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

FORM 10-Q

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

For the quarterly period ended September 30, 2002

OR

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

Commission file Number: 000-32085

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

36-4392754

(I.R.S. Employer
Identification Number)

2401 Commerce Drive
Libertyville, Illinois 60048
(Address of Principal Executive Offices)

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

Indicate by check (X) whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES NO

As of October 31, 2002, there were 38,424,686 shares of the Registrant's \$0.01 par value common stock outstanding.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.

FORM 10-Q

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Effective January 8, 2001, Allscripts, Inc. acquired Channelhealth Incorporated, and each became a wholly owned subsidiary of a new holding company, Allscripts Healthcare Solutions, Inc., which was originally incorporated in Delaware as Allscripts Holding, Inc. on July 11, 2000. As a result of the merger transaction, each outstanding share of Allscripts, Inc. common stock was converted into one share of Allscripts Healthcare Solutions, Inc. common stock. Allscripts, Inc. no longer files reports with the Securities and Exchange Commission, and its common stock is no longer listed on the Nasdaq National Market; however, Allscripts Healthcare Solutions, Inc. does file reports with the Securities and Exchange Commission, and its common stock is listed on the Nasdaq National Market under the symbol "MDRX". In this report, "we", "us", "our" and "Allscripts", when referring to events prior to January 8, 2001, refer to our wholly owned subsidiary and predecessor, Allscripts, Inc., and, when referring to subsequent time periods, refer to Allscripts Healthcare Solutions, Inc. and its wholly owned subsidiaries, including Allscripts, Inc. and Channelhealth Incorporated, unless the context indicates otherwise.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

September 30, 2002	December 31, 2001
.....
(Unaudited)	

Assets

Current assets:

Cash and cash equivalents	\$18,471	\$34,124
Marketable securities	12,297	6,352
Accounts receivable, net of allowances of \$5,197 at September 30, 2002 and \$6,203 at December 31, 2001	16,803	13,811
Other receivables	2,005	1,372
Inventories	4,011	6,225
Prepaid expenses	3,056	2,573
Other current assets	391	389
Total current assets	57,034	64,846
Long-term marketable securities	35,453	37,814
Fixed assets, net	5,321	8,449
Intangible assets, net	4,187	4,783
Goodwill	733	733
Other assets	2,389	819
Total assets	\$105,117	\$ 117,444

Liabilities and Stockholders' Equity

Current liabilities:

Accounts payable	\$5,701	\$5,626
Accrued expenses	2,578	3,113
Accrued compensation	2,924	2,873
Accrued restructuring and other charges	1,439	2,991
Deferred revenue	4,480	3,882
Total current liabilities	17,122	18,485
Other non-current liabilities	145	325
Total liabilities	17,267	18,810

Preferred stock: Undesignated, \$0.01 par value, 1,000 shares authorized, no shares issued and outstanding at September 30, 2002 and December 31, 2001

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Common stock:

\$0.01 par value, 150,000 shares authorized, 38,459 issued, 38,425 shares outstanding at September 30, 2002; 38,050 shares issued, 38,016 shares outstanding at December 31, 2001	385	381
Additional paid-in capital	638,758	636,755
Unearned compensation	(160)	(404)
Treasury stock at cost: 34 shares of common stock at September 30, 2002 and December 31, 2001	(68)	(68)
Accumulated deficit	(551,491)	(538,306)

Accumulated other comprehensive income	426	276
Total stockholders' equity	87,850	98,634
Total liabilities and stockholders' equity	\$105,117	\$117,444

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

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

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2002	2001	2002	2001
	(Unaudited)			
Revenue:				
Prepackaged medications	\$12,799	\$11,613	\$37,758	\$36,895
Software and related services	4,819	3,937	14,276	12,638
Information services	2,388	904	6,839	2,693
Total revenue	20,006	16,454	58,873	52,226
Cost of revenue:				
Prepackaged medications	10,257	9,660	30,587	30,378
Software and related services	3,418	6,221	11,497	16,864
Information services	1,095	510	2,761	1,605
Restructuring and other charges	-	2,201	-	2,201
Total cost of revenue	14,770	18,592	44,845	51,048
Gross profit (loss)	5,236	(2,138)	14,028	1,178
Selling, general and administrative expenses	8,314	14,873	28,316	44,956
Amortization of intangible assets	135	18,478	407	54,984
Restructuring and other charges	600	6,435	600	6,435
Asset impairment charge	-	354,984	-	354,984
Write-off of acquired in-process research and development	-	-	-	3,000
Loss from operations	(3,813)	(396,908)	(15,295)	(463,091)
Interest income	591	1,073	2,064	4,187
Interest expense	(39)	(41)	(112)	(239)
Other income, net	62	7	158	398
Loss before income taxes	(3,199)	(395,869)	(13,185)	(458,745)
Income tax benefit	-	44,012	-	48,360

Net loss	(\$3,199)	(\$351,857)	(\$13,185)	(\$410,385)
Net loss per share - basic and diluted	(\$0.08)	(\$9.26)	(\$0.34)	(\$10.86)
Weighted-average shares of common stock outstanding used in computing net loss per share - basic and diluted	38,424	38,005	38,308	37,775

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

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

	Nine Months Ended	
	September 30,	
	2002	2001
	(Unaudited)	
Cash flows from operating activities:		
Net loss	(\$13,185)	(\$410,385)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,386	65,169
Restructuring and other charges	600	8,636
Asset impairment charge	-	354,984
Write-off of acquired in-process research and development	-	3,000
Non-cash compensation expense	244	381
Realized gain on investments	(98)	(172)
Deferred taxes	-	(48,360)
Provision for doubtful accounts	761	813
Changes in assets and liabilities, net of effects of acquisitions:		
Accounts receivable	(3,753)	(3,209)
Other receivables	(508)	3,811
Inventories	2,513	(1,693)
Prepaid expenses, other current and non-current assets	(287)	(172)
Accounts payable	75	(854)
Accrued expenses	(562)	(924)
Accrued compensation	51	(789)
Accrued restructuring and other charges	(1,512)	(861)
Deferred revenue	598	1,426
Other non-current liabilities	10	2
Net cash used in operating activities	(10,667)	(29,197)
Cash flows from investing activities:		
Capital expenditures	(1,681)	(2,733)
Purchase of marketable securities	(27,975)	(33,343)

Maturities of marketable securities	24,639	34,743
Capitalized software development costs	(1,813)	-
Cash used for acquisitions, net of acquired cash	-	(5,305)
	<hr/>	<hr/>
Net cash used in investing activities	(6,830)	(6,638)
Cash flows from financing activities:		
Payment of capital lease obligations	(163)	(124)
Proceeds from issuance of common stock	1,981	-
Proceeds from exercise of common stock options	26	22
	<hr/>	<hr/>
Net cash provided (used) by financing activities	1,844	(102)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(15,653)	(35,937)
Cash and cash equivalents, beginning of period	34,124	76,513
	<hr/>	<hr/>
Cash and cash equivalents, end of period	\$18,471	\$40,576
	<hr/>	<hr/>
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$38	\$55
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of common stock and options in acquisitions	-	\$226,000

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

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited, dollar and share amounts in thousands, except per-share amounts)

1. Basis of Presentation

The consolidated financial statements include the accounts of Allscripts Healthcare Solutions, Inc. and its wholly owned subsidiaries (collectively referred to as "Allscripts"). All significant intercompany accounts and transactions have been eliminated in consolidation. The quarterly financial information presented herein should be read in conjunction with Allscripts' audited consolidated financial statements and the accompanying notes included in our Annual Report on Form 10-K. The unaudited interim consolidated financial statements have been prepared on a basis consistent with those consolidated financial statements and reflect all adjustments (all of which are of a normal recurring nature) that are, in the opinion of management, necessary for a fair presentation of the results for the interim periods. The balance sheet as of December 31, 2001, was derived from Allscripts' audited financial statements. The results for the interim periods are not necessarily indicative of the results to be expected for the year. Certain reclassifications have been made in the prior period financial statements to conform to the current period presentation.

2. Revenue Recognition

As of September 30, 2002, there was \$649 of revenue earned on contracts in excess of billings and \$2,348 of billings in excess of revenue earned on contracts in progress. Billings on contracts where revenue has been earned in excess of billings are expected to occur according to the contract terms.

In November 2001, the Emerging Issues Task Force (EITF) issued consensus 01-14 (EITF 01-14), "Income Statement Characterization of Reimbursements for 'Out-of-Pocket' Expenses Incurred." The consensus requires that reimbursements for out-of-pocket expenses be classified as revenue in the statement of operations. The consensus is effective for fiscal years beginning after December 15, 2001. Allscripts has adopted EITF 01-14 and reimbursements are now being recorded as revenue with a corresponding increase in cost of revenue. Out-of-pocket expenses reimbursed by customers that were classified as revenue for the three months ended September 30, 2002 and 2001 were \$169 and \$39, respectively, and for the nine months ended September 30, 2002 and 2001 were \$438 and \$93, respectively. This classification had the effect of reducing gross margin percentage by 0.2% for both of the three and nine months ended September 30, 2002.

3. Comprehensive Loss

Comprehensive loss includes all changes in stockholders' equity during a period except those resulting from investments by owners and distributions to owners. Comprehensive loss for the three and nine months ended September 30, 2002 and 2001 consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Net loss	(\$3,199)	(\$351,857)	(\$13,185)	(\$410,385)
Other comprehensive income:				
Unrealized gain on marketable securities, net of taxes	208	249	150	346
Comprehensive loss	(\$2,991)	(\$351,608)	(\$13,035)	(\$410,039)

4. Restructuring and Other Charges

In July 2001, Allscripts announced and began implementation of a restructuring plan to realign its organization; prioritize its initiatives around high-growth areas of its business; focus on profitability; reduce operating expenses; improve efficiencies in light of recent acquisitions; and focus sales and service efforts on larger physician practices, academic medical centers, and integrated delivery networks. The restructuring plan included workforce and overhead reduction and the termination of certain unprofitable strategic agreements and customer relationships. All charges discussed in the following paragraphs were recorded as operating expenses in the statement of operations, except \$2,201 recorded during 2001, which was classified as cost of revenue.

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ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited, dollar and share amounts in thousands, except per-share amounts)

Restructuring

Workforce reduction

The restructuring plan will result in the termination of approximately 225 employees across all business functions, of which 197 were terminated as of September 30, 2002. The workforce reductions started in the third quarter of 2001 and were substantially completed by the end of the first quarter of 2002. As part of the restructuring charge, Allscripts recorded a workforce reduction charge in fiscal 2001 of \$3,317 consisting primarily of severance and related benefits, which will be paid out over time. During the three months ended September 30, 2002, an additional charge of \$186 was taken to satisfy the estimated remaining obligations as part of the workforce reduction.

Termination of agreements

Allscripts recorded a charge of \$1,053 in fiscal 2001 related to the termination of certain agreements and non-cancelable leases that were originally expected to increase product distribution and enhance product offerings. The charge includes estimated payments for the early termination of these agreements, all of which have been terminated, except the lease agreements, which will expire through January 2006.

Other Charges

Termination of unprofitable customer contracts

Allscripts recorded a charge in fiscal 2001 of \$4,266 related to the termination of unprofitable customer contracts. The termination of unprofitable customer contracts occurred in client sites where system utilization was low. The charge relates to the reduction of the carrying value of receivables to their expected realizable value and the costs for disposition of assets relating to these sites resulting from terminating the customer relationship.

Executive departure

Allscripts recorded a charge in the third quarter of 2002 of \$414 for severance costs in connection with the departure of our former chief financial officer.

A summary of the activity and balances of the restructuring and other charges reserve accounts is outlined as follows:

Activity During the Nine Months
Ended September 30, 2002

	Balance at December 31, 2001	Accrual	Write-offs	Cash Payments	Balance at September 30, 2002
Restructuring					
Workforce reduction	\$1,693	\$186	\$ -	(\$1,171)	\$708
Termination of agreements	658	-	-	(341)	317
Subtotal	2,351	186	-	(1,512)	1,025
Other charges					
Termination of unprofitable customer contracts and strategic agreements	640	-	(640)	-	-
Executive departure	-	414	-	-	414
Total	\$2,991	\$600	(\$640)	(\$1,512)	\$1,439

At September 30, 2002 and December 31, 2001, Allscripts had reclassified reserves of \$0 and \$1,512, respectively, to a contra asset account in accounts receivable. During the nine months ended September 30, 2002, Allscripts had write-offs of \$1,512 of accounts receivable related to terminated customer relationships.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Unaudited, dollar and share amounts in thousands, except per-share amounts)

5. Net Loss Per Share

Allscripts accounts for net loss per share in accordance with Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share," which requires the presentation of basic and diluted earnings per share. Basic loss per share is computed by dividing the net loss by the weighted average shares of outstanding common stock (including additional shares that may be issued pursuant to business combinations). For purposes of calculating diluted loss per share, the denominator includes both the weighted average shares of common stock outstanding (including shares to be issued pursuant to business combinations) and dilutive common stock equivalents.

In accordance with SFAS No. 128, basic and diluted net loss per share have been computed using the weighted average number of shares of common stock outstanding during the period. Allscripts has excluded the impact of all outstanding warrants and options to purchase shares of common stock because all such securities are antidilutive for all periods presented. Antidilutive potential common stock securities excluded from the diluted loss per share computation consisted of 8,075 and 7,100 options and 3 and 8 warrants at September 30, 2002 and 2001, respectively.

6. Business Segments

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

Allscripts currently organizes its business around groups of similar products, which results in three reportable

segments: prepackaged medications; software and related services; and information services. The prepackaged medications segment derives its revenue from the repackaging, sale, and distribution of medications. The software and related services segment derives its revenue from the sale and installation of software that provides point-of-care decision support solutions. The information services segment primarily derives its revenue from the sale of interactive physician education sessions. All corporate operating expenses are allocated to each reportable segment, using a reasonable basis for each expense. Allscripts does not allocate interest income, interest expense, other income or income tax benefit to its operating segments.

Allscripts allocates depreciation and amortization to each segment, but does not allocate the related assets. Consequently, Allscripts does not report its assets by segment.

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2002	2001	2002	2001
Revenue:				
Prepackaged medications	\$12,799	\$11,613	\$37,758	\$36,895
Software and related services	4,819	3,937	14,276	12,638
Information services	2,388	904	6,839	2,693
Total revenue	\$20,006	\$16,454	\$58,873	\$52,226
Depreciation and amortization:				
Prepackaged medications	\$270	\$1,010	\$957	\$3,026
Software and related services	981	20,471	3,211	61,183
Information services	47	120	218	960
Total depreciation and amortization	\$1,298	\$21,601	\$4,386	\$65,169
Profit (loss) from operations:				
Prepackaged medications	\$548	(\$9,813)	\$1,600	(\$9,602)
Software and related services	(4,518)	(386,459)	(17,680)	(450,615)
Information services	157	(636)	785	(2,874)
Total loss from operations	(3,813)	(396,908)	(15,295)	(463,091)
Net interest and other income	614	1,039	2,110	4,346
Total loss before income taxes	(\$3,199)	(\$395,869)	(\$13,185)	(\$458,745)

7. Goodwill Amortization

As of January 1, 2002, Allscripts adopted SFAS No. 142, "Goodwill and Other Intangible Assets." SFAS No. 142 eliminates the requirement to amortize goodwill. The transitional impairment test required within the first six months of the adoption of SFAS No. 142 has been performed. No indicators of impairment for any reporting unit were identified as a result of the transitional impairment test.

The following table is a reconciliation of reported net loss and basic and diluted loss per share to adjusted net loss and basic and diluted loss per share reflecting the impact if SFAS No. 142 had been effective for the three and nine months ended September 30, 2001:

	For the Three Months Ended		For the Nine Months Ended	
	September 30,		September 30,	
	2002	2001	2002	2001
Reported net loss	(\$3,199)	(\$351,857)	(\$13,185)	(\$410,385)
Goodwill amortization	-	14,611	-	43,563
Adjusted net loss	(\$3,199)	(\$337,246)	(\$13,185)	(\$366,822)
Per-share data - basic and diluted:				
Reported net loss	(\$0.08)	(\$9.26)	(\$0.34)	(\$10.86)
Goodwill amortization	-	0.39	-	1.15
Adjusted net loss	(\$0.08)	(\$8.87)	(\$0.34)	(\$9.71)

Amortization of intangible assets for the three and nine months ended September 30, 2002 totaled \$127 and \$471, respectively. The following table reflects the carrying amounts and accumulated amortization for each type of intangible asset:

	September 30, 2002			December 31, 2001		
	Carrying Amount	Accumulated Amortization	Intangible Assets, Net	Carrying Amount	Accumulated Amortization	Intangible Assets, Net
Software	\$149	\$149	\$-	\$149	\$61	\$88
Strategic agreements	4,700	513	4,187	4,825	130	4,695
Total	\$4,849	\$662	\$4,187	\$4,974	\$191	\$4,783

Allscripts estimates that the amortization expense will be \$126 for the remainder of 2002 and \$506 per year for the next five fiscal years.

8. Subsequent Event

On October 9, 2002, certain Allscripts executives forfeited 538 of their outstanding stock options with an average exercise price of \$34.22 per share.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Dollar amounts in thousands)

Overview

We provide point-of-care medication management and physician decision support solutions that focus on addressing the needs of physicians, managed care payers and plans, and pharmaceutical manufacturers.

From our inception in 1986 through 1996, we focused almost exclusively on the sale of prepackaged medications to physicians, in particular those with a high percentage of fee-for-service patients. The advent of managed prescription benefit programs required providers to obtain reimbursement for medications dispensed from managed care organizations rather than directly from their patients. This new reimbursement methodology made it more difficult for our physician customers to dispense medications to their patient base.

In 1997, under the direction of our new executive management team, we focused our efforts on the information aspects of medication management, including the development of technology tools necessary for electronic prescribing, routing of prescription information and submission of medication claims for managed care reimbursement. In January 1998, we introduced the first version of our TouchWorks software that fully incorporated these features. At the same time, we redirected our sales and marketing efforts away from our traditional fee-for-service customer base to physicians who have a large percentage of managed care patients. We recognized that there was a larger market opportunity among physicians whose patients are covered by managed care plans because the portion of prescriptions covered by managed care plans was increasing relative to the portion of fee-for-service prescriptions. Further, we believe that our technology can give us a competitive advantage where more patients' prescriptions are covered by managed care plans because our products streamline the process by which physicians, managed care organizations and patients interact. In addition, we believe that the managed care market provides us with the opportunity to realize higher margins on our software products.

