$29,592 and \$27,313, respectively.

**Compensated Absences**

The Company's employees earn personal time off at varying rates depending upon years of service. Under the terms of the plan the maximum accrual that can be carried over from one calendar year to the next is 240 hours. Effective January 1, 2008, the plan was modified such that hours earned after that date can not be carried over and will not be paid upon termination. The accrual for compensated absences totaled \$3,961,





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**Notes to Combined Financial Statements (Continued)**

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\$7,663, \$7,539, and \$6,553 as of February 29, 2008 (unaudited) and May 31, 2007, 2006 and 2005, respectively, and is included in accrued compensation and benefits on the combined balance sheets.

**Recent Accounting Pronouncements**

In December 2007, the Financial Accounting Standards Board ( FASB ) issued Statement of Financial Accounting Standards No. 141 (revised 2007), *Business Combinations* ( FAS 141R ). FAS 141R establishes principles and requirements for how the acquirer in a business combination recognizes and measures in its financial statements the fair value of identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at the acquisition date. FAS No. 141R is effective for fiscal years beginning after December 15, 2008 and will be applied by the Company to business combinations consummated after the effective date. Management is currently evaluating the impact of the adoption of FAS 141R on the combined financial statements.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements* ( FAS 160 ), an amendment of Accounting Research Bulletin No. 51, *Consolidated Financial Statements* ( ARB 51 ). FAS 160 establishes accounting and reporting standards for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. Minority interests will be recharacterized as noncontrolling interests and will be reported as a component of equity separate from the parent's equity, and purchases or sales of equity interests that do not result in a change in control will be accounted for as equity transactions. In addition, net income attributable to the noncontrolling interest will be included in consolidated net income on the face of the income statement and upon a loss of control, the interest sold, as well as any interest retained, will be recorded at fair value with any gain or loss recognized in earnings. This pronouncement is effective for fiscal years beginning after December 15, 2008. Management does not believe the adoption will have a material effect on the combined financial statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115*, ( FAS 159 ). FAS 159 allows an entity the irrevocable option to elect fair value for the initial and subsequent measurement for certain financial assets and liabilities under an instrument-by-instrument election. Most of the provisions in FAS 159 are elective; however, it applies to all companies with available-for-sale and trading securities. A company will report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. FAS 159 is effective for fiscal years beginning after November 15, 2007, with early adoption permitted provided that the entity also adopts FAS 157. Management does not believe the adoption will have a material effect on the combined financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements* ( FAS 157 ). FAS 157 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. Management does not believe the adoption will have a material effect on the combined financial statements.

In September 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes - an interpretation of FASB Statement No. 109* ( FIN 48 ). FIN 48 clarifies the accounting for uncertainty in income

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taxes recognized in a company's financial statements and prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on description, classification, interest and penalties, accounting in interim periods, disclosure, and transition. On June 1, 2007, the Company adopted the provisions of FIN 48. The Company believes it has no material exposures which are not currently provided for. Therefore, no reserves for uncertain income tax positions have been recorded pursuant to FIN 48. In addition, the Company did not record a cumulative effect adjustment related to the adoption of FIN 48 (unaudited). The Company's policy for recording interest and penalties associated with tax audits is to record such items as a component of income taxes.

**5. Trade Receivables**

The components of trade receivables consist of the following as of February 29, 2008 (unaudited) and May 31, 2007, 2006 and 2005:

	<b>February 29, 2008 (unaudited)</b>	<b>2007</b>	<b>May 31, 2006</b>	<b>2005</b>
Amounts billed	\$ 42,306	\$ 30,367	\$ 26,741	\$ 29,923
Amounts unbilled	15,295	11,899	11,102	9,138
Allowance for doubtful accounts	(2,990)	(2,890)	(2,767)	(3,030)
Trade receivables, net	\$ 54,611	\$ 39,376	\$ 35,076	\$ 36,031

The allowance for doubtful accounts activity for the nine months ended February 29, 2008 (unaudited) and the for the years ended May 31, 2007, 2006 and 2005 was as follows:

	<b>February 29, 2008 (unaudited)</b>	<b>2007</b>	<b>May 31, 2006</b>	<b>2005</b>
Balance at beginning of the period	\$2,890	\$2,767	\$3,030	\$2,706
Provision for bad debts	1,570	1,709	472	1,404
Charge offs, net of recoveries	(1,470)	(1,586)	(735)	(1,080)
Balance at end of the period	\$2,990	\$2,890	\$2,767	\$3,030

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Property and equipment consist of the following as of February 29, 2008 (unaudited) and May 31, 2007, 2006 and 2005:

	Useful Life (Years)	February 29, 2008 <i>(unaudited)</i>	2007	May 31, 2006	2005
Computer equipment	3	\$13,133	\$11,654	\$11,276	\$9,361
Software	3	6,929	6,780	6,184	5,493
Leasehold improvements	see below	3,889	3,563	3,484	3,145
Office equipment	5	5,896	5,806	5,736	5,419