

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

FORM 10-K

(Mark One)

(X) ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934 [FEE REQUIRED]

For the fiscal year ended December 31, 1994

OR

() TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934 [NO FEE
REQUIRED]

For the transition period from _____
to _____

Commission File Number 0-15386

CERNER CORPORATION

(Exact name of Registrant as specified in its charter)

Delaware 43-1196944
(State or other jurisdiction (I.R.S. Employer
of incorporation or organization) Identification Number)

2800 Rockcreek Parkway, Suite 601
Kansas City, Missouri 64117
(816) 221-1024

(Address of principal executive offices, including zip code;
Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:
NONE

Securities registered pursuant to Section 12(g) of the Act:

Common Stock, par value \$.01 per share
(Title of Class)

Indicate by check mark 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 X No _____

Indicate by check mark if disclosure of delinquent
filers pursuant to Item 405 of Regulation S-K is not
contained herein, and will not be contained, to the best of
registrant's knowledge, in definitive proxy or information
statements incorporated by reference in Part III of this
Form 10-K or any amendment to this Form 10-K. [X]

At March 1, 1995, there were 14,079,564 shares of
Common Stock outstanding, of which 4,079,662 shares were
owned by affiliates. The aggregate market value of the

outstanding Common Stock of the Registrant held by non-affiliates, based on the average of bid and asked prices of such stock on March 1, 1995, was \$479,995,296.

Documents incorporated by reference: portions of the Registrant's Proxy Statement for the 1995 Annual Meeting of Stockholders are incorporated by reference in Part III hereof.

PART I

Item 1. Business

General

Cerner Corporation was incorporated in Missouri in 1980. Through a merger into a wholly-owned Delaware subsidiary effected in June 1987, Cerner Corporation ("Cerner" or the "Company") became a Delaware corporation. The Company's principal offices are located at 2800 Rockcreek Parkway, Kansas City, Missouri 64117, and its telephone number is (816) 221-1024.

Cerner designs, develops, markets, installs, and supports health information systems for use in healthcare organizations, including hospitals, clinics, physicians offices, reference laboratories, HMOs as well as large integrated delivery systems and integrated health organizations. Cerner's goal is to automate the process of managing health using information systems. Cerner systems are designed around its Health Network Architecture, or HNA. HNA is not a product. It is the strategy of combining Cerner applications under a common architecture so that healthcare organizations can achieve the benefits of intrarelationship among application systems and the data managed by those systems.

Clinical Information Systems in Healthcare

The patient-physician relationship is still the cornerstone of the healthcare delivery system. It is at this level that procedures are ordered, diagnoses are made, and treatments are prescribed. Information systems play an integral role in this process as the physician relies upon the various clinical departments to perform diagnostic testing on a patient, monitor a patient's response to treatment, and administer therapeutic products and procedures to a patient. The most effective information systems are those which are designed from the ground up to work together as a single, comprehensive system addressing all aspects of the clinical process, ie. are intrarelated, as opposed to those systems that use disparate computer applications that communicate through interfaces.

The demand for health information systems has increased due to cost containment, forced shortened lengths of stay, increased focus on reducing the variance in care processes, a shift from acute to preventive care, and case management philosophies in the healthcare industry. In the past, payment methods discouraged the efficient utilization of resources by providing reimbursement based on charges for the procedures performed. Patient care and financial management information systems were designed to help healthcare providers maximize reimbursement under these payment methods. However, changes in the way healthcare providers are reimbursed have put pressure on healthcare

managers to control and reduce costs while maintaining the quality of patient care. Today's payment methods, including prospective fixed-price payments (DRGs), managed care discounts, selective-price contracts, and capitated payment arrangements, creates incentives to reduce the cost of care and requires providers to have a better understanding of the actual costs associated with providing healthcare products and services. The Company believes that approximately 25-35 percent of a typical healthcare provider's costs are generated in the clinical departments. Computer automation of these departments is critical in measuring and controlling costs. In addition, computer automation can improve the accuracy of clinical information and expedite its distribution, thereby maintaining or improving patient care.

Recent Developments

A fundamental shift is occurring in the delivery of healthcare in the United States as a result of financial pressures on healthcare providers. During the last century, healthcare evolved into a series of independent organizations representing the various aspects of managing disease (for example, tertiary care centers, community hospitals, and independent doctors, along with pharmacies and other ancillary support services). As a result of financial pressures commencing in the early 1990's, these thousands of service providers have begun combining into larger organizations and are beginning to create a cohesive system from the fragmented pieces that currently exist. This is happening through the merger of community hospitals and the acquisition by large community hospitals of other healthcare providers within a large geographic area. By the end of this century, it is clear that the number of healthcare institutions will decrease dramatically as they combine into much larger integrated provider networks, each commonly referred to as an Integrated Delivery System (IDS). Cerner believes these entities will transcend their roles as IDSs to become integrated health organizations (IHOs), which will assume the financial risk for the health status of a defined population as well as responsibility for the healthcare of the defined population.

Clearly, this environment creates a challenge for the healthcare providers to "manage" the care process to achieve the best clinical and economic outcomes. None of these changes can be made without a major capital investment in information technology that automates the process of healthcare across a network of providers and facilities in a community. Cerner believes these changes create an opportunity to deliver systems that provide intrarelated information to medical professionals responsible for patient care over a broad range of facilities. As a result of these consolidations in healthcare Cerner added 21 HNA clients during 1993 and 1994. An HNA client is a client that has two or more Cerner systems and Cerner's ProNet Orders Management Information System. It is through the use of ProNet that a Cerner client achieves the greatest intrarelationship among Cerner systems. A majority of HNA clients have committed to automating a number of clinical processes by implementing a broad suite of Cerner's HNA systems.

In 1994, through several "alliance agreements" creating joint marketing arrangements, the Company extended HNA further to deliver the breadth of applications required to meet the emerging needs of the IHO. These alliance agreements were entered into with ADVANTA (managed care

systems), SDK Healthcare Information Systems (patient financial management systems) and MEDIC Computer Systems (medical practice management systems).

Also during 1994, the CareNet Nursing Information System and the Open Engine Application Gateway System became commercially available and Cerner commenced a development program to enable its products to operate on a client/server computer and network environment.

Products

The cornerstone of Cerner's information systems is HNA, the single architecture around which each of Cerner's systems is developed. The value of HNA is the creation of systems that intrarelate as opposed to being integrated. Today, virtually all healthcare organizations are using some form of information technology to manage their clinical, financial, and administrative operations. Typically, a multitude of systems on differing technology platforms from various suppliers are used within a single organization. These systems rely on a series of interfaces to transmit information to one another. The greatest drawback to this approach is that care providers do not have automatic access to comprehensive patient information. In addition, the data collected by the disparate systems is usually maintained in a variety of formats, diluting its usefulness.

Cerner's systems are intrarelated, which means they are designed around a single architecture so that they intuitively and spontaneously share patient information. That patient information is available concurrently to all care providers in formats tailored to their individual, professional preferences. In healthcare today, the average patient receives care from a team composed of up to 150 caregivers. Linked only by interfaces, as opposed to intrarelated systems, it is unlikely that even a small percentage of the 150 caregivers will have timely access to the most current patient information. With intrarelated systems, however, all caregivers are kept apprised of each patient's condition, allowing the activities of the care team to be carefully and efficiently orchestrated so that the highest quality of care is delivered.

Cerner's products can be divided into eight categories: care management, clinical management, repositories, health management, member management, administrative management, knowledge, and provider network systems.

The Company currently markets the following major information systems: pathology and clinical laboratories (PathNet); radiology (RadNet); pharmacy (PharmNet and MSmeds); admissions/discharges, orders, scheduling and tracking (ProNet); nursing (CareNet); various areas of internal medicine (MedNet); Open Engine (interface engine); common clinical data storage (Open Clinical Foundation); and managerial data storage (Open Management Foundation); as well as related systems for clinical decision support, such as PowerChart, which automates the physician's practice of medicine, and Discern Expert, a rule-based expert system. These systems can be acquired individually or as a fully intrarelated health information system. The individual systems perform together even if installed at different times. Cerner also markets over 200 product options that compliment Cerner's major information systems.

The Company's major products are as follows:

The PathNet Laboratory Information System addresses the information management needs of five clinical areas: general laboratory, microbiology, blood bank transfusion services, blood bank donor services, and anatomic pathology. PathNet automates the ordering and reporting of procedures, the production of accurate and timely reports, and the maintenance of accessible clinical records. PathNet can be interfaced with automated instruments and databases, allowing for efficient and accurate transfer of information. PathNet communicates this information to patient care areas and other information systems. Management attributes PathNet's acceptance to its functional capability, ease of use, and event-level cost accounting, which allows healthcare managers to better control costs and assess profitability. As of December 31, 1994, PathNet has been licensed to 363 Cerner clients in the United States and Canada, to 17 Cerner clients in the United Kingdom, to one Cerner client in Singapore, to three Cerner clients in Saudi Arabia, to eight Cerner clients in Australia, to two Cerner clients in Germany, and to one Cerner client in Scotland. Installations were in hospitals ranging in size from approximately 70 to 2,300 beds.

The MedNet Internal Medicine Information System is a family of software products that addresses the clinical information needs of various internal medicine areas within the health organization. Introduced as a pulmonary information system in 1987, MedNet's functionality now serves the disciplines of cardiology, neuro-diagnostics, rehabilitation services, and nutritional services, as well as many ancillary areas. Like PathNet, MedNet automates procedure requests, patient and therapist scheduling, and the processing, validation, and presentation of results. The system provides reports on clinical activity, workload, and billing charges by drawing from the departmental databases. As of December 31, 1994, MedNet has been licensed to 20 Cerner clients in the United States and Canada and to one Cerner client in Scotland.

The RadNet Radiology Information System addresses the operational and management requirements of diagnostic radiation and radiation oncology departments. It allows a department to replace its manual, paper-based system of record-keeping with an efficient computer system. RadNet is designed to adapt easily to current operations. Meanwhile, such tasks as scheduling patients, modifying orders, tracking patients, locating films, transcribing reports, upgrading the quality and content of reports, and reporting on productivity are accomplished with ease and accuracy. RadNet has been licensed to 60 Cerner clients in the United States and Canada, three Cerner clients in the United Kingdom, three Cerner clients in Saudi Arabia, and two Cerner clients in Australia as of December 31, 1994.

The PharmNet Pharmacy Information System provides intrarelation in an HNA environment for rapid pharmacy order entry and unique support of clinical pharmacy in either an inpatient or outpatient setting. PharmNet streamlines order entry, enabling the pharmacist or technician to place all types of pharmaceutical orders on one easy-to-use screen. Dispensing functions also are fully automated. Medication, intravenous fill lists, and medication administration records are produced automatically or on demand. Charges are automatically captured at the time the fill list is generated. Patient profiles and pharmaceutical inventories are maintained without the intervention of the pharmacist, saving significant time and resources. Features are

designed to address the special needs of the clinical pharmacy, including on-line order entry screening for drug-drug interactions, drug-food and drug-lab interferences, drug-disease states, intravenous incompatibilities, dose range, and therapeutic treatment duplication. Clinical notes can be recorded on-line and sent to other clinicians for comment or follow-up. PharmNet has been licensed to 70 Cerner clients in the United States and Canada, three Cerner clients in Saudi Arabia, and one Cerner client in Scotland as of December 31, 1994.

The ProNet Orders Management Information System addresses the needs of care providers and medical staff in the areas of order entry, order review and/or validation, interdepartmental/interfacility communication, and order result inquiry and reporting. Management and use of the system is driven by a comprehensive security matrix. Orders can be placed for any ancillary department by healthcare personnel, depending on their security level and appropriate interfaces with non-Cerner departmental systems. Order and result inquiries are secured in the same manner. ProNet also gives care providers and medical staff access to patient demographic, admission, transfer, and discharge information. These data are retained on-line for a specified period of time, making them easy to update. Access to patient management functions is determined by user-defined security levels, based on personnel credentials. ProNet also provides functionality to help clinicians and medical staff track patients through the health organization, and to establish and maintain patient appointment schedules for locations within an institution. ProNet has been licensed to 30 Cerner clients in the United States and Canada, one Cerner client in Scotland and one Cerner client in Saudi Arabia as of December 31, 1994.

The MSmeds Pharmacy Information System focuses on automating the pharmacy department. MSmeds was developed by a company acquired by Cerner in 1993 and is not an HNA product. Designed to meet the specialized and individual needs of the pharmacy department, MSmeds incorporates windows, on-line help, menu and table-driven entry, a built in system customization tool, and an application generator. The order entry application gives the pharmacist fast order entry capabilities with a high level of quality control. Safeguards that ensure the integrity of patient therapy include: dose level checking by 36 parameters, drug warnings, drug/drug interaction checking, and pharmacokinetics. Reports to assure the appropriateness of drug therapy include: drug interaction, a list of patients on specific drugs, drug utilization by therapeutic category, and dose checking reports. On-line storage on removable disks provides full patient detail for a period of up to ten years. MSmeds offers the availability of full detail patient information for drug utilization evaluation, as well as labor and cost efficiencies. ADT, billing, results display, and order entry interfaces are contained within the system. MSmeds is currently licensed to approximately 305 clients in the United States, France, Puerto Rico, Saudi Arabia, England, and Canada.

The CareNet Nursing Information System automates documentation related to nursing care delivery. All information that nursing staff members enter into CareNet is automatically transcribed to all appropriate locations in the patient's computer-based health record. This includes information obtained from the delivery of nursing care (vital signs, assessments, medication administration, and data automatically captured from bedside equipment and

monitoring devices). A direct benefit of using CareNet is more time for patient care and greater job satisfaction for an institution's nursing staff. CareNet also facilitates nursing staff activities for patient care. It can be used to plan and organize patient care activities from admission to discharge. CareNet has been licensed to 19 Cerner clients in the United States and Canada, and one Cerner client in Scotland as of December 31, 1994.

Open Clinical Foundation Data Repository (OCF) is a structured repository of clinical information. OCF forms the foundation of Cerner's computer-based patient record functionality. This information can originate from numerous sources and is maintained in an easily accessible, standardized format. OCF is dramatically more effective when used as part of the comprehensive HNA solution. For most enterprises, in which the various laboratories and ancillaries cooperatively share data over the entire enterprise, OCF provides an invaluable means of storing and retrieving data. With OCF, the amount of on-line clinical data that are retained in departmental systems can be dramatically reduced. Furthermore, enterprises can scale OCF for a particular clinical area's use and integrate it into an architecture containing products from different suppliers. The interfaces to OCF are available for use by suppliers who comply with the interface requirements. OCF was commercially introduced in 1993 and has been licensed to 20 Cerner clients in the United States and Canada, one Cerner client in Scotland, and one Cerner client in Australia as of December 31, 1994.

PowerChart enables care providers to electronically view, sort, annotate, and amend a patient record so that it is organized in a manner that allows them to navigate through the chart using patient-provider and encounter relations. PowerChart gives healthcare providers structured access to the clinical information contained electronically in OCF. The format of the on-line patient chart consists of pages displayed from a patient's computer-based patient record and information electronically transmitted from connected systems. Clinicians are able to browse through pages much the same as with printed documents. Clinicians can access documents via tables of contents or search for terms in the document text. The scope of documents available is limited only by the system interfaces to OCF. PowerChart was commercially introduced in 1993 and has been licensed to 24 Cerner clients in the United States and Canada as of December 31, 1994.

Cerner's Open Engine Application Gateway System facilitates the exchange of data and assists in the management of point-to-point interfaces between foreign systems and serves as a toolkit to help clients write interface code. Open Engine has been licensed to four Cerner clients in the United States as of December 31, 1994.

All current Cerner HNA systems are designed to operate on computers manufactured by Digital Equipment Corporation ("Digital"). In addition, Open Engine, PathNet, RadNet and MSmeds are available on IBM's RISC System/6000 AIX (UNIX) platform. Over time all HNA applications will be available on both the Digital and IBM platforms.

Software Development

The Company expects to continue development efforts both for its current health information systems, as well as for future product offerings. As new clinical and

managerial information needs emerge, Cerner intends to enhance its current HNA-based product lines with new versions released to clients on a periodic basis. In addition, Cerner plans to expand the current product lines by developing additional information systems applicable to the clinical departments in healthcare and facilitating multifacility use of Cerner's HNA products.

All Cerner systems are developed under HNA using a proprietary development methodology. This methodology defines and controls each task throughout the product development cycle and ensures that current and future products can be fully intrarelated. The Company believes this approach greatly reduces the costs of maintaining and supporting the products long-term. By implementing a structured approach to development and continuing to invest in existing as well as new products, the Company plans to develop product lines that exceed the typical software life cycle, minimizing the need for Cerner's clients to invest in additional software technology.

Significant resources are dedicated to developing new health information system products. As of December 31, 1994, 493 associates were engaged full-time in product development activities. The total expenditures during the three-year period ended December 31, 1994, for the development and enhancement of the Company's products were approximately \$60,851,000, which includes the amounts capitalized and excludes the amounts amortized for financial reporting purposes, of which approximately \$26,897,000 was expended in 1994. Cerner expects to continue making substantial investments in product development.

Major new products scheduled to be commercially available in 1995 include the following:

Open Management Foundation Data Repository (OMF) is a structured repository for process-and activity-related information useful for management of the healthcare institution. Information can originate from numerous sources and can be maintained in an easily accessible, standardized format. OMF can be scaled for a particular department's use and can be integrated into an architecture containing products from different suppliers.

PowerVision is a comprehensive, PC-based health management information system used to view information in OMF in much the same manner as PowerChart is used with OCF. This management access tool presents summary information through an attractive, sophisticated graphical user interface, making key information available to all levels of management. PowerVision is equipped with features that allow the user to pursue "what if" and other investigatory ("drill down") information paths. This enables an executive to determine the "health" of the institution in many critical areas, as well as provides managers with a quick, up-to-the-minute view of leading business indicators regarding the performance of a department or care area.

The ProNet II Provider Network System applications will extend Cerner's process automation and information to community-based users. The ProNet II Communication Management application will control connections and enforce access privileges to functional services throughout the IDS and the IHO. It performs translation and routing functions for data feeds from external systems and provides electronic mail and multifacility-wide calendar capabilities.

Cerner's on-line Discern Reference Library will provide healthcare professionals with on-line assistance from third-party reference databases at the point of decision making.

Scheduled for commercial release in the first half of 1996 is Cerner's SurgiNet Surgery Information System, which will address the needs of the surgical department, including automating the functions of resource and equipment scheduling, inventory management, and operating room management and MRNet Medical Records Department Information System, which will help meet the operations management needs of the medical records department. MRNet will include functionality for the various chart tracking and completion tasks commonly associated with maintaining medical records.

Product Strategy

Cerner's product strategy is to expand its information system offerings to the broad range of clinical departments, provider networks, IDSs, and IHOs, and to provide a database of intrarelated patient information useful to both the practitioner and the healthcare manager. In addition, the Company's strategy is to design its products so that they may be easily modified or enhanced to take advantage of changes in medical and information system technologies.

To effect this strategy, Cerner developed its proprietary Health Network Architecture, which provides the structure and common software functions necessary for the development of its clinical information systems. Cerner believes that HNA allows the Company to address a wide spectrum of clinical information needs in healthcare provider organizations.

Sales and Marketing

The market for Cerner clinical information system products includes hospitals, HMOs, clinics, free-standing reference laboratories and commercial blood bank labs, IDSs, and IHOs. The majority of system sales to date have been in hospital-based provider settings. Providers currently using PathNet represent the primary target market for MedNet, RadNet, PharmNet, ProNet, and CareNet. Cerner currently services hospitals ranging from under 50 beds to over 2,000 beds. The modular design of Cerner's HNA products and the range of Digital and IBM hardware products allows Cerner systems to be price-competitive across the full range of size and organizational structures of healthcare providers. The sale of a health information system usually takes approximately nine to fifteen months from the time of initial contact to the execution of a contract.

The Company's executive marketing management is located in its Kansas City, Missouri, office, while its account representatives are strategically located and deployed through regional offices across the United States. The Company, through subsidiaries, has offices and sales staff in the United Kingdom, Australia, Germany, and has a joint venture in Saudi Arabia. The Company supports its sales force with technical personnel who perform demonstrations of Cerner's products and assist clients in determining the proper hardware and software configurations. The Company has developed a unique and effective demonstration and presentation facility at its headquarters in Kansas City, Missouri, called the Cerner Vision Center. This facility enables the Company to actually demonstrate

the processes automated through HNA and adapt the presentations to the client's environment. The Company's primary direct marketing strategy is to generate sales contacts through presentations at industry seminars and trade shows. Cerner attends a number of major trade shows each year and has begun to sponsor executive conferences, which feature industry experts who address the information system needs of IHOs.

Client Service

The Company provides immediate and long-term client service and support. Initial service consists of education and installation services, documentation, and training for the clinical staff. The Company has regional offices in Atlanta, Boston, Dallas, Detroit, Kansas City, Los Angeles, Seattle, and Washington, D.C. Each regional office is focused on long-term project management and client satisfaction for a group of clients within a specific geographical region.

All of Cerner's clients enter into software maintenance agreements with Cerner for support of their Cerner systems. In addition to immediate software support in the event of problems, these agreements allow these clients the use of new releases of the Cerner products covered by these agreements. Each client has 24 hour access to the client support staff located at Cerner's corporate headquarters. Most of Cerner's clients also enter into hardware maintenance agreements with Cerner. These arrangements normally provide for a fixed monthly fee for specified services. In the majority of cases, Cerner subcontracts hardware maintenance to the hardware manufacturer. At December 31, 1994, Cerner had a software support and hardware maintenance backlog of approximately \$77,222,000 on an annual basis. The annualized value of support and maintenance currently being billed is approximately \$46,000,000. The value of amounts to be billed in the current year for projects not complete at the beginning of the year is estimated to be \$9,000,000.

Clients and Backlog

As of December 31, 1994, Cerner has issued end-user licenses for the installation of its products to approximately 715 clients representing 1,028 sites. Cerner's clients are located throughout the United States and in Canada, Germany, Puerto Rico, Saudi Arabia, the United Kingdom, France, Australia, and Singapore. Clients include hospitals, clinics, reference laboratories, hybrid reference laboratories and free-standing blood centers. In 1994, sales to a single client did not comprise more than 10% of the Company's revenues. Continuing hardware and software support revenues from any one client do not constitute a material part of the Company's annual revenues, and the loss of any one client would not have a material adverse impact on the Company.

As of December 31, 1994, the Company had approximately \$134,770,000 in its backlog, compared to approximately \$99,524,000 in its backlog as of December 31, 1993. Approximately 76% of the December 31, 1994 backlog is expected to be included in revenues in fiscal 1995. Backlog consists only of signed contracts (including all computer equipment and software, as well as equipment maintenance and software support for twelve months, that are part of those contracts) that are not yet recorded as revenue. Approximately \$57,547,000 of the Company's December 31,

1994, backlog consists of computer equipment and software that are part of such contracts. The remaining backlog represents twelve months' equipment maintenance and software support on all existing Cerner contracts.