We believe that managed care prescription programs will continue to cover an increasing percentage of patients in the foreseeable future. This trend will have the effect of reducing the dispensing opportunities of our traditional dispensing customers because of their inability to submit claims electronically for reimbursement by managed care payers. This reduction in dispensing opportunities could reduce the revenue that we have historically recognized from these customers. Additionally, managed care programs impose reduced reimbursement rates for the medications dispensed to their plan participants, thus providing us with a dollar margin per prescription dispensed that is lower than we have historically experienced. Because TouchWorks enables physicians to submit claims electronically for reimbursement by managed care payers, a large portion of the medications dispensed by our TouchWorks customers is dispensed to managed care patients. Accordingly, we expect that this portion of our business will provide margins with respect to the sale of prepackaged medications that are lower than we have historically experienced. In addition, we expect that seasonal variances in demand for our products and services will continue. Historically, all other factors aside, our sales of prepackaged medications have been highest in the fall and winter months.

In addition to medication management, there are other aspects of the physician's daily work flow that we address through technology-focused solutions. We have enhanced and intend to continue to enhance our current offerings by integrating new products and services. In May 2000, we acquired MasterChart, Inc., a software developer providing dictation, integration and patient record technology, and Medifor, Inc., a provider of electronic patient education. In addition, on January 8, 2001, we acquired Channelhealth Incorporated, a software developer providing modular software for physicians to access medical information and manage clinical workflow. Our TouchWorks software now provides a full electronic medical record for physicians practicing in an ambulatory environment.

In July 2001, we announced and began implementation of a restructuring plan to realign our organization; prioritize our initiatives around high-growth areas of our business; focus on profitability; reduce operating expenses; improve efficiencies in light of the aforementioned acquisitions; and focus sales and service efforts on larger physician practices, academic medical centers, and integrated delivery networks. The restructuring plan includes workforce and overhead reduction, and the termination of certain strategic agreements and unprofitable customer contracts. As a result of the restructuring plan, we recorded restructuring and other charges of \$8,636 during the third quarter of 2001, of which \$6,435 was classified as operating expenses and \$2,201 was classified as cost of revenue. As part of the same restructuring plan, we recorded an additional charge of \$186 during the third quarter of 2002. In addition, certain events and changes in circumstances caused us to conduct a review of the carrying value of our goodwill and purchased intangible assets. These events included the restructuring plan, the business climate, which has generated valuation declines of enterprises in our industry, and the failure of certain assets to generate the cash flows that were projected at the time of acquisition. As a result of this review, we recorded an asset impairment charge of \$354,984

during 2001.

We currently operate in three reporting business segments: prepackaged medications; software and related services; and information services. Software and related services include revenue from software licenses, computer hardware, and related services. Information services include physician education and information products.

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

(Dollar amounts in thousands)

The following table illustrates the quarterly revenue trend for the three reportable segments for the quarters ended (unaudited):

	2001				2002		
	March 31,	June 30,	Sept. 30,	Dec. 31,	March 31,	June 30,	Sept. 30,
Prepackaged medications	\$12,563	\$12,719	\$11,613	\$12,777	\$12,479	\$12,480	\$12,799
Software and related services	3,322	5,379	3,937	4,455	4,439	5,018	4,819
Information services	714	1,075	904	1,459	1,855	2,596	2,388
Total revenue	\$16,599	\$19,173	\$16,454	\$18,691	\$18,773	\$20,094	\$20,006

Three and Nine Months Ended September 30, 2002 Compared to Three and Nine Months Ended September 30, 2001

Prepackaged Medications

Prepackaged medications revenue increased by 10.2%, or \$1,186, from \$11,613 for the three months ended September 30, 2001 to \$12,799 for the same period in 2002. Prepackaged medications revenue increased by 2.3%, or \$863, from \$36,895 in the first nine months of 2001 to \$37,758 in the first nine months of 2002. The increase in both periods reflects an increase in the average selling prices of medications sold, due primarily to general price inflation, offset by a decrease in the volume of prepackaged medications sold resulting from the termination of unprofitable customer arrangements.

Cost of revenue for prepackaged medications for the three months ended September 30, 2002 increased by 6.2%, or \$597, from \$9,660 in 2001 to \$10,257 in 2002. Cost of revenue for prepackaged medications for the nine months ended September 30, 2002 increased by 0.7%, or \$209, from \$30,378 in 2001 to \$30,587 in 2002. The increase in both periods was due to increased cost per unit sold partially offset by more favorable buying arrangements with suppliers.

Operating expenses for prepackaged medications for the three months ended September 30, 2002 decreased by 83.1%, or \$9,772, from \$11,766 in 2001 to \$1,994 in 2002. Operating expenses for prepackaged medications for the nine months ended September 30, 2002 decreased by 65.4%, or \$10,548, from \$16,119 in 2001 to \$5,571 in 2002. The decrease in both periods was primarily due to an intangible asset impairment charge of \$7,425 included in the 2001 results, lower intangible amortization expense in 2002 resulting from the aforementioned intangible asset impairment charge, and the elimination of the requirement to amortize goodwill pursuant to Statement of Financial Accounting Standards (SFAS) No. 142, "Goodwill and Other Intangible Assets" starting in fiscal year 2002.

Software and Related Services

Software and related service revenue for the three months ended September 30, 2002 increased by 22.4%, or \$882, from \$3,937 in 2001 to \$4,819 in 2002. Software and related service revenue for the nine months ended September 30, 2002 increased by 13.0%, or \$1,638, from \$12,638 in 2001 to \$14,276 in 2002. The increase in both periods reflects an increase in sales of our integrated content and clinical workflow products, partially offset by lower revenue derived from our software sales to smaller physician practices as a result of a decision we made in 2001 to focus sales and service efforts on larger physician practices, and by our exit from unprofitable customer arrangements.

Cost of revenue for software and related services decreased by 59.4%, or \$5,004, from \$8,422 in the third quarter of 2001 to \$3,418 in the third quarter of 2002. Cost of revenue for software and related services decreased by 39.7%, or \$7,568, from \$19,065 in the first nine months of 2001 to \$11,497 in the first nine months of 2002. We recorded a charge of \$2,201 related to the exit of unprofitable customer relationships during the third quarter of 2001. The remainder of the decrease in both periods was primarily due to lower amortization expense of acquired software and lower depreciation expense due to the decision to exit unprofitable customer contracts, offset by increased cost of implementation, training, and support.

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

(Dollar amounts in thousands)

Operating expenses for software and related services for the three months ended September 30, 2002 decreased by 98.5%, or \$376,055, from \$381,974 in 2001 to \$5,919 in 2002. Operating expenses for software and related services for the nine months ended September 30, 2002 decreased by 95.4%, or \$423,729, from \$444,188 in 2001 to \$20,459 in 2002. The decrease in both periods was primarily due to an intangible asset impairment charge of \$347,559 being taken in the third quarter of 2001. In addition, intangible amortization expense was lower in 2002 resulting from the aforementioned intangible asset impairment charge taken during 2001, and the elimination of the requirement to amortize goodwill pursuant to SFAS No. 142. Operating expenses were also lower as a result of workforce reductions that were aimed at improving efficiencies in light of acquisitions made during 2001 and 2000, the decision to focus sales and service efforts on larger physician practices, and the subsidization of marketing expenses by our strategic partners. Also, during the three and nine months ended September 30, 2002, we capitalized \$1,069 and \$1,813, respectively, of software development costs pursuant to SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed." During the nine months ended September 30, 2001, we also recorded a write-off of acquired in-process research and development of \$3,000 related to an acquisition.

Information Services

Information services revenue increased by 164.2%, or \$1,484, from \$904 in the third quarter of 2001 to \$2,388 in 2002. Information services revenue increased by 154.0%, or \$4,146, from \$2,693 in the first nine months of 2001 to \$6,839 in 2002. The increase in both periods in information services revenue reflects an increase in the number of interactive physician education programs sold and completed.

Cost of revenue for information services for the three months ended September 30, 2002 increased 114.7%, or \$585, from \$510 in 2001 to \$1,095 in 2002. Cost of revenue for information services for the nine months ended September 30, 2002 increased 72.0%, or \$1,156, from \$1,605 in 2001 to \$2,761 in 2002. The increase in both periods was due to a higher number of physician education sessions completed.

Operating expenses for information services for the three months ended September 30, 2002 increased by 10.3%, or \$106, from \$1,030 in 2001 to \$1,136 in 2002. Operating expenses for information services for the nine months ended September 30, 2002 decreased by 16.9%, or \$669, from \$3,962 in 2001 to \$3,293 in 2002. The increase for the three months ended September 30, 2002, was primarily due to increased sales and marketing efforts. The decrease for the nine months ended September 30, 2002, was primarily due to lower intangible amortization expense as the related intangible asset was fully amortized during 2001.

Interest Income and Income Taxes

Interest income for the three months ended September 30, 2002 was \$591 as compared to \$1,073 for the same period in the prior year. Interest income for the nine months ended September 30, 2002 was \$2,064 as compared to

\$4,187 for the same period in the prior year. The decrease for both periods related to lower average cash and marketable securities balance and a decrease in the average interest rates earned on our investments during 2002.

We recorded a benefit for income taxes during the three and nine months ended September 30, 2001 of \$44,012 and \$48,360, respectively, from the reversal of deferred tax liabilities related to the amortization and impairment write-down of non-goodwill intangible assets. No other provision or tax benefit for income taxes was recorded in any period presented because we currently anticipate that annual income taxes payable will be minimal or zero, and we have provided a valuation allowance for our net deferred tax assets.

Liquidity and Capital Resources

At September 30, 2002, our principal sources of liquidity consisted of \$18,471 of cash and cash equivalents and \$47,750 of marketable securities for a total of \$66,221 in cash, cash equivalents and marketable securities. At September 30, 2002, we had working capital of \$39,912 and an accumulated deficit of \$551,491.

Net cash used in operating activities was \$10,667 for the nine months ended September 30, 2002. Cash used in operating activities resulted primarily from a loss from operations of \$13,185, partially offset by depreciation and amortization of \$4,386. Accounts receivable increased by \$3,753 in the nine months ended September 30, 2002, primarily due to growth in revenue. Inventories decreased by \$2,513 during the nine months ended September 30, 2002, due to the sale of certain medications that we previously purchased in advance where shortages were expected and the reduction of technology inventory as a result of a change in the amount of inventory required by the software and related services business. Accrued restructuring and other charges decreased by \$1,512 during the nine months ended September 30, 2002, primarily due to cash payments made for employee severance arrangements.

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

(Dollar amounts in thousands)

Net cash used in investing activities was \$6,830 for the nine months ended September 30, 2002. Cash used in investing activities resulted primarily from net purchases of marketable securities of \$3,336. In addition, we capitalized software development costs of \$1,813 during the nine months ended September 30, 2002. Also, capital expenditures were \$1,681 for the nine months ended September 30, 2002 as a result of capital outlays to support the future growth of our business. Currently, we have no material commitments for capital expenditures, although we anticipate ongoing capital expenditures in the range of \$500 to \$600 per quarter in the ordinary course of business.

Net cash provided by financing activities was \$1,844 for the nine months ended September 30, 2002, primarily as a result of the sale of common stock to a strategic partner in the first quarter of 2002.

The following table summarizes our contractual obligations at September 30, 2002, and the effect such obligations are expected to have on our liquidity and cash in future periods:

	Total	Remainder of 2002	2003-2004	2005+
Contractual obligations:				
Non-cancelable capital leases	\$253	\$67	\$186	\$-
Non-cancelable operating leases	6,056	229	1,873	3,954
Marketing programs	1,600	400	1,200	-
Total contractual cash obligations	\$7,909	\$696	\$3,259	\$3,954

We believe that our existing cash, cash equivalents and marketable securities will be sufficient to meet the anticipated

cash needs of our current business for at least the next twelve months. However, any projections of future cash needs and cash flows are subject to substantial uncertainty. We will, from time to time, consider the acquisition of, or investment in, complementary businesses, products, services and technologies, which might impact our liquidity requirements or cause us to issue additional equity or debt securities. There can be no assurance that financing will be available in the amounts or on terms acceptable to us, if at all.

Critical Accounting Policy

Software Capitalization

In accordance with SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed," we capitalize certain computer software development costs. Prior to 2002, we had only capitalized approximately \$50 of computer software development costs. Through the first nine months of 2002, we have capitalized \$1,813 of computer software development costs.

Costs are capitalized upon the establishment of technological feasibility. Technological feasibility is established upon completion of all planning, designing, and testing activities that are necessary to establish that the product can be produced to meet its design specifications including functions, features, and technical performance requirements, which is generally evidenced by a detailed program design. Capitalization of costs occurs from this point until the product is available for general release to our customers.

At each balance sheet date, we compare the carrying value of each capitalized software product to its estimated net realizable value, which is determined by estimating future gross revenues from that product reduced by the estimated future costs of completing and disposing of that product, including the costs of performing maintenance and customer support required to satisfy our responsibility set forth at the time of sale.

We amortize capitalized software costs for product available for general release based upon the greater of the ratios that current gross revenues for a product bear to the total of current and anticipated future gross revenues for that product, or the straight-line method over the estimated useful life of the product.

Significant management judgment and estimates are utilized in the assessment of when technological feasibility is established, as well as in the ongoing assessment of the recoverability of capitalized costs. If we determine in the future that the carrying value of the capitalized software is not realizable, a write-down of the carrying value of the capitalized software to its estimated net realizable value would be required. Factors that affect our assessment of net realizable value include: the estimated useful life of the product; the level of revenues which are expected to be generated in the future; the level of costs which are expected to be incurred in completion, sale, and support of the product; and identification of any high risk development issues which may render a product, for which costs have been capitalized, unsaleable.

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

(Dollar amounts in thousands)

A full discussion of all critical accounting policies is included in the Management's Discussion and Analysis Section of our Annual Report on Form 10-K for the year ended December 31, 2001.

Safe Harbor For Forward-Looking Statements

This report, including "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Notes to Consolidated Financial Statements," and statements we or our representatives make may contain forward-looking statements that involve risks and uncertainties. We develop forward-looking statements by combining currently available information with our beliefs and assumptions. These statements often contain words like believe, expect, anticipate, intend, contemplate, seek, plan, estimate or similar expressions. Forward-looking statements do not guarantee future performance. Recognize these statements for what they are and do not rely upon them as facts.

Forward-looking statements involve risks, uncertainties and assumptions, including, but not limited to, those discussed in this report. We make these statements under the protection afforded them by Section 21E of the Securities Exchange Act of 1934. Because we cannot predict all of the risks and uncertainties that may affect us, or

control the ones we do predict, our actual results may be materially different from the results we express in our forward-looking statements. Unless otherwise required by applicable securities laws, we disclaim any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

For a more complete discussion of the risks, uncertainties and assumptions that may affect us, see our Annual Report on Form 10-K for the fiscal year ended December 31, 2001.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

As of September 30, 2002, we did not own any derivative instruments, but we were exposed to market risks, primarily changes in U.S. interest rates. As of September 30, 2002, we had cash, cash equivalents and marketable securities in financial instruments of \$66,221. Maturities range from less than one month to approximately 21 years. Declines in interest rates over time will reduce our interest income from our investments. Based upon our balance of cash, cash equivalents and marketable securities as of September 30, 2002, a decrease in interest rates of 1.0% would cause a corresponding decrease in our annual interest income of approximately \$662.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures

Our Chief Executive Officer and Chief Financial Officer have reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in the Securities Exchange Act of 1934 Rules 13a-14(c) and 15d-14(c)) as of a date within 90 days of the filing date of this quarterly report on Form 10-Q (the "Evaluation Date"). Based on their review and evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, our disclosure controls and procedures were adequate and effective to ensure that material information relating to us and our consolidated subsidiaries has been made known to them in a timely manner, particularly during the period in which this quarterly report on Form 10-Q was being prepared, and that no changes are required at this time.

(b) Changes in Internal Controls

There have been no significant changes in our internal controls or in other factors that could significantly affect our internal controls subsequent to the Evaluation Date, or any significant deficiencies or material weaknesses in such internal controls requiring corrective actions. As a result, no corrective actions have been taken.

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PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

(A) Exhibits -- See Index to Exhibits.

(B) Reports on Form 8-K.

Allscripts filed a report on Form 8-K dated October 9, 2002 in connection with the announcement of the hiring of a new Chief Financial Officer.

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SIGNATURES

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 thereunto duly authorized.

