ALLSCRIPTS HEALTHCARE SOLUTIONS INC
Form 8-K
August 19, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

Current Report Pursuant to Section 13 or 15(d) of

The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): August 19, 2004

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction** **of Incorporation)**	**000-32085** **(Commission File Number)**	**36-4392754** **(I.R.S. Employer** **Identification No.)**
2401 Commerce Drive **Libertyville, Illinois** **(Address of principal executive offices)**		**60048** **(Zip Code)**

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

Not Applicable

(Former name or former address, if changed since last year)

Item 5. Other Events.

On August 19, 2004, Allscripts Healthcare Solutions issued a press release announcing the formation of a strategic partnership with Medem, Inc. (Medem), a physician-patient communications network, founded and governed by the American Medical Association (the AMA) and other medical societies, effective August 12, 2004. Attached as Exhibit 99.1 is a copy of the press release, which is incorporated herein by reference. A summary of the principal terms of the transaction, which include the acquisition of both convertible debt and equity of Medem by Allscripts, LLC, a wholly-owned subsidiary of Allscripts (Allscripts), is set forth below.

Note Purchase

Pursuant to the terms of a Convertible Secured Promissory Note Purchase Agreement (the Note Purchase Agreement) by and among Medem, Allscripts, the AMA and certain other investors named therein (the Co-Investors), Allscripts has acquired a convertible secured promissory note in the aggregate principal amount of $2,100,000 under which Medem may borrow up to $2,100,000 from Allscripts. Medem has also issued convertible secured promissory notes having an aggregate principal amount of $1,400,000 million to the Co-Investors under which Medem may borrow up to $1,400,000 from the Co-Investors. In addition, Medem will issue to the AMA convertible secured promissory notes having an aggregate principal amount of up to $600,000 in exchange for the value of goods and services to be provided by the AMA to Medem. After the issuance of any such convertible secured promissory notes to the AMA, Allscripts will have the option to purchase additional convertible secured promissory notes in such amounts that will maintain Allscripts ownership percentage (on a fully-diluted, as-converted basis) of Medem s common stock after giving effect to the issuances and conversion of any such convertible secured promissory notes issued to the AMA. All of the convertible secured promissory notes issued in connection with this transaction are referred to herein as the Notes.

The Notes, which bear interest at an annual rate of 3.0%, become due and payable upon the earlier to occur of (i) a sale of Medem (whether via a stock or asset sale or merger) or the filing of a registration statement with the SEC for public offering of any class of securities of Medem (a Liquidity Event), and (ii) August 12, 2007. The outstanding principal balance and all accrued interest under the Notes may not be prepaid without the prior written consent of the holders of at least 51.0% of Medem s common stock issued or issuable upon conversion of the Notes. In addition, upon consummation of a Liquidity Event, each Note holder will receive, as a premium in addition to the repayment of the outstanding principal and interest due and payable under such Note, an amount equal to two (2) times the maximum amount that Medem may borrow under such Note (i.e., $4,200,000 with respect to the Note issued to Allscripts).

At any time on or prior to maturity, Allscripts may convert all (but not a portion) of the Notes into 2,100,000 million shares of Medem s Series A Common Stock. Notes issued to the Co-Investors and the AMA are convertible on similar terms. The Note purchased by Allscripts is convertible into approximately 25.2% of all of the capital stock of Medem (calculated on an as-converted, fully-diluted basis) and approximately

47.5% of the voting capital stock. The obligations under the Notes are secured by a first priority security interest in all of Medem s assets.

Borrowings under the Notes are not permitted (i) more than once per calendar quarter, (ii) later than the forty-fifth (45^{th}) day after the end of the previous calendar quarter, and (iii) in amounts greater than $750,000 per calendar quarter, without the prior written consent of Allscripts and the majority of the Co-Investors. In addition, in order for Medem to make borrowings under the Notes (A) Medem must have satisfied certain revenue targets for each applicable calendar quarter, (B) the Chief Executive Officer of Medem must be Dr. Edward Fotsch, MD, (C) there must be no event of default under the Note Purchase Agreement, and (D) there must be no material adverse change in the business, operations, properties, financial condition or operating results of Medem since the closing. All borrowings under the Notes are to be made proportionately under all of the Notes based on the principal amount of Notes purchased by each of Allscripts and the Co-Investors. Upon the conversion of the Notes issued to Allscripts and the Co-Investors, Medem may draw any remaining unfunded amounts under such Notes immediately prior to the conversion thereof.