Competition

The market for clinical information systems is highly competitive. The Company believes that the principal competitive factors in this market are the company's stability, features and capabilities of the information systems, the user's evaluation of the ongoing support for the system, and the potential for enhancements and future compatible products. The Company's departmental clinical systems competition at this time is from companies that primarily offer information systems applicable to a specific clinical discipline. There also are multiproduct healthcare information systems companies that offer clinical information system products that are becoming more competitive. The Company faces additional competitors in the nursing, order communications systems and electronic medical records markets from the multiproduct healthcare information systems companies. Cerner's principal competitors include HBO Corporation, Shared Medical Systems, Meditech, First Data Corporation, Sunquest, Continental Healthcare, Compucare, and Phamis. The rapidly changing structure of the healthcare industry in the United States and its need for clinical information systems is likely to attract new competitors into the market, some of which may have significantly greater resources than the Company

Relationships with Key Suppliers

Cerner's current products are designed to operate on computers manufactured by Digital and IBM, and the Company has value-added reseller agreements that expire annually with both Digital and IBM. These agreements are typically renewed in the ordinary course of business, and the Company has no reason to believe that they will not be renewed. In addition, Cerner purchases a variety of peripheral equipment and sublicensed software from several sources, none of which is a significant supplier to the Company. The Company also has a multiyear contract with Oracle Systems for use of its relational database software. The Company's work-station based products operate on the Microsoft Windows environment.

In addition to its software products, the Company sells the computer equipment, including central processing units, personal computers, operating system software, disk drives, video display terminals, workstations, and printers, that operate in connection with such products. Although clients could deal directly with a manufacturer or with another distributor of such equipment, clients have generally found it advantageous to deal with the Company as a single source for both hardware and software.

All of the Company's sales during 1994 used Digital's Alpha and VAX lines of hardware using the OpenVMS operating system or IBM's RISC System/6000 processor with AIX/6000 (UNIX).

Product Protection

The Company relies on a combination of trade secret, copyright, and trademark laws, contractual provisions, and technical measures to protect its rights in its software technology. The Company has not filed any

patent applications or copyrights covering its software technology. Due to the nature of the software, the Company believes that patent, trade secret, and copyright protection are less significant than the Company's ability to further develop, enhance, and modify its products.

Government Regulation and Healthcare Reform

The United States Food and Drug Administration (FDA) has promulgated a policy for the regulation of certain computer products as medical devices under the 1976 Medical Device Amendments to the Federal Food, Drug and Cosmetic Act and the Safe Medical Devices Act of 1990. To the extent that computer software is a medical device under the policy, the manufacturers of such products could be required, depending on the product, to (a) register and list their products with the FDA, (b) notify FDA and demonstrate substantial equivalence to other products on the market before marketing such products, (c) obtain FDA approval by demonstrating safety and effectiveness before marketing a product, or (d) communicate Medical Device Reports in instances where a device is thought to have contributed to personal injury or death. In addition, those products would be subject to such act's general controls, including those relating to good manufacturing practices and adverse experience reporting. Considering the policies that FDA has promulgated to-date concerning these matters, it is evident that FDA intends to be increasingly active in the regulation of computer software intended for use in clinical settings, especially bloodbank transfusion and donor centers. The FDA, if it chooses to regulate such software, can impose extensive requirements governing pre- and post-market conditions, such as device investigation, approval, labeling and manufacturing.

The healthcare industry is subject to extensive federal and state regulation governing, among other things, addition of new services, certain capital expenditures and reimbursement. The effect of future legislation and regulation upon prospective clients may, in certain circumstances, have an adverse effect upon the Company's business. On the other hand, changes in the regulatory environment have increased and may continue to increase the needs of healthcare organizations for cost-effective data management and thereby enhance the marketability of the Company's products. The Company believes there can be no meaningful predictions as to the impact, if any, of future legislation and regulation on its business.

Most industry observers believe that the United States Congress will not pass any form of significant healthcare reform during 1995. Although the effects of state and federal initiatives for healthcare reform are unknown at this time, the Company believes that notwithstanding such reform competitive factors in the healthcare industry will force healthcare providers to continue to invest heavily in clinical information systems.

Personnel

At December 31, 1994, the Company employed 1,091 persons of which 493 were in product development, 498 in client service and support and sales and marketing and 100 in general management and administration. The Company's future success will depend in part upon its continued ability to attract and retain qualified employees. The Company's employees are not represented by a labor union and Cerner believes its relations with its employees are

excellent.

Quarterly Results

The Company's quarterly revenues and net earnings have historically been variable and cyclical. The variability is attributable primarily to the number and size of system contracts for which revenue is recognized in any fiscal quarter. The Company expects the fluctuation in quarterly financial results to continue until the combination of the Company's recurring software and hardware maintenance revenues and total sales are much larger as compared to the size of the average system sale.

Item 2. Properties

During April, 1995 the Company purchased the Rockcreek Office Park in North Kansas City, Missouri for \$20,000,000. Prior to that date, the Company leased approximately 165,000 of the office park's 409,000 square feet of usable feet. The Company's principle offices have been located in the office park for approximately 15 years and the Company had been leasing additional space as it became available. After investigating other possibilities, the Company determined that purchasing the office park was the most cost effective option considering the Company's anticipated future needs for additional space. As of December 31, 1994, the Company was using approximately 222,000 square feet and substantially all of the remainder was leased to tenants. The Company has commenced construction of a combination child care and exercise facility at the office park for the use of the Company's employees. The Company believes that its employees are its most important asset and that this facility will enable the Company to attract and retain its relatively young work force which contains a large number of married women. The Company also leases office space for its branch offices in Atlanta, Boston, Dallas, Detroit, Los Angeles, Seattle and Washington D.C.

Item 3. Legal Proceedings

The Company is not involved in any material pending litigation.

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the stockholders of the Company during the fourth quarter of the fiscal year ended December 31, 1994.

Item 4A. Executive Officers of the Company

The following table sets forth the names, ages, positions and certain other information regarding the Company's executive officers as of March 1, 1995. Officers are elected annually and serve at the discretion of the board of directors.

Name	Age	Positions
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Neal L. Patterson	45	Chairman of the Board of Directors and Chief Executive Officer
Clifford W. Illig	44	President, Chief Operating Officer and Director
Charles S. Runnion, III	47	Executive Vice President, Area General Manager and Director

David M. Margulies, M.D.	43	Executive Vice President of Product Engineering and Director
Jeffrey C. Reene	40	Executive Vice President and Area General Manager
P. Michael Breedlove	50	Group Vice President and Area General Manager
Alan D. Dietrich	32	Group Vice President and Area General Manager
Charles O. Whitcraft	43	Group Vice President of of Product Engineering
Gary W. Willett	50	Group Vice President and Chief Operating Officer of Cerner International

Neal L. Patterson was President, Chairman of the Board of Directors and Chief Executive Officer of the Company from its incorporation to May 1987. Since May 1987 he has been Chairman of the Board of Directors and Chief Executive Officer of the Company. Mr. Patterson has served as a director of Home Office Reference Laboratory since August 1988.

Clifford W. Illig was Executive Vice President, Secretary, Treasurer and Chief Financial Officer and a Director of the Company from its incorporation to May 1987. From May 1987 to May 1993, he was a Director, President, Chief Operating Officer and Chief Financial Officer of the Company. Since May 1993, he has been a Director, President and Chief Operating Officer.

Charles S. Runnion, III joined the Company in July 1989 and since that date has been an Executive Vice President and Director of the Company. Prior to working at the Company, he spent fourteen years with the IBM Corporation in a variety of marketing and management positions.

David M. Margulies, M.D. joined the Company in February 1991 and since that date has been an Executive Vice President of the Company. Prior to joining the Company, for four years, he was Vice President in charge of information systems at Children's Hospital, a healthcare institution located in Boston, Massachusetts. During this time Dr. Margulies also was the Director of the Program in Medical Information Sciences at Harvard Medical School. Dr. Margulies has served as a Director of the Company since May 1991.

Jeffrey C. Reene joined the Company in September 1991 as Group Vice President of Client Services. He was promoted to Executive Vice President in June of 1994. Prior to joining the Company, he was with Andersen Consulting from July 1978 to August 1991, being a Partner with Andersen Consulting since September, 1988.

P. Michael Breedlove joined the Company as National Sales Manager in May 1984 and has held various executive positions with the Company since then.

Alan D. Dietrich joined the Company in 1990 as Director of Business, Planning and Development. Prior to joining the Company, he spent seven years with IBM

Corporation.

Charles O. Whitcraft joined the Company as Vice President of Technology in January 1984. Since that time he has served in several executive positions dealing with technology and engineering.

Gary W. Willett joined the Company in April 1990 as Group Vice President of Client Services and has served in various executive capacities. Prior to joining the Company, he spent twenty-one years with IBM Corporation in a variety of marketing and management positions.

PART II

Item 5. Market for the Registrant's Common Stock and Related Security Holder Matters

The Company's common stock is traded in the over-the-counter market and is quoted through the NASDAQ National Market System under the symbol CERN. The following table sets forth the high and low, and last sales prices for the fiscal quarters of 1994 and 1993 as reported by the NASDAQ National Market System. These quotations represent prices between dealers and do not include retail mark-up, mark-down, or commissions, and do not necessarily represent actual transactions.

	1994			1993		
	High	Low	Last	High	Low	Last
First Quarter	49 1/2	38 3/4	41 1/2	31 1/4	20 1/2	22 1/2
Second Quarter	45	23 1/2	27 3/4	27	15 3/4	26
Third Quarter	43 1/2	24 7/8	40 7/8	37 3/4	21 3/4	36 3/4
Fourth Quarter	45 1/4	37 1/4	44 1/8	45 3/4	31 3/4	43 1/2

At February 10, 1995, there were approximately 1,036 owners of record. To date, the Company has paid no dividends and it does not intend to pay dividends in the foreseeable future. Management believes it is in the stockholders' best interest to reinvest funds in the operation of the business.

Item 6. Selected Financial Data

Selected Consolidated Financial Information (In thousands, except per share data)

	Year Ended December 31				
	1994	1993	1992	1991	1990

Statement of Earnings Data:

Revenues	\$ 155,917	120,572	101,145	77,240	57,110
Operating earnings	33,779	24,330	16,587	8,068	4,296
Earnings before income taxes	32,451	24,120	16,293	7,552	4,185
Net earnings	19,501	14,558	9,932	4,688	2,636
Primary earnings per share	1.31	1.00	.69	.35	.19
Primary weighted average shares outstanding	14,881	14,579	14,340	13,437	13,816

Balance Sheet Data:

Working capital	\$ 52,370	42,603	30,522	22,588	19,461
Total assets	156,410	104,910	66,667	56,155	44,175
Long-term debt, net	30,235	10,354	8,310	7,982	7,729
Stockholders' equity	85,777	64,230	38,643	27,517	22,728

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

For a more thorough understanding of management's analysis of results of operations and financial condition, the following discussion should be read in conjunction with the discussion of the Company's business operations.

Results of Operations - The Company's revenues increased from \$101,145,000 in 1992, to \$120,572,000 (19%) in 1993, to \$155,917,000 (29%) in 1994. Net earnings increased from \$9,932,000 in 1992, to \$14,558,000 (47%) in 1993, to \$19,501,000 (34%) in 1994.

Revenues - In 1994, revenues increased due to an increase in system sales and support of installed systems. System sales increased from \$71,586,000 in 1992, to \$84,024,000 (17%) in 1993, to \$108,322,000 (29%) in 1994. The lower percentage increase in 1993 is due primarily to the 1993 sales having a larger software component. A significant amount of the 1994, 1993, and 1992 system sales revenue was in the backlog at the beginning of each year, including portions of HNA contracts that had been signed in prior years. An HNA contract is an initial contract that includes the Company's ProNet Order Management product and at least two other clinical systems, or a contract that brings an existing client to this level. ProNet Order Management gives clients access to the full intrarelationship of the Company's products. The sale of additional hardware and software products to the installed client base increased 40% in 1994, 9% in 1993, and 52% in 1992.

The Company has seen a significant increase in the number of clients who have purchased two or more clinical system units on their initial contract, or clients from the installed base who purchase one or more system units subsequent to their initial contract. Total sales to the installed base in 1994, including new systems, incremental hardware and software, and recurring and discrete services, were 73% of total revenues in 1994, compared to 63% in 1993 and 51% in 1992.

The HNA contracts signed in 1994 and prior years will contribute significantly to future revenues and margin due to the increasing size of the individual contracts and the commensurate increase in project timeframes. At the end of 1994, the Company had \$57.5 million in contract backlog and \$77.2 million in support backlog, compared to \$42.2 million in contract backlog and \$57.3 in support backlog at the end of 1993.

The Company entered the overseas market in 1991.

During 1993, the Company completed installations begun in 1992 and expanded its presence in this market with additional signed contracts. During 1994, the Company generated revenues from systems sold and supported in England, Australia, Scotland, Germany, and Saudi Arabia. The increase in these revenues and margins from 1992 to 1993 was 37% and 61%, respectively, and from 1993 to 1994 was 41% and 48%, respectively.

Support and maintenance revenues increased 24% in 1994, 25% in 1993, and 28% in 1992. These revenues represented 27% of 1994 total revenues, 28% of 1993 total revenues, and 26% of 1992 total revenues. The number of clients converted and paying monthly software support fees was 581 at the end of 1994, compared to 527 at the end of 1993 and 264 at the end of 1992. The numbers for 1994 and 1993 include clients of Megasource, Inc., which the Company acquired on November 1, 1993. The average support fee for the Megasource clients is significantly lower than the average support fee for the Company's other clients. The number of clients installed and paying monthly hardware maintenance fees was 290 at the end of 1994, compared to 275 at the end of 1993 and 234 at the end of 1992.

Other revenues have increased from \$2,895,000 in 1992, to \$3,348,000 (16%) in 1993, to \$6,273,000 (87%) in 1994. This increase is due primarily to real estate lease revenues from unrelated parties and international activities.

Cost of Revenues - The cost of revenues includes the cost of computer hardware and sublicensed software purchased from computer and software manufacturers for client contracts. It also includes the cost of hardware maintenance and sublicensed software support subcontracted to the manufacturers. The cost of revenues was 30% of total revenues in 1994, 36% of total revenues in 1993, and 44% in 1992. The percentage of costs relative to revenues typically has varied as the mix of revenue (software, hardware, and support) components carrying different margin rates changes from period to period. The percentages for 1994 and 1993 were affected positively because of three factors. First, system sales reflect an increase of multi-Net projects, which carry a lower cost percentage. Second, the cost of support and maintenance decreased as more systems were converted and the client began paying support. Third, the incremental hardware and software sold to existing clients had a larger software component.

Sales and Client Service - Sales and client service costs include salaries of client service personnel, communications expenses, and unreimbursed travel expenses. Also included are sales and marketing salaries, travel expenses, tradeshow costs, and advertising costs. These expenses as a percent of total revenues were 26%, 23%, and 20% in 1994, 1993, and 1992, respectively. Increases in total sales and client service expenses are attributable to the cost of a larger field sales and services organization, marketing of new products, and international marketing initiatives.

Software Development - Software development expenses include salaries, documentation, and other direct expenses incurred in product development and amortization of software development costs. Total expenditures for software development, including both capitalized and noncapitalized portions, for 1994, 1993, and 1992 were \$26,897,000, \$19,432,000, and \$14,522,000, respectively. These amounts exclude amortization. Capitalized software costs were

\$8,131,000, \$6,181,000, and \$4,098,000 for 1994, 1993, and 1992, respectively. The increase in aggregate expenditures for software development in 1994 is due to development of more clinical information system products to complement the existing product line. The percentage of costs capitalized should remain fairly constant as the Company continues to develop new products.

General and Administrative - General and administrative expenses include salaries for corporate, financial, and administrative staffs, utilities, communications expenses, and professional fees. These expenses as a percent of total revenues were 8%, 7%, and 7% for 1994, 1993, and 1992, respectively.

Interest Expense - Net interest expense was considerably higher in 1994 than 1993 and 1992. This increase in interest expense is due to financing the \$20,000,000 purchase of the Company's headquarters complex. The financing initially consisted of a term loan for \$17,425,000, with the remainder provided by additional borrowing under the Company's revolving line of credit. On July 19, 1994, the Company issued \$30,000,000 in Senior Notes bearing an interest rate of 8.3%. The proceeds of the Senior Notes were used to repay the term loan and reduce the outstanding borrowings under the revolving line of credit. The remaining proceeds will be used for capital improvements to the headquarters complex. The higher interest expense is offset by a reduction in the Company's rent expense and an increase in lease revenues from unrelated parties.

Income Taxes - The Company's effective tax rates were 40%, 40%, and 39% for 1994, 1993, and 1992, respectively, which are not significantly different from the combined federal and state statutory rates.

Quarterly Results - The Company's quarterly revenues and net earnings historically have been variable and cyclical. The variability is attributable primarily to the number and size of project milestone events in any fiscal quarter. The Company expects the fluctuation in quarterly financial results to continue.

Capital Resources and Liquidity - The Company's liquidity position remains strong, with total cash and cash equivalents of \$15,305,000 at December 31, 1994, and working capital of \$52,370,000, compared to cash and cash equivalents of \$16,784,000 at December 31, 1993, and working capital of \$42,603,000. The Company finances its operations, capital expenditures (other than the purchase of its Kansas City headquarters complex and its anticipated capital improvements), and working capital needs from internally generated funds and bank borrowings. The Company has an \$18,000,000 long-term, revolving line of credit. At December 31, 1994, there were no borrowings on the revolving line of credit.

On April 19, 1994, the Company purchased its Kansas City headquarters complex for \$20,000,000. The purchase was initially funded by bank borrowings. The purchase has no material effect on operating cash flow, since the reduction in lease payments and increase in net rental income approximates the debt service payments. The Company anticipates investing an additional \$6,000,000 to \$8,000,000 for the construction of a building and other improvements.

On July 29, 1994, the Company issued \$30,000,000

of Senior Notes, due in 2004. The proceeds were used to repay the bank borrowings related to the purchase of the Company's headquarters complex and retire existing debt. The interest is paid semiannually; principal is due in five equal installments beginning in 2000.

The Company generated cash of \$18,949,000, \$15,856,000, and \$13,875,000, from operations in 1994, 1993, and 1992, respectively. Cash flow from operations has increased primarily because of the increase in net earnings.

Revenues provided under support and maintenance agreements of the Company represent recurring cash flows. Support and maintenance revenues increased 24%, 25%, and 28% in 1994, 1993, and 1992, respectively, and the Company expects these revenues to continue to grow as the base of installed systems grows.

The Company believes its present cash and cash equivalent position, together with cash generated from operations and the current bank borrowing facility, will be sufficient to meet anticipated cash requirements.

Inflation - The effects of inflation were minimal on the Company's business.

Item 8. Financial Statements and Supplementary Data

The Financial Statements and Notes required by this Item are submitted as a separate part of this report.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The Registrant's Proxy Statement to be used in connection with the Annual Meeting of Stockholders to be held on May 16, 1995, contains under the caption "Election of Directors" certain information required by Item 10 of Form 10-K and such information is incorporated herein by this reference. The information required by Item 10 of Form 10-K as to executive officers is set forth in Item 4A of Part I hereof.

The Registrant's Proxy Statement to be used in connection with the Annual Meeting of Stockholders to be held on May 16, 1995, contains under the caption "Compliance with Section 16(a) of the Securities Exchange Act of 1934" certain information required by Item 10 of Form 10-K and such information is incorporated herein by this reference.

Item 11. Executive Compensation

The Registrant's Proxy Statement to be used in connection with the Annual Meeting of Stockholders to be held on May 16, 1995, contains under the caption "Executive Compensation" the information required by Item 11 of Form 10-K and such information is incorporated herein by this reference (except that the information set forth under the following sub captions is expressly excluded from such incorporation: "Executive Compensation and Stock Option

Committee Report" and "Company Performance").

Item 12. Security Ownership of Certain Beneficial Owners and Management

The Registrant's Proxy Statement to be used in connection with the Annual Meeting of Stockholders to be held on May 16, 1995, contains under the caption "Voting Securities and Principal Holders Thereof" the information required by Item 12 of Form 10-K and such information is incorporated herein by this reference.

Item 13. Certain Relationships and Related Transactions

The Registrant's Proxy Statement to be used in connection with the Annual Meeting of Stockholders to be held on May 16, 1995, contains under the caption "Certain Transactions" the information required by Item 13 of Form 10-K and such information is incorporated herein by this reference.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K

(a) Financial Statements.

(1) Consolidated Financial Statements:

Independent Auditors' Report on Consolidated Financial Statements

Consolidated Balance Sheets -
December 31, 1994 and December 31, 1993

Consolidated Statements of Earnings -
Years Ended December 31, 1994, 1993, and 1992

Consolidated Statements of Stockholders'
Equity - Years Ended December 31, 1994, 1993,
and 1992

Consolidated Statements of Cash
Flows - Years Ended December 31, 1994,
1993, and 1992

Notes to Consolidated Financial Statements

(2) The following financial statement, schedule and independent auditors' report on financial statement schedule of the Registrant for the three-year period ended December 31, 1994 are included herein:

Schedule II - Valuation and Qualifying Accounts,

Independent Auditors' Report on Consolidated Financial Statement Schedule.

All other schedules are omitted, as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

(3) The exhibits required to be filed by this item are set forth below:

Number	Description
-----	-----
3(a)	Restated Certificate of Incorporation, as amended through December 31, 1993, (filed as Exhibit 3(a) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1993 and hereby incorporated by reference).
3(b)	Bylaws, as amended (filed as Exhibit 4(a) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated by reference).
4(a)	Reference is made to the Restated Certificate of Incorporation and Bylaws of Registrant described above under 3(a) and 3(b), respectively.
4(b)	Specimen stock certificate (filed as Exhibit 4(a) to Registrant's Registration Statement on Form S-8 (File No. 33-15156) and hereby incorporated herein by reference).
4(c)	Note Agreement between Cerner Corporation, Principal Mutual Life Insurance Company, and Principal National Life Insurance Company dated July 1, 1994, (filed as Exhibit 10(a) to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1994, and hereby incorporated by reference.
4(d)	Credit Agreement between Cerner Corporation, Cerner Properties, Inc. Mark Twain Kansas Bank, and Harris Trust & Savings Bank dated April 18, 1994, (filed as Exhibit 10(b) to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994, and hereby incorporated by reference.
10(a)	Employment Agreement, dated January 1, 1990, between Clifford W. Illig and Registrant (filed as an Exhibit to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated herein by reference).*
10(b)	Employment Agreement, dated January 1, 1990, between Neal L. Patterson and Registrant (filed as an Exhibit to Registrant's Annual Report on Form 10-K for the year ended December 31, 1990, and hereby incorporated herein by reference).*
10(c)	Standard Volume Agreement, dated July 6, 1989, between Digital Equipment Corporation and Registrant (filed as Exhibit 10(g) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1989, and hereby incorporated herein by reference).
10(d)	Incentive Stock Option Plan C of Registrant (filed as Exhibit 10(f) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1993, and hereby incorporated herein by reference).*
10(e)	Indemnification Agreement, dated as of June 1, 1987, between Clifford W. Illig and Registrant (filed as Exhibit 10(j) to Registrant's Annual Report on Form 10-K for the year ended December

31, 1987, and hereby incorporated herein by reference).

