Hill-Rom Holdings, Inc.
Form 3
April 09, 2008

FORM 3

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

OMB APPROVAL

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Â Tucholski Gregory John
(Last) (First) (Middle)

1069 STATE ROUTE 46E
(Street)

BATESVILLE,Â INÂ 47006
(City) (State) (Zip)

2. Date of Event Requiring Statement
(Month/Day/Year)
04/01/2008

3. Issuer Name **and** Ticker or Trading Symbol
Hill-Rom Holdings, Inc. [HRC]

4. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
President, Int'l. & Surgical

5. If Amendment, Date Original Filed(Month/Day/Year)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1.Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
Common Stock	978	D	Â

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)		3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)		4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D) or Indirect	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of			

				Shares		(I) (Instr. 5)	
Restricted Stock Units (Deferred Stock Award) 12/3/03	12/04/2005 (2)	12/04/2008 (2)	Common Stock	454	$ (1)	D	Â
Restricted Stock Units (Deferred Stock Award) 12/15/04	12/16/2006 (3)	12/16/2009 (3)	Common Stock	1,315	$ (1)	D	Â
Restricted Stock Units (Deferred Stock Award) 11/30/05	12/01/2007 (4)	12/01/2010 (4)	Common Stock	2,183	$ (1)	D	Â
Restricted Stock Units (Deferred Stock Award) 11/30/06	12/01/2008 (5)	12/01/2011 (5)	Common Stock	5,722	$ (1)	D	Â
Restricted Stock Units (Deferred Stock Award) 12/5/07	12/06/2009 (6)	12/06/2012 (6)	Common Stock	6,459	$ (1)	D	Â
Stock Option Dec. 3, 2003	12/04/2004 (7)	12/04/2013 (7)	Common Stock	7,400	$ 31.48	D	Â
Stock Option Dec. 15, 2004	12/16/2005 (7)	12/16/2014 (7)	Common Stock	11,100	$ 30.04	D	Â
Stock Option Nov. 30, 2005	12/01/2006 (7)	12/01/2015 (7)	Common Stock	10,360	$ 26.46	D	Â
Stock Option Nov. 30, 2006	12/01/2007 (7)	12/01/2016 (7)	Common Stock	21,090	$ 31.3	D	Â
Stock Option Dec. 5, 2007	12/06/2008 (7)	12/06/2017 (7)	Common Stock	24,050	$ 29.22	D	Â

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Tucholski Gregory John 1069 STATE ROUTE 46E BATESVILLE,Â INÂ 47006	Â	Â	Â President, Int'l. & Surgical	Â

Signatures

Greg Tucholski	04/09/2008
**Signature of Reporting Person	Date

Explanation of Responses:

*	If the form is filed by more than one reporting person, *see* Instruction 5(b)(v).
**	Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
(1)	Conversion or Exercise Price of Derivative Security is 1-for-1.
(2)	Restricted Stock Units vest 20% on 12/4/05; 25% on 12/4/06; 25% on 12/4/07; and 30% on 12/4/08. Stock units will automatically be converted into shares of common stock in accordance with the respective vesting schedule unless a previous deferral election has been made. Stock units are entitled to dividend equivalent rights, which accrue on dividend record dates.
(3)	Restricted Stock Units vest 20% on 12/16/06, 25% on 12/16/07; 25% on 12/16/08 and 30% on 12/16/09. Stock units will automatically be converted into shares of common stock in accordance with the respective vesting schedule unless a previous deferral election has been made. Stock units are entitled to dividend equivalent rights, which accrue on dividend record date.
(4)	Restricted Stock Units vest 20% on 12/1/07, 25% on 12/1/08, 25% on 12/1/09 and 30% on 12/1/10. Stock units will automatically be converted into shares of common stock in accordance with respective vesting schedule unless a previous deferral election has been made. Stock units are entitled to dividend equivalent rights which accrue on dividend record date.
(5)	Restricted Stock Units vest 20% on 12/01/08, 25% on 12/01/09, 25% on 12/01/10 and 30% on 12/01/11. Stock units will automatically be converted into shares of common stock in accordance with the respective vesting schedule unless a previous deferral election has been made. Stock units are entitled to dividend equivalent rights, which accrue on dividend record dates.
(6)	Restricted Stock Units vest 20% on 12/6/09, 25% on 12/6/10, 25% on 12/6/11 and 30% on 12/6/12. Stock units will automatically be converted into shares of common stock in accordance with the respective vesting schedule unless a previous deferral election has been made. Stock units are entitled to dividend equivalent rights, which accrue on dividend record dates.
(7)	The option vests in three equal annual installments beginning on the date indicated.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *See* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. 11,909) (265.9%) $10,531 ($27,750) (137.9%)

Effective tax rate

190.3% 38.4% (83.3%) 36.8%

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

The effective tax rate for the three and nine months ended September 30, 2012 includes a $16 million tax benefit related to the settlement of an acquired tax position for an amount less than the carrying value of the uncertain tax liability. Accordingly, in the current quarter we recognized a tax benefit and decreased our liability for unrecognized tax benefits.