Share Purchase

In connection with the transactions described above, Allscripts, J.H. Whitney IV, L.P. (Whitney) and Medem entered into a Share Purchase Agreement pursuant to which Allscripts purchased 10,082 shares of Medem s Series A Common Stock (which represents approximately 0.1% of all of the capital stock of Medem and approximately 0.2% of the voting capital stock (calculated on an as-converted, fully-diluted basis)) and 90,736 shares of Medem s Series B Common Stock (which represents approximately 1.1% of all of the capital stock of Medem and approximately 2.3% of the non-voting capital stock (calculated on an as-converted, fully-diluted basis)) from Whitney for an aggregate purchase price equal to $500,000 in cash. Allscripts intends to account for its equity investment under the cost method of accounting.

In addition, pursuant to the terms of such agreement, Allscripts has a three-year option to acquire the balance of Whitney s interest in Medem (the Whitney Share Option), represented by 117,897 shares of Series A Common Stock (which represents approximately 1.4% of all of the capital stock of Medem and approximately 2.7% of the voting capital stock (calculated on an as-converted, fully-diluted basis)) and 1,061,077 shares of Series B Common Stock (which represents approximately 12.7% of all of the capital stock of Medem and approximately 27.2% of the non-voting capital stock (calculated on an as-converted, fully-diluted basis)), for an aggregate price of $600,000. If Allscripts does not exercise the Whitney Share Option prior to its expiration, Medem, has the option to purchase some or all of the shares of common stock underlying the Whitney Share Option for the same price per share and on the same terms. If Medem does not exercise such option, the AMA and the Co-Investors will have the same option.

Share Ownership

If Allscripts converts all of its Notes and exercises the Whitney Share Option, it will own 2,227,979 shares of Medem s Series A Common Stock (voting) and 1,151, 814 shares of Medem s Series B Common Stock (non-voting) which represents approximately 40.5% of all of the capital stock of Medem (calculated on an as-converted, fully-diluted basis), approximately 50.4% of the voting capital stock and approximately 29.5% of the non-voting capital stock.

Item 7(c). Exhibits.

Exhibit 99.1 Press Release dated August 19, 2004.

Signature

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

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

By: /s/ William J. Davis

William J. Davis
Chief Financial Officer

Date: August 19, 2004

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Exhibits

Exhibit 99.1 Press Release dated August 19, 2004.

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ess day, the immediately succeeding business day) and 60 days following such payment default and (ii) in the case of any payment due on the maturity date for the Notes, on such maturity date (or if such date is not a business day, the immediately succeeding business day). Under the terms of the TLG Program and the indenture, the demand for payment must be accompanied by a proof of claim, with accompanying evidence, in form and content satisfactory to the FDIC of (1) the trustee s capacity to act as representative, (2) the trustee s exclusive authority to act as representative, (3) the occurrence of a payment default and (4) the authority to make an assignment of each holder s rights, title and interest in the Notes and to effect the transfer to the FDIC of each holder s claim in an insolvency proceeding. To receive payment under the TLG Program, the trustee, on behalf of the holders of the Notes, will be required to assign all of the holders rights, title and interest in the Notes to the FDIC and to transfer to the FDIC the holders claim in any insolvency proceeding, including the right to receive any and all distributions on the Notes from the proceeds of the receivership or bankruptcy estate. The trustee, as assignor of such rights, will be required to certify that it has not, without the FDIC s prior consent, agreed to any material amendment of the Notes or the senior debt indenture (to the extent relating to the Notes), or accelerated the maturity of the Notes.