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.
(Registrant)

By: /s/ William J. Davis
William J. Davis
Chief Financial Officer
(Duly Authorized Officer and
Principal Financial Officer)

Date: November 14, 2002

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Certification of Chief Executive Officer

I, Glen E. Tullman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allscripts Healthcare Solutions, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. designed such disclosure controls and procedures to ensure the material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weakness in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there

were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ Glen E. Tullman
Chief Executive Officer

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Certification of Chief Financial Officer

I, Glen E. Tullman, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Allscripts Healthcare Solutions, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a. designed such disclosure controls and procedures to ensure the material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b. evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c. presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a. all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weakness in internal controls; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 14, 2002

/s/ William J. Davis
Chief Financial Officer

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INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>	<u>References</u>
2.1	Agreement and Plan of Merger, dated as of March 13, 2000, among Allscripts, Inc., MC Acquisition Corp., MasterChart, Inc. and certain shareholders of MasterChart, Inc., together with a list of exhibits and schedules thereto. Such exhibits and schedules are not filed, but the Registrant undertakes to furnish a copy of any such exhibit or schedule to the Securities and Exchange Commission upon request.	Incorporated herein by reference from the Allscripts, Inc. Current Report on Form 8-K filed on May 24, 2000, as amended on July 24, 2000 and July 25, 2000
2.2	Amendment No. 1 to Agreement and Plan of Merger, dated as of May 9, 2000, by and among Allscripts Inc., MC Acquisition Corp., MasterChart, Inc. and certain shareholders of MasterChart, Inc.	Incorporated herein by reference from the Allscripts, Inc. Current Report on Form 8-K filed on May 24, 2000, as amended on July 24, 2000 and July 25, 2000
2.3	Agreement and Plan of Merger, dated as of April 12, 2000, among Allscripts, Inc., WebDoc Acquisition Corp., Medifor, Inc. and certain shareholders of Medifor, Inc., together with a list of exhibits and schedules thereto. Such exhibits and schedules are not filed, but the Registrant undertakes to furnish a copy of any such exhibit or schedule to the Securities and Exchange Commission upon request.	Incorporated herein by reference from the Allscripts, Inc. Current Report on Form 8-K filed on May 31, 2000, as amended on July 25, 2000
2.4	Agreement and Plan of Merger, dated as of July 13, 2000, by and among Allscripts Holding, Inc., Allscripts, Inc., Bursar Acquisition, Inc., Bursar Acquisition No. 2, Inc., IDX Systems Corporation, and Channelhealth Incorporated.	Incorporated herein by reference from the Allscripts, Inc. Current Report on Form 8-K filed on July 27, 2000
2.5	First Amendment to Agreement and Plan of Merger, entered into as of November 29, 2000, by and among Allscripts Holding, Inc., Allscripts, Inc., Bursar Acquisition, Inc., Bursar Acquisition No. 2, Inc., IDX Systems Corporation, and Channelhealth Incorporated.	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Registration Statement on Form S-4 as part of Amendment No. 1 filed on December 7, 2000 (SEC file no. 333-49568)
3.1	Amended and Restated Certificate of Incorporation of Allscripts Healthcare Solutions, Inc. (formerly named Allscripts Holding, Inc.).	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Registration Statement on Form S-4 as part of Amendment No. 1 filed on December 7, 2000 (SEC file no. 333-49568)
3.2	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Allscripts Healthcare Solutions, Inc. (formerly named Allscripts Holding, Inc.).	Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Registration Statement on Form S-4 as part of Amendment No. 1 filed on December 7, 2000 (SEC file no. 333-49568)
3.3	Certificate of Amendment of Amended and Restated Certificate of Incorporation of	Incorporated herein by reference from the Allscripts Healthcare

Allscripts Healthcare Solutions, Inc. (formerly named Allscripts Holding, Inc.).

Solutions, Inc. Registration Statement on Form S-4 as part of Amendment No. 1 filed on December 7, 2000 (SEC file no.333-49568)

3.4 Bylaws of Allscripts Healthcare Solutions, Inc.(formerly named Allscripts Holding, Inc.).

Incorporated herein by reference from the Allscripts Healthcare Solutions, Inc. Registration Statement on Form S-4 as part of Amendment No. 1 filed on December 7, 2000 (SEC file no. 333-49568)

INDEX TO EXHIBITS (continued)

<u>Exhibit Number</u>	<u>Description</u>	<u>References</u>
10.1	Employment Agreement, dated as of July 8, 2002, between Allscripts, Inc. and Glen E. Tullman.	
10.2	Employment Agreement, dated as of July 8, 2002, between Allscripts, Inc. and Lee Shapiro.	
10.3	Employment Agreement, dated as of July 8, 2002, between Allscripts, Inc. and Joe Carey.	
10.4	Employment Agreement, dated as of July 8, 2002, between Allscripts, Inc. and Scott Leisher.	
10.5	Separation Agreement and General Release, dated as of September 13, 2002, between Allscripts Healthcare Solutions, Inc. and David B. Mullen.	
10.6	First Amendment, dated July 31, 2002, among Allscripts Healthcare Solutions, Inc., Bergen Brunswig Drug Company doing business as AmerisourceBergen and Allscripts, Inc., to Pharmacy Services Prime Vendor Agreement, dated as of February 1, 2002, between Allscripts Healthcare Solutions, Inc. and Bergen Brunswig Drug Company doing business as AmerisourceBergen.	
99.1	Certification of Chief Executive Officer and Chief Financial Officer	

ALLSCRIPTS, INC.**EMPLOYMENT AGREEMENT**

THIS EMPLOYMENT AGREEMENT, (this "Agreement") is made as of this 8th day of July, 2002, by and between Allscripts, Inc., a corporation organized and existing under the laws of the State of Illinois, with its principal place of business at 2401 Commerce Drive, Libertyville, Illinois 60048 ("Company") and Glen Tullman ("Executive").

RECITALS

WHEREAS, Company desires to employ Executive as its Chairman and Chief Executive Officer; and

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

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

AGREEMENT**1. Employment.**

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

2. Effective Date and Term.

The initial term of Executive's employment by Company under this Agreement shall commence as of July 8, 2002 (the "Effective Date") and shall continue in effect for a term of three (3) years, unless earlier terminated as provided herein. Thereafter, this Agreement shall automatically renew for additional and successive terms of one (1) year each, unless either Company or Executive elects not to renew this Agreement upon the expiration of the initial term or any renewal term by providing written notice of such non-renewal to the other party at least one hundred eighty (180) days prior to the expiration of the then current term. As used herein, the term "Employment Period" shall mean the period of from the Effective Date until the termination of the Agreement (i) for non-renewal pursuant to this Section 2, or (ii) pursuant to Section 4 herein.

3. Compensation and Benefits.

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

3.1 Base Salary. During the Employment Period, Company shall pay to Executive an annual base salary at a rate of two hundred twenty-five thousand dollars (\$250,000) per annum, subject to all appropriate federal and state withholding taxes, which base salary shall be payable in accordance with Company's normal payroll practices and procedures. Executive's base salary shall be reviewed annually prior to the beginning of each Fiscal Year (as defined below) during the Employment Period by the Board of Directors of Company (the "Board"), or a committee of the Board, and may be increased in the sole discretion of the Board, or such committee of the Board, based on Executive's performance during the preceding Fiscal Year. For purposes of this Agreement, the term "Fiscal Year" shall mean the fiscal year of the Company, commencing on January 1 of each year and ending on December 31. Executive's base salary, as such base salary may be increased annually hereunder, is hereinafter referred to as the "Base Salary."

3.2 Performance Bonus. Executive shall be eligible to receive a cash bonus with respect to each Fiscal Year of Company that ends during the term of this Agreement (the "Performance Bonus"). Payment of the Performance Bonus, if any, will be subject to the sole discretion of the Board or a committee of the Board, and the amount of any such Performance Bonus will be determined by, and based upon criteria selected by, the Board or such committee, but in no event shall be less than seventy-five thousand dollars (\$75,000).

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

3.3.1 Vacation. Executive shall be entitled to twenty (20) business days per Fiscal Year of paid vacation, such vacation time not to be cumulative (i.e., vacation time not taken in any Fiscal Year shall not be carried forward and used in any subsequent Fiscal Year).

3.3.2 Participation in Benefit Plans. Executive shall be entitled to health and/or dental benefits, including immediate coverage for Executive and his eligible dependents, which are generally available to Company's senior executive employees and as provided by Company in accordance with its group health insurance plan coverage. In addition, Executive shall be entitled to participate in any profit sharing plan, retirement plan, group life insurance plan or other insurance plan or medical expense plan maintained by the Company for its senior executives generally, in accordance with the general eligibility criteria therein.

3.3.3 Physical Examination. Executive shall be entitled to receive reimbursement for the cost of one general physical examination per twelve (12) month period during the term of the Agreement from a physician chosen by Executive in his reasonable discretion.

3.3.4 Office Expenses. Executive shall be entitled to an allowance for personal office expenses, up to a maximum amount of one thousand five hundred dollars (\$1,500) per month.

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

3.3.6 Indemnification. Executive shall be entitled to indemnification (including immediate advancement of all legal fees with respect to any claim for indemnification) and directors' and officers' insurance coverage, to the extent made available to other senior executives, in accordance with the Bylaws and all other applicable policies and procedures of Company.

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

3.5 Stock Awards. Executive shall be eligible to participate in any applicable stock bonus, stock option, or similar plan implemented by Company and generally available to its senior executive employees, including, without limitation, Company's Amended and Restated 1993 Stock Incentive Plan approved by the Board and Company's shareholders on or about June 7, 1999 (the "Plan") for the grant of options to Executive as approved by the Board.

4. Termination of the Agreement Prior To the Expiration.

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

4.1 Termination upon Death or Disability of Executive.

4.1.1 This Agreement and the Employment Period shall terminate immediately upon the death of Executive. In such event, all rights of Executive and/or Executive's estate (or named beneficiary) shall cease except for the right to receive payment of the amounts set forth in Section 4.5.4 of the Agreement.

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

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

4.2.1 the willful or grossly negligent failure by Executive to perform his duties and obligations hereunder in any material respect, other than any such failure resulting from the disability of Executive;

4.2.2 Executive's conviction of a crime or offense involving the property of Company, or any crime or offense constituting a felony or involving fraud or moral turpitude; provided that, in the event that Executive is arrested or indicted for a crime or offense related to any of the foregoing, then Company may, at its option, place Executive on paid leave of absence, pending the final outcome of such arrest or indictment;

4.2.3 Executive's violation of any law, which violation is materially and demonstrably injurious to the operations or reputation of Company; or

4.2.4 Executive's material violation of any generally recognized policy of Company, Executive's refusal to follow the lawful directions of the Board, or Executive's insubordination to his supervisor.

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

4.3 Termination without Cause. Either party may terminate this Agreement and the Employment Period without cause upon thirty (30) days prior written notice to the other party. If either party elects not to renew this Agreement for any renewal period pursuant to Section 2

hereof, such election shall not constitute a termination of the Employment Period without cause.

4.4 Termination by Executive for Constructive Discharge.

4.4.1 Executive may terminate this Agreement and the Employment Period, in accordance with the process set forth below, a result of a Constructive Discharge. For purposes of this Agreement "Constructive Discharge" shall mean:

(i) a failure of Company to meet its obligations in any material respect under this Agreement, including, but not limited to, any reduction in or failure to pay the Base Salary;

(ii) a material diminution in or other substantial adverse alteration in the nature or scope of Executive's responsibilities with Company;

(iii) Executive has been asked to relocate his principal place of business to a location that is more than fifty (50) miles from Company's offices located in Libertyville, Illinois; or

(iv) there has been a Change of Control of Company.

4.4.2 For purposes of this Agreement, a "Change of Control" shall mean any one of the following events:

(i) the acquisition by any person or group of beneficial ownership of stock possessing more than thirty percent (30%) of the outstanding securities of Company which generally entitle the holder thereof to vote for the election of directors ("Voting Power"), except that (a) no such person or group shall be deemed to own beneficially (1) any securities acquired directly from Company pursuant to a written agreement with Company, or (2) any securities held by the company or a subsidiary of Company ("Subsidiary"), or any employee benefit plan (or related trust) of Company or a Subsidiary; and (b) no Change in Control shall be deemed to have occurred solely by reason of any such acquisition by a corporation with respect to which, after such acquisition, more than sixty percent (60%) of the then outstanding shares of common stock of such corporation and the Voting Power of such corporation are then beneficially owned, directly or indirectly, by the persons who were the beneficial owners of the stock and Voting Power of Company immediately before such acquisition, in substantially the same proportions as their ownership immediately before such acquisition; or

(ii) the individuals who constitute the Board as of the date of this Agreement (the "Incumbent Board") cease for any reason other than their deaths to constitute at least a majority of the Board; provided that any individual who becomes a director after the date of this Agreement whose election or nomination for election by Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then comprising the Incumbent Board shall be considered, for purposes of this section, as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Company (as such terms are used in Rule 14a-11 under the 1934 Act); or

(iii) Company effects: (a) a merger, reorganization or consolidation of Company with respect to which the individuals and entities who were the respective beneficial owners of the shares of common stock and Voting Power of Company immediately before such merger, reorganization or consolidation do not, immediately after such merger, reorganization or consolidation, beneficially own, directly or indirectly, more than sixty percent (60%) of, respectively, the then outstanding shares of common stock and the Voting Power of the corporation resulting from such merger, reorganization, or consolidation; (b) a liquidation or dissolution of Company; or (c) a sale or other disposition of all or substantially all of the assets of Company.

4.4.3 For purpose of the foregoing definition, the terms "beneficially owned" and "beneficial ownership" and "person" shall have the meanings ascribed to them in SEC rules 13d-5(b) under the 1934 Act, and "group" means two or more persons acting together in such a way to be deemed a person for purposes of Section 13(d) of the 1934 Act.

4.4.4 In the event of a Constructive Discharge other than as a result of a Change in Control, Executive shall have the right to terminate this Agreement and receive the benefits set forth in Section 4.5.1 below, upon delivery of written notice to Company no later than the close of business on the sixtieth (60th) day following the effective date of a Constructive Discharge; provided, however, that such termination shall not be effective until the expiration of ten (10) days after receipt by Company of such written notice and Company has not cured such Constructive Discharge within the 10-day period. If Company so effects a cure, the Constructive Discharge notice shall be deemed rescinded and of no force or effect. Notwithstanding the foregoing, such notice and lapse of time shall not be required with respect to any event or circumstance which is the same or substantially the same as an event or circumstance with respect to which notice and an opportunity to cure has been given within the previous six (6) months. The effective date of a Constructive Discharge shall be: (i) in the event of a Constructive Discharge under Section 4.4.1(i) or (ii), the effective date of the event giving rise to the Constructive Discharge; or (ii) in the event of a Constructive Discharge under Section 4.4.1(iii), the date on which Executive receives notice of the request to relocate.

4.4.5 In the event of a Constructive Discharge as a result of a Change of Control, Executive shall have the right to terminate this Agreement and receive the benefits set forth in Section 4.5.2 upon delivery of written notice to Company no later than one (1) year following the effective date of the Change of Control.

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

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

Section 4.5.2, below, Company shall be obligated to pay Executive (or provide Executive with) the following benefits as severance:

(i) two (2) years of Executive's Base Salary, payable in twenty-four (24) equal monthly installments commencing on the Termination Date, equal to Executive's annual Base Salary in effect immediately prior to the Termination Date, such amount to be payable regardless of whether Executive obtains other employment and is compensated therefor (but only so long as Executive is not in violation of Section 5 hereof);

(ii) the Performance Bonus for the Fiscal Year in which the Termination Date occurs that would have been payable under Section 3.2 had there been no termination of the Employment Period (such Performance Bonus to be determined in the manner it would have been determined under Section 3.2 had there been no termination of the Employment Period), payable as follows: (a) fifty percent (50%) of such Performance Bonus shall be paid to Executive on the Termination Date; and (b) the remaining fifty percent (50%) shall be paid in twelve (12) equal monthly installments commencing on the fifteenth day of the first full month following the Termination Date;

(iii) continuation of Executive's then current enrollment (including family enrollment, if applicable) in all health and/or dental insurance benefits set forth in Section 3.2.2 for a period of twenty-four (24) months following the Termination Date, with Executive's contribution to such plans as if Executive were employed by Company, such contributions to be paid by Executive in the same period (e.g., monthly, bi-weekly, etc.) as all other employees of Company; provided, however that Company may terminate such coverage if payment from Executive is not made within ten (10) days of the date on which Executive receives written notice from Company that such payment is due; and provided, further, that such benefits may be discontinued earlier to the extent that Executive becomes entitled to comparable benefits from a subsequent employer;

(iv) outplacement services, in an amount up to ten thousand dollars (\$10,000), paid to Executive on exit; and

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

4.5.2 Additional Severance Upon Termination for Change of Control. If Executive terminates the Employment Period pursuant to Section 4.4 by reason of a Change of Control, then Executive shall be entitled to receive the compensation and benefits described in Section 4.5.1 (except for those benefits described in Sections 4.5.1(i) and (ii)) and the following additional benefits as severance:

(i) payment in a lump sum of an amount equal to the product of Executive's Base Salary in effect as of the Termination Date, multiplied by 2.99; and

(ii) a lump sum payment of the minimum Performance Bonus amount of seventy-five thousand dollars (\$75,000), multiplied by 2.99.

4.5.3 Termination With Cause by Company or Without Cause by Executive. If Company terminates the Employment Period with Cause, or if Executive terminates the Employment Period other than as a result of a Constructive Discharge or a non-renewal under Section 2, Company shall be obligated to pay Executive (i) any Base Salary amounts that have accrued but have not been paid as of the Termination Date; and (ii) the unpaid Performance Bonus, if any, with respect to the Fiscal Year preceding the Fiscal Year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period).

4.5.4 Termination Upon Death or Disability. If the Employment Period is terminated because of the death or disability of Executive, Company shall be obligated to pay Executive or, if applicable, Executive's estate, the following amounts: (i) earned but unpaid Base Salary; (ii) the unpaid Performance Bonus, if any, with respect to the Fiscal Year preceding the Fiscal Year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period); and (iii) the amount of Executive's Performance Bonus, if any, for the Fiscal Year in which the Termination Date occurs that would have been payable under Section 3.2 had there been no termination of the Employment Period (such Performance Bonus, if any, to be determined in the manner it would have been determined under Section 3.2 had there been no termination of the Employment Period), payable as follows: (a) fifty percent (50%) of such Performance Bonus shall be paid on the Termination Date; and (b) the remaining fifty percent (50%) shall be paid in twelve (12) equal monthly installments commencing on the fifteenth day of the first full month following the Termination Date.

4.5.5 Termination for Non-Renewal by Company. If the Employment Period is terminated by reason of a non-renewal by Company under Section 2, then Executive shall be entitled to receive payment of any Base Salary amounts that have accrued but have not been paid as of the Termination Date, and the unpaid Performance Bonus, if any, with respect to the Fiscal Year preceding the Fiscal Year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner that it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period). In addition, Company shall be obligated to pay Executive as severance one (1) year of Executive's Base Salary, payable in twelve (12) equal monthly installments commencing on the Termination Date, equal to Executive's annual Base Salary in effect immediately prior to the Termination Date, such amount to be payable regardless of whether Executive obtains other employment and is compensated therefor (but only so long as Executive is not in violation of Section 5 hereof).

4.6 Effect of Notice of Termination. Any notice of termination by Company, whether for Cause or without cause, may specify that, during the notice period, Executive need not attend to any business on behalf of Company.