The acquired tax position referenced above was indemnified by Misys plc and a related tax indemnification asset was previously included within other assets in our consolidated balance sheet. Since the settlement amount was less than the carrying value of the indemnification asset, we recorded a write-off of the remaining indemnification asset, which is included in interest income and other within the consolidated statement of operations. The resulting charge of $16 million is substantially non-deductible for tax purposes and therefore increases the effective tax rate for the entire year.

Excluding the effects of these items, our effective tax rate for the three and nine months ended September 30, 2012 is lower compared to the prior year due to a higher mix of foreign income taxed at lower rates and lower state tax expense.

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Segment Operations

Overview of Segment Results

(Dollar amounts in thousands)	Three Months Ended September 30, 2012	2011	% Change	Nine Months Ended September 30, 2012	2011	% Change
Revenue:						
Software Delivery	$ 77,229	$ 95,751	(19.3%)	$ 244,773	$ 283,275	(13.6%)
Services Delivery	62,462	64,080	(2.5%)	197,669	177,805	11.2%
Client Support	118,315	113,142	4.6%	353,674	332,009	6.5%
Pathway Solutions	42,796	41,296	3.6%	130,117	124,301	4.7%
IT Outsourcing	41,261	33,733	22.3%	119,262	100,855	18.3%
All Other						
Remote Hosting	17,854	18,151	(1.6%)	52,790	52,235	1.1%
Unallocated Amounts	777	(2,417)	(132.1%)	(2,923)	(14,605)	(80.0%)
Total All Other	18,631	15,734	18.4%	49,867	37,630	32.5%
Total revenue	$ 360,694	$ 363,736	(0.8%)	$ 1,095,362	$ 1,055,875	3.7%
Income from operations:						
Software Delivery	$ 9,223	$ 19,935	(53.7%)	$ 34,296	$ 62,332	(45.0%)
Services Delivery	8,390	7,088	18.4%	26,033	24,675	5.5%
Client Support	81,143	78,973	2.7%	242,828	228,466	6.3%
Pathway Solutions	26,118	25,859	1.0%	79,719	79,620	0.1%
IT Outsourcing	8,978	6,145	46.1%	25,298	19,639	28.8%
All Other						
Remote Hosting	668	652	2.5%	1,146	3,411	(66.4%)
Unallocated Amounts	(125,336)	(104,285)	20.2%	(369,449)	(327,228)	12.9%
Total All Other	(124,668)	(103,633)	20.3%	(368,303)	(323,817)	13.7%
Total income from operations	$ 9,184	$ 34,367	(73.3%)	$ 39,871	$ 90,915	(56.1%)

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Software Delivery

Software delivery primarily includes revenue from system solutions, which is comprised of software license fees and hardware revenue, and recurring revenue from SaaS contracts and other subscription-based arrangements, which are included in transaction processing and other, and the related expenses incurred to deliver these solutions to our clients.

	Three Months Ended September 30,			Nine Months Ended September 30,		
(Dollar amounts in thousands)	**2012**	**2011**	**% Change**	**2012**	**2011**	**% Change**
Revenue	$ 77,229	$ 95,751	(19.3%)	$ 244,773	$ 283,275	(13.6%)
Income from operations	$ 9,223	$ 19,935	(53.7%)	$ 34,296	$ 62,332	(45.0%)
Operating margin %	11.9%	20.8%		14.0%	22.0%	

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

Software delivery revenue decreased during the three and nine months ended September 30, 2012 due to a decrease in system sales which consists of a $12 million and $31 million decrease in software revenue, respectively, and an $8 million and $18 million decrease in hardware revenue, respectively, as we experienced a decline in orders as certain clients and prospects delayed purchase decisions due to speculation about Allscripts future corporate autonomy and others continued to delay purchase decisions as they wait for new product releases. Additionally, we continue to experience a shift in sales to smaller physician practices which typically require less robust hardware solutions. Partially offsetting these decreases was an increase in SaaS and subscription-based revenues during the three and nine months ended September 30, 2012 as we expanded our customer base.

Software delivery operating margins declined in the three and nine months ended September 30, 2012 due to a higher mix of third-party systems sales which carry higher costs, an increase in amortization of software development costs and an increase in SaaS operations and infrastructure costs in response to increased demand for our SaaS solutions compared with the same periods in 2011.

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Services Delivery

Services delivery derives its revenue through implementation, training and other professional services provided to clients and includes the related expenses incurred to provide these services.