- 10(f) Amended Nonqualified Stock Option Plan of Registrant (filed as Exhibit 4(d) to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994, and hereby incorporated herein by reference).
- 10(g) Employment Agreement dated February 22, 1991, between Cerner Corporation and David M. Margulies, M.D. (filed as Exhibit 10(1) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1991, and hereby incorporated herein by reference).*
- 10(h) Incentive Stock Option Agreement (Non-Standard Vesting) dated February 22, 1991, between Cerner Corporation and David M. Margulies, M.D. (filed as Exhibit 10(m) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1991, and hereby incorporated herein by reference).*
- 10(i) Stock Option Agreement (Non-Qualified-Milestone) dated February 22, 1991, between Cerner Corporation and David M. Margulies, M.D. (filed as Exhibit 10(n) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1991, and hereby incorporated herein by reference).*
- 10(j) Cerner East Deferred Payout Plan dated March 7, 1991, for the benefit David M. Margulies, M.D. and Edwin D. Trautman (filed as Exhibit 10(o) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1991, and hereby incorporated herein by reference).*
- 10(k) Non-Qualified Stock Option Agreement dated February 19, 1991, between Cerner Corporation and David J. Hart (filed as Exhibit 10(q) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1991, and hereby incorporated herein by reference).*
- 10(l) Stock Option Agreement dated May 15, 1990, between Cerner Corporation and Gerald E. Bisbee, Jr. (filed as Exhibit 10(r) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1991, and hereby incorporated herein by reference).*
- 10(m) Stock Option Agreement dated May 15, 1990, between Cerner Corporation and Thomas C. Tinstman (filed as Exhibit 10(s) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1991, and hereby incorporated herein by reference).*
- 10(n) Cerner Performance Plan for 1993 (filed as Exhibit 10(v) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1993, and hereby incorporated herein by reference).*
- 10(o) Non-Qualified Stock Option Agreement dated July 20, 1994, between the Registrant and Alan E. Dietrich.*
- 10(p) Incentive Stock Option Agreement dated September 12, 1990, between the Registrant and Alan E. Dietrich.*

- 10(q) Incentive Stock Option Agreement dated August 22, 1991, between the Registrant and Jeffrey C. Reene.*
- 10(r) Incentive Stock Option Agreement dated May 15, 1990, between the Registrant and Gary W. Willett.*
- 10(s) Incentive Stock Option Agreement dated February 27, 1985, between the Registrant and Charles O. Whitcraft.*
- 10(t) Incentive Stock Option Agreement dated May 15, 1990, between the Registrant and Charles O. Whitcraft.*
- 10(u) Cerner Performance Plan for 1994.*
- 10(v) Real Estate Sales Contract dated April 18, 1994, between Northtown Devco and Cerner Corporation (filed as Exhibit 10(c) to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1994, and hereby incorporated herein by reference).
- 10(w) (i) Standard Form of Agreement between Owner and Contractor dated September 1, 1994, between Cerner Properties, Inc. and J. E. Dunn Construction Company.
- 10(w) (ii) Supplement to General Conditions of the Contractor for Construction dated September 1, 1994, between Cerner Properties, Inc. and J. E. Dunn Construction Company.
- 10(w) (iii) Amendment No. 1 to the Agreement dated October 24, 1994, between Cerner Properties, Inc. and J. E. Dunn Construction Company.
- 10(x) Standard Form of Agreement Between Owner and Architect dated April 29, 1994, between Cerner Properties, Inc. and The Hollis & Miller Group, Inc.
- 11 Computation of Registrant's Earnings Per Share.
- 22 Subsidiaries of Registrant.
- 23 Consent of Independent Auditors.
- 27 Financial Data Schedule.

* Management contracts or compensatory plans or arrangements required to be identified by Item 14(a) (3).

(b) Reports on Form 8-K.

No reports on Form 8-K were filed by Registrant during the fourth quarter of the fiscal year ended December 31, 1994.

(c) Exhibits.

The response to this portion of Item 14 is submitted as a separate section of this report.

(d) Financial Statement Schedules.

The response to this portion of Item 14 is submitted as a separate section of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant

has duly caused this report to be signed on its behalf by
the undersigned, thereunto duly authorized.

CERNER CORPORATION

Dated: March 29, 1995

By:/s/ Neal L. Patterson
Neal L. Patterson
Chairman of the Board and
Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934,
this report has been signed below by the following persons on behalf of
the registrant and in the capacities and on the dates indicated:

Signature and Title -----	Date ----
/s/Neal L. Patterson Neal L. Patterson, Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 29, 1995
/s/Clifford W. Illig Clifford W. Illig, President, Chief Operating Officer and Director	March 29, 1995
/s/Maureen M. Evans Maureen M. Evans, Principal Financial and Accounting Officer	March 29, 1995
/s/David M. Margulies, M.D. David M. Margulies, M.D., Director	March 29, 1995
/s/Gerald E. Bisbee, Jr. Gerald E. Bisbee, Jr., Director	March 29, 1995
/s/Charles S. Runnion, III Charles S. Runnion, III, Director	March 29, 1995
/s/Thomas C. Tinstsman, M.D. Thomas C. Tinstman, M.D., Director	March 29, 1995
/s/David J. Hart David J. Hart, Director	March 29, 1995

The Board of Directors and Stockholders Cerner Corporation:

We have audited the accompanying consolidated balance sheets

of Cerner Corporation and subsidiaries as of December 31, 1994 and 1993, and the related consolidated statements of earnings, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 1994. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Cerner Corporation and subsidiaries as of December 31, 1994 and 1993, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1994, in conformity with generally accepted accounting principles.

KPMG Peat Marwick LLP

Kansas City, Missouri
February 10, 1995

Managements Report

The management of Cerner Corporation is responsible for the consolidated financial statements and all other information presented in this report. The financial statements have been prepared in conformity with generally accepted accounting principles appropriate in the circumstances, and, therefore, included in the financial statements are certain amounts based on management's informed estimates and judgments. Other financial information in this report is consistent with that in the consolidated financial statements. The consolidated financial statements have been audited by Cerner Corporation's independent certified public accountants and have been reviewed by the audit committee of the Board of Directors.

Consolidated Balance Sheets
December 31, 1994 and 1993

1994 1993

(Dollars in thousands)

Assets

Current Assets:

Cash and cash equivalents	\$ 15,305	16,784
Receivables	65,148	46,435
Inventory	2,218	1,024
Prepaid expenses and other	979	2,926
	-----	-----

Total current assets 83,650 67,169

Property and equipment, net	41,129	13,818
Software development costs, net	18,784	14,571
Intangible assets, net	6,390	8,564
Noncurrent receivables	4,508	--
Other assets	1,949	788
	-----	-----

\$156,410 104,910

Liabilities and Stockholders' Equity

Current Liabilities:

Accounts payable	\$ 13,485	11,516
Notes payable	--	975
Current installments of long-term debt	160	511
Advanced billings	3,737	4,178
Deferred income taxes	6,652	1,993
Accrued payroll and tax withholdings	4,689	3,812
Other accrued expenses	2,557	1,581
	-----	-----

Total current liabilities 31,280 24,566

Long-term debt, net	30,235	10,354
Deferred income taxes	9,118	5,760

Stockholders' Equity:

Common stock, \$.01 par value, 50,000,000 shares authorized, 14,510,816 shares issued in 1994 and 14,121,329 shares in 1993	145	141
Additional paid-in capital	30,947	28,939
Retained earnings	60,353	40,852
Treasury stock, at cost (513,018 shares in 1994 and 1993)	(5,693)	(5,693)
Foreign currency translation adjustment	25	(9)
	-----	-----

Total stockholders' equity 85,777 64,230

Commitments (Note 11)

\$ 156,410 104,910

See notes to consolidated financial statements.

Consolidated Statements of Earnings

For the years ended December 31, 1994, 1993, and 1992

1994 1993 1992

(In thousands, except per share data)

Revenues:			
System sales	\$ 108,322	84,024	71,586
Support and maintenance	41,322	33,200	26,664
Other	6,273	3,348	2,895
	-----	-----	-----
 Total revenues	 155,917	 120,572	 101,145
	-----	-----	-----
 Costs and expenses:			
Cost of revenues	46,426	43,921	44,818
Sales and client service	39,857	28,248	20,067
Software development	22,688	16,000	12,962
General and administrative	13,167	8,073	6,711
	-----	-----	-----
 Total costs and expenses	 122,138	 96,242	 84,558
	-----	-----	-----
 Operating earnings	 33,779	 24,330	 16,587
	-----	-----	-----
 Interest expense, net	 1,328	 210	 294
	-----	-----	-----
 Earnings before income taxes	 32,451	 24,120	 16,293
Income taxes	12,950	9,562	6,361
	-----	-----	-----
 Net earnings	 \$ 19,501	 14,558	 9,932
	-----	-----	-----
	-----	-----	-----
 Primary earnings per share	 \$ 1.31	 1.00	 .69
	-----	-----	-----
	-----	-----	-----

See notes to consolidated financial statements.

Consolidated Statement of Stockholders' Equity
December 31, 1994, 1993, and 1992

	Common Stock		Additional	Retained	Treasury Stock	Foreign	
	Shares	Amount	paid-in	earnings	Amount	currency	Total
	-----		capital		-----	translation	
	-----				-----	adjustment	-----
(In thousands)							
Balance at December 31, 1991	13,148	\$ 131	16,749	16,362	(5,693)	(32)	27,517
Exercise of options	194	2	326	-	-	-	328
Issuance of stock grants	-	-	5	-	-	-	5
Tax benefit from disqualifying dispositions of stock options	-	-	896	-	-	-	896
Foreign currency translation adjustment	-	-	-	-	-	(35)	(35)
Net earnings	-	-	-	9,932	-	-	9,932
	-----	-----	-----	-----	-----	-----	-----
Balance at December 31, 1992	13,342	133	17,976	26,294	(5,693)	(67)	38,643
	-----	-----	-----	-----	-----	-----	-----
Exercise of options	519	5	985	-	-	-	990
Issuance of stock grants	-	-	8	-	-	-	8

Issuance of stock for acquisition	260	3	6,770	-	-	-	6,773
Tax benefit from disqualifying dispositions of stock options	-	-	3,200	-	-	-	3,200
Foreign currency translation adjustment	-	-	-	-	-	58	58
Net earnings	-	-	-	14,558	-	-	14,558
Balance at December 31, 1993	14,121	141	28,939	40,852	(5,693)	(9)	64,230
Exercise of options	389	3	984	-	-	-	987
Issuance of stock grants	1	1	24	-	-	-	25
Tax benefit from disqualifying dispositions of stock options	-	-	1,000	-	-	-	1,000
Foreign currency translation adjustment	-	-	-	-	-	34	34
Net earnings	-	-	-	19,501	-	-	19,501
Balance at December 31, 1994	14,511	\$ 145	30,947	60,353	(5,693)	25	85,777

See notes to consolidated financial statements.

Consolidated Statements of Cash Flow
For the years ended December 31, 1994, 1993, and 1992

	1994	1993	1992
(In thousands)			
Cash flows from operating activities:			
Net earnings	\$ 19,501	14,558	9,932
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	10,062	6,434	5,293
Issuance of stock as compensation	25	8	5
Provision for deferred income taxes	8,017	7,500	536
Tax benefit from disqualifying dispositions of stock options	1,000	3,200	896
Loss on disposal of capital equipment	165	--	--
Changes in assets and liabilities:			
Receivables	(23,221)	(13,426)	(60)
Inventory	(1,194)	821	(359)
Prepaid expenses and other	1,213	391	(519)
Accounts payable	1,969	2,901	(2,995)
Accrued income taxes	--	(5,791)	(1,218)
Other accrued liabilities	1,412	(740)	2,364
Total adjustments	(552)	1,298	3,943
Net cash provided by operating activities	18,949	15,856	13,875
Cash flows from investing activities:			
Purchase of capital equipment	(11,291)	(7,078)	(4,615)
Purchase of land, building, and improvements	(20,939)	--	--
Proceeds on disposal of capital equipment	21	--	--
Capitalized software development costs	(8,131)	(6,181)	(4,098)
Acquisition of business	--	(585)	--
Net cash used in investing activities	(40,340)	(13,844)	(8,713)
Cash flows from financing activities:			
Net borrowings (payments) under short-term notes payable	(639)	388	--
Proceeds from issuance of long-term debt	50,273	109	6,281
Repayment of long-term debt	(30,743)	(511)	(6,692)
Proceeds from exercise of options	987	990	328
Net cash provided by (used in) financing activities	19,878	976	(83)

Foreign currency translation adjustment	34	58	(35)
Net increase (decrease) in cash and cash equivalents	(1,479)	3,046	5,044
Cash and cash equivalents at beginning of year	16,784	13,738	8,694
Cash and cash equivalents at end of year	\$ 15,305	16,784	13,738
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	\$ 1,110	686	636
Income taxes, net of refund	3,574	4,499	6,171
Noncash investing and financing activities:			
Acquisition of business	\$ --	6,773	--
Acquisition of equipment through capital leases	386	139	840

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1 Summary of Significant Accounting Policies

(a) Principles of Consolidation - The consolidated financial statements include the accounts of Cerner Corporation and its wholly owned subsidiaries. All significant intercompany transactions and balances have been eliminated in consolidation.

(b) Revenue Recognition - Revenues are derived primarily from the sale of clinical information systems. In addition, revenue is generated from servicing installed clinical information systems, which generally include support of software and maintenance of hardware. The Company also derives revenue from the sale of computer hardware.

Clinical information system sales contracts are negotiated separately and generally include the licensing of the Company's clinical information system software and the sale of computer hardware. Clinical information system sales contracts are noncancelable and provide for a right of return only in the event the system fails to meet the performance criteria set forth in the contracts. The Company recognizes revenue from sales of clinical information systems using a percentage-of-completion method based on meeting key milestone events over the term of the contracts in accordance with Statement of Position 91-1, "Software Revenue Recognition."

Revenue from the licensing of additional software is recognized upon installation at the client's site. Revenue from the sale of computer hardware is recognized upon shipment. Revenue from ongoing software support and equipment maintenance is recognized as the services are rendered.

(c) Software Development Costs - Costs incurred internally in creating computer software products are expensed until technological feasibility has been established upon completion of a detail program design. Thereafter, all software development costs are capitalized and subsequently reported at the lower of amortized cost or net realizable value. Capitalized costs are amortized based on current and future revenue for each product with minimum annual amortization equal to the straight-line amortization over the estimated economic life of the product. The Company is amortizing capitalized costs on a straight-line basis over five years. During the years ended December 31, 1994, 1993,

and 1992, the Company capitalized \$8,131,000, \$6,181,000, and \$4,098,000, respectively, of total software development costs of \$26,897,000, \$19,432,000, and \$14,522,000, respectively. Amortization expense of capitalized software development costs for the years ended December 31, 1994, 1993, and 1992, was \$3,918,000, \$2,652,000, and \$2,538,000, respectively, and accumulated amortization was \$13,854,000, \$9,936,000, and \$7,284,000, respectively.

(d) Inventory - Inventory consists primarily of computer hardware held for resale and is recorded at the lower of cost (first-in, first-out) or market.

(e) Property and Equipment - Property, equipment, and leasehold improvements are stated at cost. Depreciation of property and equipment is computed using the straight-line method over periods of 5 to 39 years. Amortization of leasehold improvements is computed using a straight-line method over the lease terms, which range from periods of two to five years.

(f) Earnings Per Share - Earnings per share is based on the weighted average number of common shares and common share equivalents outstanding. Common share equivalents consist of shares issuable upon exercise of stock options using the treasury stock method. The computation of fully diluted earnings per share reflects additional dilution under the treasury stock method when the Company's stock price at the end of a reporting period exceeds the average price. Fully diluted earnings per share is not materially different from primary earnings per share. Weighted average shares outstanding utilized in the computation of primary earnings per share were 14,881,104, 14,579,178, and 14,340,408, and fully diluted earnings per share were 14,903,752, 14,642,899, and 14,506,958, for the years ended December 31, 1994, 1993, and 1992, respectively.

(g) Foreign Currency - Assets and liabilities in foreign currencies are translated into dollars at rates prevailing at the balance sheet date. Revenues and expenses are translated at average rates for the year. The net exchange differences resulting from these translations are reported in stockholders' equity. Gains and losses resulting from foreign currency transactions are included in the consolidated statements of earnings. The net gain (loss) resulting from foreign currency transactions was \$107,000, (\$83,000), and (\$180,000), in 1994, 1993, and 1992, respectively.

(h) Income Taxes - The Company accounts for income taxes using the asset and liability method pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

(i) Goodwill - Excess of cost over net assets acquired (goodwill) is being amortized on a straight-line basis over eight years. Accumulated amortization was \$916,000 at December 31, 1994 and \$151,000 at December 31, 1993.

(j) Reclassifications - Certain prior year amounts have

been reclassified to conform with current year presentation.

2 Acquisition

On November 1, 1993, the Company completed the acquisition of Megasource, Inc. through the merger of Megasource, Inc. into a new wholly owned subsidiary of the Company. The Company issued 259,770 shares of common stock, valued at approximately \$6,773,000, in the merger. Megasource, Inc. was engaged in the design, sale, and support of several clinical information systems, the most significant of which was its pharmacy system. The acquisition has been accounted for as a purchase with the operating results of Megasource, Inc. included in the Company's consolidated statement of earnings from November 1, 1993. The Company has determined that the consolidated results of operations as if the acquisition had occurred at the beginning of 1992 and 1993 would have had no material effect on the overall results of the Company.

3 Cash and Cash Equivalents

Cash and cash equivalents consist of the following:

	1994	1993

	(In thousands)	
Cash and overnight repurchase agreements	\$ 6,643	4,721
Commercial paper	3,982	7,967
Variable rate securities	500	500
Fixed rate securities	3,330	2,746
Certificates of deposit	850	850
	-----	-----
Total cash and cash equivalents	\$ 15,305	16,784

The Company considers all highly liquid debt instruments with original maturities of three months or less to be cash equivalents. Cash equivalents are carried at cost, which approximates market.

The carrying value of cash and cash equivalents approximates fair value due to the short maturity of those instruments.

4 Receivables

Receivables consist of accounts receivable and contracts receivable. Accounts receivable represent recorded revenues that have been billed. Contracts receivable represent recorded revenues that are billable by the Company at future dates under the terms of a contract with a client. Contract receivables that are not expected to be collected within one year are classified as noncurrent. Billings on contracts in excess of related revenues recognized under the percentage of completion method are recorded as advanced billings. A summary of current receivables is as follows:

	1994	1993

	(In thousands)	

Current receivables:

Accounts receivable	\$ 37,019	28,251
Contracts receivable	28,129	18,184
	-----	-----
Total current receivables	\$ 65,148	46,435
	-----	-----
	-----	-----

Substantially all receivables are derived from sales and related support and maintenance of the Company's clinical information systems to healthcare providers located throughout the United States and in certain foreign countries. Included in receivables at December 31, 1994 and 1993, are amounts due from healthcare providers located in foreign countries of \$3,777,000 and \$4,108,000, respectively. Consolidated revenues include foreign sales of \$13,274,000, \$8,417,000, and \$10,018,000, for the years ended December 31, 1994, 1993, and 1992, respectively.

The Company provides an allowance for estimated uncollectible accounts based upon historical experience and management's judgment.

The fair value of the Company's noncurrent receivables is estimated to be \$4,155,000, based on current interest rates offered to the Company for debt of the same maturities.

5 Property and Equipment

A summary of property, equipment, and leasehold improvements stated at cost, less accumulated depreciation and amortization, is as follows:

	1994	1993
	-----	-----
	(In thousands)	
Furniture and fixtures	\$ 9,942	7,041
Computer equipment	18,163	12,796
Marketing equipment	913	280
Communications equipment	1,612	1,178
Leasehold improvements	4,319	2,782
Capital lease equipment	1,055	1,770
Land, building, and improvements	20,939	-
	-----	-----
	56,943	25,847
Less accumulated depreciation and amortization	15,814	12,029
	-----	-----
Total property and equipment, net	\$ 41,129	13,818
	-----	-----
	-----	-----

6 Indebtedness

At December 31, 1993, the Company had a loan agreement with a bank that provided for a term loan, a line of credit for financing contract receivables, and a long-term, revolving line of credit for working capital purposes. The lines of credit were secured by eligible receivables, inventory, property, and equipment, and bore interest at the bank's

prime rate. At December 31, 1993, the Company had borrowings of \$481,000 under the contract receivables line of credit and \$10,251,000 under the long-term, revolving line of credit.

On April 19, 1994, the Company entered into a loan agreement with two banks that provided for a long-term revolving line of credit for working capital purposes. The long-term revolving line of credit is unsecured and requires monthly payments of interest only. Interest is payable at the Company's option at a rate based on prime (8.5% at December 31, 1994) or LIBOR plus 1.75% (7.75% at December 31, 1994). The interest rate may be reduced by up to .5% if certain net worth ratios are maintained. At December 31, 1994, the Company had no outstanding borrowings under this agreement and had \$18,000,000 available for working capital purposes. The agreement contains certain net worth, current ratio, and fixed charge coverage covenants and provides certain restrictions on the Company's ability to borrow, incur liens, sell assets, and pay dividends. A commitment fee of 3/16% is payable quarterly on the unused portion of the revolving line of credit.

On April 19, 1994, the Company entered into a loan agreement with two banks that provided for a term loan of \$17,425,000 to fund the \$20,000,00 purchase of its Kansas City headquarters complex. On July 29, 1994, the Company issued \$30,000,000 of Senior Notes. The note proceeds were used to repay the term loan, which then terminated, and reduce the outstanding borrowings under the revolving line of credit.

The Senior Notes are payable in five equal annual installments beginning in August 2000. Interest is payable on February 1 and August 1 at a rate of 8.3%. The note agreement contains certain net worth, current ratio, and fixed charge coverage covenants and provides certain restrictions on the Company's ability to borrow, incur liens, sell assets, and pay dividends.

The fair value of the Company's Senior Notes is estimated to be \$28,716,000, based on the quoted market prices for similar issues offered to the Company for debt of the same remaining maturities. Although the fair value of the long-term debt is less than the carrying amount, settlement at the reported fair value does not include potential taxes and other expenses that would be incurred in an actual settlement. The Company estimates that the fair value of the long-term portion of capital leases approximates the carrying value.