5. Noncompetition and Confidentiality.

5.1 Covenant Not to Compete. During the Employment Period and for a period of one (1) year after the expiration or earlier termination of the Employment Period (other than a termination by Company without Cause or a termination by Executive for Constructive Discharge),

Executive shall not, (i) directly or indirectly act in concert or conspire with any person employed by Company in order to engage in or prepare to engage in or to have a financial or other interest in any business which is a Direct Competitor (as defined below); or (ii) serve as an employee, agent, partner, shareholder, director or consultant for, or in any other capacity participate, engage or have a financial or other interest in any business which is a Direct Competitor (provided, however, that notwithstanding anything to the contrary contained in this Agreement, Executive may own up to two percent (2%) of the outstanding shares of the capital stock of a company whose securities are registered under Section 12 of the Securities Exchange Act of 1934). For purposes of this Agreement, the term "Direct Competitor" shall mean any person or entity engaged in the business of marketing or providing within the continental United States prescription products or services for pharmacy benefit management products or services including, without limitation, prepackaged prescription products or services, point of care pharmacy dispensing systems, point of care decision support software for physicians, mail service pharmacy products or services, or pharmaceuticals or pharmaceutical delivery systems.

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

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

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

6. Certain Additional Payments by Company.

Company agrees that:

6.1 Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 6) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or if any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by Executive of all taxes (including interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

6.2 Subject to the provisions of Section 6.3, below, all determinations required to be made under this Section 6, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the accounting firm which is then serving as the auditors for Company (the "Accounting Firm"), which shall provide detailed supporting calculations both to Company and Executive within fifteen (15) business days of the receipt of notice from Executive that there has been a Payment, or such earlier time as is requested by Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity, or group effecting the Change in Control, Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by Company. Any Gross-Up Payment, as determined pursuant to this Section 6, shall be paid by Company to Executive within five (5) days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by Executive, it shall furnish Executive with a written opinion that failure to report the Excise Tax on Executive's applicable federal income tax return would not result in the imposition of a negligence or similar penalty.

Any good faith determination by the Accounting Firm shall be binding upon Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that Company exhausts its remedies pursuant to Section 6.3, below, and Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by Company to or for the benefit of Executive.

6.3 Executive shall notify Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than fifteen (15) business days after Executive is informed in writing of such claim and shall apprise Company of the nature of such claim and the date on which such claim is requested to be paid. Executive shall not pay such claim prior to the expiration of the thirty (30) day period following the date on which Executive gives such notice to the company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall:

6.3.1 Give Company any information reasonably requested by Company relating to such claim;

6.3.2 Take such action in connection with contesting such claim as Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by Company;

6.3.3 Cooperate with Company in good faith in order effectively to contest such claim; and

6.3.4 Permit Company to participate in any proceedings relating to such claim; provided, however, that Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Section 6.3, the company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner; and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Company shall determine; provided further, however, that if Company directs Executive to pay such claim and sue for a refund, Company shall advance the amount of such payment to Executive on an interest-free basis and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. further more, Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

6.4 If, after the receipt by Executive of an amount advanced by Company pursuant to Section 6.3 above, Executive becomes entitled to receive any refund with respect to such claim, Executive shall (subject to Company's complying with the requirements of said interest paid or credited thereon, after taxes applicable thereto). If, after the receipt by Executive of an amount advanced by Company pursuant to said Section 6.3, a determination is made that Executive shall not be entitled to any refund with respect to such claim and Company does not notify Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such advance shall be forgiven and shall not be required to be repaid; and the amount of such advance shall offset, to the extent thereof, the amount of the Gross-Up Payment required to be paid.

7. No Set-Off or Mitigation.

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

8. Payment of Certain Expenses.

Company agrees to pay promptly as incurred, to the fullest extent permitted by law, all legal fees and expenses which Executive may reasonably incur as a result of any contest by Company, Executive or others of the validity or enforceability of, or liability under, any provision of the Agreement (including as a result of any contest initiated by Executive about the amount of any payment due pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code; provided, however, that Company shall not be obligated to make such payment with respect to any contest in which Company prevails over Executive.

9. Indemnification.

To the fullest extent permitted by law, Company shall indemnify Executive (including the advancement of expenses) for any judgments, fines, amounts paid in settlement and reasonable expenses, including attorney's fees, incurred by Executive in connection with the defense or any lawsuit or other claim to which Executive is made a party by reason of being an officer, director or employee of Company or any of its Subsidiaries.

10. Miscellaneous.

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

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

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

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

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

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

To Company:

Allscripts, Inc.
2401 Commerce Drive
Libertyville, Illinois 60048
Attention: Chief Executive Officer

With a copy to:

Akin, Gump, Strauss, Hauer and Feld, L.L.P.
1333 New Hampshire Avenue, N.W.
Washington, D.C. 20036
Attention: Philip Green

To Executive:

Glen Tullman

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

10.7 Assignment of Agreement. This Agreement shall be binding upon and inure to the benefit of Executive and Company, their respective successors and permitted assigns and Executive's heirs and personal representatives. Neither party may assign any rights or obligations hereunder to any person or entity without the prior written consent of the other party. This Agreement shall be personal to Executive for all purposes.

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

10.9 Dispute Resolution and Arbitration. The following procedures shall be used in the resolution of disputes:

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

10.9.2 Arbitration. If the dispute or disagreement between the parties has not been resolved in accordance with the provisions of Section 10.9.1 above, then any such controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration to be held in Chicago, Illinois, in accordance with the rules of the American Arbitration Association then in effect. Any decision rendered herein shall be final and binding on each of the parties and judgement may be entered thereon in the appropriate state or federal

court. The arbitrators shall be bound to strict interpretation and observation of the terms of this Agreement. The company shall pay the costs of arbitration.

10.10 Survival. The provisions of Sections 4.5, 5, 8 and 9 of this Agreement shall survive the expiration or earlier termination of the Agreement.

10.11 Headings. Section headings used in this Agreement are for convenience of reference only and shall not be used to construe the meaning of any provision of this Agreement.

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

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

ALLSCRIPTS, INC.

By: /s/Philip D. Green

Name: Philip Green

Title: Board Member/Compensation
Committee

EXECUTIVE
/s/Glen Tullman

Glen Tullman

ALLSCRIPTS, INC.**EMPLOYMENT AGREEMENT**

THIS EMPLOYMENT AGREEMENT, (this "Agreement") is made as of this 8th day of July, 2002, by and between Allscripts, Inc., a corporation organized and existing under the laws of the State of Illinois, with its principal place of business at 2401 Commerce Drive, Libertyville, Illinois 60048 ("Company") and Lee Shapiro ("Executive").

RECITALS

WHEREAS, Company desires to employ Executive as its President; and

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

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

AGREEMENT**1. Employment.**

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

2. Effective Date and Term.

The initial term of Executive's employment by Company under this Agreement shall commence as of July 8, 2002 (the "Effective Date") and shall continue in effect for a term of three (3) years, unless earlier terminated as provided herein. Thereafter, this Agreement shall automatically renew for additional and successive terms of one (1) year each, unless either Company or Executive elects not to renew this Agreement upon the expiration of the initial term or any renewal term by providing written notice of such non-renewal to the other party at least one hundred eighty (180) days prior to the expiration of the then current term. As used herein, the term "Employment Period" shall mean the period of from the Effective Date until the termination of the Agreement (i) for non-renewal pursuant to this Section 2, or (ii) pursuant to Section 4 herein.

3. Compensation and Benefits.

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

3.1 Base Salary. During the Employment Period, Company shall pay to Executive an annual base salary at a rate of two hundred twenty-five thousand dollars (\$225,000) per annum, subject to all appropriate federal and state withholding taxes, which base salary shall be payable in accordance with Company's normal payroll practices and procedures. Executive's base salary shall be reviewed annually prior to the beginning of each Fiscal Year (as defined below) during the Employment Period by the Board of Directors of Company (the "Board"), or a committee of the Board, and may be increased in the sole discretion of the Board, or such committee of the Board, based on Executive's performance during the preceding Fiscal Year. For purposes of this Agreement, the term "Fiscal Year" shall mean the fiscal year of the Company, commencing on January 1 of each year and ending on December 31. Executive's base salary, as such base salary may be increased annually hereunder, is hereinafter referred to as the "Base Salary."

3.2 Performance Bonus. Executive shall be eligible to receive a cash bonus with respect to each Fiscal Year of Company that ends during the term of this Agreement (the "Performance Bonus") as follows: (i) a guaranteed annual bonus for each whole Fiscal Year or portion thereof falling within the Employment Period equal to at least the greater of (a) twenty-five percent (25%) of the then current Base Salary, or (b) seventy-five thousand dollars (\$75,000); and (ii) to the extent provided in Section 4, for the portion of the last Fiscal Year falling within the Employment Period if the Employment Period terminates on the Termination Date (as defined herein). The Performance Bonus shall be payable on or before April 30 of the year immediately succeeding the Fiscal Year for which such Performance Bonus was earned; provided, however, that if the applicable Company objectives are based on the Company's annual audited financial statements, and if, on such April 30, such financial statements have not yet been issued, the Performance Bonus, if any, shall be payable promptly upon the issuance of such financial statements.

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

3.3.1 Vacation. Executive shall be entitled to twenty (20) business days per Fiscal Year of paid vacation, such vacation time not to be cumulative (i.e., vacation time not taken in any Fiscal Year shall not be carried forward and used in any subsequent Fiscal Year).

3.3.2 Participation in Benefit Plans. Executive shall be entitled to health and/or dental benefits, including immediate coverage for

Executive and his eligible dependents, which are generally available to Company's senior executive employees and as provided by Company in accordance with its group health insurance plan coverage. In addition, Executive shall be entitled to participate in any profit sharing plan, retirement plan, group life insurance plan or other insurance plan or medical expense plan maintained by the Company for its senior executives generally, in accordance with the general eligibility criteria therein.

3.3.3 Physical Examination. Executive shall be entitled to receive reimbursement for the cost of one general physical examination per twelve (12) month period during the term of the Agreement from a physician chosen by Executive in his reasonable discretion.

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

3.3.5 Indemnification. Executive shall be entitled to indemnification (including immediate advancement of all legal fees with respect to any claim for indemnification) and directors' and officers' insurance coverage, to the extent made available to other senior executives, in accordance with the Bylaws and all other applicable policies and procedures of Company.

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

3.5 Stock Awards. Executive shall be eligible to participate in any applicable stock bonus, stock option, or similar plan implemented by Company and generally available to its senior executive employees, including, without limitation, Company's Amended and Restated 1993 Stock Incentive Plan approved by the Board and Company's shareholders on or about June 7, 1999 (the "Plan") for the grant of options to Executive as approved by the Board.

4. Termination of the Agreement Prior To the Expiration.

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

4.1 Termination upon Death or Disability of Executive.

4.1.1 This Agreement and the Employment Period shall terminate immediately upon the death of Executive. In such event, all rights of Executive and/or Executive's estate (or named beneficiary) shall cease except for the right to receive payment of the amounts set forth in Section 4.5.4 of the Agreement.

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

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

4.2.1 the willful or grossly negligent failure by Executive to perform his duties and obligations hereunder in any material respect, other than any such failure resulting from the disability of Executive;

4.2.2 Executive's conviction of a crime or offense involving the property of Company, or any crime or offense constituting a felony or involving fraud or moral turpitude; provided that, in the event that Executive is arrested or indicted for a crime or offense related to any of the foregoing, then Company may, at its option, place Executive on paid leave of absence, pending the final outcome of such arrest or indictment;

4.2.3 Executive's violation of any law, which violation is materially and demonstrably injurious to the operations or reputation of Company; or

4.2.4 Executive's material violation of any generally recognized policy of Company, Executive's refusal to follow the lawful directions of the Board, or Executive's insubordination to his supervisor.

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

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

4.4 Termination by Executive for Constructive Discharge.

4.4.1 Executive may terminate this Agreement and the Employment Period, in accordance with the process set forth below, a result of a Constructive Discharge. For purposes of this Agreement "Constructive Discharge" shall mean:

(i) a failure of Company to meet its obligations in any material respect under this Agreement, including, but not limited to, any reduction in or failure to pay the Base Salary;

(ii) a material diminution in or other substantial adverse alteration in the nature or scope of Executive's responsibilities with Company;

(iii) Executive has been asked to relocate his principal place of business to a location that is more than fifty (50) miles from Company's offices located in Libertyville, Illinois; or

(iv) there has been a Change of Control of Company.

4.4.2 For purposes of this Agreement, a "Change of Control" shall mean any one of the following events:

(i) the acquisition by any person or group of beneficial ownership of stock possessing more than thirty percent (30%) of the outstanding securities of Company which generally entitle the holder thereof to vote for the election of directors ("Voting Power"), except that (a) no such person or group shall be deemed to own beneficially (1) any securities acquired directly from Company pursuant to a written agreement with Company, or (2) any securities held by the company or a subsidiary of Company ("Subsidiary"), or any employee benefit plan (or related trust) of Company or a Subsidiary; and (b) no Change in Control shall be deemed to have occurred solely by reason of any such acquisition by a corporation with respect to which, after such acquisition, more than sixty percent (60%) of the then outstanding shares of common stock of such corporation and the Voting Power of such corporation are then beneficially owned, directly or indirectly, by the persons who were the beneficial owners of the stock and Voting Power of Company immediately before such acquisition, in substantially the same proportions as their ownership immediately before such acquisition; or

(ii) the individuals who constitute the Board as of the date of this Agreement (the "Incumbent Board") cease for any reason other than their deaths to constitute at least a majority of the Board; provided that any individual who becomes a director after the date of this Agreement whose election or nomination for election by Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then comprising the Incumbent Board shall be considered, for purposes of this section, as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Company (as such terms are used in Rule 14a-11 under the 1934 Act); or

(iii) Company effects: (a) a merger, reorganization or consolidation of Company with respect to which the individuals and entities who were the respective beneficial owners of the shares of common stock and Voting Power of Company immediately before such merger, reorganization or consolidation do not, immediately after such merger, reorganization or consolidation, beneficially own, directly or indirectly, more than sixty percent (60%) of, respectively, the then outstanding shares of common stock and the Voting Power of the corporation resulting from such merger, reorganization, or consolidation; (b) a liquidation or dissolution of Company; or (c) a sale or other disposition of all or substantially all of the assets of Company.

4.4.3 For purpose of the foregoing definition, the terms "beneficially owned" and "beneficial ownership" and "person" shall have the meanings ascribed to them in SEC rules 13d-5(b) under the 1934 Act, and "group" means two or more persons acting together in such a way to be deemed a person for purposes of Section 13(d) of the 1934 Act.

4.4.4 In the event of a Constructive Discharge other than as a result of a Change in Control, Executive shall have the right to terminate this Agreement and receive the benefits set forth in Section 4.5.1 below, upon delivery of written notice to Company no later than the close of business on the sixtieth (60th) day following the effective date of a Constructive Discharge; provided, however, that such termination shall not be effective until the expiration of ten (10) days after receipt by Company of such written notice and Company has not cured such Constructive Discharge within the 10-day period. If Company so effects a cure, the Constructive Discharge notice shall be deemed rescinded and of no force or effect. Notwithstanding the foregoing, such notice and lapse of time shall not be required with respect to any event or circumstance which is the same or substantially the same as an event or circumstance with respect to which notice and an opportunity to cure has been given within the previous six (6) months. The effective date of a Constructive Discharge shall be: (i) in the event of a Constructive Discharge under Section 4.4.1(i) or (ii), the effective date of the event giving rise to the Constructive Discharge; or (ii) in the event of a Constructive Discharge under Section 4.4.1(iii), the date on which Executive receives notice of the request to relocate.

4.4.5 In the event of a Constructive Discharge as a result of a Change of Control, Executive shall have the right to terminate this Agreement and receive the benefits set forth in Section 4.5.2 upon delivery of written notice to Company no later than one (1) year following the effective date of the Change of Control.

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

4.5.1 Termination by Company Without Cause or for Constructive Discharge. If Company terminates the Employment Period without Cause (other than a non-renewal by Company under Section 2), or if Executive terminates the Employment Period as a result of a Constructive Discharge, Executive shall be entitled to receive payment of any Base Salary amounts that have accrued but have not been paid as of the Termination Date, and the unpaid Performance Bonus, if any, with respect to the Fiscal Year preceding the Fiscal Year in which the

Termination Date occurs (such Performance Bonus, if any, to be determined in the manner that it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period). In addition, subject to Section 4.5.2, below, Company shall be obligated to pay Executive (or provide Executive with) the following benefits as severance:

(i) two (2) years of Executive's Base Salary, payable in twenty-four (24) equal monthly installments commencing on the Termination Date, equal to Executive's annual Base Salary in effect immediately prior to the Termination Date, such amount to be payable regardless of whether Executive obtains other employment and is compensated therefor (but only so long as Executive is not in violation of Section 5 hereof);

(ii) the Performance Bonus for the Fiscal Year in which the Termination Date occurs that would have been payable under Section 3.2 had there been no termination of the Employment Period (such Performance Bonus to be determined in the manner it would have been determined under Section 3.2 had there been no termination of the Employment Period), payable as follows: (a) fifty percent (50%) of such Performance Bonus shall be paid to Executive on the Termination Date; and (b) the remaining fifty percent (50%) shall be paid in twelve (12) equal monthly installments commencing on the fifteenth day of the first full month following the Termination Date;

(iii) continuation of Executive's then current enrollment (including family enrollment, if applicable) in all health and/or dental insurance benefits set forth in Section 3.2.2 for a period of twenty-four (24) months following the Termination Date, with Executive's contribution to such plans as if Executive were employed by Company, such contributions to be paid by Executive in the same period (e.g., monthly, bi-weekly, etc.) as all other employees of Company; provided, however that Company may terminate such coverage if payment from Executive is not made within ten (10) days of the date on which Executive receives written notice from Company that such payment is due; and provided, further, that such benefits may be discontinued earlier to the extent that Executive becomes entitled to comparable benefits from a subsequent employer;

(iv) outplacement services, in an amount up to ten thousand dollars (\$10,000), paid to Executive on exit; and

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

4.5.2 Additional Severance Upon Termination for Change of Control. If Executive terminates the Employment Period pursuant to Section 4.4 by reason of a Change of Control, then Executive shall be entitled to receive the compensation and benefits described in Section 4.5.1 (except for those benefits described in Sections 4.5.1(i) and (ii)) and the following additional benefits as severance:

(i) payment in a lump sum of an amount equal to the product of Executive's Base Salary in effect as of the Termination Date, multiplied by 2.99; and

(ii) a lump sum payment of the minimum Performance Bonus amount of seventy-five thousand dollars (\$75,000), multiplied by 2.99.