	Three Months Ended September 30,			Nine Months Ended September 30,		
(Dollar amounts in thousands)	**2012**	**2011**	**% Change**	**2012**	**2011**	**% Change**
Revenue	$ 62,462	$ 64,080	(2.5%)	$ 197,669	$ 177,805	11.2%
Income from operations	$ 8,390	$ 7,088	18.4%	$ 26,033	$ 24,675	5.5%
Operating margin %	13.4%	11.1%		13.2%	13.9%	

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

Services delivery revenue decreased during the three months ended September 30, 2012 compared with the prior year as a result of the decline in systems orders and a decrease in consulting services.

The increase in services delivery revenue during the nine months ended September 30, 2012 is attributable to increases in implementation and consulting services including the implementation of third-party solutions as compared with the prior year. On a year-to-date basis, orders for professional services have declined compared with the prior year which is reflected in the decline in professional services for the current quarter.

Services delivery operating margin increased during the three months ended September 30, 2012 as we decreased people-related costs in response to the decline in orders. Operating margin declined in the nine months ended September 30, 2012 primarily due to the incremental costs incurred to implement a higher mix of third-party systems sales that are more costly to implement.

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Client Support

Client support derives its revenue through software and hardware maintenance contracts and includes the related expenses incurred to provide support to our customers.

(Dollar amounts in thousands)	Three Months Ended September 30, 2012	2011	% Change	Nine Months Ended September 30, 2012	2011	% Change
Revenue	$ 118,315	$ 113,142	4.6%	$ 353,674	$ 332,009	6.5%
Income from operations	$ 81,143	$ 78,973	2.7%	$ 242,828	$ 228,466	6.3%
Operating margin %	68.6%	69.8%		68.7%	68.8%	

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

Client support revenue increased during the three and nine months ended September 30, 2012 due to increases in our client base and customer activations compared to the prior year comparable periods.

Client support operating margin for the three months ended September 30, 2012 decreased slightly compared with the prior year as people-related and infrastructure expenses increased, and remained flat for the nine months ended September 30, 2012.

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Pathway Solutions

Pathway solutions includes revenue and the related expenses for financial, administrative, and clinical offerings, including medical claims processing and other Revenue Cycle Solutions, ePrescribe and Patient Portal.

	Three Months Ended September 30,			**Nine Months Ended September 30,**		
(Dollar amounts in thousands)	**2012**	**2011**	**% Change**	**2012**	**2011**	**% Change**
Revenue	$ 42,796	$ 41,296	3.6%	$ 130,117	$ 124,301	4.7%
Income from operations	$ 26,118	$ 25,859	1.0%	$ 79,719	$ 79,620	0.1%
Operating margin %	61.0%	62.6%		61.3%	64.1%	

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

Pathway solutions revenue increased during the three and nine months ended September 30, 2012 primarily due to an increase in demand for our solutions.

Pathway solutions operating margin decreased in the three and nine months ended September 30, 2012 as we incurred increased costs in response to demand for our solutions.

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IT Outsourcing

IT outsourcing includes revenue from our information technology outsourcing solutions and includes the related expenses incurred to deliver these solutions to our clients.

	Three Months Ended September 30,			Nine Months Ended September 30,		
(Dollar amounts in thousands)	**2012**	**2011**	**% Change**	**2012**	**2011**	**% Change**
Revenue	$ 41,261	$ 33,733	22.3%	$ 119,262	$ 100,855	18.3%
Income from operations	$ 8,978	$ 6,145	46.1%	$ 25,298	$ 19,639	28.8%
Operating margin %	21.8%	18.2%		21.2%	19.5%	

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

IT outsourcing revenue increased during the three and nine months ended September 30, 2012 primarily due to expanded service solutions to existing customers while also expanding our customer base.

IT outsourcing operating margin increased during the three and nine months ended September 30, 2012 as increases in revenue were partially offset by increases in headcount-related costs as we responded to the increased demand for our IT outsourcing solutions.

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All Other

Corporate general and administrative expenses are centrally managed and solutions research and development expenses, including amortization of capitalized software development costs, are not attributed to an operating segment. As a result, these expenses are not allocated to our reportable segments because they are not part of the segment profitability results reviewed by management.

In determining revenue and income from operations for our segments, we do not include the amortization of acquisition-related deferred revenue adjustments in revenue and we exclude amortization of intangible assets and stock-based compensation expense from the operating expense segment data provided to our chief operating decision maker. Accordingly, these amounts are not included in our reportable segment results and are included in the unallocated amounts within All Other.