Long-term debt is as follows:

	1994	1993

	(In thousands)	
Revolving line of credit, interest payable monthly at prime (8.5% at December 31, 1994), secured by receivables, inventory, and all property and equipment	\$ --	10,251
Senior Notes, 8.3% due 2004	30,000	--

Obligation under capital lease agreements, interest at 6 - 10% payable in monthly installments through August 1997, secured by equipment	395	614
	-----	-----
	30,395	10,865
Less current installments	160	511
	-----	-----
Long-term debt, excluding current installments	\$ 30,235	10,354
	-----	-----
	-----	-----

Scheduled maturities of long-term debt (in thousands) at December 31, 1994, are as follows:

Years
ending
December
31

1995	\$ 160
1996	130
1997	105
2000 and thereafter	30,000

	\$ 30,395

7 Interest Income and Expense

A summary of interest income and expense is as follows:

	1994	1993	1992
	-----	-----	-----
	(In thousands)		
Interest income	\$ 542	438	403
Interest expense	(1,870)	(648)	(697)
	-----	-----	-----
Interest expense, net	\$ (1,328)	(210)	(294)
	-----	-----	-----
	-----	-----	-----

8 Stock Options

The Company has three incentive stock option plans and a nonqualified stock option plan. Stock Option Plan A (Plan A) was approved by the Board of Directors on September 20, 1983, and expired on September 20, 1993. Stock Option Plan B (Plan B) was approved by the Board of Directors on November 30, 1983, and expired on November 30, 1993. Stock Option Plan C (Plan C) was approved by the Board of Directors on May 18, 1993. The NonQualified Stock Option

Plan was approved by the Board of Directors on February 19, 1991.

All associate stock options authorized under Plan A were granted prior to December 31, 1983. Options granted under Plan A were exercisable through September 20, 1993, at \$.38 per share (fair market value on the date of grant) and contained restrictions as to transferability and exercisability after termination of employment. Transactions for associate stock options under Plan A are summarized as follows:

	Number of shares under option	Exercise price	Shares exercisable

Outstanding, December 31, 1991	179,200	\$.38	179,200
Exercised	(60,000)	.38	

Outstanding, December 31, 1992	119,200	.38	119,200
Exercised	(119,200)	.38	

Outstanding, December 31, 1993 and 1994	-	\$	-

Under Plan B, the Company could grant to associates options to purchase shares of common stock through November 30, 1993. The options are exercisable at the fair market value on the date of grant for a period determined by the Board of Directors (not more than ten years from the date granted). The options contain restrictions as to transferability and exercisability after termination of employment. Transactions for associate stock options under Plan B are summarized as follows:

	Number of shares under option	Exercise price	Shares exercisable
Outstanding, December 31, 1991	1,569,052	\$ 1.00-5.00	704,600
Granted	44,000	3.69-24.13	
Canceled	(31,312)	2.38-3.03	
Exercised	(133,852)	1.00-5.00	

Outstanding, December 31, 1992	1,447,888	1.00-24.13	817,204
Granted	71,000	17.25-35.13	
Canceled	(24,600)	2.69-21.38	
Exercised	(359,581)	1.00-4.50	

Outstanding, December 31, 1993	1,134,707	1.00-35.13	734,667
Canceled	(18,400)	2.69	
Exercised	(348,780)	1.00- 8.94	

Outstanding, December 31, 1994	767,527	\$ 1.00-35.13	564,727
--------------------------------	---------	---------------	---------

Under Plan C, the Company may grant to associates options to purchase shares of common stock through May 18, 2003. The options are exercisable at the fair market value on the date of grant for a period determined by the Board of Directors (not more than ten years from the date granted). The options contain restrictions as to transferability and exercisability after termination of employment. Transactions for associate stock options under Plan C are summarized as follows:

	Number of shares under option	Exercise price	Shares exercisable
Outstanding, December 31, 1993	-	\$ -	-
Granted	47,500	25.13-37.75	
Canceled	(300)	28.25	
Outstanding, December 31, 1994	47,200	\$ 25.13-37.75	-

Under the NonQualified Stock Option Plan, the Company may grant to associates, consultants, or advisors options to purchase shares of common stock through January 1, 2000. The options are exercisable at a price and during a period determined by the Stock Option Committee.

Transactions under the NonQualified Stock Option Plan and other nonqualified stock option agreements are summarized as follows:

	Number of shares under option	Exercise price	Shares exercisable
Outstanding, December 31, 1991	292,000	\$ 2.50-3.06	72,000
Granted	-	-	
Outstanding, December 31, 1992	292,000	2.50-3.06	114,000
Exercised	(40,000)	2.69-3.06	
Outstanding, December 31, 1993	252,000	2.50-3.06	106,000
Granted	157,916	25.13-37.75	
Exercised	(40,000)	2.69	
Outstanding, December 31, 1994	369,916	\$ 2.50-37.75	122,000

9 Income Taxes

Income taxes for the years ended December 31, 1994, 1993, and 1992, consist of the following:

	1994	1993	1992

(In thousands)			
Current:			
Federal	\$ 3,740	1,767	5,001
State	692	333	768
Foreign	501	(38)	56
	-----	-----	-----
Total current	4,933	2,062	5,825
	-----	-----	-----
Deferred:			
Federal	7,043	6,531	295
State	919	969	241
Foreign	55	--	--
	-----	-----	-----
Total deferred	8,017	7,500	536
	-----	-----	-----
Total income tax	\$ 12,950	9,562	6,361
	-----	-----	-----
	-----	-----	-----

Included in 1993 deferred income tax expense is approximately \$88,000 resulting from the increase in the statutory tax rate.

Temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities that give rise to significant portions of deferred income taxes at December 31, 1994 and 1993, relate to the following:

	1994	1993

(In thousands)		
Software development costs	\$ 6,776	5,401
Contract and service revenues and costs	1,704	--
Depreciation and amortization	789	594
Operating leases	(151)	(235)
	-----	-----
Noncurrent deferred income tax liability	9,118	5,760
	-----	-----
	-----	-----
Contract and service revenues an costs	8,136	2,669
Other	(1,484)	(676)

Current deferred income	6,652	1,993
Net deferred income taxes	\$ 15,770	7,753

Net deferred income taxes at December 31, 1994, are composed of deferred tax liabilities of \$17,758,000 and deferred tax assets of \$1,988,000. At December 31, 1993, deferred tax liabilities were \$11,113,000 and deferred tax assets were \$3,360,000. There was no valuation allowance provided for deferred tax assets at December 31, 1994 or 1993.

The effective income tax rates for 1994, 1993, and 1992 were 40%, 40%, and 39%, respectively. These effective rates differ from the federal statutory rate of 35% in 1994 and 1993 and 34% in 1992 as follows:

	1994	1993	1992
	(In thousands)		
Tax expense at statutory rates	\$ 11,358	8,442	5,540
State income tax, net of federal benefit	1,047	846	666
Other, net	545	274	155
Total income tax	\$ 12,950	9,562	6,361

Income taxes payable at December 31, 1994, 1993, and 1992, are reduced by the tax benefit resulting from disqualifying dispositions of stock acquired under the Company's stock option plans. The 1994, 1993, and 1992 benefits of \$1,000,000, \$3,200,000, and \$896,000, respectively, are treated as increases to additional paid-in capital.

10 Associate Stock Purchase Retirement Plan

The Company established the Cerner Corporation Associate Stock Purchase Retirement Plan (the Plan) under Section 401(k) of the Internal Revenue Code. All full-time associates are eligible to participate. Participants may elect to make pre-tax contributions from 1% to 15% of compensation to the Plan, subject to annual limitations determined by the Internal Revenue Service. Participants may direct contributions into mutual funds, a money market fund, or a Company stock fund. The Company makes matching contributions to the Plan, on behalf of participants, in an amount equal to 20% of the participant's contribution, limited to a maximum of \$600 per participant. The Company's expense for the plan amounted to \$316,000, \$275,000, and \$154,000 for 1994, 1993, and 1992, respectively.

11 Commitments

The Company is committed under operating leases for office space through December 1999 and for computer equipment through March 1995. Rent expense for office and warehouse

space for the Company's regional and international offices for 1994, 1993, and 1992 was \$1,721,000, \$2,195,000, and \$1,604,000, respectively. Lease expense for computer equipment was \$328,000, \$323,000, and \$315,000, in 1994, 1993, and 1992, respectively. Aggregate minimum future payments (in thousands) under these noncancelable leases are as follows:

Years ending December 31 -----	
1995	\$ 1,253
1996	1,243
1997	1,253
1998	1,047
1999	319

At December 31, 1994, the Company was committed to spending \$3,332,000 under a construction contract for a new building at its Kansas City headquarters complex. The completed cost of the new building is estimated to be \$6,000,000 to \$8,000,000.

12 Real Estate Lease Revenue

The Company leases space to unrelated parties in its Kansas City headquarters complex under noncancelable operating leases. Rental income from April 19, 1994 (the date of the Company's purchase of its headquarters complex), to December 31, 1994, was \$1,843,000. Future minimum lease revenues (in thousands) under these noncancelable operating leases expiring in 1999 are as follows:

Years ending December 31 -----	
1995	\$ 2,099
1996	2,023
1997	1,752
1998	1,333
1999	1,016

13 Stockholders' Equity

At December 31, 1994 and 1993, the Company had 1,000,000 shares of authorized but unissued preferred stock, \$.01 par value.

14 Quarterly Results (unaudited)

Selected quarterly financial data for 1994 and 1993 is set forth below:

	Revenues	Earnings before income taxes	Net earnings	Primary earnings per share
--	----------	---------------------------------------	-----------------	----------------------------------

(In thousands, except per share data)

1994 Quarterly Results:

March 31	\$ 30,515	4,724	3,002	.20
June 30	39,795	8,253	4,903	.33
September 30	40,933	8,387	5,069	.34
December 31	44,674	11,087	6,527	.44
	-----	-----	-----	
Total	\$ 155,917	32,451	19,501	1.31
	-----	-----	-----	

1993 Quarterly Results:

March 31	\$ 24,137	4,320	2,560	.18
June 30	29,834	5,568	3,314	.23
September 30	32,334	6,809	4,072	.28
December 31	34,267	7,423	4,612	.31
	-----	-----	-----	
Total	\$ 120,572	24,120	14,558	1.00
	-----	-----	-----	

SCHEDULE II

Cerner Corporation
Valuation and Qualifying Accounts

Description	Balance at Beginning of Period	Allowance Acquired in Acquisitions	Deductions	Balance at End of Period
-------------	--------------------------------------	--	------------	-----------------------------

For Year Ended
December 31, 1993

Doubtful Accounts	\$ 300,000	\$ 234,268	\$ 0	\$ 534,268
Sales Allowances	\$ 300,000	\$ 0	\$ 0	\$ 300,000

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance at End of Period
-------------	--------------------------------------	--	------------	-----------------------------

For Year Ended
December 31, 1994

Doubtful Accounts	\$ 534,268	\$ 0	\$ 100,000	\$ 434,268
Sales Allowances	\$ 300,000	\$ 0	\$ 0	\$ 300,000

INDEPENDENT AUDITORS' REPORT
ON FINANCIAL STATEMENT SCHEDULE

The Board of Directors
Cerner Corporation:

Under date of February 10, 1995, we reported on the consolidated balance sheets of Cerner Corporation and subsidiaries as of December 31, 1994 and 1993 and the related consolidated statements of earnings, stockholders' equity and cash flows for each of the years in the three-year period ended December 31, 1994. These consolidated financial statements in our report thereon are included in the Company's annual report on Form 10-K for the year 1994. In connection with our audits of the aforementioned consolidated financial statements, we also have audited the related financial statement schedule as listed in Item 14(a)(2). This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statement schedule based on our audits.

In our opinion, this financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

KPMG Peat Marwick LLP

Kansas City, Missouri
February 10, 1995

Non-Qualified Stock Option Agreement

THIS AGREEMENT, made and entered into this twentieth day of July, 1994 (the "granting" date), by and between CERNER CORPORATION, a Delaware corporation (the "Company"), and Alan D. Dietrich ("Optionee"),

WITNESSETH:

WHEREAS, The Stock Option Committee of the Board of Directors of the Company (the "Committee") has determined that the Optionee is eligible to receive an option to purchase shares of common stock of the Company under the Company's Non-Qualified Stock Option Plan (the "Plan");

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained and other good and valuable consideration, the parties hereto agree as follows:

1. Incorporation of the Plan. A copy of the Plan is incorporated herein by reference and all of the terms, conditions and provisions contained therein shall be deemed to be contained in this Agreement.

2. Grant of Option. Pursuant to the authorization of the Committee, and subject to the terms, conditions and provisions contained in this Agreement, the Company hereby grants to the Optionee an option (the "option") to purchase from the Company all or any part of an aggregate of twenty thousand (20,000) shares of Cerner Common Stock at the purchase price of twenty-five and one-eighth (\$25 1/8) per share.

The numbers of shares of common stock subject to the Option and the purchase price per share shall be appropriately adjusted to reflect any stock dividends, stock splits, split ups or combinations of outstanding shares of common stock of the Company. The date first written above shall be deemed to be the granting date of this Option.

This Option grant is made in conjunction with the role of Group Vice President and General Manager ("Role"), currently performed by the Optionee as of the granting date. The definition and responsibilities of this Role will be based annually on the description incorporated in the then-current Incentive Plan documentation or comparable document. Future vesting of shares granted in this Option will be evaluated as explained in paragraph 4. Vesting will be contingent on continued performance of this Role and other factors as determined by the Chief Executive Officer and President of the Company.

3. Term of Option: Exercise in Installments. This option shall expire with respect to all shares of Cerner Common Stock subject hereto twenty-five years from the date first above written (the "Expiration Date"), unless it shall be terminated at an earlier date in accordance with this Agreement. This Option shall become exercisable in installments as follows, subject to the vesting provisions of paragraph 4:

Number of Percentage of Shares Subject to This Option	Earliest Date on Which Shares May Be purchased
-----	-----
1,500	March 31, 1995
2,000	March 31, 1996
2,000	March 31, 1997
2,000	March 31, 1998
2,000	March 31, 1999
2,000	March 31, 2000
2,000	March 31, 2001

2,000	March 31, 2002
2,000	March 31, 2003
2,000	March 31, 2004
500	March 31, 2005

4. Option Vesting. The Optionee may purchase all or any portion of the shares subject to each installment listed above at any time on or after the exercise dates listed above and before the Expiration Date (or any earlier termination date) that have become "vested". "Vested" means that a) the Optionee has continued to perform the Role noted in Paragraph 2, or an alternate Role as assigned by the Chief Executive Officer and President of the Company, b) that the Optionee's performance in the assigned Role has been reviewed by the Chief Executive and President of the Company and such performance has been evaluated, in their sole discretion, as acceptable for the Role, and c) that they have issued a written statement to Optionee stating the amount of shares which are vested at each of the dates set forth above.

Any shares which do not become so "vested" shall no longer be subject to this Option. This Option shall expire as to any such shares not so vested. This Option shall expire as to all unexercised shares immediately upon termination of the Associate's employment with the reason of the Optionee's death or disability the Optionee, or Optionee's estate, shall have thirty (30) calendar days following such date to exercise this Option as to the number of shares exercisable on such date.

This Option may be exercised by Optionee delivering to the Company a written notice of exercise along with a cash payment in the amount of the purchase price for such shares.

5. Investment Purpose. By accepting this Option, the Optionee agrees that any and all share of stock purchased upon the exercise of this Option will be purchased for investment purposes, and not with a view to any distribution thereof, and that each notice of the exercise of any portion of this Option shall be accompanied by a representation in writing signed by Optionee (or by the person or persons entitled to exercise the Option in the event of the death of the Optionee) that the share of stock are being purchased in good faith for personal investment purposes, and not with a view to any distribution thereof.

6. Stock Restrictions. The Optionee further agrees that:

a) Each stock certificate issued pursuant to the exercise of the Option granted hereby shall bear a legend to the effect that the shares represented thereby have not been registered under the Securities Act of 1993, and may not be transferred except in accordance with the provisions of this Agreement.

b) The shares of the stock acquired upon the exercise of this Option may be transferred, in whole or in part, only if in the opinion of counsel for the Company such proposed transfer may be effected without registration under the Securities Act of 1993 and appropriate state securities laws or such registration has been effected. Prior to the transfer of any such shares the holder thereof shall furnish the Company written notice of the intention to effect such transfer, which notice shall include the manner and circumstances of the proposed transfer and such matters as the Company may request.

c) The Optionee shall promptly comply with any request by the Company for information concerning any disposition by the Optionee of any shares acquired to this Option which the Company may need in connection with an income tax return or report which it may be required to file with any governmental agency.

7. Notices. Any notices or other communications required or allowed to be made or given to the Company under terms of this Agreement shall be addressed to the Company in care of its secretary at its offices at 2800 Rockcreek Parkway, North Kansas City, Missouri 64117, and any notice to be given to the Optionee at the address given beneath the signature hereto. Either party hereto may from time to time change the address to which notices are to be sent to such party giving written notice of such change to the other party. Any notice

hereunder shall be deemed to have been duly given if and when addressed as aforesaid, registered and deposited, postage and registry fee prepaid, in a post office regularly maintained by the United States Government.

8. Binding Effect and Assignment. This Agreement shall bind the parties hereto but shall not be assignable by either party without the express written consent of the other.

9. Governing Law. This Agreement shall be constructed in accordance with the laws of the State of Missouri.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its officers hereunto duly authorized and its corporate seal to be hereunto affixed, and Optionee has hereunto set hand as of day and year first above written.

CERNER CORPORATION

[CORPORATE SEAL]

By:/s/Neal L. Patterson
Neal L. Patterson, Chairman

ATTEST:

/s/Clifford W. Illig
Clifford W. Illig, President

/s/Alan D. Dietrich
3604 NW 75th Court
Kansas City, MO 64151

Address

INCENTIVE STOCK OPTION AGREEMENT

THIS AGREEMENT, made and entered into this 12th day of September, 1990 (the "Granting Date"), by and between CERNER CORPORATION, a Delaware corporation (the "Company"), and Alan D. Dietrich (the "Optionee"),

WITNESSETH:

WHEREAS, on January 13, 1984, the Board of Directors of the Company adopted, and on May 8, 1984, the holders of a majority of the issued and outstanding shares of the Company's common stock approved, the Cerner Corporation Incentive Stock Option Plan B (the "Plan") pursuant to which the Company may grant from time to time, on or prior to November 30, 1993, options to purchase shares of Cerner Common Stock (as defined in said Plan) to any employee of the Company or of any of its subsidiary corporations, in such amounts and under such form of agreements as shall be determined by the Incentive Stock Option Committee, appointed by the Board of Directors of the Company pursuant to the Plan; and

WHEREAS, the Incentive Stock Option Committee (the "Committee") has determined that the Optionee is an employee of the Company or of one of its subsidiary corporations within the meaning of the Plan, and that the Optionee shall be granted an option to purchase shares of Cerner Common Stock on the terms and conditions herein set forth;

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained and other good and valuable consideration, the parties hereto do hereby agree as follows:

1. Incorporation of the Plan. A copy of the Plan is attached hereto and hereby incorporated herein by reference, and all of the terms, conditions and provisions contained therein shall be deemed to be terms, conditions and provisions of this Agreement. All terms used herein which are defined in the Plan shall have the meanings given them in the Plan.

2. Grant of Option. Pursuant to the authorization of the Committee, and subject to the terms, conditions and provisions contained in the Plan and this Agreement, the Company hereby grants to the Optionee, as a matter of separate inducement and agreement in connection with employment, but not in lieu of any salary or other compensation for services, an option (the "Option") to purchase from the Company all or any part of an aggregate of Five thousand (5,000) shares of Cerner Common Stock at the purchase price of Six Dollars and seventy-five cents (\$6.75) per share. The date first written above shall be deemed to be the granting date of this Option.

3. Term of Option: Exercise In Installments. This Option shall expire with respect to all shares of Cerner Common Stock subject hereto on September 12, 2000 (the "Expiration Date"), unless it shall be terminated at an earlier date in accordance with the provisions of the Plan. This Option shall become exercisable in installments as follows:

Number or Percentage of Shares Subject to This Option	Earliest Date on Which Shares May Be Purchased
-----	-----
1,000	September 10, 1991
1,000	September 10, 1992
1,000	September 10, 1993
1,000	September 10, 1994
1,000	September 10, 1995

The Optionee may purchase all or any portion of the shares subject to each installment listed above at any time (i) on or after the respective exercise date listed above, and (ii) before the Expiration Date (or before any earlier termination date), in accordance with the provisions of the Plan.

PLEASE REMEMBER THAT YOU MAY LOSE VALUABLE TAX BENEFITS IF YOU SELL OR DISPOSE OF THE STOCK ACQUIRED UPON THE EXERCISE OF THIS OPTION BEFORE (1) TWO YEARS HAVE PASSED SINCE THE DATE ON WHICH THIS OPTION WAS GRANTED, OR (2) ONE YEAR HAS PASSED SINCE THE DATE ON WHICH YOU EXERCISED THIS OPTION. PLEASE CONTACT YOUR PERSONAL TAX ADVISOR FOR MORE INFORMATION.

4. Investment Purpose. By accepting this Option, the Optionee agrees that any and all shares of stock purchased upon the exercise of this Option will be purchased for investment purposes and not with a view to any distribution thereof, and that each notice of the exercise of any portion of this Option shall be accompanied by a representation in writing signed by the Optionee (or by the person or persons entitled to exercise the Option in the event of the death of the Optionee) that the shares of stock are being purchased in good faith for personal investment purposes, and not with a view to any distribution thereof.

5. Stock Restrictions. The optionee further agrees that:

(a) Each stock certificate issued pursuant to the exercise of the Option granted hereby shall bear a legend to the effect that the shares represented thereby have not been registered under the Securities Act of 1933, and may not be transferred except in accordance with the provisions of this Incentive Stock Option Agreement and the Plan.

(b) Subject to the Company's right to repurchase described in paragraph 6 hereof, the shares of stock acquired upon the exercise of this Option may be transferred, in whole or in part, only upon the following conditions:

(i) Prior to any transfer of any such shares, the holder thereof shall furnish the Company written notice of the intention to effect such transfer. Such notice shall describe the manner and circumstances of the proposed transfer in sufficient detail, and shall contain an undertaking to furnish such further information as may be required, to enable counsel to render the opinion referred to below. Promptly after receiving such notice, the Company shall obtain from its counsel a written opinion (a copy of which shall be furnished to the person giving such notice) as to whether the proposed transfer may be effected without registration under the Securities Act of 1933.

(ii) If it is the opinion of said counsel that no such registration is necessary under the circumstances, then the holder of the shares for which transfer has been requested shall be entitled to transfer such shares in accordance with the terms specified in the written notice given the Company. Each certificate issued to the transferee to evidence the shares so transferred, and each certificate evidencing any untransferred balance of shares of stock acquired by the Optionee upon exercise of this Option, shall bear the restrictive transfer legend described in paragraph 5(a) hereof unless in the opinion of said counsel such legend is not then required.