Under the terms of the TLG Program, The Depository Trust Company, New York, New York, as the sole registered holder of the Notes, may elect not to be represented by the trustee for purposes of making demands for payments under the FDIC Guarantee. If the registered holder of the Notes has elected not to have the trustee act as its authorized representative for such purposes, or is otherwise not represented by the trustee in such capacity, such holder may make demand for payment in the circumstances described above in accordance with the terms of the TLG Program. The demand for payment on the guaranteed amount must be accompanied by a proof of claim, with accompanying evidence, in form and content satisfactory to the FDIC of (1) the occurrence of a payment default and (2) the claimant's ownership of the Notes. The demand also must be accompanied by an assignment of such holder's rights, title and interest in the Notes to the FDIC and the transfer to the FDIC of such holder's claim in any insolvency proceeding, including the right of the FDIC to receive any and all distributions on the Notes from the proceeds of the receivership or bankruptcy estate. The registered holder, as assignor of such rights, will be required to certify that it has not, without the FDIC's prior consent, agreed to any material amendment of the Notes or the senior debt indenture (to the extent relating to the Notes), or accelerated the maturity of the Notes.

Upon receipt of a timely filed conforming proof of claim, under the terms of the TLG Program, the FDIC will make payment of the amount guaranteed by the FDIC Guarantee, less the amount of any distribution which a holder of Notes has received from GE Capital or its receivership or bankruptcy estate prior to the FDIC's payment under the FDIC Guarantee. If the FDIC makes payment under the FDIC Guarantee on the Notes upon our failure to pay, the FDIC will be subrogated to the claims of the holders against us to the extent of such payment.

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If a demand for payment under the FDIC Guarantee is not made within 60 days of the occurrence of a payment default, the FDIC will be under no obligation to make the payments on the Notes under the FDIC Guarantee. The TLG Program does not specify a deadline by which the FDIC must make payment following receipt of a proper demand from the trustee. The FDIC will not pay any additional interest or penalty amounts in respect of any event of default or resulting delay in payment that may occur.

There shall not be deemed to be an event of default under the senior debt indenture pursuant to which the Notes are issued, if such an event of default is due solely to our failure to make timely payment with respect to the Notes, provided that the FDIC is making timely guarantee payments with respect to the Notes in accordance with the TLG Program.

The senior debt indenture provides that if an event of default occurs and is continuing, either the trustee or the holders of not less than 25% in aggregate principal amount of the Notes, by notice in writing to GE Capital and to the trustee, if given by security holders, may declare the principal of all the Notes and interest accrued thereon, if any, to be due and payable immediately. However, GE Capitals failure to pay any principal of or interest on the Notes that is then paid by the FDIC on a timely basis will not be deemed an event of default under the Notes and holders of the Notes will not be permitted to accelerate the maturity of the Notes during any period when the FDIC is making timely payments of principal and interest in respect of the Notes.

Risks Relating to the FDIC Guarantee

Guarantee Payments by the FDIC May Be Delayed. There is no designated period within which the FDIC is required to make the guarantee payments after it receives a written demand with a conforming proof of claim from the trustee and verifies the same. Therefore, if the FDIC does not make payments promptly after it is required to do so, guarantee payments on the Notes could be delayed from the date the payment is due under the terms of the Notes. In addition, if there is a delay in submitting the demand for payment, guarantee payments on the Notes could be delayed from the date payment is due under the terms of the Notes.

You May Lose the Right to Payment under the FDIC Guarantee if the Trustee Fails to Follow the FDIC Claims Process and Your Notes Will Not Be Entitled to Payment Under the FDIC Guarantee if you are an Affiliate or Insider. In order to recover payment under the FDIC Guarantee in the event that we have failed to pay on the Notes, the trustee must make a written demand, with the required proof of claim, to the FDIC within 60 days of the occurrence of our failure to pay on the Notes. If the trustee fails to follow the FDIC claims process pursuant to the TLG Program, or if the Depository Trust Company, as the sole registered holder of the Notes, has elected not to be represented by the trustee and fails to follow the FDIC claims process, holders may be deprived of all rights and remedies with respect to the guarantee claim. Notes that are owed to affiliates of GE Capital, institution-affiliated parties of GE Capital, insiders of GE Capital or an insider of an affiliate of GE Capital will not be entitled to payment under the FDIC guarantee as set forth in the Final Rule.