	Three Months Ended September 30,			**Nine Months Ended September 30,**		
(Dollar amounts in thousands)	**2012**	**2011**	**% Change**	**2012**	**2011**	**% Change**
Revenue:						
Remote Hosting	$ 17,854	$ 18,151	(1.6%)	$ 52,790	$ 52,235	1.1%
Unallocated Amounts	777	(2,417)	(132.1%)	(2,923)	(14,605)	(80.0%)
Total revenue	$ 18,631	$ 15,734	18.4%	$ 49,867	$ 37,630	32.5%
Income from operations:						
Remote Hosting	$ 668	$ 652	2.5%	$ 1,146	$ 3,411	(66.4%)
Unallocated Amounts	(125,336)	(104,285)	20.2%	(369,449)	(327,228)	12.9%
Total income from operations	($ 124,668)	($ 103,633)	20.3%	($ 368,303)	($ 323,817)	13.7%

Three and Nine Months Ended September 30, 2012 Compared to the Three and Nine Months Ended September 30, 2011

The financial information above includes revenue primarily from our Remote Hosting operating segment and similar amounts of operating expenses related to this segment are included in income from operations for all periods presented. Operating income for the nine months ended September 30, 2012 has decreased compared to the prior year period due to increased infrastructure costs incurred to accommodate software upgrades.

Expenses increased during the three and nine months ended September 30, 2012 primarily due to an increase in research and development headcount. Also contributing to the increase are higher legal expenses in connection with general legal matters, including expenses related to addressing claims involving the Company, and a $3 million and $9 million increase, respectively, in amortization of software development costs compared to the prior year. These increases were partially offset by a decrease in expenses incurred relating to the Eclipsys Merger and other non-recurring costs. Additionally, during the three months ended September 30, 2012, we recorded asset impairment charges totaling $11 million that are not attributable to an operating segment.

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Contract Backlog

Contract backlog represents the value of bookings and maintenance contracts that have not yet been recognized as revenue. A summary of contract backlog by revenue category is as follows:

(Dollar amounts in millions)	As of September 30, 2012	As of December 31, 2011	As of September 30, 2011	% Change from September 30, 2012 December 31, 2011	September 30, 2011
Contract backlog:					
System sales	$ 111	$ 136	$ 125	(18.4%)	(11.2%)
Professional services	395	393	352	0.5%	12.2%
Maintenance	860	833	797	3.2%	7.9%
Transaction processing and other	1,461	1,492	1,496	(2.1%)	(2.3%)
Total contract backlog	$ 2,827	$ 2,854	$ 2,770	(0.9%)	2.1%

Total contract backlog as of September 30, 2012 remained flat compared with December 31, 2011 as an increase in maintenance revenue backlog was offset by decreases in systems sales and transaction processing and other backlog categories. Maintenance revenue backlog increased as a result of new client go-lives as well as maintenance renewals in our installed base. System sales backlog declined as we experienced a decline in orders during the nine months ended September 30, 2012 as we continue our efforts to improve product performance and delivery execution.

Total contract backlog increased during the nine months ended September 30, 2012 compared with the prior year comparable period primarily due to an increase in maintenance revenue backlog as a result of new client go-lives as well as maintenance renewals in our installed base.

Bookings

Bookings reflect the value of executed contracts for software, hardware, services, remote hosting, outsourcing and SaaS. Bookings were as follows:

	Three Months Ended September 30,			Nine Months Ended September 30,		
(Dollar amounts in millions)	2012	2011	% Change	2012	2011	% Change
Bookings	$ 162	$ 267	(39.3%)	$ 551	$ 724	(23.9%)

We experienced a decline in bookings during the three and nine months ended September 30, 2012 compared with the prior year comparable periods as certain clients and prospects delayed purchase decisions due to speculation about Allscripts future corporate autonomy and others continued to delay purchase decisions as they wait for new product releases.

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Liquidity and Capital Resources

As of September 30, 2012 and 2011, our principal sources of liquidity consisted of cash, cash equivalents and marketable securities of $95 million and $86 million, respectively, and our revolving credit facility described below. The change in our cash balance is reflective of the following:

Operating Cash Flow Activities

(In thousands)	Nine Months Ended September 30, 2012	2011	$ Change
Net income	$ 23,169	$ 47,626	($ 24,457)
Non-cash adjustments to net income	149,283	149,600	(317)
Cash impact of changes in operating assets and liabilities	(7,904)	(35,901)	27,997
Net cash provided by operating activities	$ 164,548	$ 161,325	$ 3,223

Nine Months Ended September 30, 2012 Compared to the Nine Months Ended September 30, 2011

Net cash provided by operating activities increased in the nine months ended September 30, 2012 as cash received from customers increased at a faster rate than operating disbursements compared to the same period in 2011.