(iii) If it is the opinion of said counsel that the proposed transfer may not be effected without registration under the Securities Act of 1933, then the Company shall so notify said holder and said transfer shall not be effected.

(c) The Optionee shall promptly comply with any request by the Company for information concerning any disposition by the Optionee of any shares acquired pursuant to this Option which the Company may need in connection with an income tax return or any other return or report which it may be required to file with any governmental agency.

6. Company's Right to Repurchase Shares. In the event that the Optionee (i) dies, (ii) ceases to be employed by the Company or any of its subsidiary corporations at any time before the expiration of three (3) years after the date on which this Option was last exercised or any other option

granted under this Plan, or (iii) desires to sell, pledge, hypothecate, transfer or otherwise dispose of or encumber all or any portion of the shares of stock that were purchased upon the exercise of this Option, the Company shall have the right to repurchase all or any portion of the shares of stock which were acquired by the Optionee (or by the person or persons entitled to exercise this Option in the event of the death of the Optionee) pursuant to the exercise of this Option, upon the following terms and conditions:

(a) Period--Unless exercisable as a result of the death of the Optionee, the Company's right shall commence upon the date of which the Optionee delivers to the Company written notice of desire to sell, pledge, hypothecate, transfer or otherwise dispose of or encumber all or any portion of the stock purchased upon the exercise of this Option, and shall expire thirty (30) days after such date. Failure of the Company to exercise its right during such thirty (30) day period shall be deemed to constitute a waiver of such right. However, if the Optionee fails to sell, pledge, hypothecate, transfer or otherwise dispose of or encumber all or any portion of the stock that was acquired upon the exercise of this Option within sixty (60) days after the date on which the Company shall be deemed to have waived its right, its right shall be reinstated and again operative upon the Optionee's death, termination of employment or any subsequent proposed disposition of such stock.

In the event that its right to repurchase becomes exercisable by reason of the death of the Optionee, the Company's right shall commence on the date of the Optionee's death and shall expire twelve (12) months after the date on which it receives written notice of the Optionee's death from the legal representative appointed by and qualified in a probate court of competent jurisdiction. If no legal representative of the Optionee is appointed within sixty (60) days after the death of the Optionee, then the Company shall be considered a creditor of the estate and shall have all of the rights conferred upon creditors of the estate of the Optionee by the state in which the Optionee was domiciled at the date of death.

(b) Exercise--The Company shall exercise its right by delivering to the Optionee, the legal representative or the person or persons who exercised this Option after the death of the Optionee (the "Holder") a written notice stating the number of shares with respect to which it is exercising its right to repurchase. Such written notice shall be deemed to be effective as of the earlier of (i) the date on which it is received by the Holder, or (ii) the date on which it is placed in the United States mail, postage prepaid and addressed to the Holder.

(c) Price--The price at which shares of stock may be repurchased by the Company upon the exercise of its right described in this paragraph 6 shall be the fair market value of such shares on the date that such right is exercised. In the event that the Company's right becomes exercisable by reason of the Optionee's desire to sell, pledge, hypothecate, transfer or otherwise dispose of or encumber such stock, however, the purchase price shall not be less than any bona fide cash offer which the Optionee has received therefor.

(d) Payment--The Company may pay for the stock repurchased from the Holder pursuant to its exercise of the right described in this paragraph 6--

(i) if the Holder has held such option stock for three years or less, either by a lump sum cash payment at the time it exercises its right to repurchase pursuant to this paragraph 6, or, at the Company's discretion, partly by a lump sum cash payment (in the amount equal to the lesser of (A) the original option price paid by the Holder for such stock, or (B) the then fair market value of such stock) at the time of repurchase and partly by a promissory note requiring the Company to make equal annual cash installment payments over a period of not more than ten (10) years, or

(ii) if the Holder has held such option stock for more than three years, by a lump sum cash payment at the time it exercises its right to repurchase pursuant to this paragraph 6, unless the Holder will, upon completion of the Company's repurchase of all or a portion of the option stock and taking into account all prior sales by the Holder of Cerner Common Stock to the Company, have sold back to the Company an aggregate number of shares exceeding one-

half of one percent (1/2%) of its issued and outstanding shares of Cerner Common Stock (determined at the time of such repurchase), in which event the Company may, in its sole discretion, elect to pay partly by a lump sum cash payment (in the amount equal to the lesser of (A) the original option price paid by the Holder for such stock, or (B) the then fair market value of such stock) at the time of repurchase and partly by a promissory note requiring the Company to make equal annual cash installment payments over a period of not more than ten (10) years.

Simple interest shall accrue on the unpaid balance of any promissory note issued by the Company pursuant to this paragraph 6 at the rate of ten percent (10%) per year.

7. Notices. Any notices or other communications required or allowed to be made or given to the Company under the terms of this Agreement shall be addressed to the Company in care of its secretary at its offices at 2800 Rockcreek Parkway, North Kansas City, Missouri 64117, and any notice to be given to the Optionee shall be addressed to the Optionee at the address given beneath the signature hereto. Either party hereto may from time to time change the address to which notices are to be sent to such party by giving written notice of such change to the other party. Any notice hereunder shall be deemed to have been duly given if and when addressed as aforesaid, registered and deposited, postage and registry fee prepaid, in a post office regularly maintained by the United States Government.

8. Binding Effect. This Agreement shall bind, and except as specifically provided in the Plan and this Agreement, shall inure to the benefit of, the respective heirs, legal representatives, successors and assigns of the parties hereto.

9. Governing Law. This Agreement shall be construed in accordance with the laws of the State of Missouri.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its officers hereunto duly authorized and its corporate seal to be hereunto affixed, and the Optionee has hereunto set hand as of the day and year first above written.

CERNER CORPORATION

[CORPORATE SEAL]

By:/s/Neal L. Patterson
Neal L. Patterson, Chairman

ATTEST:

/s/Clifford W. Illig
Clifford W. Illig, President

/s/Alan Dietrich
Optionee

11902 Bluejacket
Overland Park, KS 66213

Address

INCENTIVE STOCK OPTION AGREEMENT

THIS AGREEMENT, made and entered into this twenty-second day of August, 1991 (the "Granting Date"), by and between CERNER CORPORATION, a Delaware corporation (the "Company"), and Jeffrey C. Reene (the "Optionee"),

WITNESSETH:

WHEREAS, on January 13, 1984, the Board of Directors of the Company adopted, and on May 8, 1984, the holders of a majority of the issued and outstanding shares of the Company's common stock approved, the Cerner Corporation Incentive Stock Option Plan B (the "Plan") pursuant to which the Company may grant from time to time, on or prior to November 30, 1993, options to purchase the shares of Cerner Common Stock (as defined in said Plan) to any employee of the Company or any of its subsidiary corporations, in such amounts and under such form of agreements as shall be determined by the Incentive Stock Option Committee, appointed by the Board of Directors of the Company pursuant to the Plan; and

WHEREAS, the Incentive Stock Option Committee (the "Committee") has determined that the Optionee is an employee of the Company or one of its subsidiary corporations within the meaning of the Plan, and that the Optionee shall be granted and option to purchase shares of Cerner Corporation Stock on the terms and conditions herein set forth;

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained and other good and valuable consideration, the parties hereto do hereby agree as follows:

1. Incorporation of the Plan. A copy of the Plan is attached hereto and hereby incorporated herein by reference, and all of the terms, conditions and provisions contained therein shall be deemed to be terms, conditions and provisions of the Agreement. All terms used herein which are defined in the Plan shall have the meanings given them in the Plan.

2. Grant of Option. Pursuant to the authorization of the Committee, and subject to the terms, conditions and provisions of this Agreement, the Company hereby grants to the Optionee, as a matter of separate inducement and agreement in connection with employment, but not in lieu of any salary or other compensation for services, an option (the "Option") to purchase from the Company all or any part of an aggregate of twenty thousand (20,000) shares of Cerner Corporation Stock at the purchase price of fifteen dollars and fifty cents (\$15.50) per share. The date first written above shall be deemed to be the granting date of this Option.

3. Term of Option: Exercise in Installments. This Option shall expire with respect to all shares of Cerner Common Stock subject hereto on August 22, 2001 (the "Expiration Date"), unless it shall be terminated at an earlier date in accordance with the provisions of the Plan. This Option shall become exercisable in installments as follows:

Number or Percentage of Shares Subject to This Option	Earliest Date on Which Shares May Be Purchased
-----	-----
4,000	July 1, 1992
4,000	July 1, 1993
4,000	July 1, 1994
4,000	July 1, 1995
4,000	July 1, 1996

The Optionee may purchase all or any portion of the shares subject to each

installment listed above at any time (i) on or after the respective exercise date listed above, and (ii) before the Expiration Date (or before an earlier termination date), in accordance with the provisions of the Plan.

PLEASE REMEMBER THAT YOU MAY LOSE VALUABLE TAX BENEFITS IF YOU SELL OR DISPOSE OF THE STOCK ACQUIRED UPON THE EXERCISE OF THIS OPTION BEFORE (1) TWO YEARS HAVE PASSED SINCE THE DATE ON WHICH THIS OPTION WAS GRANTED, OR (2) ONE YEAR HAS PASSED SINCE THE DATE ON WHICH YOU EXERCISED THIS OPTION. PLEASE CONTACT YOUR PERSONAL TAX ADVISOR FOR MORE INFORMATION.

4. Investment Purpose. By accepting this Option, the Optionee agrees that any and all shares of stock purchased upon the exercise of this Option will be purchased for investment purposes, and not with a view to any distribution thereof, and that each notice of the exercise of any portion of this Option shall be accompanied by a representation in writing signed by the Optionee (or by the person or persons entitled to exercise the Option in the event of the death of the Optionee) that the shares of stock are being purchased in good faith for personal investment purposes, and not with a view to any distribution thereof.

5. Stock Restrictions. The Optionee further agrees that:

(a) Each stock certificate issued pursuant to the exercise of the Option granted hereby shall bear a legend to the effect that the shares represented thereby have not been registered under the Securities Act of 1993, and may not be transferred except in accordance of this Incentive Stock Option Agreement and the Plan.

(b) Subject to the Company's right to repurchase described in paragraph 6 hereof, the shares of stock acquired upon the exercise of the Option may be transferred, in whole or in part, only upon the following conditions:

(i) Prior to any transfer of any such shares, the holder thereof shall furnish the Company written notice of the intention to effect such transfer. Such notice shall describe the manner and circumstances of the proposed transfer in sufficient detail, and shall contain an undertaking to furnish such further information as may be required, to enable counsel to render the opinion referred below. Promptly after receiving such notice, the Company shall obtain from its counsel a written opinion (a copy of which shall be furnished to the person giving such notice) as to whether the proposed transfer may be effected without registration under the Securities Act of 1993.

(ii) If it is the Opinion of said counsel that no such registration is necessary under the circumstances, then the holder of the shares for which transfer has been requested shall be entitled to transfer such shares in accordance with the terms specified in the written notice given the Company. Each certificate issued to the transferee to evidence the shares so transferred, and each certificate evidencing any untransferred balance of shares of stock acquired by the Optionee upon exercise of this Option, shall bear the restrictive transfer legend described in paragraph 5(a) hereof unless in the opinion of said counsel such legend is not then required.

(iii) If it is the opinion of said counsel that the proposed transfer may not be effected without registration under the Securities Act of 1993, then the Company shall so notify said holder and said transfer shall not be effected.

(c) The Optionee shall promptly comply with any request by the Company for information concerning any disposition by the Optionee of any shares acquired pursuant to this Option which the Company may need in connection with an income tax return or report which it may be required to file with any governmental agency.

6. Company's Right to Repurchase Shares. In the event that the Optionee (i) dies, (ii) ceases to be employed by the company or any of its subsidiary corporations at any time before the expiration of three(3) years after the date on which this Option was last exercised or any of the option granted under this Plan, or (iii) desires to sell, pledge, hypothecate, transfer or otherwise dispose of or encumber all or any portion of the shares of stock that were

purchased upon the exercise of this Option, the Company shall have the right to repurchase all or any portion of the shares of stock which were acquired by the Optionee (or by the person or persons entitled to exercise this Option in the event of the death of the Optionee) pursuant to the exercise of this Option, upon the following terms and conditions:

(a) Period -- Unless exercisable as a result of the death of the Optionee, the Company's right shall commence upon the date of which the Optionee ceases to be employed by the Company or one of its subsidiary corporations or the date on which the Optionee delivers to the Company written notice of desire to sell, pledge, hypothecate, transfer or otherwise dispose of or encumber all or any portion of the stock purchased upon the exercise of this Option, and shall expire thirty (30) days after such date. Failure of the Company to exercise its right during such thirty (30) day period shall be deemed to constitute a waiver of such right. However, if the Optionee fails to sell, pledge, hypothecate, transfer or otherwise dispose of or encumber all or any portion of the stock that was acquired upon the exercise of this Option within sixty (60) days after the date on which the Company shall be deemed to have waived its right, its right shall be reinstated and again operative upon the Optionee's death, termination of employment or any subsequent proposed disposition of such stock.

In the event that its right to repurchase becomes exercisable by reason of the death of the Optionee, the Company's right shall commence on the date of the Optionee's death and shall expire twelve (12) months after the date on which it receives written notice of the Optionee's death from the legal representative appointed by and qualified in a probate court of competent jurisdiction. If no legal representative of the Optionee is appointed within sixty (60) days after the death of the Optionee, then the Company shall be considered a creditor of the estate and shall have all rights conferred upon creditors of the estate of the Optionee by the state in which the Optionee was domiciled at the date of death.

(b) Exercise -- The Company shall exercise its right by delivering to the Optionee, the legal representative or the person or persons who exercised this Option after the death of the Optionee (the "Holder") a written notice stating the number of shares with respect to which it is exercising its right to repurchase. Such written notice shall be deemed to be effective as of the earlier of (i) the date on which it is received by the Holder, or (ii) the date on which it is placed in the United States Mail, postage prepaid and addressed to the Holder.

(c) Price -- The price at which shares of stock may be repurchased by the Company upon the exercise of its right described in this paragraph 6 shall be fair market value of such shares on the date that such right is exercised. In the event that the Company's right becomes exercisable by reason of the Optionee's desire to sell, pledge, hypothecate, transfer or otherwise dispose of or encumber such stock, however, the purchase price shall not be less than any bona fide cash offer which the Optionee has received therefor.

(d) Payment -- The Company may pay for the stock repurchased from the Holder pursuant to its exercise of the right described in this paragraph 6 --

(i) if the Holder has held such option stock for three years or less, either by a lump sum cash payment at the time it exercises its right to repurchase pursuant to this paragraph 6, or, at the Company's discretion, partly by a lump sum cash payment (in the amount equal to the lesser of (A) the original option price paid by the Holder for such stock, or (B) the then fair market value of such stock) at the time of repurchase and partly by a promissory note requiring the Company to make equal annual cash installment payments over a period of not more than ten (10) years, or

(ii) if the Holder has held such option stock for more than three years, by a lump sum cash payment at the time it exercises its right to repurchase pursuant to this paragraph 6, unless the Holder will, upon completion of the Company's repurchase of all or a portion of the option stock and taking into account all prior sales by the Holder of Cerner Common Stock to the Company, have sold back to the Company an aggregate number of shares exceeding one-half of one percent

(1/2%) of its issued and outstanding shares of Cerner Common Stock (determined at the time of such repurchased), in which event the Company may, in its sole discretion, elect to pay partly by a lump sum cash payment (in the amount equal to the lessor of (A) the original option price paid by the Holder for such stock, or (B) the then fair market value of such stock) at the time of repurchase and partly by a promissory note requiring the Company to make equal annual cash installment payments over a period of not more than ten (10) years.

Simple interest shall accrue on the unpaid balance of any promissory note issued by the Company pursuant to this paragraph 6 at the rate of ten percent (10%) per year.

7. Notices. Any notices or other communications required or allowed to be made or given to the Company under the terms of this Agreement shall be addressed to the Company in care of its secretary at its offices at 2800 Rockcreek Parkway, North Kansas City, Missouri 64117, and any notice to be given to the Optionee shall be addressed to the Optionee at the address given beneath the signature hereto. Either party hereto may from time to time change the address to which notices are sent to such party by giving written notice of such change to the other party. Any notice hereunder shall be deemed to have been duly given if and when addressed as aforesaid, registered and deposited, postage and registry fee prepaid, in a post office regularly maintained by the United States Government.

8. Binding Effect. This Agreement shall bind, and except as specifically provided in the Plan and this Agreement, shall inure to the benefit of, the respective heirs, legal representatives, successors and assigns of the parties hereto.

9. Governing Law. This Agreement shall be constructed in accordance with the laws of the State of Missouri.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its officers hereunto duly authorized and its corporate seal to be hereunto affixed, and the Optionee has hereunto set hand as a the day and year first above written.

CERNER CORPORATION

[CORPORATE SEAL]

By:/s/Neal L. Patterson
Neal L. Patterson, Chairman

ATTEST:

/s/Clifford W. Illig
Clifford W. Illig, President

By:/s/Jeffrey C. Reene
Optionee

2420 West 103rd Street
Leawood, KS 66206

Address

INCENTIVE STOCK OPTION AGREEMENT

THIS AGREEMENT, made and entered into this fifteenth day of May, 1990 (the "Granting Date"), by and between CERNER CORPORATION, a Delaware corporation (the "Company"), and Gary W. Willett (the "Optionee"),

WITNESSETH:

WHEREAS, on January 13, 1984, the Board of Directors of the Company adopted, and on May 8, 1984, the holders of a majority of the issued and outstanding shares of the Company's common stock approved, the Cerner Corporation Incentive Stock Option Plan B (the "Plan") pursuant to which the Company may grant from time to time, on or prior to November 30, 1993, options to purchase shares of Cerner Common Stock (as defined in said Plan) to any employee of the Company or of any of its subsidiary corporations, in such amounts and under such form of agreements as shall be determined by the Incentive Stock Option Committee, appointed by the Board of Directors of the Company pursuant to the Plan; and

WHEREAS, the Incentive Stock Option Committee (the "Committee") has determined that the Optionee is an employee of the Company or of one of its subsidiary corporations within the meaning of the Plan, and that the Optionee shall be granted an option to purchase shares of Cerner Common Stock on the terms and conditions herein set forth;

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained and other good and valuable consideration, the parties hereto do hereby agree as follows:

1. Incorporation of the Plan. A copy of the Plan is attached hereto and hereby incorporated herein by reference, and all of the terms, conditions and provisions contained therein shall be deemed to be terms, conditions and provisions of this Agreement. All terms used herein which are defined in the Plan shall have the meanings given them in the Plan.

2. Grant of Option. Pursuant to the authorization of the Committee, and subject to the terms, conditions and provisions contained in the Plan and this Agreement, the Company hereby grants to the Optionee, as a matter of separate inducement and agreement in connection with employment, but not in lieu of any salary or other compensation for services, an option (the "Option") to purchase from the Company all or any part of an aggregate of Ten thousand (10,000) shares of Cerner Common Stock at the purchase price of Ten dollars (\$10.00) per share. The date first written above shall be deemed to be the granting date of this Option.

3. Term of Option: Exercise In Installments. This Option shall expire with respect to all shares of Cerner Common Stock subject hereto on May 15, 2000 (the "Expiration Date"), unless it shall be terminated at an earlier date in accordance with the provisions of the Plan. This Option shall become exercisable in installments as follows:

Number or Percentage of Shares Subject to This Option	Earliest Date on Which Shares May Be Purchased
-----	-----
2,000	April 16, 1991
2,000	April 16, 1992
2,000	April 16, 1993
2,000	April 16, 1994
2,000	April 16, 1995

The Optionee may purchase all or any portion of the shares subject to each installment listed above at any time (i) on or after the respective exercise date listed above, and (ii) before the Expiration Date (or before any earlier termination date), in accordance with the provisions of the Plan.

PLEASE REMEMBER THAT YOU MAY LOSE VALUABLE TAX BENEFITS IF YOU SELL OR DISPOSE OF THE STOCK ACQUIRED UPON THE EXERCISE OF THIS OPTION BEFORE (1) TWO YEARS HAVE PASSED SINCE THE DATE ON WHICH THIS OPTION WAS GRANTED, OR (2) ONE YEAR HAS PASSED SINCE THE DATE ON WHICH YOU EXERCISED THIS OPTION. PLEASE CONTACT YOUR PERSONAL TAX ADVISOR FOR MORE INFORMATION.

4. Investment Purpose. By accepting this Option, the Optionee agrees that any and all shares of stock purchased upon the exercise of this Option will be purchased for investment purposes and not with a view to any distribution thereof, and that each notice of the exercise of any portion of this Option shall be accompanied by a representation in writing signed by the Optionee (or by the person or persons entitled to exercise the Option in the event of the death of the Optionee) that the shares of stock are being purchased in good faith for personal investment purposes, and not with a view to any distribution thereof.

5. Stock Restrictions. The optionee further agrees that:

(a) Each stock certificate issued pursuant to the exercise of the Option granted hereby shall bear a legend to the effect that the shares represented thereby have not been registered under the Securities Act of 1933, and may not be transferred except in accordance with the provisions of this Incentive Stock Option Agreement and the Plan.

(b) Subject to the Company's right to repurchase described in paragraph 6 hereof, the shares of stock acquired upon the exercise of this Option may be transferred, in whole or in part, only upon the following conditions:

(i) Prior to any transfer of any such shares, the holder thereof shall furnish the Company written notice of the intention to effect such transfer. Such notice shall describe the manner and circumstances of the proposed transfer in sufficient detail, and shall contain an undertaking to furnish such further information as may be required, to enable counsel to render the opinion referred to below. Promptly after receiving such notice, the Company shall obtain from its counsel a written opinion (a copy of which shall be furnished to the person giving such notice) as to whether the proposed transfer may be effected without registration under the Securities Act of 1933.

(ii) If it is the opinion of said counsel that no such registration is necessary under the circumstances, then the holder of the shares for which transfer has been requested shall be entitled to transfer such shares in accordance with the terms specified in the written notice given the Company. Each certificate issued to the transferee to evidence the shares so transferred, and each certificate evidencing any untransferred balance of shares of stock acquired by the Optionee upon exercise of this Option, shall bear the restrictive transfer legend described in paragraph 5(a) hereof unless in the opinion of said counsel such legend is not then required.

(iii) If it is the opinion of said counsel that the proposed transfer may not be effected without registration under the Securities Act of 1933, then the Company shall so notify said holder and said transfer shall not be effected.

(c) The Optionee shall promptly comply with any request by the Company for information concerning any disposition by the Optionee of any shares acquired pursuant to this Option which the Company may need in connection with an income tax return or any other return or report which it may be required to file with any governmental agency.