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The Determination of the FDIC on any Matter Relating to the FDIC Claims Process Will Be Final and Binding on Holders of the Notes and Us, Subject to Judicial Review. The determination by the FDIC on any matter relating to the FDIC claims process will be a final administrative determination, which will be final and binding on all concerned, including the holders of the Notes. Holders of the Notes will have the right to challenge the FDIC's determination only by commencing an action in the U.S. District Court for the District of Columbia or Connecticut within 60 days after the FDIC makes its determination.

The TLG Program is New and Subject to Change. The TLG Program is new and no claims have been made or paid under it as of the date of this free writing prospectus. The TLG Program is governed by the Final Rule adopted by the FDIC on November 21, 2008, and the Final Rule may be amended and is subject to evolving interpretation by the FDIC after the date of this free writing prospectus. Thus, the ability to obtain payment on the Notes under the FDIC Guarantee is subject to rules, procedures and practices of the FDIC that could be changed at any time and from time to time in the future. The summary of the FDIC Guarantee and the risks of investing in reliance on that guarantee, as set forth in this free writing prospectus, is based solely on the Final Rule adopted by the FDIC and the Master Agreement in effect on the date of this free writing prospectus.

Plan of Distribution

The Notes are being purchased by the underwriters listed below (collectively, the "Underwriters"), as principal, at 100.000% of the aggregate principal amount less an underwriting discount equal to 0.175% of the principal amount of the Notes. The Notes will not be exclusively marketed and targeted to retail customers.

Institution	Commitment
Lead Managers:	
Banc of America Securities LLC	$ 196,000,000
Citigroup Global Markets Inc.	$ 196,000,000
Goldman, Sachs & Co.	$ 196,000,000
J.P. Morgan Securities Inc.	$ 196,000,000
Morgan Stanley & Co. Incorporated	$ 196,000,000
Co Managers:	
Blaylock Robert Van, LLC	$ 5,000,000
CastleOak Securities, L.P.	$ 5,000,000
Samuel A. Ramirez & Co., Inc.	$ 5,000,000
The Williams Capital Group, L.P.	$ 5,000,000
Total	$ 1,000,000,000

We have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended.

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Additional Information

General

At the nine months ended September 30, 2008, we had outstanding indebtedness totaling $531.747 billion, consisting of notes payable within one year, senior notes payable after one year and subordinated notes payable after one year. The total amount of outstanding indebtedness at September 30, 2008, excluding subordinated notes payable after one year, was equal to $521.192 billion.

Consolidated Ratio of Earnings to Fixed Charges

The information contained in the Prospectus under the caption Consolidated Ratio of Earnings to Fixed Charges is hereby amended in its entirety, as follows:

Year Ended December 31,					Nine Months Ended
2003	2004	2005	2006	2007	September 30, 2008
1.73	1.83	1.67	1.63	1.56	1.37

For purposes of computing the consolidated ratio of earnings to fixed charges, earnings consist of net earnings adjusted for the provision for income taxes, minority interest and fixed charges.

Fixed charges consist of interest and discount on all indebtedness and one-third of rentals, which we believe is a reasonable approximation of the interest factor of such rentals.

CAPITALIZED TERMS USED HEREIN WHICH ARE DEFINED IN THE PROSPECTUS SUPPLEMENT SHALL HAVE THE MEANINGS ASSIGNED TO THEM IN THE PROSPECTUS SUPPLEMENT. THE INFORMATION ON THE INTERNET SITE OF THE FDIC IS NOT A PART OF THIS FREE WRITING PROSPECTUS OR ANY PROSPECTUS.

The issuer has filed a registration statement (including a prospectus) with the SEC for the offering to which this communication relates. Before you invest, you should read the prospectus in that registration statement and other documents the issuer has filed with the SEC for more complete information about the issuer and this offering. You may get these documents for free by visiting the SEC Web site at www.sec.gov. Alternatively, the issuer or the underwriters participating in the offering will arrange to send you the prospectus if you request it by calling Banc of America Securities LLC at 1-800-294-1322 (or you may e-mail a request to dg.prospectus_distribution@bofasecurities.com), Citigroup Global Markets Inc. at 1-877-858-5407, Goldman, Sachs & Co. at 1-866-471-2526, J.P. Morgan Securities Inc. at 1-212-834-4533, Morgan Stanley & Co. Incorporated at 1-866-718-1649 or Investor Communications of the issuer at 1-203-357-3950.