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Investing Cash Flow Activities

(In thousands)	Nine Months Ended September 30, 2012	2011	$ Change
Capital expenditures	($ 55,481)	($ 33,301)	($ 22,180)
Capitalized software	(39,340)	(46,529)	7,189
Net (purchases) sales and maturities of marketable securities and other investments	84	(12,857)	12,941
Proceeds received from sale of fixed assets	0	20,000	(20,000)
Change in restricted cash	0	2,225	(2,225)
Net cash used in investing activities	($ 94,737)	($ 70,462)	($ 24,275)

Nine Months Ended September 30, 2012 Compared to the Nine Months Ended September 30, 2011

Net cash used in investing activities increased during the nine months ended September 30, 2012 due to an increase in capital expenditures which was partially offset by a decrease in capitalized software development costs. Also, the prior year includes the acquisition of cost method investments, the release of restricted cash, and proceeds from the sale of certain hosting equipment and infrastructure that did not recur in the current period. The increase in capital expenditures is related to the acquisition of computer equipment and software to improve our information systems infrastructure and to accommodate data management and hosting related to our SaaS and hosting solutions. The capitalization of software development costs decreased as certain quality and efficiency development efforts were not eligible for capitalization.

Financing Cash Flow Activities

(In thousands)	Nine Months Ended September 30, 2012	2011	$ Change
Proceeds from issuance of common stock	$ 4,042	$ 27,481	($ 23,439)
Excess tax benefits from stock-based compensation	609	4,688	(4,079)
Taxes paid related to net share settlement of equity awards	(4,352)	(2,179)	(2,173)
Net payments on debt instruments	(233,894)	(161,570)	(72,324)
Credit facility borrowings, net of issuance costs	324,035	47,193	276,842
Repurchase of common stock	(225,961)	(50,051)	(175,910)
Net cash used in financing activities	($ 135,521)	($ 134,438)	($ 1,083)

Nine Months Ended September 30, 2012 Compared to the Nine Months Ended September 30, 2011

Net cash used in financing activities increased during the nine months ended September 30, 2012 due primarily to the increased level of activity under our stock repurchase program. This increase was partially offset by net borrowings under our credit facility which were used to finance stock repurchases during the current period. Proceeds from stock-based compensation activities were lower compared to the same period in 2011 and excess tax benefits from stock-based compensation declined as the fair value of equity awards vesting during the current period was more aligned with the fair value of the awards on the date of grant. Also, the current period includes an increase in net-share settlements of vested equity awards such that we withheld shares with value equivalent to the employees minimum statutory obligation for the applicable income and other employment taxes and remitted the cash to the appropriate taxing authorities.

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Free Cash Flow

To supplement our statements of cash flows presented on a GAAP basis, we use a non-GAAP measure of free cash flow which we believe is also useful as one of the bases for evaluating our performance. We believe free cash flow is an important liquidity metric, as it measures the amount of cash generated that is available to repay our current debt obligations, make investments, fund acquisitions, repurchase our common stock and for certain other activities. The presentation of non-GAAP free cash flow is not meant to be considered in isolation and should not be considered a substitute for income from operations, net income, net cash provided by operating activities or any other measure determined in accordance with GAAP. Operating asset and liability balances can fluctuate significantly from period to period and there can be no assurance that free cash flow will not be negatively impacted by material changes in operating assets and liabilities in future periods, since these changes depend upon, among other things, management s timing of payments and cash receipts. In addition to fluctuations resulting from changes in operating assets and liabilities, free cash flow can vary significantly from period to period depending upon, among other things, operating efficiencies, increases or decreases in capital expenditures and capitalized software, and other factors.

We calculate free cash flow as follows:

	Nine Months Ended September 30,		
(In thousands)	**2012**	**2011**	**$ Change**
Net cash provided by operating activities	$ 164,548	$ 161,325	$ 3,223
Capital expenditures	(55,481)	(33,301)	(22,180)
Capitalized software	(39,340)	(46,529)	7,189
Free cash flow	$ 69,727	$ 81,495	($ 11,768)

Amounts for each element of the table above are as reported in our consolidated statements of cash flows presented in accordance with GAAP.

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Future Capital Requirements

On June 11, 2012, we entered into an Incremental Assumption Agreement (the Agreement) with J. P. Morgan Securities LLC, Mizuho Corporate Bank, LTD., SunTrust Robinson Humphrey, Inc. and other participating lenders to borrow additional amounts under our existing Amended and Restated Credit Agreement (the Credit Agreement) in the form of a new incremental term loan. Proceeds from the incremental term loan of $150 million were used to partially refinance the $175 million outstanding under our revolving credit facility, which is provided for in the Credit Agreement. We also made a voluntary repayment of the revolver totaling $20 million at the time of the refinancing. The interest rate charged, debt covenants and other terms that apply to the term loan are defined by the terms of the Credit Agreement.