4.5.3 Termination With Cause by Company or Without Cause by Executive. If Company terminates the Employment Period with Cause, or if Executive terminates the Employment Period other than as a result of a Constructive Discharge or a non-renewal under Section 2, Company shall be obligated to pay Executive (i) any Base Salary amounts that have accrued but have not been paid as of the Termination Date; and (ii) the unpaid Performance Bonus, if any, with respect to the Fiscal Year preceding the Fiscal Year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period).

4.5.4 Termination Upon Death or Disability. If the Employment Period is terminated because of the death or disability of Executive, Company shall be obligated to pay Executive or, if applicable, Executive's estate, the following amounts: (i) earned but unpaid Base Salary; (ii) the unpaid Performance Bonus, if any, with respect to the Fiscal Year preceding the Fiscal Year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period); and (iii) the amount of Executive's Performance Bonus, if any, for the Fiscal Year in which the Termination Date occurs that would have been payable under Section 3.2 had there been no termination of the Employment Period (such Performance Bonus, if any, to be determined in the manner it would have been determined under Section 3.2 had there been no termination of the Employment Period), payable as follows: (a) fifty percent (50%) of such Performance Bonus shall be paid on the Termination Date; and (b) the remaining fifty percent (50%) shall be paid in twelve (12) equal monthly installments commencing on the fifteenth day of the first full month following the Termination Date.

4.5.5 Termination for Non-Renewal by Company. If the Employment Period is terminated by reason of a non-renewal by Company under Section 2, then Executive shall be entitled to receive payment of any Base Salary amounts that have accrued but have not been paid as of the Termination Date, and the unpaid Performance Bonus, if any, with respect to the Fiscal Year preceding the Fiscal Year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner that it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period). In addition, Company shall be obligated to pay Executive as severance one (1) year of Executive's Base Salary, payable in twelve (12) equal monthly installments commencing on the Termination Date, equal to Executive's annual Base Salary in effect immediately prior to the Termination Date, such amount to be payable regardless of whether Executive obtains other employment and is compensated therefor (but only so long as Executive is not in violation of Section 5 hereof).

4.6 Effect of Notice of Termination. Any notice of termination by Company, whether for Cause or without cause, may specify that, during the notice period, Executive need not attend to any business on behalf of Company.

5. Noncompetition and Confidentiality.

5.1 Covenant Not to Compete. During the Employment Period and for a period of one (1) year after the expiration or earlier termination of the Employment Period (other than a termination by Company without Cause or a termination by Executive for Constructive Discharge), Executive shall not, (i) directly or indirectly act in concert or conspire with any person employed by Company in order to engage in or prepare to engage in or to have a financial or other interest in any business which is a Direct Competitor (as defined below); or (ii) serve as an employee, agent, partner, shareholder, director or consultant for, or in any other capacity participate, engage or have a financial or other interest in any business which is a Direct Competitor (provided, however, that notwithstanding anything to the contrary contained in this Agreement, Executive may own up to two percent (2%) of the outstanding shares of the capital stock of a company whose securities are registered under Section 12 of the Securities Exchange Act of 1934). For purposes of this Agreement, the term "Direct Competitor" shall mean any person or entity engaged in the business of marketing or providing within the continental United States prescription products or services for pharmacy benefit management products or services including, without limitation, prepackaged prescription products or services, point of care pharmacy dispensing systems, point of care decision support software for physicians, mail service pharmacy products or services, or pharmaceuticals or pharmaceutical delivery systems.

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

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

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

6. Certain Additional Payments by Company.

Company agrees that:

6.1 Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 6) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or if any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by Executive of all taxes (including interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

6.2 Subject to the provisions of Section 6.3, below, all determinations required to be made under this Section 6, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the accounting firm which is then serving as the auditors for Company (the "Accounting Firm"), which shall provide detailed supporting calculations both to Company and Executive within fifteen (15) business days of the receipt of notice from Executive that there has been a Payment, or such earlier time as is requested by Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity, or group effecting the Change in Control, Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by Company. Any Gross-Up Payment, as determined pursuant to this Section 6, shall be paid by Company to Executive within five (5) days of the receipt of the Accounting Firm's determination. If

the Accounting Firm determines that no Excise Tax is payable by Executive, it shall furnish Executive with a written opinion that failure to report the Excise Tax on Executive's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any good faith determination by the Accounting Firm shall be binding upon Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that Company exhausts its remedies pursuant to Section 6.3, below, and Executive thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by Company to or for the benefit of Executive.

6.3 Executive shall notify Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than fifteen (15) business days after Executive is informed in writing of such claim and shall apprise Company of the nature of such claim and the date on which such claim is requested to be paid. Executive shall not pay such claim prior to the expiration of the thirty (30) day period following the date on which Executive gives such notice to the company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall:

6.3.1 Give Company any information reasonably requested by Company relating to such claim;

6.3.2 Take such action in connection with contesting such claim as Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by Company;

6.3.3 Cooperate with Company in good faith in order effectively to contest such claim; and

6.3.4 Permit Company to participate in any proceedings relating to such claim; provided, however, that Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Section 6.3, the company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner; and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Company shall determine; provided further, however, that if Company directs Executive to pay such claim and sue for a refund, Company shall advance the amount of such payment to Executive on an interest-free basis and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. further more, Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

6.4 If, after the receipt by Executive of an amount advanced by Company pursuant to Section 6.3 above, Executive becomes entitled to receive any refund with respect to such claim, Executive shall (subject to Company's complying with the requirements of said interest paid or credited thereon, after taxes applicable thereto). If, after the receipt by Executive of an amount advanced by Company pursuant to said Section 6.3, a determination is made that Executive shall not be entitled to any refund with respect to such claim and Company does not notify Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such advance shall be forgiven and shall not be required to be repaid; and the amount of such advance shall offset, to the extent thereof, the amount of the Gross-Up Payment required to be paid.

7. No Set-Off or Mitigation.

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

8. Payment of Certain Expenses.

Company agrees to pay promptly as incurred, to the fullest extent permitted by law, all legal fees and expenses which Executive may reasonably incur as a result of any contest by Company, Executive or others of the validity or enforceability of, or liability under, any provision of the Agreement (including as a result of any contest initiated by Executive about the amount of any payment due pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code; provided, however, that Company shall not be obligated to make such payment with respect to any contest in which Company prevails over Executive.

9. Indemnification.

To the fullest extent permitted by law, Company shall indemnify Executive (including the advancement of expenses) for any judgments, fines, amounts paid in settlement and reasonable expenses, including attorney's fees, incurred by Executive in connection with the defense or any lawsuit or other claim to which Executive is made a party by reason of being an officer, director or employee of Company or any of its

Subsidiaries.

10. Miscellaneous.

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

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

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

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

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

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

To Company: Allscripts, Inc.
2401 Commerce Drive
Libertyville, Illinois 60048
Attention: Chief Executive Officer

With a copy to: Akin, Gump, Strauss, Hauer and Feld, L.L.P.
1333 New Hampshire Avenue, N.W.
Washington, D.C. 20036
Attention: Philip Green

To Executive: Lee Shapiro
2211 Schiller Avenue
Wilmette, IL 60091

With a copy to: Michael Nemeroff, Esq.
Vedder Price
222 N. LaSalle St.
Chicago, IL 60601

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

10.7 Assignment of Agreement. This Agreement shall be binding upon and inure to the benefit of Executive and Company, their respective successors and permitted assigns and Executive's heirs and personal representatives. Neither party may assign any rights or obligations hereunder to any person or entity without the prior written consent of the other party. This Agreement shall be personal to Executive for all purposes.

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

10.9 Dispute Resolution and Arbitration. The following procedures shall be used in the resolution of disputes:

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

10.9.2 Arbitration. If the dispute or disagreement between the parties has not been resolved in accordance with the provisions of Section 10.9.1 above, then any such controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration to be held in Chicago, Illinois, in accordance with the rules of the American Arbitration Association then in effect. Any decision rendered herein shall be final and binding on each of the parties and judgement may be entered thereon in the appropriate state or federal court. The arbitrators shall be bound to strict interpretation and observation of the terms of this Agreement. The company shall pay the costs of arbitration.

10.10 Survival. The provisions of Sections 4.5, 5, 8 and 9 of this Agreement shall survive the expiration or earlier termination of the Agreement.

10.11 Headings. Section headings used in this Agreement are for convenience of reference only and shall not be used to construe the meaning of any provision of this Agreement.

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

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

ALLSCRIPTS, INC.

By: /s/Philip D. Green

Name: Philip Green

Title: Board Member/Compensation
Committee

EXECUTIVE

/s/Lee Shapiro

Lee Shapiro

ALLSCRIPTS, INC.**EMPLOYMENT AGREEMENT**

THIS EMPLOYMENT AGREEMENT, (this "Agreement") is made as of this 8th day of July, 2002, by and between Allscripts, Inc., a corporation organized and existing under the laws of the State of Illinois, with its principal place of business at 2401 Commerce Drive, Libertyville, Illinois 60048 ("Company") and Joe Carey ("Executive").

RECITALS

WHEREAS, Company desires to employ Executive as its Chief Operating Officer; and

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

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

AGREEMENT**1. Employment.**

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

2. Effective Date and Term.

The initial term of Executive's employment by Company under this Agreement shall commence as of July 8, 2002 (the "Effective Date") and shall continue in effect for a term of three (3) years, unless earlier terminated as provided herein. Thereafter, this Agreement shall automatically renew for additional and successive terms of one (1) year each, unless either Company or Executive elects not to renew this Agreement upon the expiration of the initial term or any renewal term by providing written notice of such non-renewal to the other party at least one hundred eighty (180) days prior to the expiration of the then current term. As used herein, the term "Employment Period" shall mean the period of from the Effective Date until the termination of the Agreement (i) for non-renewal pursuant to this Section 2, or (ii) pursuant to Section 4 herein.

3. Compensation and Benefits.

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

3.1 Base Salary. During the Employment Period, Company shall pay to Executive an annual base salary at a rate of two hundred twenty-five thousand dollars (\$225,000) per annum, subject to all appropriate federal and state withholding taxes, which base salary shall be payable in accordance with Company's normal payroll practices and procedures. Executive's base salary shall be reviewed annually prior to the beginning of each Fiscal Year (as defined below) during the Employment Period by the Board of Directors of Company (the "Board"), or a committee of the Board, and may be increased in the sole discretion of the Board, or such committee of the Board, based on Executive's performance during the preceding Fiscal Year. For purposes of this Agreement, the term "Fiscal Year" shall mean the fiscal year of the Company, commencing on January 1 of each year and ending on December 31. Executive's base salary, as such base salary may be increased annually hereunder, is hereinafter referred to as the "Base Salary."

3.2 Performance Bonus. Executive shall be eligible to receive a cash bonus with respect to each Fiscal Year of Company that ends during the term of this Agreement (the "Performance Bonus"). Payment of the Performance Bonus, if any, will be subject to the sole discretion of the Board or a committee of the Board, and the amount of any such Performance Bonus will be determined by, and based upon criteria selected by, the Board or such committee, but in no event shall be less than seventy-five thousand dollars (\$75,000).

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

3.3.1 Vacation. Executive shall be entitled to twenty (20) business days per Fiscal Year of paid vacation, such vacation time not to be cumulative (i.e., vacation time not taken in any Fiscal Year shall not be carried forward and used in any subsequent Fiscal Year).

3.3.2 Participation in Benefit Plans. Executive shall be entitled to health and/or dental benefits, including immediate coverage for Executive and his eligible dependents, which are generally available to Company's senior executive employees and as provided by Company in accordance with its group health insurance plan coverage. In addition, Executive shall be entitled to participate in any profit sharing plan, retirement plan, group life insurance plan or other insurance plan or medical expense plan maintained by the Company for its senior executives generally, in accordance with the general eligibility criteria therein.

3.3.3 Physical Examination. Executive shall be entitled to receive reimbursement for the cost of one general physical examination per twelve (12) month period during the term of the Agreement from a physician chosen by Executive in his reasonable discretion.

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

3.3.5 Indemnification. Executive shall be entitled to indemnification (including immediate advancement of all legal fees with respect to any claim for indemnification) and directors' and officers' insurance coverage, to the extent made available to other senior executives, in accordance with the Bylaws and all other applicable policies and procedures of Company.

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

3.5 Stock Awards. Executive shall be eligible to participate in any applicable stock bonus, stock option, or similar plan implemented by Company and generally available to its senior executive employees, including, without limitation, Company's Amended and Restated 1993 Stock Incentive Plan approved by the Board and Company's shareholders on or about June 7, 1999 (the "Plan") for the grant of options to Executive as approved by the Board.

4. Termination of the Agreement Prior To the Expiration.

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

4.1 Termination upon Death or Disability of Executive.

4.1.1 This Agreement and the Employment Period shall terminate immediately upon the death of Executive. In such event, all rights of Executive and/or Executive's estate (or named beneficiary) shall cease except for the right to receive payment of the amounts set forth in Section 4.5.4 of the Agreement.

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

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

4.2.1 the willful or grossly negligent failure by Executive to perform his duties and obligations hereunder in any material respect, other than any such failure resulting from the disability of Executive;

4.2.2 Executive's conviction of a crime or offense involving the property of Company, or any crime or offense constituting a felony or involving fraud or moral turpitude; provided that, in the event that Executive is arrested or indicted for a crime or offense related to any of the foregoing, then Company may, at its option, place Executive on paid leave of absence, pending the final outcome of such arrest or indictment;

4.2.3 Executive's violation of any law, which violation is materially and demonstrably injurious to the operations or reputation of Company; or

4.2.4 Executive's material violation of any generally recognized policy of Company, Executive's refusal to follow the lawful directions of the Board, or Executive's insubordination to his supervisor.

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

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

4.4 Termination by Executive for Constructive Discharge.

4.4.1 Executive may terminate this Agreement and the Employment Period, in accordance with the process set forth below, a result of a Constructive Discharge. For purposes of this Agreement "Constructive Discharge" shall mean:

(i) a failure of Company to meet its obligations in any material respect under this Agreement, including, but not limited to, any reduction in or failure to pay the Base Salary;

(ii) a material diminution in or other substantial adverse alteration in the nature or scope of Executive's responsibilities with Company;

(iii) Executive has been asked to relocate his principal place of business to a location that is more than fifty (50) miles from Company's offices located in Libertyville, Illinois; or

(iv) there has been a Change of Control of Company.

4.4.2 For purposes of this Agreement, a "Change of Control" shall mean any one of the following events:

(i) the acquisition by any person or group of beneficial ownership of stock possessing more than thirty percent (30%) of the outstanding securities of Company which generally entitle the holder thereof to vote for the election of directors ("Voting Power"), except that (a) no such person or group shall be deemed to own beneficially (1) any securities acquired directly from Company pursuant to a written agreement with Company, or (2) any securities held by the company or a subsidiary of Company ("Subsidiary"), or any employee benefit plan (or related trust) of Company or a Subsidiary; and (b) no Change in Control shall be deemed to have occurred solely by reason of any such acquisition by a corporation with respect to which, after such acquisition, more than sixty percent (60%) of the then outstanding shares of common stock of such corporation and the Voting Power of such corporation are then beneficially owned, directly or indirectly, by the persons who were the beneficial owners of the stock and Voting Power of Company immediately before such acquisition, in substantially the same proportions as their ownership immediately before such acquisition; or

(ii) the individuals who constitute the Board as of the date of this Agreement (the "Incumbent Board") cease for any reason other than their deaths to constitute at least a majority of the Board; provided that any individual who becomes a director after the date of this Agreement whose election or nomination for election by Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then comprising the Incumbent Board shall be considered, for purposes of this section, as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Company (as such terms are used in Rule 14a-11 under the 1934 Act); or

(iii) Company effects: (a) a merger, reorganization or consolidation of Company with respect to which the individuals and entities who were the respective beneficial owners of the shares of common stock and Voting Power of Company immediately before such merger, reorganization or consolidation do not, immediately after such merger, reorganization or consolidation, beneficially own, directly or indirectly, more than sixty percent (60%) of, respectively, the then outstanding shares of common stock and the Voting Power of the corporation resulting from such merger, reorganization, or consolidation; (b) a liquidation or dissolution of Company; or (c) a sale or other disposition of all or substantially all of the assets of Company.

4.4.3 For purpose of the foregoing definition, the terms "beneficially owned" and "beneficial ownership" and "person" shall have the meanings ascribed to them in SEC rules 13d-5(b) under the 1934 Act, and "group" means two or more persons acting together in such a way to be deemed a person for purposes of Section 13(d) of the 1934 Act.

4.4.4 In the event of a Constructive Discharge other than as a result of a Change in Control, Executive shall have the right to terminate this Agreement and receive the benefits set forth in Section 4.5.1 below, upon delivery of written notice to Company no later than the close of business on the sixtieth (60th) day following the effective date of a Constructive Discharge; provided, however, that such termination shall not be effective until the expiration of ten (10) days after receipt by Company of such written notice and Company has not cured such Constructive Discharge within the 10-day period. If Company so effects a cure, the Constructive Discharge notice shall be deemed rescinded and of no force or effect. Notwithstanding the foregoing, such notice and lapse of time shall not be required with respect to any event or circumstance which is the same or substantially the same as an event or circumstance with respect to which notice and an opportunity to cure has been given within the previous six (6) months. The effective date of a Constructive Discharge shall be: (i) in the event of a Constructive Discharge under Section 4.4.1(i) or (ii), the effective date of the event giving rise to the Constructive Discharge; or (ii) in the event of a Constructive Discharge under Section 4.4.1(iii), the date on which Executive receives notice of the request to relocate.

4.4.5 In the event of a Constructive Discharge as a result of a Change of Control, Executive shall have the right to terminate this Agreement and receive the benefits set forth in Section 4.5.2 upon delivery of written notice to Company no later than one (1) year following the effective date of the Change of Control.