6. Company's Right to Repurchase Shares. In the event that the Optionee (i) dies, (ii) ceases to be employed by the Company or any of its subsidiary corporations at any time before the expiration of three (3) years after the date on which this Option was last exercised or any other option

granted under this Plan, or (iii) desires to sell, pledge, hypothecate, transfer or otherwise dispose of or encumber all or any portion of the shares of stock that were purchased upon the exercise of this Option, the Company shall have the right to repurchase all or any portion of the shares of stock which were acquired by the Optionee (or by the person or persons entitled to exercise this Option in the event of the death of the Optionee) pursuant to the exercise of this Option, upon the following terms and conditions:

(a) Period--Unless exercisable as a result of the death of the Optionee, the Company's right shall commence upon the date of which the Optionee delivers to the Company written notice of desire to sell, pledge, hypothecate, transfer or otherwise dispose of or encumber all or any portion of the stock purchased upon the exercise of this Option, and shall expire thirty (30) days after such date. Failure of the Company to exercise its right during such thirty (30) day period shall be deemed to constitute a waiver of such right. However, if the Optionee fails to sell, pledge, hypothecate, transfer or otherwise dispose of or encumber all or any portion of the stock that was acquired upon the exercise of this Option within sixty (60) days after the date on which the Company shall be deemed to have waived its right, its right shall be reinstated and again operative upon the Optionee's death, termination of employment or any subsequent proposed disposition of such stock.

In the event that its right to repurchase becomes exercisable by reason of the death of the Optionee, the Company's right shall commence on the date of the Optionee's death and shall expire twelve (12) months after the date on which it receives written notice of the Optionee's death from the legal representative appointed by and qualified in a probate court of competent jurisdiction. If no legal representative of the Optionee is appointed within sixty (60) days after the death of the Optionee, then the Company shall be considered a creditor of the estate and shall have all of the rights conferred upon creditors of the estate of the Optionee by the state in which the Optionee was domiciled at the date of death.

(b) Exercise--The Company shall exercise its right by delivering to the Optionee, the legal representative or the person or persons who exercised this Option after the death of the Optionee (the "Holder") a written notice stating the number of shares with respect to which it is exercising its right to repurchase. Such written notice shall be deemed to be effective as of the earlier of (i) the date on which it is received by the Holder, or (ii) the date on which it is placed in the United States mail, postage prepaid and addressed to the Holder.

(c) Price--The price at which shares of stock may be repurchased by the Company upon the exercise of its right described in this paragraph 6 shall be the fair market value of such shares on the date that such right is exercised. In the event that the Company's right becomes exercisable by reason of the Optionee's desire to sell, pledge, hypothecate, transfer or otherwise dispose of or encumber such stock, however, the purchase price shall not be less than any bona fide cash offer which the Optionee has received therefor.

(d) Payment--The Company may pay for the stock repurchased from the Holder pursuant to its exercise of the right described in this paragraph 6--

(i) if the Holder has held such option stock for three years or less, either by a lump sum cash payment at the time it exercises its right to repurchase pursuant to this paragraph 6, or, at the Company's discretion, partly by a lump sum cash payment (in the amount equal to the lesser of (A) the original option price paid by the Holder for such stock, or (B) the then fair market value of such stock) at the time of repurchase and partly by a promissory note requiring the Company to make equal annual cash installment payments over a period of not more than ten (10) years, or

(ii) if the Holder has held such option stock for more than three years, by a lump sum cash payment at the time it exercises its right to repurchase pursuant to this paragraph 6, unless the Holder will, upon completion of the Company's repurchase of all or a portion of the option stock and taking into account all prior sales by the Holder of Cerner Common Stock to the Company, have sold back to the Company an aggregate number of shares exceeding one-

half of one percent (1/2%) of its issued and outstanding shares of Cerner Common Stock (determined at the time of such repurchase), in which event the Company may, in its sole discretion, elect to pay partly by a lump sum cash payment (in the amount equal to the lesser of (A) the original option price paid by the Holder for such stock, or (B) the then fair market value of such stock) at the time of repurchase and partly by a promissory note requiring the Company to make equal annual cash installment payments over a period of not more than ten (10) years.

Simple interest shall accrue on the unpaid balance of any promissory note issued by the Company pursuant to this paragraph 6 at the rate of ten percent (10%) per year.

7. Notices. Any notices or other communications required or allowed to be made or given to the Company under the terms of this Agreement shall be addressed to the Company in care of its secretary at its offices at 2800 Rockcreek Parkway, North Kansas City, Missouri 64117, and any notice to be given to the Optionee shall be addressed to the Optionee at the address given beneath the signature hereto. Either party hereto may from time to time change the address to which notices are to be sent to such party by giving written notice of such change to the other party. Any notice hereunder shall be deemed to have been duly given if and when addressed as aforesaid, registered and deposited, postage and registry fee prepaid, in a post office regularly maintained by the United States Government.

8. Binding Effect. This Agreement shall bind, and except as specifically provided in the Plan and this Agreement, shall inure to the benefit of, the respective heirs, legal representatives, successors and assigns of the parties hereto.

9. Governing Law. This Agreement shall be construed in accordance with the laws of the State of Missouri.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its officers hereunto duly authorized and its corporate seal to be hereunto affixed, and the Optionee has hereunto set hand as of the day and year first above written.

CERNER CORPORATION

[CORPORATE SEAL]

By:/s/Neal L. Patterson
Neal L. Patterson, Chairman

ATTEST:

/s/Clifford W. Illig
Clifford W. Illig, President

/s/Gary W. Willett
Optionee

12135 Nieman Rd.
Overland Park, KS 66213

Address

EXHIBIT 10(s)

INCENTIVE STOCK OPTION AGREEMENT

THIS AGREEMENT, made and entered into this twenty-seventh day of February, 1985 (the "Granting Date"), by and between CERNER CORPORATION, a Delaware corporation (the "Company"), and Charles O. Whitcraft (the "Optionee"),

WITNESSETH:

WHEREAS, on January 13, 1984, the Board of Directors of the Company adopted, and on May 8, 1984, the holders of a majority of the issued and outstanding shares of the Company's common stock approved, the Cerner Corporation Incentive Stock Option Plan B (the "Plan") pursuant to which the Company may grant from time to time, on or prior to November 30, 1993, options to purchase the shares of Cerner Common Stock (as defined in said Plan) to any employee of the Company or any of its subsidiary corporations, in such amounts and under such form of agreements as shall be determined by the Incentive Stock Option Committee, appointed by the Board of Directors of the Company pursuant to the Plan; and

WHEREAS, the Incentive Stock Option Committee (the "Committee") has determined that the Optionee is an employee of the Company or one of its subsidiary corporations within the meaning of the Plan, and that the Optionee shall be granted and option to purchase shares of Cerner Corporation Stock on the terms and conditions herein set forth;

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained and other good and valuable consideration, the parties hereto do hereby agree as follows:

1. Incorporation of the Plan. A copy of the Plan is attached hereto and hereby incorporated herein by reference, and all of the terms, conditions and provisions contained therein shall be deemed to be terms, conditions and provisions of the Agreement. All terms used herein which are defined in the Plan shall have the meanings given them in the Plan.

2. Grant of Option. Pursuant to the authorization of the Committee, and subject to the terms, conditions and provisions of this Agreement, the Company hereby grants to the Optionee, as a matter of separate inducement and agreement in connection with employment, but not in lieu of any salary or other compensation for services, an option (the "Option") to purchase from the Company all or any part of an aggregate of five hundred (500) shares of Cerner Corporation Stock at the purchase price of ten dollars (\$10.00) per share. The date first written above shall be deemed to be the granting date of this Option.

3. Term of Option: Exercise in Installments. This Option shall expire with respect to all shares of Cerner Common Stock subject hereto on November 30, 1995 (the "Expiration Date"), unless it shall be terminated at an earlier date in accordance with the provisions of the Plan. This Option shall become exercisable in installments as follows:

Number or Percentage of Shares Subject to This Option -----	Earliest Date on Which Shares May Be Purchased -----
500	January 1, 1992

The Optionee may purchase all or any portion of the shares subject to each installment listed above at any time (i) on or after the respective exercise date listed above, and (ii) before the Expiration Date (or before an earlier termination date), in accordance with the provisions of the Plan.

PLEASE REMEMBER THAT YOU MAY LOSE VALUABLE TAX BENEFITS IF YOU SELL OR DISPOSE OF THE STOCK ACQUIRED UPON THE EXERCISE OF THIS OPTION BEFORE (1) TWO YEARS HAVE PASSED SINCE THE DATE ON WHICH THIS OPTION WAS GRANTED, OR (2) ONE YEAR HAS PASSED SINCE THE DATE ON WHICH YOU EXERCISED THIS OPTION. PLEASE CONTACT YOUR PERSONAL TAX ADVISOR FOR MORE INFORMATION.

4. Investment Purpose. By accepting this Option, the Optionee agrees that any and all shares of stock purchased upon the exercise of this Option will be purchased for investment purposes, and not with a view to any distribution thereof, and that each notice of the exercise of any portion of this Option shall be accompanied by a representation in writing signed by the Optionee (or by the person or persons entitled to exercise the Option in the event of the death of the Optionee) that the shares of stock are being purchased in good faith for personal investment purposes, and not with a view to any distribution thereof.

5. Stock Restrictions. The Optionee further agrees that:

(a) Each stock certificate issued pursuant to the exercise of the Option granted hereby shall bear a legend to the effect that the shares represented thereby have not been registered under the Securities Act of 1993, and may not be transferred except in accordance of this Incentive Stock Option Agreement and the Plan.

(b) Subject to the Company's right to repurchase described in paragraph 6 hereof, the shares of stock acquired upon the exercise of the Option may be transferred, in whole or in part, only upon the following conditions:

(i) Prior to any transfer of any such shares, the holder thereof shall furnish the Company written notice of the intention to effect such transfer. Such notice shall describe the manner and circumstances of the proposed transfer in sufficient detail, and shall contain an undertaking to furnish such further information as may be required, to enable counsel to render the opinion referred below. Promptly after receiving such notice, the Company shall obtain from its counsel a written opinion (a copy of which shall be furnished to the person giving such notice) as to whether the proposed transfer may be effected without registration under the Securities Act of 1993.

(ii) If it is the Opinion of said counsel that no such registration is necessary under the circumstances, then the holder of the shares for which transfer has been requested shall be entitled to transfer such shares in accordance with the terms specified in the written notice given the Company. Each certificate issued to the transferee to evidence the shares so transferred, and each certificate evidencing any untransferred balance of shares of stock acquired by the Optionee upon exercise of this Option, shall bear the restrictive transfer legend described in paragraph 5(a) hereof unless in the opinion of said counsel such legend is not then required.

(iii) If it is the opinion of said counsel that the proposed transfer may not be effected without registration under the Securities Act of 1993, then the Company shall so notify said holder and said transfer shall not be effected.

(c) The Optionee shall promptly comply with any request by the Company for information concerning any disposition by the Optionee of any shares acquired pursuant to this Option which the Company may need in connection with an income tax return or report which it may be required to file with any governmental agency.

6. Company's Right to Repurchase Shares. In the event that the Optionee (i) dies, (ii) ceases to be employed by the company or any of its subsidiary corporations at any time before the expiration of three(3) years after the date on which this Option was last exercised or any of the option granted under this Plan, or (iii) desires to sell, pledge, hypothecate, transfer or otherwise dispose of or encumber all or any portion of the shares of stock that were purchased upon the exercise of this Option, the Company shall have the right to repurchase all or any portion of the shares of stock which were acquired by the Optionee (or by the person or persons entitled to exercise this Option in the event of the death of the Optionee) pursuant to the exercise of this Option,

upon the following terms and conditions:

(a) Period -- Unless exercisable as a result of the death of the Optionee, the Company's right shall commence upon the date of which the Optionee ceases to be employed by the Company or one of its subsidiary corporations or the date on which the Optionee delivers to the Company written notice of desire to sell, pledge, hypothecate, transfer or otherwise dispose of or encumber all or any portion of the stock purchased upon the exercise of this Option, and shall expire thirty (30) days after such date. Failure of the Company to exercise its right during such thirty (30) day period shall be deemed to constitute a waiver of such right. However, if the Optionee fails to sell, pledge, hypothecate, transfer or otherwise dispose of or encumber all or any portion of the stock that was acquired upon the exercise of this Option within sixty (60) days after the date on which the Company shall be deemed to have waived its right, its right shall be reinstated and again operative upon the Optionee's death, termination of employment or any subsequent proposed disposition of such stock.

In the event that its right to repurchase becomes exercisable by reason of the death of the Optionee, the Company's right shall commence on the date of the Optionee's death and shall expire twelve (12) months after the date on which it receives written notice of the Optionee's death from the legal representative appointed by and qualified in a probate court of competent jurisdiction. If no legal representative of the Optionee is appointed within sixty (60) days after the death of the Optionee, then the Company shall be considered a creditor of the estate and shall have all rights conferred upon creditors of the estate of the Optionee by the state in which the Optionee was domiciled at the date of death.

(b) Exercise -- The Company shall exercise its right by delivering to the Optionee, the legal representative or the person or persons who exercised this Option after the death of the Optionee (the "Holder") a written notice stating the number of shares with respect to which it is exercising its right to repurchase. Such written notice shall be deemed to be effective as of the earlier of (i) the date on which it is received by the Holder, or (ii) the date on which it is placed in the United States Mail, postage prepaid and addressed to the Holder.

(c) Price -- The price at which shares of stock may be repurchased by the Company upon the exercise of its right described in this paragraph 6 shall be fair market value of such shares on the date that such right is exercised. In the event that the Company's right becomes exercisable by reason of the Optionee's desire to sell, pledge, hypothecate, transfer or otherwise dispose of or encumber such stock, however, the purchase price shall not be less than any bona fide cash offer which the Optionee has receive therefor.

(d) Payment -- The Company may pay for the stock repurchased from the Holder pursuant to its exercise of the right described in this paragraph 6 --

(i) if the Holder has held such option stock for three years or less, either by a lump sum cash payment at the time it exercises its right to repurchase pursuant to this paragraph 6, or, at the Company's discretion, partly by a lump sum cash payment (in the amount equal to the lesser of (A) the original option price paid by the Holder for such stock, or (B) the then fair market value of such stock at the time of repurchase and partly by a promissory note requiring the Company to make equal annual installment payments over a period of not more than ten (10) years, or

(ii) if the Holder has held such option stock for more than three years, by a lump sum cash payment at the time it exercises its right to repurchase pursuant to this paragraph 6, unless the Holder will, upon completion of the Company's repurchase of all or a portion of the option stock and taking into account all prior sales by the Holder of Cerner Common Stock to the Company, have sold back to the Company an aggregate number of shares exceeding one-half of one percent (1/2%) of its issued and outstanding shares of Cerner Common Stock (determined at the time of such repurchased), in which event the Company may, in its sole discretion, elect to pay partly by a lump sum cash payment (in the amount equal to the lessor of (A) the original option price paid by the Holder for such

stock, or (B) the then fair market value of such stock) at the time of repurchase and partly by a promissory note requiring the Company to make equal annual cash installment payments over a period of not more than ten (10) years.

Simple interest shall accrue on the unpaid balance of any promissory note issued by the Company pursuant to this paragraph 6 at the rate of ten percent (10%) per year.

7. Notices. Any notices or other communications required or allowed to be made or given to the Company under the terms of this Agreement shall be addressed to the Company in care of its secretary at its offices at 2800 Rockcreek Parkway, North Kansas City, Missouri 64117, and any notice to be given to the Optionee shall be addressed to the Optionee at the address given beneath the signature hereto. Either party hereto may from time to time change the address to which notices are sent to such party by giving written notice of such change to the other party. Any notice hereunder shall be deemed to have been duly given if and when addressed as aforesaid, registered and deposited, postage and registry fee prepaid, in a post office regularly maintained by the United States Government.

8. Binding Effect. This Agreement shall bind, and except as specifically provided in the Plan and this Agreement, shall inure to the benefit of, the respective heirs, legal representatives, successors and assigns of the parties hereto.

9. Governing Law. This Agreement shall be constructed in accordance with the laws of the State of Missouri.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its officers hereunto duly authorized and its corporate seal to be hereunto affixed, and the Optionee has hereunto set hand as a the day and year first above written.

CERNER CORPORATION

[CORPORATE SEAL]

By:/s/Neal L. Patterson
Neal L. Patterson, Chairman

ATTEST:

/s/Clifford W. Illig
Clifford W. Illig, President

/s/Charles Whitcraft
Optionee

9715 North Brooklyn
Kansas City, MO 64155

Address

INCENTIVE STOCK OPTION AGREEMENT

THIS AGREEMENT, made and entered into this fifteenth day of May, 1990 (the "Granting Date"), by and between CERNER CORPORATION, a Delaware corporation (the "Company"), and Charles O. Whitcraft (the "Optionee"),

WITNESSETH:

WHEREAS, on January 13, 1984, the Board of Directors of the Company adopted, and on May 8, 1984, the holders of a majority of the issued and outstanding shares of the Company's common stock approved, the Cerner Corporation Incentive Stock Option Plan B (the "Plan") pursuant to which the Company may grant from time to time, on or prior to November 30, 1993, options to purchase the shares of Cerner Common Stock (as defined in said Plan) to any employee of the Company or any of its subsidiary corporations, in such amounts and under such form of agreements as shall be determined by the Incentive Stock Option Committee, appointed by the Board of Directors of the Company pursuant to the Plan; and

WHEREAS, the Incentive Stock Option Committee (the "Committee") has determined that the Optionee is an employee of the Company or one of its subsidiary corporations within the meaning of the Plan, and that the Optionee shall be granted and option to purchase shares of Cerner Corporation Stock on the terms and conditions herein set forth;

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained and other good and valuable consideration, the parties hereto do hereby agree as follows:

1. Incorporation of the Plan. A copy of the Plan is attached hereto and hereby incorporated herein by reference, and all of the terms, conditions and provisions contained therein shall be deemed to be terms, conditions and provisions of the Agreement. All terms used herein which are defined in the Plan shall have the meanings given them in the Plan.

2. Grant of Option. Pursuant to the authorization of the Committee, and subject to the terms, conditions and provisions of this Agreement, the Company hereby grants to the Optionee, as a matter of separate inducement and agreement in connection with employment, but not in lieu of any salary or other compensation for services, an option (the "Option") to purchase from the Company all or any part of an aggregate of eight hundred (800) shares of Cerner Corporation Stock at the purchase price of ten dollars (\$10.00) per share. The date first written above shall be deemed to be the granting date of this Option.

3. Term of Option: Exercise in Installments. This Option shall expire with respect to all shares of Cerner Common Stock subject hereto on May 15, 2000 (the "Expiration Date"), unless it shall be terminated at an earlier date in accordance with the provisions of the Plan. This Option shall become exercisable in installments as follows:

Number or Percentage of Shares Subject to This Option -----	Earliest Date on Which Shares May Be Purchased -----
800	April 1, 1993

The Optionee may purchase all or any portion of the shares subject to each installment listed above at any time (i) on or after the respective exercise date listed above, and (ii) before the Expiration Date (or before an earlier termination date), in accordance with the provisions of the Plan.

PLEASE REMEMBER THAT YOU MAY LOSE VALUABLE TAX BENEFITS IF YOU SELL OR DISPOSE OF THE STOCK ACQUIRED UPON THE EXERCISE OF THIS OPTION BEFORE (1) TWO YEARS HAVE PASSED SINCE THE DATE ON WHICH THIS OPTION WAS GRANTED, OR (2) ONE YEAR HAS PASSED SINCE THE DATE ON WHICH YOU EXERCISED THIS OPTION. PLEASE CONTACT YOUR PERSONAL TAX ADVISOR FOR MORE INFORMATION.

4. Investment Purpose. By accepting this Option, the Optionee agrees that any and all shares of stock purchased upon the exercise of this Option will be purchased for investment purposes, and not with a view to any distribution thereof, and that each notice of the exercise of any portion of this Option shall be accompanied by a representation in writing signed by the Optionee (or by the person or persons entitled to exercise the Option in the event of the death of the Optionee) that the shares of stock are being purchased in good faith for personal investment purposes, and not with a view to any distribution thereof.

5. Stock Restrictions. The Optionee further agrees that:

(a) Each stock certificate issued pursuant to the exercise of the Option granted hereby shall bear a legend to the effect that the shares represented thereby have not been registered under the Securities Act of 1993, and may not be transferred except in accordance of this Incentive Stock Option Agreement and the Plan.

(b) Subject to the Company's right to repurchase described in paragraph 6 hereof, the shares of stock acquired upon the exercise of the Option may be transferred, in whole or in part, only upon the following conditions:

(i) Prior to any transfer of any such shares, the holder thereof shall furnish the Company written notice of the intention to effect such transfer. Such notice shall describe the manner and circumstances of the proposed transfer in sufficient detail, and shall contain an undertaking to furnish such further information as may be required, to enable counsel to render the opinion referred below. Promptly after receiving such notice, the Company shall obtain from its counsel a written opinion (a copy of which shall be furnished to the person giving such notice) as to whether the proposed transfer may be effected without registration under the Securities Act of 1993.

(ii) If it is the Opinion of said counsel that no such registration is necessary under the circumstances, then the holder of the shares for which transfer has been requested shall be entitled to transfer such shares in accordance with the terms specified in the written notice given the Company. Each certificate issued to the transferee to evidence the shares so transferred, and each certificate evidencing any untransferred balance of shares of stock acquired by the Optionee upon exercise of this Option, shall bear the restrictive transfer legend described in paragraph 5(a) hereof unless in the opinion of said counsel such legend is not then required.

(iii) If it is the opinion of said counsel that the proposed transfer may not be effected without registration under the Securities Act of 1993, then the Company shall so notify said holder and said transfer shall not be effected.

(c) The Optionee shall promptly comply with any request by the Company for information concerning any disposition by the Optionee of any shares acquired pursuant to this Option which the Company may need in connection with an income tax return or report which it may be required to file with any governmental agency.

6. Company's Right to Repurchase Shares. In the event that the Optionee (i) dies, (ii) ceases to be employed by the company or any of its subsidiary corporations at any time before the expiration of three(3) years after the date on which this Option was last exercised or any of the option granted under this Plan, or (iii) desires to sell, pledge, hypothecate, transfer or otherwise dispose of or encumber all or any portion of the shares of stock that were purchased upon the exercise of this Option, the Company shall have the right to repurchase all or any portion of the shares of stock which were acquired by the Optionee (or by the person or persons entitled to exercise this Option in the event of the death of the Optionee) pursuant to the exercise of this Option,

upon the following terms and conditions:

(a) Period -- Unless exercisable as a result of the death of the Optionee, the Company's right shall commence upon the date of which the Optionee ceases to be employed by the Company or one of its subsidiary corporations or the date on which the Optionee delivers to the Company written notice of desire to sell, pledge, hypothecate, transfer or otherwise dispose of or encumber all or any portion of the stock purchased upon the exercise of this Option, and shall expire thirty (30) days after such date. Failure of the Company to exercise its right during such thirty (30) day period shall be deemed to constitute a waiver of such right. However, if the Optionee fails to sell, pledge, hypothecate, transfer or otherwise dispose of or encumber all or any portion of the stock that was acquired upon the exercise of this Option within sixty (60) days after the date on which the Company shall be deemed to have waived its right, its right shall be reinstated and again operative upon the Optionee's death, termination of employment or any subsequent proposed disposition of such stock.