The following table summarizes our future payments under the senior secured credit facilities including the incremental term loan as of September 30, 2012:

(Dollar amounts in thousands)	**Principal Payments**	**Interest Payments**	**Total Payments**
Remaining payments due in 2012	$ 17,616	$ 3,127	$ 20,743
Payments due in 2013	78,770	11,098	89,868
Payments due in 2014	104,698	8,429	113,127
Payments due in 2015	199,395	4,726	204,121
Payments due in 2016	58,603	589	59,192
Thereafter	0	0	0
	$ 459,082	$ 27,969	$ 487,051

As of September 30, 2012, $459 million in term loans, $0 million under the revolving credit facility, and $1 million in letters of credit were outstanding under the Credit Agreement. As of September 30, 2012, the interest rate on the senior secured credit facilities was LIBOR plus 2.00%, which totaled 2.22%. Refer to Note 9, Derivative Financial Instruments, of the Notes to Consolidated Financial Statements in Part I, Item 1 of this report for a discussion of our interest rate swap agreement. There was no default under the Credit Agreement as of September 30, 2012.

As of September 30, 2012, we had $249 million available, net of outstanding letters of credit, under our revolving credit facility. There can be no assurance that we will be able to draw on the full available balance of our Credit Agreement if the financial institutions that have extended such credit commitments become unwilling or unable to fund such borrowings.

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On March 31, 2011, we entered into a ten year agreement with Affiliated Computer Services, Inc. (ACS) to provide services to support our remote hosting services for our Sunrise acute care clients. We will maintain all customer relationships and domain expertise with respect to the hosted applications. The agreement encompasses our payment to ACS for current Allscripts employees to be retained by ACS from our hosting staff, new remote hosting staff and technology infrastructure, as well as other data center and hosting services, in the amount of approximately $50 million per year.

In April 2011, our Board of Directors approved a stock repurchase program under which we may purchase up to $200 million of our common stock over three years expiring on May 9, 2014 or such earlier time that the total dollar amount authorized by these resolutions has been used. In April 2012, our Board of Directors approved the repurchase of an additional $200 million bringing the total repurchase authorization to $400 million. Any share repurchases may be made through open market transactions, block trades, privately negotiated transactions (including accelerated share repurchase transactions) or other means. Any repurchase activity will depend on factors such as our working capital needs, cash requirements for investments, debt repayment obligations, our stock price, and economic and market conditions. Our stock repurchase program may be accelerated, suspended, delayed or discontinued at any time. Refer to Unregistered Sales of Equity Securities, Use of Proceeds and Issuer Purchases of Equity Securities in Part II, Item 2 of this report for additional information regarding our stock repurchase program.

We currently plan to invest over $190 million in research and development efforts during 2012 to improve performance and accelerate product integration and innovation. Our total spending consists of research and development costs directly recorded to expense and also includes capitalized software development costs. To supplement our statement of operations, the table below presents a non-GAAP measure of research and development-related expenditures which we believe is a useful metric for evaluating how we are investing in innovation.

(Dollar amounts in thousands)	**Nine Months Ended September 30, 2012**
Research and development costs directly recorded to expense	$ 112,164
Capitalized software development costs	39,340
Total non-GAAP R&D-related expense	$ 151,504
Total revenue	$ 1,095,362
Total expense as a % of total revenue	14%

We believe that our cash, cash equivalents and marketable securities of $95 million as of September 30, 2012, our future cash flows, and our borrowing capacity under our Amended and Restated Credit Agreement, taken together, provide adequate resources to fund ongoing cash requirements for the next twelve months. We cannot provide assurance that our actual cash requirements will not be greater than we expect as of the date of this report. We will, from time to time, consider the acquisition of, or investment in, complementary businesses, products, services and technologies, and the purchase of our common stock under our stock repurchase program which might impact our liquidity requirements or cause us to issue additional equity or debt securities.

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

Contractual Obligations, Commitments and Off Balance Sheet Arrangements

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

During the three months ended September 30, 2012, we settled the acquired tax position related to the Misys share repurchase that occurred in 2010. Accordingly, we decreased our liability for unrecognized tax benefits by approximately $29 million.

With the exception of the settlement of an acquired tax position discussed above and additional amounts borrowed under our existing Credit Agreement described above under Future Capital Requirements, there were no material changes, outside of the ordinary course of business, to our contractual obligations and other related matters previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2011.

Recent Accounting Pronouncements

For information with respect to recent accounting pronouncements and the impact of these pronouncements on our consolidated financial statements, see Note 1 of the Notes to Consolidated Financial Statements in Part I, Item 1 of this report.