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

4.5.1 Termination by Company Without Cause or for Constructive Discharge. If Company terminates the Employment Period without Cause (other than a non-renewal by Company under Section 2), or if Executive terminates the Employment Period as a result of a Constructive Discharge, Executive shall be entitled to receive payment of any Base Salary amounts that have accrued but have not been paid as of the Termination Date, and the unpaid Performance Bonus, if any, with respect to the Fiscal Year preceding the Fiscal Year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner that it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period). In addition, subject to Section 4.5.2, below, Company shall be obligated to pay Executive (or provide Executive with) the following benefits as severance:

(i) two (2) years of Executive's Base Salary, payable in twenty-four (24) equal monthly installments commencing on the Termination Date, equal to Executive's annual Base Salary in effect immediately prior to the Termination Date, such amount to be payable regardless of

whether Executive obtains other employment and is compensated therefor (but only so long as Executive is not in violation of Section 5 hereof);

(ii) the Performance Bonus for the Fiscal Year in which the Termination Date occurs that would have been payable under Section 3.2 had there been no termination of the Employment Period (such Performance Bonus to be determined in the manner it would have been determined under Section 3.2 had there been no termination of the Employment Period), payable as follows: (a) fifty percent (50%) of such Performance Bonus shall be paid to Executive on the Termination Date; and (b) the remaining fifty percent (50%) shall be paid in twelve (12) equal monthly installments commencing on the fifteenth day of the first full month following the Termination Date;

(iii) continuation of Executive's then current enrollment (including family enrollment, if applicable) in all health and/or dental insurance benefits set forth in Section 3.2.2 for a period of twenty-four (24) months following the Termination Date, with Executive's contribution to such plans as if Executive were employed by Company, such contributions to be paid by Executive in the same period (e.g., monthly, bi-weekly, etc.) as all other employees of Company; provided, however that Company may terminate such coverage if payment from Executive is not made within ten (10) days of the date on which Executive receives written notice from Company that such payment is due; and provided, further, that such benefits may be discontinued earlier to the extent that Executive becomes entitled to comparable benefits from a subsequent employer;

(iv) outplacement services, in an amount up to ten thousand dollars (\$10,000), paid to Executive on exit; and

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

4.5.2 Additional Severance Upon Termination for Change of Control. If Executive terminates the Employment Period pursuant to Section 4.4 by reason of a Change of Control, then Executive shall be entitled to receive the compensation and benefits described in Section 4.5.1 (except for those benefits described in Sections 4.5.1(i) and (ii)) and the following additional benefits as severance:

(i) payment in a lump sum of an amount equal to the product of Executive's Base Salary in effect as of the Termination Date, multiplied by 2.99; and

(ii) a lump sum payment of the minimum Performance Bonus amount of seventy-five thousand dollars (\$75,000), multiplied by 2.99.

4.5.3 Termination With Cause by Company or Without Cause by Executive. If Company terminates the Employment Period with Cause, or if Executive terminates the Employment Period other than as a result of a Constructive Discharge or a non-renewal under Section 2, Company shall be obligated to pay Executive (i) any Base Salary amounts that have accrued but have not been paid as of the Termination Date; and (ii) the unpaid Performance Bonus, if any, with respect to the Fiscal Year preceding the Fiscal Year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period).

4.5.4 Termination Upon Death or Disability. If the Employment Period is terminated because of the death or disability of Executive, Company shall be obligated to pay Executive or, if applicable, Executive's estate, the following amounts: (i) earned but unpaid Base Salary; (ii) the unpaid Performance Bonus, if any, with respect to the Fiscal Year preceding the Fiscal Year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period); and (iii) the amount of Executive's Performance Bonus, if any, for the Fiscal Year in which the Termination Date occurs that would have been payable under Section 3.2 had there been no termination of the Employment Period (such Performance Bonus, if any, to be determined in the manner it would have been determined under Section 3.2 had there been no termination of the Employment Period), payable as follows: (a) fifty percent (50%) of such Performance Bonus shall be paid on the Termination Date; and (b) the remaining fifty percent (50%) shall be paid in twelve (12) equal monthly installments commencing on the fifteenth day of the first full month following the Termination Date.

4.5.5 Termination for Non-Renewal by Company. If the Employment Period is terminated by reason of a non-renewal by Company under Section 2, then Executive shall be entitled to receive payment of any Base Salary amounts that have accrued but have not been paid as of the Termination Date, and the unpaid Performance Bonus, if any, with respect to the Fiscal Year preceding the Fiscal Year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner that it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period). In addition, Company shall be obligated to pay Executive as severance one (1) year of Executive's Base Salary, payable in twelve (12) equal monthly installments commencing on the Termination Date, equal to Executive's annual Base Salary in effect immediately prior to the Termination Date, such amount to be payable regardless of whether Executive obtains other employment and is compensated therefor (but only so long as Executive is not in violation of Section 5 hereof).

4.6 Effect of Notice of Termination. Any notice of termination by Company, whether for Cause or without cause, may specify that, during the notice period, Executive need not attend to any business on behalf of Company.

5. Noncompetition and Confidentiality.

5.1 Covenant Not to Compete. During the Employment Period and for a period of one (1) year after the expiration or earlier termination of the Employment Period (other than a termination by Company without Cause or a termination by Executive for Constructive Discharge), Executive shall not, (i) directly or indirectly act in concert or conspire with any person employed by Company in order to engage in or prepare to engage in or to have a financial or other interest in any business which is a Direct Competitor (as defined below); or (ii) serve as an employee, agent, partner, shareholder, director or consultant for, or in any other capacity participate, engage or have a financial or other interest in any business which is a Direct Competitor (provided, however, that notwithstanding anything to the contrary contained in this

Agreement, Executive may own up to two percent (2%) of the outstanding shares of the capital stock of a company whose securities are registered under Section 12 of the Securities Exchange Act of 1934). For purposes of this Agreement, the term "Direct Competitor" shall mean any person or entity engaged in the business of marketing or providing within the continental United States prescription products or services for pharmacy benefit management products or services including, without limitation, prepackaged prescription products or services, point of care pharmacy dispensing systems, point of care decision support software for physicians, mail service pharmacy products or services, or pharmaceuticals or pharmaceutical delivery systems.

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

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

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

6. Certain Additional Payments by Company.

Company agrees that:

6.1 Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 6) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or if any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by Executive of all taxes (including interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

6.2 Subject to the provisions of Section 6.3, below, all determinations required to be made under this Section 6, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the accounting firm which is then serving as the auditors for Company (the "Accounting Firm"), which shall provide detailed supporting calculations both to Company and Executive within fifteen (15) business days of the receipt of notice from Executive that there has been a Payment, or such earlier time as is requested by Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity, or group effecting the Change in Control, Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by Company. Any Gross-Up Payment, as determined pursuant to this Section 6, shall be paid by Company to Executive within five (5) days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by Executive, it shall furnish Executive with a written opinion that failure to report the Excise Tax on Executive's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any good faith determination by the Accounting Firm shall be binding upon Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that Company exhausts its remedies pursuant to Section 6.3, below, and Executive thereafter is

required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by Company to or for the benefit of Executive.

6.3 Executive shall notify Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than fifteen (15) business days after Executive is informed in writing of such claim and shall apprise Company of the nature of such claim and the date on which such claim is requested to be paid. Executive shall not pay such claim prior to the expiration of the thirty (30) day period following the date on which Executive gives such notice to the company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall:

6.3.1 Give Company any information reasonably requested by Company relating to such claim;

6.3.2 Take such action in connection with contesting such claim as Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by Company;

6.3.3 Cooperate with Company in good faith in order effectively to contest such claim; and

6.3.4 Permit Company to participate in any proceedings relating to such claim; provided, however, that Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Section 6.3, the company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner; and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Company shall determine; provided further, however, that if Company directs Executive to pay such claim and sue for a refund, Company shall advance the amount of such payment to Executive on an interest-free basis and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. further more, Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

6.4 If, after the receipt by Executive of an amount advanced by Company pursuant to Section 6.3 above, Executive becomes entitled to receive any refund with respect to such claim, Executive shall (subject to Company's complying with the requirements of said interest paid or credited thereon, after taxes applicable thereto). If, after the receipt by Executive of an amount advanced by Company pursuant to said Section 6.3, a determination is made that Executive shall not be entitled to any refund with respect to such claim and Company does not notify Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such advance shall be forgiven and shall not be required to be repaid; and the amount of such advance shall offset, to the extent thereof, the amount of the Gross-Up Payment required to be paid.

7. No Set-Off or Mitigation.

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

8. Payment of Certain Expenses.

Company agrees to pay promptly as incurred, to the fullest extent permitted by law, all legal fees and expenses which Executive may reasonably incur as a result of any contest by Company, Executive or others of the validity or enforceability of, or liability under, any provision of the Agreement (including as a result of any contest initiated by Executive about the amount of any payment due pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code; provided, however, that Company shall not be obligated to make such payment with respect to any contest in which Company prevails over Executive.

9. Indemnification.

To the fullest extent permitted by law, Company shall indemnify Executive (including the advancement of expenses) for any judgments, fines, amounts paid in settlement and reasonable expenses, including attorney's fees, incurred by Executive in connection with the defense or any lawsuit or other claim to which Executive is made a party by reason of being an officer, director or employee of Company or any of its Subsidiaries.

10. Miscellaneous.

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

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

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

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

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

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

To Company: Allscripts, Inc.
2401 Commerce Drive
Libertyville, Illinois 60048
Attention: Chief Executive Officer

With a copy to: Akin, Gump, Strauss, Hauer and Feld, L.L.P.
1333 New Hampshire Avenue, N.W.
Washington, D.C. 20036
Attention: Philip Green

To Executive: Joe Carey
2636 Oak Avenue
Northbrook, IL 60062

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

10.7 Assignment of Agreement. This Agreement shall be binding upon and inure to the benefit of Executive and Company, their respective successors and permitted assigns and Executive's heirs and personal representatives. Neither party may assign any rights or obligations hereunder to any person or entity without the prior written consent of the other party. This Agreement shall be personal to Executive for all purposes.

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

10.9 Dispute Resolution and Arbitration. The following procedures shall be used in the resolution of disputes:

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

10.9.2 Arbitration. If the dispute or disagreement between the parties has not been resolved in accordance with the provisions of Section 10.9.1 above, then any such controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration to be held in Chicago, Illinois, in accordance with the rules of the American Arbitration Association then in effect. Any decision rendered herein shall be final and binding on each of the parties and judgement may be entered thereon in the appropriate state or federal

court. The arbitrators shall be bound to strict interpretation and observation of the terms of this Agreement. The company shall pay the costs of arbitration.

10.10 Survival. The provisions of Sections 4.5, 5, 8 and 9 of this Agreement shall survive the expiration or earlier termination of the Agreement.

10.11 Headings. Section headings used in this Agreement are for convenience of reference only and shall not be used to construe the meaning of any provision of this Agreement.

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

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

ALLSCRIPTS, INC.

By: /s/Philip D. Green

Name: Philip Green

Title: Board Member/Compensation
Committee

EXECUTIVE

/s/Joe Carey

Joe Carey

ALLSCRIPTS, INC.**EMPLOYMENT AGREEMENT**

THIS EMPLOYMENT AGREEMENT, (this "Agreement") is made as of this 8th day of July, 2002, by and between Allscripts, Inc., a corporation organized and existing under the laws of the State of Illinois, with its principal place of business at 2401 Commerce Drive, Libertyville, Illinois 60048 ("Company") and Scott Leisher ("Executive").

RECITALS

WHEREAS, Company desires to employ Executive as its Executive Vice President, Sales and Marketing; and

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

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

AGREEMENT**1. Employment.**

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

2. Effective Date and Term.

The initial term of Executive's employment by Company under this Agreement shall commence as of July 8, 2002 (the "Effective Date") and shall continue in effect for a term of three (3) years, unless earlier terminated as provided herein. Thereafter, this Agreement shall automatically renew for additional and successive terms of one (1) year each, unless either Company or Executive elects not to renew this Agreement upon the expiration of the initial term or any renewal term by providing written notice of such non-renewal to the other party at least one hundred eighty (180) days prior to the expiration of the then current term. As used herein, the term "Employment Period" shall mean the period of from the Effective Date until the termination of the Agreement (i) for non-renewal pursuant to this Section 2, or (ii) pursuant to Section 4 herein.

3. Compensation and Benefits.

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

3.1 Base Salary. During the Employment Period, Company shall pay to Executive an annual base salary at a rate of two hundred twenty-five thousand dollars (\$225,000) per annum, subject to all appropriate federal and state withholding taxes, which base salary shall be payable in accordance with Company's normal payroll practices and procedures. Executive's base salary shall be reviewed annually prior to the beginning of each Fiscal Year (as defined below) during the Employment Period by the Board of Directors of Company (the "Board"), or a committee of the Board, and may be increased in the sole discretion of the Board, or such committee of the Board, based on Executive's performance during the preceding Fiscal Year. For purposes of this Agreement, the term "Fiscal Year" shall mean the fiscal year of the Company, commencing on January 1 of each year and ending on December 31. Executive's base salary, as such base salary may be increased annually hereunder, is hereinafter referred to as the "Base Salary."

3.2 Performance Bonus. Executive shall be eligible to receive a cash bonus with respect to each Fiscal Year of Company that ends during the term of this Agreement (the "Performance Bonus"). Payment of the Performance Bonus, if any, will be subject to the sole discretion of the Board or a committee of the Board, and the amount of any such Performance Bonus will be determined by, and based upon criteria selected by, the Board or such committee, but in no event shall be less than seventy-five thousand dollars (\$75,000).

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

3.3.1 Vacation. Executive shall be entitled to twenty (20) business days per Fiscal Year of paid vacation, such vacation time not to be cumulative (i.e., vacation time not taken in any Fiscal Year shall not be carried forward and used in any subsequent Fiscal Year).

3.3.2 Participation in Benefit Plans. Executive shall be entitled to health and/or dental benefits, including immediate coverage for Executive and his eligible dependents, which are generally available to Company's senior executive employees and as provided by Company in accordance with its group health insurance plan coverage. In addition, Executive shall be entitled to participate in any profit sharing plan, retirement plan, group life insurance plan or other insurance plan or medical expense plan maintained by the Company for its senior executives generally, in accordance with the general eligibility criteria therein.

3.3.3 Physical Examination. Executive shall be entitled to receive reimbursement for the cost of one general physical examination per twelve (12) month period during the term of the Agreement from a physician chosen by Executive in his reasonable discretion.

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

3.3.5 Indemnification. Executive shall be entitled to indemnification (including immediate advancement of all legal fees with respect to any claim for indemnification) and directors' and officers' insurance coverage, to the extent made available to other senior executives, in accordance with the Bylaws and all other applicable policies and procedures of Company.

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

3.5 Stock Awards. Executive shall be eligible to participate in any applicable stock bonus, stock option, or similar plan implemented by Company and generally available to its senior executive employees, including, without limitation, Company's Amended and Restated 1993 Stock Incentive Plan approved by the Board and Company's shareholders on or about June 7, 1999 (the "Plan") for the grant of options to Executive as approved by the Board.

4. Termination of the Agreement Prior To the Expiration.

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

4.1 Termination upon Death or Disability of Executive.

4.1.1 This Agreement and the Employment Period shall terminate immediately upon the death of Executive. In such event, all rights of Executive and/or Executive's estate (or named beneficiary) shall cease except for the right to receive payment of the amounts set forth in Section 4.5.4 of the Agreement.

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

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

4.2.1 the willful or grossly negligent failure by Executive to perform his duties and obligations hereunder in any material respect, other than any such failure resulting from the disability of Executive;

4.2.2 Executive's conviction of a crime or offense involving the property of Company, or any crime or offense constituting a felony or involving fraud or moral turpitude; provided that, in the event that Executive is arrested or indicted for a crime or offense related to any of the foregoing, then Company may, at its option, place Executive on paid leave of absence, pending the final outcome of such arrest or indictment;

4.2.3 Executive's violation of any law, which violation is materially and demonstrably injurious to the operations or reputation of Company; or

4.2.4 Executive's material violation of any generally recognized policy of Company, Executive's refusal to follow the lawful directions of the Board, or Executive's insubordination to his supervisor.

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

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

4.4 Termination by Executive for Constructive Discharge.

4.4.1 Executive may terminate this Agreement and the Employment Period, in accordance with the process set forth below, a result of a Constructive Discharge. For purposes of this Agreement "Constructive Discharge" shall mean:

(i) a failure of Company to meet its obligations in any material respect under this Agreement, including, but not limited to, any reduction in or failure to pay the Base Salary;

(ii) a material diminution in or other substantial adverse alteration in the nature or scope of Executive's responsibilities with Company;

(iii) Executive has been asked to relocate his principal place of business to a location that is more than fifty (50) miles from Company's offices located in Libertyville, Illinois; or

(iv) there has been a Change of Control of Company.

4.4.2 For purposes of this Agreement, a "Change of Control" shall mean any one of the following events:

(i) the acquisition by any person or group of beneficial ownership of stock possessing more than thirty percent (30%) of the outstanding securities of Company which generally entitle the holder thereof to vote for the election of directors ("Voting Power"), except that (a) no such person or group shall be deemed to own beneficially (1) any securities acquired directly from Company pursuant to a written agreement with Company, or (2) any securities held by the company or a subsidiary of Company ("Subsidiary"), or any employee benefit plan (or related trust) of Company or a Subsidiary; and (b) no Change in Control shall be deemed to have occurred solely by reason of any such acquisition by a corporation with respect to which, after such acquisition, more than sixty percent (60%) of the then outstanding shares of common stock of such corporation and the Voting Power of such corporation are then beneficially owned, directly or indirectly, by the persons who were the beneficial owners of the stock and Voting Power of Company immediately before such acquisition, in substantially the same proportions as their ownership immediately before such acquisition; or

(ii) the individuals who constitute the Board as of the date of this Agreement (the "Incumbent Board") cease for any reason other than their deaths to constitute at least a majority of the Board; provided that any individual who becomes a director after the date of this Agreement whose election or nomination for election by Company's stockholders was approved by a vote of at least two-thirds (2/3) of the directors then comprising the Incumbent Board shall be considered, for purposes of this section, as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office is in connection with an actual or threatened election contest relating to the election of the directors of Company (as such terms are used in Rule 14a-11 under the 1934 Act); or

(iii) Company effects: (a) a merger, reorganization or consolidation of Company with respect to which the individuals and entities who were the respective beneficial owners of the shares of common stock and Voting Power of Company immediately before such merger, reorganization or consolidation do not, immediately after such merger, reorganization or consolidation, beneficially own, directly or indirectly, more than sixty percent (60%) of, respectively, the then outstanding shares of common stock and the Voting Power of the corporation resulting from such merger, reorganization, or consolidation; (b) a liquidation or dissolution of Company; or (c) a sale or other disposition of all or substantially all of the assets of Company.