In the event that its right to repurchase becomes exercisable by reason of the death of the Optionee, the Company's right shall commence on the date of the Optionee's death and shall expire twelve (12) months after the date on which it receives written notice of the Optionee's death from the legal representative appointed by and qualified in a probate court of competent jurisdiction. If no legal representative of the Optionee is appointed within sixty (60) days after the death of the Optionee, then the Company shall be considered a creditor of the estate and shall have all rights conferred upon creditors of the estate of the Optionee by the state in which the Optionee was domiciled at the date of death.

(b) Exercise -- The Company shall exercise its right by delivering to the Optionee, the legal representative or the person or persons who exercised this Option after the death of the Optionee (the "Holder") a written notice stating the number of shares with respect to which it is exercising its right to repurchase. Such written notice shall be deemed to be effective as of the earlier of (i) the date on which it is received by the Holder, or (ii) the date on which it is placed in the United States Mail, postage prepaid and addressed to the Holder.

(c) Price -- The price at which shares of stock may be repurchased by the Company upon the exercise of its right described in this paragraph 6 shall be fair market value of such shares on the date that such right is exercised. In the event that the Company's right becomes exercisable by reason of the Optionee's desire to sell, pledge, hypothecate, transfer or otherwise dispose of or encumber such stock, however, the purchase price shall not be less than any bona fide cash offer which the Optionee has receive therefor.

(d) Payment -- The Company may pay for the stock repurchased from the Holder pursuant to its exercise of the right described in this paragraph 6 --

(i) if the Holder has held such option stock for three years or less, either by a lump sum cash payment at the time it exercises its right to repurchase pursuant to this paragraph 6, or, at the Company's discretion, partly by a lump sum cash payment (in the amount equal to the lesser of (A) the original option price paid by the Holder for such stock, or (B) the then fair market value of such stock) at the time of repurchase and partly by a promissory note requiring the Company to make equal annual installment payments over a period of not more than ten (10) years, or

(ii) if the Holder has held such option stock for more than three years, by a lump sum cash payment at the time it exercises its right to repurchase pursuant to this paragraph 6, unless the Holder will, upon completion of the Company's repurchase of all or a portion of the option stock and taking into account all prior sales by the Holder of Cerner Common Stock to the Company, have sold back to the Company an aggregate number of shares exceeding one-half of one percent (1/2%) of its issued and outstanding shares of Cerner Common Stock (determined at the time of such repurchased), in which event the Company may, in its sole discretion, elect to pay partly by a lump sum cash payment (in the amount equal to the lessor of (A) the original option price paid by the Holder for such

stock, or (B) the then fair market value of such stock) at the time of repurchase and partly by a promissory note requiring the Company to make equal annual cash installment payments over a period of not more than ten (10) years.

Simple interest shall accrue on the unpaid balance of any promissory note issued by the Company pursuant to this paragraph 6 at the rate of ten percent (10%) per year.

7. Notices. Any notices or other communications required or allowed to be made or given to the Company under the terms of this Agreement shall be addressed to the Company in care of its secretary at its offices at 2800 Rockcreek Parkway, North Kansas City, Missouri 64117, and any notice to be given to the Optionee shall be addressed to the Optionee at the address given beneath the signature hereto. Either party hereto may from time to time change the address to which notices are sent to such party by giving written notice of such change to the other party. Any notice hereunder shall be deemed to have been duly given if and when addressed as aforesaid, registered and deposited, postage and registry fee prepaid, in a post office regularly maintained by the United States Government.

8. Binding Effect. This Agreement shall bind, and except as specifically provided in the Plan and this Agreement, shall inure to the benefit of, the respective heirs, legal representatives, successors and assigns of the parties hereto.

9. Governing Law. This Agreement shall be construed in accordance with the laws of the State of Missouri.

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed by its officers hereunto duly authorized and its corporate seal to be hereunto affixed, and the Optionee has hereunto set hand as a the day and year first above written.

CERNER CORPORATION

[CORPORATE SEAL]

By:/s/Neal L. Patterson
Neal L. Patterson, Chairman

ATTEST:

/s/Clifford W. Illig
Clifford W. Illig, President

/s/Charles O. Whitcraft
Optionee

9751 North Brooklyn
Kansas City, MO 64155

Address

1994 CERNER PERFORMANCE PLANS
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Overview (Section 1)

Cerner Performance Plans are intended to provide additional, performance-based compensation opportunities to participating associates based on the attainment of corporate and individual performance goals. The amount of the compensation available is based on the associate's role and overall performance evaluation for the year. Payments under these plans are made on a quarterly basis. The Plan year for all plans begins April 1 and ends March 31.

This document describes the structure common to all Cerner Performance Plans. Figure 1 provides a graphical representation of the architecture of the Plans. All plans within the performance plan architecture are assigned to one of the four major organizational units within Cerner - Product, Client, Functional or International. Within each group, one or more "Component

Plans" have been defined with specific design elements common to all participants, such as objectives to be obtained, the incentives available and the criteria to participate. Further, the measurements applied within each Component Plan are determined by the role of the associate and, for presentation purposes, associate roles are structured into Staff, Management and Executive levels. Sections included later in this document define the specific attributes of the various Component Plans created under this Master Plan.

For the 1994/1995 Plan year, CPP has been expanded to incorporate the incentive plans previously included in the Sales Compensation Plans. Effective this year, all Cerner incentive pay plans are now defined and included under the broad heading of CPP. With this change, we are continuing the integration of all such plans under a common architecture. More importantly, we are further integrating the day-to-day operations of the organization, with all associates working under similar pay structures and working towards consistent goals with consistent rewards.

CPP OBJECTIVES

Cerner's Performance Plans create, within each participating associate's total compensation, a variable component which is based on quantifiable and measurable indicators related to performance, whether company, group, team or personal. These Plans are used to communicate clearly to the participants what is expected from them relative to the operation of Cerner. Further, they are intended to incent each associate to attain a higher level of team and individual performance. The performance plan approach provides the opportunity for additional earnings to the individual while also increasing his or her "motivation" to manage effectively.

All associates are part of a team. Therefore, it is logical that individual performance as measured by compensation should be tied to team success. When the team does well, team associates should be rewarded commensurately. Likewise, when the team does not perform, each associate should share in the shortfall. By tying a portion of total compensation to team success, each associate will be more focused on how individual operations and management decisions impact not only day-to-day results, but also the long-term health of the organization.

Cerner Performance Plans include elements of both team and individual performance. The available incentive amount in each plan and the "factors" which determine how much incentive is actually earned by each associate are determined by the component plan tied to the role of each associate. These "factors" are intended to provide common incentives to associates across the organization who are responsible for common goals and objectives. In addition, each associate directly impacts the actual incentive paid by the Plans through his or her personal effectiveness and performance. These factors serve to directly link overall corporate team performance and individual payments.

Selected component plans within the Product and Client organizations include sales-related objectives and commensurate incentives tied to performance against sales goals. In some cases, these incentives make up 100% of

the available target incentives; in others, sales-related objectives are combined with other performance measures to provide expanded incentive opportunities.

ELIGIBILITY

Eligibility to participate in a specific Plan is determined by the role of the associate. The effective dates for participation for eligible associates are as follows:

Associates new to Cerner and participating in a staff-level plan
first plan quarter after three full months of employment

All other participants and plans (including transfers into plan roles)
first plan quarter following employment (or assumption of role)

CPP ARCHITECTURE

All CPP plans have in common the elements of:

- Rewardable Events, which define what is important to Cerner's business operations;
- Incentive Compensation, which define how much additional compensation is available to each associate participating in a specific plan;
- Annual Performance Evaluation, which is used in most plans to modify the potential payout available based on the associate's individual performance

Rewardable Events (REs) are objective metrics which are readily quantifiable and which define specific business outcomes, goals or targets tied to the annual Operating Plans of the Company. REs are defined across teams and are grouped within each component plan to provide a set of goal measurements unique to the roles of the associates on the team. The specific objective, or target, associated with each RE may differ from plan to plan, even though the definition of the RE remains constant. REs are generally evaluated on a defined frequency as a binary decision: the objective is achieved or it is not. In the case of sales-related REs as defined in the following paragraphs, objectives are typically stated as quarterly or year-to-date targets or a pre-defined payout level.

Figure 2, the Rewardable Event Weighting Matrix, identifies the REs assigned to each Component Plan and the weighting used within the plan for each RE. Section 2, Rewardable Event Specifications, provides a more detailed definition of each RE. The references for each RE are to the associated Component Plan Section and identify specific measurement techniques, responsibilities and other unique attributes of each RE.

Per Plan/Product Group Quotas are specific REs which have been established to incorporate the achievement of pre-determined sales quotas over a period of time. Quotas are generally established as bookings margin objectives by specific product group. They are also typically defined by associate within the component plan, to

reflect the overall corporate objectives established by product and by region. Attainment of these REs is measured quarterly and has both quarterly and year-to-date components. Per Deal REs, also referred to as commissions, are available to specific associates whose roles are directly responsible for the selling process. Per Deal incentives are payable based on pre-defined commission rates as applied to the Deal Margin on each product sale. Specific rules are defined elsewhere in this plan document and the associated Component Plan documentation regarding payment of Per Deal Incentives.

INCENTIVE COMPENSATION available within CPP is based on one of two methodologies. Sales-related REs have associated with them pre-defined incentive payments which are available to the associate if the related objective or target is achieved. These incentives are defined within the respective component plans. All other RE based incentives are tied to the role of the associate and the component plan in which he or she participates. Two factors determine these incentive amounts:

The first factor, the TARGET BONUS LEVEL (TBL) is a dollar amount expressed as an annual payout. TBLs are established for each component plan, for each role in the component plan and for each associate playing that role. TBLs are designed to recognize the importance of the role to Cerner and the associate's relative experience in the role. As responsibility increases, the potential incentive available increases. For 1994, TBLs are defined for each role in a Component Plan and are documented separately for each participant.

The TBL is factored by the ANNUAL PERFORMANCE EVALUATION (APE), the second factor in the computation of incentive payments under CPP. Subjective metrics are considered in the individual annual review process to determine an APE for each associate. The APE is used as an adjusting factor applied to the defined TBL within certain component plans to recognize the associate's personal contribution to team and corporate objectives. The APE is the result of the careful evaluation of performance of the associate by his or her manager and/or group executive.

Performance in role is a major factor in determining the actual incentive payable under CPP. Performance is considered in the context of the plan year for which the associate is being evaluated, not an overall Cerner historical evaluation. It is focused on performance, not the performer. The APE is related to but not necessarily the same as the Career Performance Evaluation.

A "pro forma" APE will be developed at the start of the plan year, separate in some cases from the associate's Career Performance Evaluation, which is tied to anniversary date. At the end of the plan year, the "actual" APE is established during a review of performance for the plan year and will be used as described in the following sections to adjust the CPP plan payment for the year. The APE is further defined by the following factors:

Your ability to develop quality processes,
quality people and a quality organization.

Team Player

Your ability to work within your team and the
larger Cerner team to help Cerner achieve its
objectives.

Enterprise Perspective

Your ability to make decisions and to
participate constructively in the operations
and management processes, acting in the best
interests of Cerner and its clients.

Future Metrics

We will continually evaluate potential metrics
for incorporation into individual Cerner
Performance Plans to ensure that the plans
remain responsive to group and corporate goals.

Annual Performance Evaluation Factor

As noted above, the TBL payable is increased or decreased
based on the associate's APE. The APE will determine the
APE Factor, a multiplier which clearly ties the available
incentive to individual performance for the plan year.
The APE Factor will be multiplied by the TBL to compute
the maximum incentive available. The current factors are
as follows:

Annual Performance Evaluation	Executive Plans APE Factor	All Other Plans APE Factor
9	130%	130%
8	120%	120%
7	95%	95%
6	80%	80%
5	50%	70%
4	25%	50%
3	10%	40%
2	0%	10%
1	0%	0%

INCENTIVE PAYMENT COMPUTATIONS

Incentive payments are computed differently for each
"class" of incentive.

Per Plan/Product Quota Incentives and Per Deal Incentives
are computed based on the pre-defined objectives and
associated incentives for each.

RE incentives are generally computed by the following
formula:

$$\begin{aligned} \text{Quarterly Payment} &= [\% \text{ Attainment of Rewardable Events}] \\ &\times \\ &[\text{TBL} \times 25\%] \\ &\times \\ &[\text{APE Factor}] \end{aligned}$$

where:

- % Attainment of Rewardable Events is the sum of

the individually-weighted REs credited for the quarter
- TBL x 25% is the Target Bonus Level for a

specific Component Plan and role, and 25% as a multiplier computes the quarterly maximum incentive available;
- APE Factor, or Annual Performance Evaluation

Factor, reflects the associate's personal performance evaluation for the Plan year.

1994 REWARDABLE EVENT WEIGHTING MATRIX
Product Group

Rewardable Events	Cycle	Executive				Mgt			SR/Staff		Special
		PGE	PLE/M	PLE/E	GSM	PLM/M	PLM/E	PGM	CMS	PLBA	TBLRK
		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Satisfaction											
1 Associate Sat	A	20%	10%	10%	10%	10%	10%	10%			
2 Client Satisfaction- External	Q				20%	20%		20%		20%	
3 Client Satisfaction- Internal	S										
4 Project Satisfaction	S										
5 Product Satisfaction	Q/S/A		20%							20%	
Service											
6 Installation Cycle	Q		20%								
7 Service Levels	Q					30%					
Sales											
8 Bookings	Q		20%	30%			30%		80%	20%	
9 Per Plan/Per Deal											
Quality											
10 PIM Process Quality	Q					20%					
Financial											
11 Billings (Cash Flow)	Q							20%			
12 Cost Control - Expenses	Q	25%									
13 Cost Control - Personnel	Q	25%									
14 Cost Control - Pers & Exps	Q				20%			20%		20%	
15 Group Contribution Margin	Q		30%	30%			30%				
16 Operating Ratio	Q										
17 EPS-Region	Q										
18 EPS-Corporate	Q	30%			30%						
Goals											
19 Goal Attainment	Q		30%	20%	20%	20%	30%	30%	20%	20%	100% (2)

Legend

PGE Product Group Executive
 PLE/M Product Line Executive/Mature Products
 PLE/E Product Line Executive/Emerging Products
 GSM Group Senior Management
 PLM/M Product Line Management/Mature Products
 PLM/E Product Line Management/Emerging Products
 PGM Product Group Management
 CMS Clinical Marketing Specialist
 PLBA Product Line Business Analyst
 TBLRCK Tablerock Project

Notes:

2) Special plan for all Tablerock team staff - see documentation.

1994 REWARDABLE EVENT WEIGHTING MATRIX
Client Group

Rewardable Events	Cycle	Regional Organization									Kansas City Organization				
		Executive					Mgt		Sr/Staff		Sr/Staff				
		CEGM	RVP	PE	BE	RMM	ASM	AE	CT	CS	PLE/T	CGM	TLS	TLP	CWT
		100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	
Satisfaction															
1 Associate Sat	A	10%	5%	10%	10%							10%			
2 Client Satisfaction-External	Q	10%	10%		20%	20%	34%	34%	20%		10%	10%	40%		20%
3 Client Satisfaction-Internal	S														
4 Project Satisfaction	S				30%				15%						
5 Product Satisfaction	Q/S/A														
Service															
6 Installation Cycle	Q					20%	33%	33%	20%						20%
7 Service Levels	Q											40%	30%		
Sales															
8 Bookings	Q			20%	10%										30%
9 Per Plan/Per Deal	Q		(1)			(1)	(1)	(1)	(1)	(1)					
Quality															
10 PIM Process Quality	Q														
Financial															
11 Billings (Cash Flow)	Q			20%	30%	25%			25%		30%	20%			
12 Cost Control-Expenses	Q														
13 Cost Control-Personnel	Q														
14 Cost Control-Pers & Exps	Q	15%									10%	10%			
15 Group Contribution Margin	Q														
16 Operating Ratio	Q			20%	30%	20%	33%	33%	20%						
17 EPS-Region	Q	25%	75%												30%
18 EPS- Corporate	Q	20%	10%												
Goals															
19 Goal Attainment	Q	20%									40%	60%	20%	70%	
			(3)									(A)	(A)	(A)	

Legend

CEGM Client Executive - General Manager
RVP Regional Vice President
PE Project Executive
BE Branch Executive
RMM Regional Marketing Manager
ASM Area Sales Manager
AE Account Executive
CT Client Team
CS Communications/contracts Specialist
PLE/T Product Line Executive/Technologies
CGM Client Group Management
TLS Team Leader - Services
TLP Team Leader - Products
CWT Client Worksystem Team

Notes:

- A) Goals may include on or more other REs
- 1) Refer the component plan documentation for a description of the per/plan deal incentive and other, sales-related incentives
- 3) Actual weighting varies somewhat from the amounts shown for this plan

1994 REWARDABLE EVENT WEIGHTING MATRIX
Functional and International Groups

Rewardable Events	Cycle	Executive		Mgt/SR/Staff		Executive			Sr/Staff
		CE	FGE	FGM	FT	IEGM	IRE	IOM	PM
		100%	100%	100%	100%	100%	0%	0%	0%

Satisfaction

1 Associate Sat	A	20%	10%	10%	10%	10%	(B)	(B)
2 Client Satisfaction- External	Q	20%				10%	(B)	(B)
3 Client Satisfaction- Internal	S		20%	20%	20%			
4 Project Satisfaction	S							(B)
5 Product Satisfaction	Q/S/A							
Service								
6 Installation Cycle	Q							
7 Service Levels	Q							
Sales								
8 Bookings	Q						(B)	(B)
9 Per Plan/Per Deal								
Quality								
10 PIM Process Quality	Q							
Financial								
11 Billings (Cash Flow)	Q							(B)
12 Cost Control-Expenses	Q		20%					
13 Cost Control-Personnel	Q		20%					
14 Cost Control-Pers & Exps	Q			15%	10%	15%	(B)	
15 Group Contribution Margin	Q							
16 Operating Ratio	Q							(B)
17 EPS-Region	Q					25%	(B)	
18 EPS-Corporate	Q	60%	30%	15%		20%	(B)	
Goals								
Goal Attainment	Q			40%	60%	20%		(B)
					(A)			

Legend

Functional

CE Corporate Executive
 FGE Functional Group Executive
 FGM Functional Group Management
 FT Functional Team

International

IEGM International Executive - General Manager
 IRE International Region Executive
 IOM International Operations Management
 PM Project Management

Notes:

- A) Goals may include one or more other REs
- B) Specific weightings vary by country

CERNER PERFORMANCE PLANS REWARDABLE EVENT SPECIFICATIONS

Rewardable Event No.	Rewardable Event	Measurement Responsibility	Measurement Methodology	Description
1	Associate Satisfaction	Human Resources		Based on the annual measurement of overall career satisfaction of associate as determined by the annual Associate Survey. Several questions are combined to develop a composite view of satisfaction, including both short and long term perspectives.
2	Client Satisfaction External	Client Group		Based on data obtained via periodic surveys of each installed client, specifically determined by the question on the survey asking overall satisfaction. A satisfaction index is computed by including all neutral and positive responses in the numerator and total responses in the denominator.
			A	The summary of all branches will be added up and added up and averaged to come up with the total.
			B	By region.
			C	The summary of the International branches will be added up and averaged to come up with the total.

			D	The branch executive client satisfaction is a combination of the annual client satisfaction survey and in-process client satisfaction. The weighting will be 2x in-process surveys and 1x annual client survey.
			E	The summary of all Beckman clients will be added up and averaged to come up with the total.
3	Client Satisfaction Internal	Varies	Varies	Based on the periodic measurement of the "satisfaction" of associates with the service levels provided by the major Functional groups within Cerner: Administration, CBS, Finance and Properties. The metric takes into account both the attainment of defined service objectives as well as the perception of the services provided by each group or team.
4	Project Satisfaction	Client Group		Based on client survey once on the five-month anniversary of contract signing and again at conversion. Surveys will be mailed to the system manager and the Executive Project Sponsor. (BE will identify this person and be responsible for getting the name and address.) Project satisfaction will be measured on the Executive Project Sponsor survey only (based on their response to the overall satisfaction question at the end of the survey); 100% of the Executive Sponsor surveys must be returned to achieve the objective.
5	Product Satisfaction	Product Group		Based on survey of specific clients. Determined by the survey question asking overall satisfaction. No more than 10% of the clients surveyed can be dissatisfied for this metric to be met.
6	Installation Cycle	Finance		Determined by "wall clock" time from contract signing to conversion. (I.E. is a standalone pathnet deal signs in January, 199x, then the net must be converted by November, 199X. There are two different cycles: one for standalone Nets and one for Nets included in HNA. In the future, productivity measurements need to be factored into this metric. All contracts signed beginning Q493 will be counted in this metric. Conversion will be counted based upon the actual client conversion and having the FSI code installed in the warehouse. All line items in the contract must be converted for this metric to be achieved. Installation timeframes are listed below: PathNet - Discrete - 10 months RadNet - Discrete - 9 months PharmNet - Discrete - 8 months MedNet - Discrete - 7 months OCF - Discrete - 12 months PathNet - HNA - 12 months RadNet - HNA - 11 months PharmNet - HNA - 10 months MedNet - HNA - 9 months CareNet - HNA - 20 months ProNet - HNA - 16 months OCF - HNA - 14 months PathTrac - 3 months MSMEDS - 6 months (Note: Will be calculated based on deals signed July 1, 1994 and after.)
7	Service Levels	Varies		Where service levels have been defined for various services, whether internally or externally, then attainment of service levels becomes a rewardable event. For the Client Organization, levels have been established in the Catalog of Services.
8	Bookings	Finance		Based on margin contract bookings.
			A	Bookings margin by Net, contract only not add-ons.
			B	Total contract bookings margin by region.
			C	Total International contract bookings by country.
			D	Bookings margin for Beckman, PathNet Worksystems and RadNet Worksystems.
9	Per Plan/Per Deal	Finance		Based on the attainment of pre-defined Sales objectives for per deal margin.
10	PIM Process Quality	Product Group		This metric is calculated by tracking the number of PIMs (Product Internal Memorandums) submitted by each product team within the quarter. Quality failures are tracked within the quarter. Quality failures are tracked within the quarter for both internal product certification failures and PIM failures occurring at the client site. The total number of failures occurring within the quarter are compared to the total number of PIMs submitted during the same period for each product team. If the number of failures in the period is greater than 10% of the total PIM submissions, the team did not meet their quality goals for the quarter.