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Safe Harbor for Forward-Looking Statements

This report contains forward-looking statements within the meaning of the federal securities laws that involve risks and uncertainties. We develop forward-looking statements by combining currently available information with our beliefs and assumptions. These statements relate to future events, including our future performance, and management s expectations, beliefs, intentions, plans or projections relating to the future and some of these statements can be identified by the use of forward-looking terminology such as believes, expects, anticipates, estimates, project intends, seeks, future, continue, contemplate, would, will, may, should, and the negative or other variations of those terms or cor terminology or by discussion of strategy, plans, opportunities or intentions. As a result, actual results, performance or achievements may vary materially from those anticipated by the forward-looking statements.

Among the factors that could cause actual results, performance or achievements to differ materially from those indicated by such forward-looking statements are:

the risk that we will not achieve the strategic benefits of the August 24, 2010 merger with Eclipsys Corporation (the Eclipsys Merger), or that the Allscripts and Eclipsys operations and products will not be integrated successfully;

the possibility that the expected synergies and cost savings of the Eclipsys Merger will not be realized, or will not be realized within the expected time period;

the impact of the realignment of our sales and services organization;

the possibility that our current initiatives focused on product delivery, client experience and financial performance may not be successful;

potential difficulties or delays in achieving platform and product integration and the connection and movement of data among hospitals, physicians, patients and others;

competition within the industries in which we operate, including the risk that existing clients will switch to products of competitors;

failure to achieve interoperability certification pursuant to the Health Information Technology for Economic and Clinical Health Act, with resulting increases in development and other costs for us and possibly putting us at a competitive disadvantage in the marketplace;

the volume and timing of systems sales and installations, the length of sales cycles and the installation process and the possibility that our products will not achieve or sustain market acceptance;

the timing, cost and success or failure of new product and service introductions, development and product upgrade releases;

we may incur costs relating to the standardization of our small office electronic health record and practice management systems that could adversely affect our results of operations;

competitive pressures including product offerings, pricing and promotional activities;

our ability to establish and maintain strategic relationships;

errors or similar problems in our software products or other product quality issues;

the outcome of any legal proceeding that has been or may be instituted against us and others;

compliance obligations under existing laws, regulations and industry initiatives, including increasing enforcement activity in respect of anti-bribery, fraud and abuse and similar laws, and future changes in laws or regulations in the healthcare industry, including possible regulation of our software by the U.S. Food and Drug Administration;

the possibility of product-related liabilities;

our ability to attract and retain qualified personnel;

the implementation and speed of acceptance of the electronic record provisions of the American Recovery and Reinvestment Act of 2009, as well as elements of the Patient Protection and Affordable Care Act (aka health reform) which pertains to healthcare IT adoption;

maintaining our intellectual property rights and litigation involving intellectual property rights;

legislative, regulatory and economic developments;

risks related to third-party suppliers and our ability to obtain, use or successfully integrate third-party licensed technology;

breach of data security by third parties and unauthorized access to patient health information by third parties;

the effects and results of the Company s evaluation of strategic alternatives are uncertain; and

those factors discussed in Risk Factors in our periodic filings with the Securities and Exchange Commission (the SEC).

We make these statements under the protection afforded by Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. Because forward-looking statements are subject to assumptions and uncertainties, actual results, performance or achievements may differ materially from those expressed or implied by such forward-looking statements. Stockholders are cautioned not to place undue reliance on such statements, which speak only as of the date such statements are made. Except to the extent required by applicable law or regulation, Allscripts undertakes no obligation to revise or update any forward-looking statement, or to make any other forward-looking statements, whether as a result of new information, future events or otherwise.

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

During the three and nine months ended September 30, 2012, there were no significant changes to our quantitative and qualitative disclosures about market risk. Please refer to Part II, Item 7A. Quantitative and Qualitative Disclosures about Market Risk included in our Annual Report on Form 10-K for our fiscal year ended December 31, 2011 for a more complete discussion of the market risks we encounter.

Item 4. Controls and Procedures

Evaluation of disclosure controls and procedures

On October 29, 2012, our recently appointed Chief Financial Officer commenced employment with the Company. However, since our Interim Chief Financial Officer is acting as the principal financial officer at the time of filing this Form 10-Q for the three months ended September 30, 2012, our Interim Chief Financial Officer will provide certification regarding the effectiveness of our disclosure controls and procedures.

As of September 30, 2012, our management, including our Chief Executive Officer and Interim Chief Financial Officer, have reviewed and evaluated the effectiveness of our disclosure controls and procedures pursuant to Exchange Act Rule 13a-15(b). Based on their review and evaluation, the Chief Executive Officer and Interim Chief Financial Officer have concluded that our disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

There has been no change in our internal control over financial reporting during the quarter ended September 30, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

We hereby incorporate by reference Note 10, Contingencies, of the Notes to Consolidated Financial Statements in Part I, Item 1 of this report.