4.4.3 For purpose of the foregoing definition, the terms "beneficially owned" and "beneficial ownership" and "person" shall have the meanings ascribed to them in SEC rules 13d-5(b) under the 1934 Act, and "group" means two or more persons acting together in such a way to be deemed a person for purposes of Section 13(d) of the 1934 Act.

4.4.4 In the event of a Constructive Discharge other than as a result of a Change in Control, Executive shall have the right to terminate this Agreement and receive the benefits set forth in Section 4.5.1 below, upon delivery of written notice to Company no later than the close of business on the sixtieth (60th) day following the effective date of a Constructive Discharge; provided, however, that such termination shall not be effective until the expiration of ten (10) days after receipt by Company of such written notice and Company has not cured such Constructive Discharge within the 10-day period. If Company so effects a cure, the Constructive Discharge notice shall be deemed rescinded and of no force or effect. Notwithstanding the foregoing, such notice and lapse of time shall not be required with respect to any event or circumstance which is the same or substantially the same as an event or circumstance with respect to which notice and an opportunity to cure has been given within the previous six (6) months. The effective date of a Constructive Discharge shall be: (i) in the event of a Constructive Discharge under Section 4.4.1(i) or (ii), the effective date of the event giving rise to the Constructive Discharge; or (ii) in the event of a Constructive Discharge under Section 4.4.1(iii), the date on which Executive receives notice of the request to relocate.

4.4.5 In the event of a Constructive Discharge as a result of a Change of Control, Executive shall have the right to terminate this Agreement and receive the benefits set forth in Section 4.5.2 upon delivery of written notice to Company no later than one (1) year following the effective date of the Change of Control.

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

4.5.1 Termination by Company Without Cause or for Constructive Discharge. If Company terminates the Employment Period without Cause (other than a non-renewal by Company under Section 2), or if Executive terminates the Employment Period as a result of a Constructive Discharge, Executive shall be entitled to receive payment of any Base Salary amounts that have accrued but have not been paid as of the Termination Date, and the unpaid Performance Bonus, if any, with respect to the Fiscal Year preceding the Fiscal Year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner that it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period). In addition, subject to Section 4.5.2, below, Company shall be obligated to pay Executive (or provide Executive with) the following benefits as severance:

(i) two (2) years of Executive's Base Salary, payable in twenty-four (24) equal monthly installments commencing on the Termination Date, equal to Executive's annual Base Salary in effect immediately prior to the Termination Date, such amount to be payable regardless of

whether Executive obtains other employment and is compensated therefor (but only so long as Executive is not in violation of Section 5 hereof);

(ii) the Performance Bonus for the Fiscal Year in which the Termination Date occurs that would have been payable under Section 3.2 had there been no termination of the Employment Period (such Performance Bonus to be determined in the manner it would have been determined under Section 3.2 had there been no termination of the Employment Period), payable as follows: (a) fifty percent (50%) of such Performance Bonus shall be paid to Executive on the Termination Date; and (b) the remaining fifty percent (50%) shall be paid in twelve (12) equal monthly installments commencing on the fifteenth day of the first full month following the Termination Date;

(iii) continuation of Executive's then current enrollment (including family enrollment, if applicable) in all health and/or dental insurance benefits set forth in Section 3.2.2 for a period of twenty-four (24) months following the Termination Date, with Executive's contribution to such plans as if Executive were employed by Company, such contributions to be paid by Executive in the same period (e.g., monthly, bi-weekly, etc.) as all other employees of Company; provided, however that Company may terminate such coverage if payment from Executive is not made within ten (10) days of the date on which Executive receives written notice from Company that such payment is due; and provided, further, that such benefits may be discontinued earlier to the extent that Executive becomes entitled to comparable benefits from a subsequent employer;

(iv) outplacement services, in an amount up to ten thousand dollars (\$10,000), paid to Executive on exit; and

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

4.5.2 Additional Severance Upon Termination for Change of Control. If Executive terminates the Employment Period pursuant to Section 4.4 by reason of a Change of Control, then Executive shall be entitled to receive the compensation and benefits described in Section 4.5.1 (except for those benefits described in Sections 4.5.1(i) and (ii)) and the following additional benefits as severance:

(i) payment in a lump sum of an amount equal to the product of Executive's Base Salary in effect as of the Termination Date, multiplied by 2.99; and

(ii) a lump sum payment of the minimum Performance Bonus amount of seventy-five thousand dollars (\$75,000), multiplied by 2.99.

4.5.3 Termination With Cause by Company or Without Cause by Executive. If Company terminates the Employment Period with Cause, or if Executive terminates the Employment Period other than as a result of a Constructive Discharge or a non-renewal under Section 2, Company shall be obligated to pay Executive (i) any Base Salary amounts that have accrued but have not been paid as of the Termination Date; and (ii) the unpaid Performance Bonus, if any, with respect to the Fiscal Year preceding the Fiscal Year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period).

4.5.4 Termination Upon Death or Disability. If the Employment Period is terminated because of the death or disability of Executive, Company shall be obligated to pay Executive or, if applicable, Executive's estate, the following amounts: (i) earned but unpaid Base Salary; (ii) the unpaid Performance Bonus, if any, with respect to the Fiscal Year preceding the Fiscal Year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period); and (iii) the amount of Executive's Performance Bonus, if any, for the Fiscal Year in which the Termination Date occurs that would have been payable under Section 3.2 had there been no termination of the Employment Period (such Performance Bonus, if any, to be determined in the manner it would have been determined under Section 3.2 had there been no termination of the Employment Period), payable as follows: (a) fifty percent (50%) of such Performance Bonus shall be paid on the Termination Date; and (b) the remaining fifty percent (50%) shall be paid in twelve (12) equal monthly installments commencing on the fifteenth day of the first full month following the Termination Date.

4.5.5 Termination for Non-Renewal by Company. If the Employment Period is terminated by reason of a non-renewal by Company under Section 2, then Executive shall be entitled to receive payment of any Base Salary amounts that have accrued but have not been paid as of the Termination Date, and the unpaid Performance Bonus, if any, with respect to the Fiscal Year preceding the Fiscal Year in which the Termination Date occurs (such Performance Bonus, if any, to be determined in the manner that it would have been determined, and payable at the time it would have been payable, under Section 3.2 had there been no termination of the Employment Period). In addition, Company shall be obligated to pay Executive as severance one (1) year of Executive's Base Salary, payable in twelve (12) equal monthly installments commencing on the Termination Date, equal to Executive's annual Base Salary in effect immediately prior to the Termination Date, such amount to be payable regardless of whether Executive obtains other employment and is compensated therefor (but only so long as Executive is not in violation of Section 5 hereof).

4.6 Effect of Notice of Termination. Any notice of termination by Company, whether for Cause or without cause, may specify that, during the notice period, Executive need not attend to any business on behalf of Company.

5. Noncompetition and Confidentiality.

5.1 Covenant Not to Compete. During the Employment Period and for a period of one (1) year after the expiration or earlier termination of the Employment Period (other than a termination by Company without Cause or a termination by Executive for Constructive Discharge), Executive shall not, (i) directly or indirectly act in concert or conspire with any person employed by Company in order to engage in or prepare to engage in or to have a financial or other interest in any business which is a Direct Competitor (as defined below); or (ii) serve as an employee, agent, partner, shareholder, director or consultant for, or in any other capacity participate, engage or have a financial or other interest in any business which is a Direct Competitor (provided, however, that notwithstanding anything to the contrary contained in this

Agreement, Executive may own up to two percent (2%) of the outstanding shares of the capital stock of a company whose securities are registered under Section 12 of the Securities Exchange Act of 1934). For purposes of this Agreement, the term "Direct Competitor" shall mean any person or entity engaged in the business of marketing or providing within the continental United States prescription products or services for pharmacy benefit management products or services including, without limitation, prepackaged prescription products or services, point of care pharmacy dispensing systems, point of care decision support software for physicians, mail service pharmacy products or services, or pharmaceuticals or pharmaceutical delivery systems.

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

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

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

6. Certain Additional Payments by Company.

Company agrees that:

6.1 Anything in this Agreement to the contrary notwithstanding, in the event it shall be determined that any payment or distribution by Company to or for the benefit of Executive (whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, but determined without regard to any additional payments required under this Section 6) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or if any interest or penalties are incurred by Executive with respect to such excise tax (such excise tax, together with any such interest and penalties, being hereafter collectively referred to as the "Excise Tax"), then Executive shall be entitled to receive an additional payment (a "Gross-Up Payment") in an amount such that after payment by Executive of all taxes (including interest or penalties imposed with respect to such taxes), including, without limitation, any income taxes (and any interest and penalties imposed with respect thereto) and Excise Tax imposed upon the Gross-Up Payment, Executive retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the Payment.

6.2 Subject to the provisions of Section 6.3, below, all determinations required to be made under this Section 6, including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by the accounting firm which is then serving as the auditors for Company (the "Accounting Firm"), which shall provide detailed supporting calculations both to Company and Executive within fifteen (15) business days of the receipt of notice from Executive that there has been a Payment, or such earlier time as is requested by Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity, or group effecting the Change in Control, Executive shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by Company. Any Gross-Up Payment, as determined pursuant to this Section 6, shall be paid by Company to Executive within five (5) days of the receipt of the Accounting Firm's determination. If the Accounting Firm determines that no Excise Tax is payable by Executive, it shall furnish Executive with a written opinion that failure to report the Excise Tax on Executive's applicable federal income tax return would not result in the imposition of a negligence or similar penalty. Any good faith determination by the Accounting Firm shall be binding upon Company and Executive. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that Company exhausts its remedies pursuant to Section 6.3, below, and Executive thereafter is

required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by Company to or for the benefit of Executive.

6.3 Executive shall notify Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by Company of a Gross-Up Payment. Such notification shall be given as soon as practicable but no later than fifteen (15) business days after Executive is informed in writing of such claim and shall apprise Company of the nature of such claim and the date on which such claim is requested to be paid. Executive shall not pay such claim prior to the expiration of the thirty (30) day period following the date on which Executive gives such notice to the company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If Company notifies Executive in writing prior to the expiration of such period that it desires to contest such claim, Executive shall:

6.3.1 Give Company any information reasonably requested by Company relating to such claim;

6.3.2 Take such action in connection with contesting such claim as Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by Company;

6.3.3 Cooperate with Company in good faith in order effectively to contest such claim; and

6.3.4 Permit Company to participate in any proceedings relating to such claim; provided, however, that Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold Executive harmless, on an after-tax basis, for any Excise Tax or income tax (including interest and penalties with respect thereto) imposed as a result of such representation and payment of costs and expenses. Without limiting the foregoing provisions of this Section 6.3, the company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forego any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at its sole option, either direct Executive to pay the tax claimed and sue for a refund or contest the claim in any permissible manner; and Executive agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as Company shall determine; provided further, however, that if Company directs Executive to pay such claim and sue for a refund, Company shall advance the amount of such payment to Executive on an interest-free basis and shall indemnify and hold Executive harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of Executive with respect to which such contested amount is claimed to be due is limited solely to such contested amount. further more, Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and Executive shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

6.4 If, after the receipt by Executive of an amount advanced by Company pursuant to Section 6.3 above, Executive becomes entitled to receive any refund with respect to such claim, Executive shall (subject to Company's complying with the requirements of said interest paid or credited thereon, after taxes applicable thereto). If, after the receipt by Executive of an amount advanced by Company pursuant to said Section 6.3, a determination is made that Executive shall not be entitled to any refund with respect to such claim and Company does not notify Executive in writing of its intent to contest such denial of refund prior to the expiration of thirty (30) days after such determination, then such advance shall be forgiven and shall not be required to be repaid; and the amount of such advance shall offset, to the extent thereof, the amount of the Gross-Up Payment required to be paid.

7. No Set-Off or Mitigation.

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

8. Payment of Certain Expenses.

Company agrees to pay promptly as incurred, to the fullest extent permitted by law, all legal fees and expenses which Executive may reasonably incur as a result of any contest by Company, Executive or others of the validity or enforceability of, or liability under, any provision of the Agreement (including as a result of any contest initiated by Executive about the amount of any payment due pursuant to this Agreement), plus in each case interest on any delayed payment at the applicable federal rate provided for in Section 7872(f)(2)(A) of the Code; provided, however, that Company shall not be obligated to make such payment with respect to any contest in which Company prevails over Executive.

9. Indemnification.

To the fullest extent permitted by law, Company shall indemnify Executive (including the advancement of expenses) for any judgments, fines, amounts paid in settlement and reasonable expenses, including attorney's fees, incurred by Executive in connection with the defense or any lawsuit or other claim to which Executive is made a party by reason of being an officer, director or employee of Company or any of its Subsidiaries.

10. Miscellaneous.

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

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

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

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

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

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

To Company: Allscripts, Inc.
2401 Commerce Drive
Libertyville, Illinois 60048
Attention: Chief Executive Officer

With a copy to: Akin, Gump, Strauss, Hauer and Feld, L.L.P.
1333 New Hampshire Avenue, N.W.
Washington, D.C. 20036
Attention: Philip Green

To Executive: Scott Leisher
2237 Schiller
Wilmette, IL 60091

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

10.7 Assignment of Agreement. This Agreement shall be binding upon and inure to the benefit of Executive and Company, their respective successors and permitted assigns and Executive's heirs and personal representatives. Neither party may assign any rights or obligations hereunder to any person or entity without the prior written consent of the other party. This Agreement shall be personal to Executive for all purposes.

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

10.9 Dispute Resolution and Arbitration. The following procedures shall be used in the resolution of disputes:

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

10.9.2 Arbitration. If the dispute or disagreement between the parties has not been resolved in accordance with the provisions of Section 10.9.1 above, then any such controversy or claim arising out of or relating to this Agreement, or the breach thereof, shall be settled by arbitration to be held in Chicago, Illinois, in accordance with the rules of the American Arbitration Association then in effect. Any decision rendered herein shall be final and binding on each of the parties and judgement may be entered thereon in the appropriate state or federal

court. The arbitrators shall be bound to strict interpretation and observation of the terms of this Agreement. The company shall pay the costs of arbitration.

10.10 Survival. The provisions of Sections 4.5, 5, 8 and 9 of this Agreement shall survive the expiration or earlier termination of the Agreement.

10.11 Headings. Section headings used in this Agreement are for convenience of reference only and shall not be used to construe the meaning of any provision of this Agreement.

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

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

ALLSCRIPTS, INC.

By: /s/Philip D. Green

Name: Philip Green

Title: Board Member/Compensation
Committee

EXECUTIVE

/s/Scott Leisher

Scott Leisher

ALLSCRIPTS HEALTHCARE SOLUTIONS, INC.**SEPARATION AGREEMENT AND GENERAL RELEASE**

THIS SEPARATION AGREEMENT AND GENERAL RELEASE (this "Agreement"), is made as of this 13th day of September, 2002, by and between Allscripts Healthcare Solutions, Inc., a corporation organized and existing under the laws of the State of Delaware, with its principal place of business at 2401 Commerce Drive, Libertyville, Illinois 60048 ("Company"), and David B. Mullen ("Executive").

RECITALS

WHEREAS, Executive has served as the President and Chief Financial Officer of Company and as an officer and member of Company's board of directors pursuant to that certain Employment Agreement by and between Company and Executive, dated July 15, 1997 (the "Employment Agreement");

WHEREAS, by agreement between Executive and Company, Executive has agreed to resign as an officer and director of Company effective as of September 13, 2002 (the "Effective Date"), and as an employee of Company no later than 0 days thereafter; and

WHEREAS, the parties desire to set forth the terms and conditions of Executive's resignation as an employee, officer, and director of Company.

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

AGREEMENT**1. Recitals.**

The foregoing recitals are restated and incorporated herein by reference and made a part hereof.

2. Resignation.

2.1 Resignation from Company. Executive hereby resigns as an officer of Company and as a director of Company as of the Effective Date, and as an employee of Company to be effective upon such date as determined by Company upon fifteen (15) days prior written notice, but in any event no later than September 13, 2002 (such effective date of the termination of employment hereafter referred to as the "Termination Date"). Employee agrees to remain in the employ of Company until the Termination Date. Notwithstanding any contrary provision contained in the Employment Agreement, such resignations shall not be deemed to be a breach by Executive or Company of the Employment Agreement, nor an event giving rise to "good reason" under the Employment Agreement, and, in consideration for the payments and benefits herein described, the Employment Agreement, except for Section V and the other sections thereof that are specifically referred to and incorporated herein by reference, shall terminate and cease to have any effect as of the Effective Date notwithstanding any survival clauses contained therein.

2.2 Transition Assistance. Executive agrees that, during the period commencing on the Effective Date and ending on the Termination Date (the "Transition Period"), Executive shall remain an employee of Company in order to assist Company in transitioning the responsibilities of Executive to the successor Chief Financial Officer of Company, such employment to continue until the Termination Date. Executive agrees that, during the Transition Period, Executive shall cooperate with Company in the orderly transition from Executive of his duties and responsibilities in the management and operations of Company to the new Chief Financial Officer of Company. During the Transition Period, Company shall continue to pay Executive the base salary amount as set forth in Section III, A of the Employment Agreement at the base salary rate in effect as of the Effective Date and in accordance with Company's standard payroll practices and procedures. Company may terminate this Agreement for cause, as such term is defined in Section IV. B of the Employment Agreement, and under the notice and cure provisions set forth therein, and, in such case, this Company shall not be obligated to pay the severance payments hereunder.

3. Severance Payments and Benefits.

3.1 Severance Payments. In consideration for Executive remaining an employee of Company through the Termination Date and the other covenants set forth herein, Company promises and agrees to pay, and will pay, to Executive severance pay in an amount equal to Executive's base salary payments, computed at an annual rate of two hundred thirty-five thousand dollars (\$235,000), for a period of twenty (20) months from the Termination Date (the "Severance Period"), payable in accordance with Company's standard payroll practices (such amounts collectively referred to as the "Severance Payments"). Company acknowledges that Executive shall be entitled to the Severance Payments for the entire Severance Period irrespective of any subsequent employment Executive may obtain during the Severance Period. Executive acknowledges that the Severance Payments shall be made in full satisfaction of any and all amounts due to Executive from Company as of the Termination Date.