Item 1A. Risk Factors

Our Annual Report on Form 10-K for the year ended December 31, 2011 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2012 include a detailed discussion of certain material risk factors facing us. The information presented below describes additions to such risk factors and should be read in conjunction with the risk factors and information disclosed in our Annual Report on Form 10-K and Quarterly Report on Form 10-Q.

We will incur costs relating to the standardization of our small office electronic health record and practice management systems that could adversely affect our results of operations.

In order to better serve our clients and the healthcare market, in October 2012 we initiated a plan to standardize our small office electronic health record and practice management systems. As part of this plan, we will converge, over time, our MyWay Electronic Health Record System (MyWay) and Professional Suite Electronic Health Record System. We plan to upgrade MyWay clients electing to migrate to the converged platform between January 2013 and September 2013, at no additional cost to the MyWay clients. The upgrade will position MyWay clients for Meaningful Use Stage 2 and ICD-10 compliance, and prepare them for the shift to value-based care that focuses on costs, quality and outcomes. MyWay clients not electing to upgrade will continue to have use of the application. As a result of this decision, we recorded a non-cash charge to earnings in the quarter ended September 30, 2012 related to the impairment of previously capitalized software development costs for MyWay plus the net carrying value of a perpetual license for certain software code incorporated in MyWay totaling $11 million, on a pre-tax basis. Additional non-recurring period costs will be incurred in future quarters to upgrade the MyWay clients that elect to upgrade. The incremental period costs will be partially offset by cost savings we expect to realize through lower development and support costs. The amount of such costs and anticipated savings are not determinable at this time and will ultimately be based on the number of clients electing to migrate. Moreover, the costs associated with this upgrade initiative could exceed our expectations and, accordingly, adversely affect our results of operations.

The effects and results of the Company s evaluation of strategic alternatives are uncertain.

On November 8, 2012, we announced that the Company is evaluating strategic alternatives. There can be no assurance that this process will lead to a transaction. In addition, this process may distract the attention of our Board of Directors and management from our business, cause us to incur significant expenses pursuing one or more transactions unsuccessfully, or impair our relationships with customers, suppliers, business partners and employees. Certain prospective customers may delay or decline purchases of our products while this process is ongoing. If we are unable to effectively manage these risks, our business, financial condition or results of operations may be adversely affected.

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

In April 2011, our Board of Directors approved a stock repurchase program under which we may purchase up to $200 million of our common stock over three years expiring on May 9, 2014 or such earlier time that the total dollar amount authorized by these resolutions has been used. In April 2012, our Board of Directors approved the repurchase of an additional $200 million bringing the total repurchase authorization to $400 million. Any share repurchases may be made through open market transactions, block trades, privately negotiated transactions (including accelerated share repurchase transactions) or other means. Any repurchase activity will depend on factors such as our working capital needs, cash requirements for investments, debt repayment obligations, our stock price, and economic and market conditions. Our stock repurchase program may be accelerated, suspended, delayed or discontinued at any time.

The following table summarizes the stock repurchase activity for the three months ended September 30, 2012 and the approximate dollar value of shares that may yet be purchased pursuant to our stock repurchase program:

(In thousands, except per share amounts)

Period	Total Number Of Shares Purchased	Average Price Paid Per Share	Total Number Of Shares Purchased As Part Of Publicly Announced Plans Or Programs	Approximate Dollar Value Of Shares That May Yet Be Purchased Under The Plans Or Programs
07/01/12 07/31/12	0	$ 0.00	0	$ 123,044
08/01/12 08/31/12	0	$ 0.00	0	$ 123,044
09/01/12 09/30/12	0	$ 0.00	0	$ 123,044
	0	$ 0.00	0	

Item 6. Exhibits

(a) Exhibits

See Index to Exhibits.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on November 9, 2012.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

By: /s/ W. David Morgan

W. David Morgan
Interim Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

Date: November 9, 2012

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INDEX TO EXHIBITS

Exhibit Number	Exhibit Description	Filed Herewith
10.1	Employment Agreement, dated as of May 16, 2012 but effective as of May 21, 2012 between Allscripts Healthcare Solutions, Inc. and W. David Morgan	X
31.1	Rule 13a - 14(a) Certification of Chief Executive Officer	X
31.2	Rule 13a - 14(a) Certification of Chief Financial Officer	X
32.1	Section 1350 Certifications of Chief Executive Officer and Chief Financial Officer	X
101	Interactive Data Files Pursuant to Rule 405 of Regulation S-T: (i) Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) Consolidated Statements of Comprehensive Income, (iv) Consolidated Statements of Cash Flows, and (v) Notes to Consolidated Financial Statements	X

Indicates management contract or compensatory plan.

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