3.2 Company Benefits. Executive shall be entitled to continue to participate in all Company sponsored medical, health, and life insurance plans at the same benefit level, and upon the same terms and conditions, at which he was participating as of the Effective Date until the earlier of (i) the expiration of the Severance Period; or (ii) the date Executive receives coverage and benefits under the plans of a subsequent employer. Company further acknowledges that Executive shall retain coverage under Company's directors and officers liability insurance policy(ies) for the period of time during which Executive served as a director of Company, upon the same terms and conditions applicable to Company's other executive officers/directors.

3.3 Other Benefits. Executive shall be permitted to retain the cellular telephone and personal computer provided to Executive for his use while employed by Company. Notwithstanding the foregoing, Executive shall, as a condition to Executive's retention of such personal computer and consistent with Executive's commitment in Section 4 below, permanently delete and/or return to Company, to Company's full satisfaction, all confidential and/or proprietary information of Company stored on any internal or external storage device integrated into or attached to such computer. To the extent Executive is required to utilize his cellular telephone for business purposes during the Transition Period, Company agrees to reimburse Executive for the reasonable expenses of such use, subject to adequate documentation of such expenses consistent with Company's applicable policies and procedures.

3.4 Withholding of Taxes. Company may withhold from any benefits or Severance Payments payable under this Agreement all federal, state, city, or other taxes as may be required pursuant to any law or governmental regulation or ruling.

3.5 No Other Payments. Except as specifically provided herein, or as otherwise may be required by law, Executive shall not be entitled to receive any other payments, benefits, or severance amounts from Company following the Termination Date, whether pursuant to the Employment Agreement or otherwise.

4. Competition and Confidentiality.

4.1 Noncompetition and Confidentiality. Executive agrees that during the Transition Period, and for a period of one (1) year from and after the Termination Date, he shall comply with, and continue to be legally bound by, the provisions and restrictions set forth in Section V of the Employment Agreement (a copy of which is attached hereto as Exhibit A) in accordance with the terms and conditions contained therein, and incorporated herein by reference.

4.2 Nonsolicitation. During the Transition Period prior to the Termination Date and for a period of one (1) year from and after the Termination Date, Executive shall not, directly or indirectly, whether for his own account or for the account of any other individual or entity, (i) employ, hire or solicit for employment, or attempt to employ, hire or solicit for employment, any Employee (as defined below), (ii) divert or attempt to divert, directly or indirectly, or otherwise interfere in a material fashion with or circumvent Company's relationship with, any Employees, or (iii) induce or attempt to induce, directly or indirectly, any Employee to terminate his or her employment or other business relationship with Company. For purposes of this Section 4.2, "Employee" means any person who is or was employed by Company during the Employment Period (as defined in the Employment Agreement); provided, however, that "Employee" shall not include any person (a) whose employment with Company was terminated by Company without cause, or (b) who was not employed by Company at any time during the six (6) month period immediately prior to the Termination Date.

4.3 Remedies. Executive acknowledges that any violation of the provisions and restrictions set forth in Section V of the Employment Agreement and incorporated herein by reference, and/or any violation of the provisions set forth in Section 4.2 above, will, in addition to any and all other remedies to which Company may be entitled, result in the immediate discontinuation of the Severance Payments by Company to Executive.

5. Mutual Release.

5.1 Release of Known and Unknown Claims by Executive. Except with respect to Executive's rights pursuant to this Agreement, Executive, for himself and his heirs, successors, and assigns, and each of them (hereinafter collectively, "Executive Releasors"), hereby waives, releases, relinquishes, and discharges Company and its affiliates, owners, subsidiaries, predecessors, successors, and assigns, and its and their present and former directors, officers, employees, representatives, and agents, and its and each of their heirs, successors, and assigns, and each of them (hereinafter collectively, "Company Releasees") from any and all claims, liabilities, suits, damages, actions, or manner of actions, whether in contract, tort, or otherwise which the Executive Releasors or any of them ever had, now have, or hereafter may have against the Company Releasees, or any of them, whether the same be in administrative proceedings, in arbitration, in law, at equity, or mixed, arising from or in any way relating to Executive's employment by Company, the Employment Agreement or any other terms or conditions of Executive's employment with Company, termination of Executive's duties and responsibilities as an officer and director of Company and of Executive's employment with Company, or any act or omission by Company Releasees, or any of them, prior to the Effective Date. It is further understood and agreed that this general release applies to any and all claims, demands, liabilities, and causes of action relating to Executive's employment with Company which may arise pursuant to any federal, state, or local employment law, regulation, or other requirement including, but not limited to, Title VII of the 1964 Civil Rights Act, the Americans With Disabilities Act, and any claim in tort or contract.

5.2 Release of Claims by Company. Except with respect to Company's rights pursuant to this Agreement, Company, for itself and its affiliates, owners, subsidiaries, predecessors, successors, and assigns, and its and their present and former directors, officers, employees, representatives, and agents, and its and each of their heirs, successors, and assigns, and each of them (hereinafter collectively, "Company Releasors"), hereby waives, releases, relinquishes, and discharges Executive, for himself and his heirs, successors, and assigns, and each of them (hereinafter collectively, "Executive Releasees") from any and all claims, liabilities, suits, damages, actions, or manner of actions, whether in contract, tort, or otherwise which the Company Releasors or any of them ever had, now have, or hereafter may have against the Executive Releasees, or any of them, whether the same be in administrative proceedings, in arbitration, in law, at equity, or mixed, arising from or in any way relating to Executive's employment by Company, the Employment Agreement or any other terms or conditions of Executive's employment with Company, termination of Executive's employment with Company, or any act or omission by Executive Releasees, or any of them, prior to the Effective Date.

5.3 Exclusion from Mutual Release. Executive and Company each agree that the mutual releases set forth above do not apply to any claims of a violation of law or any claims brought by a third party against either Company or Executive, and each shall be entitled to indemnification and/or contribution from the other to the extent permitted by law for such third party claims; provided that in the event that Company becomes obligated to indemnify Executive, Company shall control the selection of counsel for such proceeding.

5.4 Mutual Release of Unknown Claims. The parties expressly acknowledge and agree that this Agreement is intended to include in its effect, without limitation, all claims which any of the Company Releasors and Executive Releasors do not know or suspect to exist in their favor at the time of execution hereof, and the Agreement contemplates the extinguishment of any such claim or claims. This Agreement shall be and remain in effect as a full and complete release notwithstanding the discovery or existence of any additional or different facts.

6. Executive's Representation and Warranty.

Except for the cellular telephone and computer hardware described in Section 3.3. above, Executive represents and warrants that he does not have in his custody, control, or possession (including the custody, control, or possession of his counsel, advisors, or other agents or representatives) any files (tangible or electronic), documents, computer disks, or any other property generated by, prepared at, received at, or belonging to Company, and represents and warrants that he did not remove from Company's offices or facilities (including its computer system) any such property, or to the extent that he removed such property from Company's offices or facilities, all such property has been returned to Company. Notwithstanding the foregoing, Company acknowledges that Executive may retain such informational/marketing and/or other materials distributed or disseminated by Company to its employees generally (including Executive) which are (i) not confidential or proprietary in nature and (ii) intended by Company to be retained by its employees (e.g., summary description of health benefits).

7. Non-Disparagement.

Executive promises and agrees that he will not, directly or indirectly, communicate, in writing or orally, to anyone anything which is or is reasonably likely to be construed as disparaging, derogatory, negative, or critical of Company or of any present, former, or future director, officer, or employee of Company or of the services or products rendered or offered by Company. Notwithstanding the foregoing, and without violating the foregoing, Executive shall have the right to communicate truthfully about Company and its directors, officers, and employees in response to any lawful order or process of a court, government agency, or other body or as may otherwise be necessary to comply with the law. Company promises and agrees that it will not, directly or indirectly, communicate, in writing or orally, to anyone anything which is or is reasonably likely to be construed as disparaging, derogatory, negative, or critical of Executive. Notwithstanding the foregoing, and without violating the foregoing, Company shall have the right to communicate truthfully about Executive in response to any lawful order or process of a court, government agency, or other body or as may otherwise be necessary to comply with the law.

8. Non-disclosure.

The parties hereto agree that neither shall disclose the terms of this Agreement to any non-party hereto, except that the parties may disclose the terms of this Agreement to their respective counsel, accountants, tax advisors, or, in the case of Executive, spouse. Company may also disclose the terms of this Agreement to the extent required under federal and state securities laws and regulations, and/or other applicable law. Each party shall take appropriate steps to insure that his or its agents including, but not limited to, counsel, accountants, tax advisors, spouse, and otherwise, are aware of and comply with this non-disclosure provision, and each party assumes the risk of and shall be accountable for any breach of this non-disclosure provision occasioned by any act or omission by his or its agent(s). In the event that either party is questioned or receives an inquiry as to the status or disposition of this matter, such party will state only that the matter has been amicably resolved; such party is not permitted to volunteer such information without inquiry having been made and will not take any steps, either directly or indirectly, to suggest to anyone that inquiry be made of him or it. Executive acknowledges that Company will suffer damages in the event that he breaches his obligations of non-disclosure as set forth herein and that such damages will be difficult to establish with precision. In the event that Executive fails to comply with his obligations pursuant to this Section 8, Company will have no further obligation to pay, and shall be excused from paying, any amount or to provide any benefits pursuant to this Agreement to Executive.

9. No Admission.

Neither party hereto admits having engaged in any wrongful conduct or having violated the rights of any other party hereto. The parties agree that nothing in this Agreement constitutes or shall be deemed to constitute any admission of wrongdoing.

10. Miscellaneous.

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

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

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

10.4 No Waiver. The waiver by any party of a breach or violation of any provision of this Agreement shall operate as or be construed to be a waiver of any subsequent breach of this Agreement. Further, no party shall be deemed to have waived any provision of or right under this Agreement unless such waiver is set forth in writing signed by the party against whom such waiver is asserted.

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

To Company: Allscripts Healthcare Solutions, Inc.
2401 Commerce Drive
Libertyville, Illinois 60048
Attention: Chief Executive Officer

With a copy to: Akin, Gump, Strauss, Hauer and Feld, L.L.P.
1333 New Hampshire Avenue, N.W.
Washington, D.C. 20036
Attention: Paul L. Uhrig, Esquire

To Executive: David B. Mullen
470 Buena Road
Lake Forest, IL 60045

With a copy to: Jerry Biederman, Esquire
Neal, Gerber and Eisenberg
2 North LaSalle Street
Chicago, IL 60602

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

10.6 Assignment and Delegation. This Agreement is binding on Executive and Company and their successors and assigns; provided, however, that the rights and obligations of Company under this Agreement may be assigned or delegated to a successor entity by Company. No rights or obligations of Executive hereunder may be assigned or delegated by Executive to any other person or entity, except by will or the laws of descent and distribution. In the event of Executive's death prior to receipt by Executive of all amounts payable by Company hereunder, such amounts shall be payable to Executive's designated beneficiaries on the same schedule as provided for in this Agreement.

10.7 Entire Agreement; Amendments. Except as otherwise provided herein, this Agreement contains the entire understanding between the parties, and there are no other agreement's or understandings between the parties with respect to the subject matter hereof. Except as otherwise provided in this Agreement, as of the Termination Date, the Employment Agreement is hereafter of no force and effect, except to the extent that provisions thereof have been incorporated by reference in this Agreement. No change or modification of this Agreement shall be valid or binding upon the parties unless and until the same is in writing and signed by the party against whom enforcement of such change or modification is sought.

10.8 Reliance Upon Counsel. The parties hereto have relied upon the advice and representation of counsel selected by them respecting the legal liabilities and obligations of the parties hereto including, but not limited to, all claims released hereunder, and the parties hereto have been fully advised as to the legal effect thereof by their respective counsel and the parties have entered into this Agreement willingly and voluntarily with full knowledge of the consequences hereof.

10.9 Attorneys' Fees. In the event that any party breaches any of his or its obligations pursuant to this Agreement, the non-breaching party shall be entitled to recover from the breaching party, in addition to any and all other remedies, his or its reasonable attorney's fees, expenses, and costs which he or it incurs in enforcing his or its rights hereunder.

10.10 Construction. This Agreement shall not be construed more strictly against any party hereto merely by virtue of the fact that the Agreement may have been drafted or prepared by such party or its counsel, it being recognized that all of the parties hereto have contributed substantially and materially to its preparation and that this Agreement has been the subject of negotiations between the parties and as a product of that negotiation.

10.11 Headings. Section headings used in this Agreement are for convenience of reference only and shall not be used to construe the meaning of any provision of this Agreement.

10.12 Counterparts. This Agreement may be executed in one (1) or more counterparts, any of which, if originally executed, shall be binding upon the parties signing thereon, and all of which taken together shall constitute one and the same instrument.

10.13 Executive Acknowledgments. Executive acknowledges that:

(a) He has read and understands the terms of this Agreement and has voluntarily agreed to these terms without coercion or undue

persuasion by Company or any officer, director or other agent thereof;

(b) He has been given a reasonable opportunity to consider whether he desires to enter into this Agreement and that this time has been sufficient to enable him to determine whether to enter into this Agreement;

(c) His obligations, waivers, and releases pursuant to this Agreement are in exchange for consideration which is in addition to anything of value to which he may have already been entitled; and

(d) No promises or inducements have been made to him except as expressly provided herein.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above, but effective as of the Effective Date.

ALLSCRIPTS HEALTHCARE
SOLUTIONS, INC.

By: /s/Glen Tullman

Name: Glen Tullman

Title: CEO

EXECUTIVE

/s/David B. Mullen

David B. Mullen

EXHIBIT A

Section V of Employment Agreement.

FIRST AMENDMENT

This First Amendment ("Amendment") amends the Pharmacy Services Prime Vendor Agreement, dated as of February 1, 2002, ("Prime Vendor Agreement") between Allscripts Healthcare Solutions, Inc. ("Parent") and Bergen Brunswig Drug Company, doing business as AmerisourceBergen and its affiliates ("ABC"). This Amendment is among Parent, ABC and Allscripts, Inc. ("Allscripts") and is entered into as of July 31, 2002 ("Effective Date").

RECITALS

A. Allscripts is the wholly owned subsidiary of Parent and Parent is the holding company that, among other things, owns and controls Allscripts.

B. Allscripts is a licensed wholesale repackaging manufacturer that sells prescription (Rx) and other pharmaceutical products (Products) to physicians' offices and clinics.

C. The parties desire to amend the Prime Vendor Agreement in order to substitute the operating company, Allscripts, as the appropriate party to the agreement, subject to the terms of this Amendment.

Now, therefore, the parties agree as follows:

1. Defined Terms and Effect Of This Amendment. Capitalized terms in this Amendment that are not otherwise defined have the meaning set forth in the Prime Vendor Agreement. Except as otherwise set forth in this Amendment, the Prime Vendor Agreement will continue in full force in accordance with its terms. If there is any conflict between the Prime Vendor Agreement and any provision of this Amendment, this Amendment will control.

2. Change of Parties. As the operating company, Allscripts (and not Parent) is the appropriate party to the Prime Vendor Agreement that was entered into on its behalf by Parent. Pursuant to this Amendment, the parties desire to substitute Allscripts as a party to the Prime Vendor Agreement and, except as provided in this Amendment, to remove Parent as a party.

3. Guarantee. Parent guarantees to ABC payment, performance and observance by Allscripts of each covenant of Allscripts under the Prime Vendor Agreement or any other contract between ABC and Allscripts. Parent agrees to pay ABC, within five (5) days of written notice, all debts and liabilities of Allscripts to ABC, if they are not paid on time or if Allscripts otherwise defaults in the terms of any obligation to ABC. This guarantee is a guarantee of payment and performance and not of collection. Parent waives any right to require that any action against Allscripts or any other person be taken prior to action being taken against Parent.

4. Security Interest & Financing Statements. In addition to the rights granted by Allscripts under Paragraph VIII(M), Parent and Allscripts hereby authorize ABC to file a financing statement under the Prime Vendor Agreement to include Parent or to amend any previously filed financing statement to add Allscripts as an additional debtor.

5. Notices. The addresses for each party, as provided on the signature page of the Prime Vendor Agreement, are hereby amended to read as follows:

Allscripts, Inc.
2401 Commerce Drive
Libertyville, IL 60048-4464

Bergen Brunswig Drug Company
1300 Morris Drive, Suite 100
Chesterbrook, Pennsylvania 19087

With a copy to:
Allscripts Healthcare Solutions, Inc.
2401 Commerce Drive
Libertyville, IL 60048-4464

With a copy to:
AmerisourceBergen Corporation
1300 Morris Drive, Suite 100
Chesterbrook, Pennsylvania 19087
Attn: General Counsel
Fax: (610) 727-3612

WHEREFORE, the parties have had a duly authorized officer execute this First Amendment as of the Effective Date.

Allscripts, Inc.

Bergen Brunswig Drug Company

/s/ John Cull

/s/ Dan Register

Signature

Signature

John Cull/Treasurer

Print Name/Title

July 31, 2002

Date

Allscripts Healthcare Solutions, Inc.

/s/ John Cull

Signature

John Cull/Treasurer

Print Name/Title

July 31, 2002

Date

Dan Register/VP Alternate Care

Print Name/Title

August 23, 2002

Date

The following statement is being made to the Securities and Exchange Commission solely for purposes of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1349), which carries with it certain criminal penalties in the event of a knowing or willful misrepresentation.

Securities and Exchange Commission
450 Fifth Street, NW
Washington, DC 20549

Re: Allscripts Healthcare Solutions, Inc.

Ladies and Gentlemen:

In accordance with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 USC 1349), each of the undersigned hereby certifies that:

(i) this Quarterly Report on Form 10-Q fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(ii) the information contained in this report fairly presents, in all material respects, the financial condition and results of operations of Allscripts Healthcare Solutions, Inc.

Dated as of this 14th day of November, 2002.

/s/ Glen E. Tullman

/s/ William J. Davis

Glen E. Tullman
Chairman and Chief Executive Officer

William J. Davis
Chief Financial Officer