11	Billings (Cash Flow)	Finance		Based on margin on invoices sent to clients. Acceptance billings are counted upon payment of invoice.
			A	Billings margin by Region.
			B	Billings margin for Beckman contracts.
			C	Billings margin by International region.
			D	Billings margin for hardware and sublicensed software.
			E	Sum of all regions' billings margin, excluding Beckman, PathNet Worksystems and RadNet Worksystems.
12	Cost Control Expenses	Finance		Actual expenses by organization must be less than or equal to budget.
			A	Total Product Organization expenses excluding CBS, capitalized software and amortization.
			B	Expenses related to specific groups within Functional Organization.
13	Cost Control Personnel	Finance		Actual Personnel cost by organization must be less than or equal to budget.
			A	Total Product Organization expenses excluding CBS, capitalized software and amortization.
			B	Personnel cost related to specific groups within Functional Organization.
14	Cost Control Pers & Expenses	Finance		Actual expenses and personnel costs combined by organization must be less than or equal to budget.
			A	Total Personnel costs and expenses related to specific groups within Product Organization.
			B	Personnel costs and expenses related to specific groups within Client Organization.
			C	Personnel costs and expenses related to specific groups within Functional Organization.
			D	Personnel costs and expenses related to specific groups within International Organization.
			E	Total personnel costs and expenses for the client services and sales organizations.
15	Group Contribution Margin	Finance		Computed by subtracting all group operations and group support expenses from the total margin on revenue. (per the Operating Statement)
			A	Per Net - Operating Statement.
16	Operating Ratio	Finance		Computed as the ratio of the net operating margin divided by the straight-line project margin on revenue. Operating ratios have the advantage of flexing expenses based on the amount of margin being generated. Expenses are actual incurred by the group on behalf of the group.
			A	Per Region - Operating ratio.
			B	International - Operating ratio.
			C	Beckman and Worksystems
17	EPS - Region	Finance		Computed by subtracting all unit operating expenses (Branch, Client and Sales) from the GAAP margin for each region.
			A	U.S. by branch
			B	International by Country (Region)
			C	U.S. bonus will be divided equally between regions that associate is responsible for.
			D	This "region" includes Beckman, PathNet Worksystems and RadNet Worksystems.
18	EPS - Corporate	Finance		Measured by the variance over or under the earnings per share objective for Cerner Consolidated.
19	Goal Attainment	Varies		Individual goals will be established on a quarterly basis. There should be no more than five (5) goals for any associate in a given quarter. Goals must be mutually established by the associate and his or her manager and approved by the group V.P. prior to the start of the applicable quarter.

PLAN ADMINISTRATION (Section 3)

The following points further clarify the procedures for computing the incentive payment each quarter.

REWARDABLE EVENT - QUARTERLY VS. YTD MEASUREMENT

As noted in Section I, REs are binary factors: if the goal is achieved, the factor is applied; if the goal is not achieved, the factor is not applied. Therefore, if all goals are met, the multiplier for the target incentive is 100%, i.e., the maximum available incentive will be earned.

In most cases, each of these factors is evaluated quarterly, based on achievement of a year to date goal. Therefore, it is possible to miss a goal, and the associated incentive payment, in one quarter and achieve the year to date goal and incentive in the next. However, incentive payments do not carry forward. If an incentive is not earned in the quarter in which it is available, it will not be available in future quarters, regardless of goal attainment.

REWARDABLE EVENT - NON-QUARTERLY MEASUREMENTS

Several REs are measured on other than a quarterly basis, e.g., Associate Satisfaction, Project Satisfaction, Internal Client Satisfaction. For these REs, the amount of incentive associated per the weight assigned is "held back" from the quarterly payments and included, in total, in the quarter in which the RE is measured.

For example, with a TBL of \$6,000 and a Project Satisfaction RE weighted at 20%, \$300 per quarter for the first three quarters of the Plan year will not be available. In the fourth quarter, assuming the annual objective for Project Satisfaction is attained, the total available incentive for all four quarters of \$1,200 will be paid.

ADVANCE VS. FINAL INCENTIVE PAYMENTS FOR RE INCENTIVES

The incentives payable for each of the first three quarters in the plan year are considered Advance Incentive Payments and will be computed using the pro forma APE for the plan year. For the fourth quarter, the Final Incentive Payment will be computed using the actual APE for the plan year. Advance Incentive Payments for the previous three quarters will be re-computed using this actual APE. Any differences between the Advance Incentive Payments and the actual incentive calculation, either positive or negative, resulting from a change in the APE will be included with the fourth quarter final incentive payment. If the net result of all incentives payable in the fourth quarter is less than zero, the negative amount will be carried forward for repayment from future incentives.

PAYMENT CYCLES

Bonus payments for a given quarter will be made by the 15th of the second month of the succeeding quarter.

PLAN PARTICIPATION TERMINATION AND TRANSFERS

If an associate's participation in a Cerner Performance Plan is terminated due to termination of employment or transfer to a non-Performance Plan role, the associate will be entitled to payment for any earned but not paid amounts. Payments are earned only for completed quarters; i.e., if participation is terminated in the middle of a plan quarter, no incentive will be paid for that quarter. Further, when determining the final amount to be paid, the associate's APE will be reviewed and updated as appropriate per normal plan procedures for end-of-plan-year processing.

If an associate transfers from one Performance Plan-based role to another, participation in the previous plan will be "closed out" per normal end-of-plan-year processing under the provisions of the previous Plan, including final APE evaluation and RE analysis. Participation in the new Plan will be effective as of the beginning of the following quarter. Whenever possible, such transfers should be coordinated to be effective as of the beginning of a quarter to avoid partial quarter issues.

Glossary (Section 6)

Add On Product

Any product which cannot be installed standalone (e.g. CCL, Rules, CPP, Bar Code Systems, Service Management).

Advance Incentive Payment

Payments made under Cerner Performance Plans for the first three quarters of the plan year are considered Advance Incentive Payments because they are based on the Pro Forma APE. All Advance Incentive Payments will be re-computed at plan year-end using the Actual APE.

Annual Performance Evaluation (APE)

The APE represents assessment of performance during the current incentive plan year as developed by the responsible manager and/or group executive. This evaluation will relate to but not necessarily be the same as the Career Performance Evaluation. The APE is used to determine the APE Factor, which applies the APE to the computation of the maximum available incentive under the applicable incentive plan. The Pro Forma APE is determined at the beginning of the plan year and is used to compute Advance Incentive Payments. The Actual APE is determined retrospectively at the end of the plan year and is used to compute the Final Incentive Payment, including any necessary re-calculation of Advance Incentive Payments.

APE Factor

The APE Factor is determined by the APE and is used to factor the target incentive to consider the Annual Performance Evaluation. Like the APE, it will be determined on both a pro forma and an actual basis.

Bookings Margin

Bookings Margin equals total bookings revenue less the cost of hardware and sublicense software. $\text{Bookings Margin} = \text{Bookings Revenue} - (\text{Hardware Cost} + \text{Sublicense Software Cost})$

Career Performance Evaluation (CPE)

The CPE is the evaluation developed in conjunction with the

annual performance review and career planning discussion. It is intended to represent a long term view of performance, contribution and commitment to Cerner. It may not always be the same as the APE. Differences will arise based on particularly challenging assignments, outside issues which temporarily impact career focus, and significant changes in responsibility, which typically occur when an associate is promoted.

Component Plan

The Component Plan defines the unique attributes of a specific incentive plan for a role or group of roles. These plans identify the rewardable events which will be used for the participants, the objectives for each rewardable event, the weight assigned to each rewardable event, the Target Bonus Levels for participants, and any other considerations unique to the component plan.

Deal Margin

Deal Margin is Net Bookings Margin plus Support Margin.

Final Incentive Payment

This is the amount of incentive payable at the end of the plan year, considering achievement of rewardable events throughout the year and the actual APE for the year.

Net Bookings Margin

Net Bookings Margin is Bookings Margin minus a standard cost for both software development (10% of the list software price) and installation (5% of the list software price). List software price is from the current Cerner Price List which is appropriate for the client and is typically based on bed size.

Net Bookings Margin = Bookings Margin - (15% * List Software Price)
The List Software Price will come from the then current Cerner Price List.

Net Extensions

Any product which is part of a Net but can be installed standalone (i.e. Blood Bank Transfusion, Microbiology, Anatomic Pathology).

Optional Schedules/Products

No incentive compensation (per deal or per plan/quota) is earned until the client exercises the option in writing.

Plan Year

The plan year for all CPP component plans is April 1 through March 31.

Product Demonstration

The formal process of presenting the functionality of product(s). This Plan refers to demonstrations specifically to prospective clients.

Proposal/RFP Preparation

The process of responding to a Request for Proposal or submitting a voluntary proposal in an effort to being selected as software supplier for the healthcare provider. The preparation involves presenting automated solutions to processes through description of Cerner product functionality.

Rewardable Events

Rewardable Events are those objective metrics which determine the incentive payable under the plan. Rewardable events are pre-defined goals or objectives for specific business outcomes which have associated with them weights, or

multipliers. These weights are applied to the target incentive on a binary basis. If the rewardable event goal or objective is achieved, the associated weight is applied to the target incentive. If the rewardable event goal or objective is not achieved, a weight of 0 is applied to the target incentive. Rewardable Events relate the incentive available under the plan to the achievement of clearly defined management goals.

Rewardable Event Objective

The target established for the rewardable event for the period of measurement, e.g., EPS of \$.30 for Q1, Client Satisfaction of 80% for Q3.

Site Visit

The presentation to a prospective client of Cerner product usage and utilization at a Cerner client facility. Cerner associates accompany the prospective client to the facility.

Support Margin

Support Margin equals 12 months of software support if the support was not discounted in the deal. If software support is discounted from the current Cerner Price List, then Support Margin equals zero. Support Margin continues to be a component of Deal Margin for the 1994-95 Sales Year.

Target Bonus Level

The Target Bonus Level is the potential amount of bonus available under the applicable incentive plan for each performance group.

Appendix 1 (Section 7)
EXAMPLES

The following examples illustrate the computation of a Performance Plan incentive in two scenarios. All dollar amounts are rounded to the nearest whole dollar.

Scenario 1 - Plan "A"

Target Bonus Level - \$6,000 Pro Forma APE and Factor - 7 (95%)
Actual APE and Factor - 7 (95%) All REs are measured quarterly, with weights as indicated

Rewardable Events Achieved						Bonus Computation	Gross Bonus Earned
RE1	RE2	RE3	RE4	RE5			
PQ1	Y	Y	Y	Y	Y	$\$6,000 \times 95\% \times 25\% \times [.10 + .20 + .25 + .25 + .20]$	\$1,425
PQ2	Y	N	N	Y	Y	$\$6,000 \times 95\% \times 25\% \times [.10 + .00 + .00 + .25 + .20]$	\$ 784
PQ3	Y	Y	N	N	Y	$\$6,000 \times 95\% \times 25\% \times [.10 + .20 + .00 + .00 + .20]$	\$ 713
PQ4	Y	Y	Y	Y	Y	$\$6,000 \times 95\% \times 25\% \times [.10 + .20 + .25 + .25 + .20]$	\$1,425
Total Gross Incentive Earned for Plan Year							\$4,347

No adjustment was required in PQ4 because the participant's Actual APE did not change from the Pro Forma APE.

Scenario 2-Plan "B"

Target Bonus Level - \$4,500 Pro Forma APE and Factor - 6 (80%)

Actual APE and Factor - 7 (95%) RE 1 is measured annually; all others qtrly, with weights as indicated. Therefore, the weight of 20% assigned to RE1 results in \$180 (\$4,500/4 x 80% x 20%) per quarter being withheld in Q1 through Q3 for evaluation in Q4.

Rewardable Events Achieved						Bonus Computation	Gross Bonus Earned
RE1	RE2	RE3	RE4	RE5			
PQ1	-	Y	Y	Y	N	\$4,500x80%x25%x[.00+.20+.15+.15+.00]	\$ 450
PQ2	-	N	Y	Y	Y	\$4,500x80%x25%x[.00+.00+.15+.15+.30]	\$ 540
PQ3	-	Y	N	N	Y	\$4,500x80%x25%x[.00+.20+.00+.00+.30]	\$ 450
PQ4	-	Y	N	Y	Y	\$4,500x80%x25%x[.00+.20+.00+.15+.30]	\$ 585

Total Gross Incentive Before Year-end Adjustment							\$2,025

plus re-computation of all quarters for Actual APE

PQ1	\$4,500x95%x25%x[.00+.20+.15+.15+.00]	\$ 534
PQ2	\$4,500x95%x25%x[.00+.00+.15+.15+.30]	\$ 641
PQ3	\$4,500x95%x25%x[.00+.20+.00+.00+.30]	\$ 534
PQ4	\$4,500x95%x25%x[.00+.20+.00+.15+.30]	\$ 695
net of previous payments (\$450+\$540+\$450+\$585)	-\$2,025	\$ 379

plus: Re-computation for attainment of annual RE1

PQ1	\$4,500x95%x25%x[.20]	\$ 214
PQ2	\$4,500x95%x25%x[.20]	\$ 214
PQ3	\$4,500x95%x25%x[.20]	\$ 214
PQ4	\$4,500x95%x25%x[.20]	\$ 214
Total		\$ 856

Total Gross Incentive Earned for Plan Year \$3,260

The year end adjustment created by the change from the pro forma APE of "6" to the actual APE of "7" resulted in an additional \$379 for Q1 through Q4.

The attainment of the annual rewardable event resulted in achievement of an incentive payment of \$856.

Appendix 2

Patterson - \$150,000
 Illig - \$150,000

REWARDABLE EVENT OBJECTIVES

Rewardable Event	Weighting	Cycle	PQ1 94 PP YTD	PQ2 94 PP YTD	PQ3 94 PP YTD	PQ4 94 PP YTD	Measurement Methodology
(1) Associate Satisfaction	20%	A	N/A	N/A	N/A	80%	1
(2) Client Satisfaction - External	20%	Q	90%	90%	90%	90%	2 A

(3) EPS -								
Corporate	60%	Q	0.36	0.74	1.11	1.38		18

Runnion - \$75,000
 Reene - \$75,000
 Dietrich - \$60,000
 Breedlove - \$60,000

REWARDABLE EVENT OBJECTIVES

Rewardable Event	Weighting	Cycle	PQ1 94 PP YTD	PQ2 94 PP YTD	PQ3 94 PP YTD	PQ4 94 PP YTD	Measurement Methodology
(1) Associate Satisfaction	10%	A	N/A	N/A	N/A	80%	1
(2) Client Satisfaction - External	10%	Q	90%	90%	90%	90%	2A
(3) Cost Control - Pers & Exps	15%	Q	7,498	15,345	23,748	33,067	14E
(4) EPS Region	25%	Q					17C
			BOS/WDC .09/.20	.21/.49	.41/.66	0.70	
			DET/KCM .08/.13	.23/.28	.41/.49	0.60	
			ATL/DAL .21/.10	.46/.26	.69/.42	0.90	
			SEA/LAX .11/.28	.31/.39	.45/.60	0.60	
(5) EPS Corporate	20%	Q	0.36	0.74	1.11	1.38	18
(6) Goal Attainment	20%	Q	*	*	*	*	19

Willett - \$60,000

REWARDABLE EVENT OBJECTIVES

Rewardable Event	Weighting	Cycle	PQ1 94 PP YTD	PQ2 94 PP YTD	PQ3 94 PP YTD	PQ4 94 PP YTD	Measurement Methodology
(1) Associate Satisfaction	10%	A	N/A	N/A	N/A	80%	1
(2) Client Satisfaction - External	10%	Q	N/A	N/A	N/A	90%	2C
(3) Cost Control - Pers & Exps	15%	Q	1,513	2,999	4,477	5,935	14D

(4)	EPS - Region	25%	Q	*	0.06	0.09	0.13	17B	
(5)	EPS - Corporate	20%	Q		0.36	0.74	1.11	1.38	18
(6)	Goals	20%	Q	*	*	*	*	19	

Whitcraft - \$60,000
Margulies - \$75,000

REWARDABLE EVENT OBJECTIVES

Rewardable Event	Weighting	Cycle	PQ1 94		PQ2 94		PQ3 94		PQ4 94		Measurement Methodology
			PP	YTD	PP	YTD	PP	YTD	PP	YTD	
(1) Associate Satisfaction	20%	A	N/A	N/A	N/A	N/A	80%				1
(2) Cost Control - Expenses	25%	Q	1,071	2,425	3,699	4,627					12A
(3) Cost Control - Personnel	25%	Q	4,380	9,383	14,715	20,499					13A
(4) EPS Corporate	30%	Q	0.36	0.74	1.11	1.38					18

EXHIBIT 10(w) (i)

Standard Form of Agreement Between
Owner and Contractor where the basis of
payment is the Cost of the Work Plus a Fee
with a Guaranteed Maximum Price

AGREEMENT

made as of the First day of
September in the year of Nineteen Hundred and Ninety-Four

Between the Owner
(Name and address)
Cerner Properties, Inc.
2800 Rock Creek Parkway
Suite 601
Kansas City, Missouri 64117

and the Contractor:
(Name and address)
J. E. Dunn Construction Company
929 Holmes
Kansas City, Missouri 64106

the Project is:
(Name and address)
Associate Center and Guest Center
2800 Rock Creek Parkway
Kansas City, Missouri 64117

the Architect is:
(Name and address)
Hollis + Miller Group, Inc.
5000 W. 95th Street
Suite 100
Prairie Village, Kansas 66207

The Owner and Contractor agree as set forth below.

ARTICLE 1

THE CONTRACT DOCUMENTS

1.1 The Contract Documents consist of this Agreement, Conditions of the Contract (General, Supplementary and other Conditions), Drawings, Specifications, Addenda issued prior to execution of this Agreement, other documents listed in this Agreement and Modifications issued after execution of this Agreement; these form the contract, and are as fully a part of the Contract as if attached to this Agreement or repeated herein. The Contract represents the entire and integrated agreement between the parties hereto and supersedes prior negotiations, representations or agreements, either written or oral. An enumeration of the Contract Documents is inconsistent with this Agreement, this Agreement shall govern.

ARTICLE 2

THE WORK OF THIS CONTRACT

2.1 The Contractor shall execute the entire Work described in the Contract

Documents (which shall be made part of this Contract by future Amendment) except for Work indicated in the Contract to be the responsibility of others. Additionally, the Contractor shall provide Pre-construction Services as described in Paragraph 2.2 hereof.

2.2 PRECONSTRUCTION SERVICES

2.2.1 Provide preliminary evaluation of the program and Project budget requirements, each in terms of the other. With the Architects assistance, prepare preliminary estimates of Construction Cost early schematic designs based on area, volume or other standards. Assist the Owner and the Architect in achieving mutually agreed upon program and Project budget requirements and other design parameters. Provide cost evaluations of alternative materials and systems.

2.2.2 Review designs during their development. Advise on site use and improvements, selection of materials, building systems and equipment and method of Project delivery. Provide recommendations on relative feasibility of construction methods, availability of materials and labor, time requirements for procurement, installation and construction, and factors related to cost including, but not limited to, costs of alternative designs or materials, preliminary budgets and possible economies.

2.2.3 Provide for the Architect's and the Owner's review and acceptance, and periodically update, a Project Schedule that coordinates and integrates the Contractor's services and the Owner's responsibilities with anticipated construction schedules.

2.2.4 Prepare for the Owner's approval a more detailed estimate of Construction Cost, developed by using estimating techniques which anticipate the various elements of the Project, and based on Schematic Design Documents prepared by the Architect. Update and refine this estimate periodically as the Architect prepares Design Development and Construction Documents. Advise the owner and the Architect if it appears that the Construction Cost may exceed the Project budget. Make recommendations for corrective action.

2.2.5 Coordinate Contract Documents by consulting with the Owner and the Architect regarding Drawings and Specifications as they are being prepared, and recommending alternative solutions whenever design details affect construction feasibility, cost or schedules.

2.2.6 Develop a Project Construction Schedule providing for all major elements such as phasing of construction and times of commencement and completion required of each separate Contractor. Provide the Project Construction Schedule for each set of bidding Documents.

2.2.7 Investigate and recommend a schedule for the Owner's purchase of materials and equipment requiring long lead time procurement, and coordinate the schedule with the early preparation of portions of the Contract Documents by the Architect. Expedite and coordinate delivery of these purchases.

2.2.8 Prequalify Bidders and develop Bidder's interest in the Project. Establish bidding schedules. With the assistance of the Architect, issue Bidding Documents to Bidders. Conduct pre-bid conferences to familiarize Bidders with the Bidding Documents and with any special systems, materials or methods. Assist the Architect with the receipt of questions from Bidders, and with the issuance of Addenda.

2.2.9 Receive Bids and prepare bid analysis.

ARTICLE 3

RELATIONSHIP OF THE PARTIES

3.1 The Contractor accepts the relationship of trust and confidence established by this Agreement and covenants with the Owner to cooperate with the Architect and utilize the Contractor's best skill, efforts and judgment in furthering the interests of the Owner; to furnish efficient business administration and

supervision; to make best efforts to furnish at all times an adequate supply of workers and materials ; and to perform the Work in the best way and expeditious and economical manner consistent with the interests of the Owner. The Owner agrees to exercise best efforts to enable the Contractor to perform the Work in the best way and most expeditious manner by furnishing and approving in a timely way information required by the Contractor and making payments to the Contractor in accordance with requirements of the Contract Documents.

ARTICLE 4

DATE OF COMMENCEMENT AND SUBSTANTIAL COMPLETION

4.1 The date of commencement is the date from which the Contract Time Subparagraph 4.2 is measured; it shall be the date of this Agreement, as first written above, unless a different date is stated below or provision is made for the date to be fixed in a notice issued by the Owner.

(Insert the date of commencement, if it differs from the date of this Agreement or, if applicable, state that the date will be fixed in a notice to proceed.)

The date of commencement shall be fixed in a Notice to proceed issued by the Owner.

Unless the date of commencement is established by a notice to proceed issued by the Owner, the Contractor shall notify the Owner in writing not less than five days before commencing the Work to permit timely filing of mortgages, mechanic's liens and other security interests.

4.2 The Contractor shall achieve Substantial Completion of the entire Work (Insert the calendar date or number of calendar days after the date of commencement. Also insert any requirements for earlier Substantial Completion of certain portions of the Work, if not stated elsewhere in the Contract Documents.)

in accordance with the schedule hereafter developed by the Contractor and approved by the Owner at acceptance of the Guaranteed Maximum Price

, subject to adjustments of this Contract Time as provided in the Contract Documents.

(Insert provisions, if any, for liquidated damages to failure to complete on time.)

4.3 Liquidated damages shall not be applicable to this Agreement.

ARTICLE 5

CONTRACT SUM

5.1 The Owner shall pay the Contractor in current funds for the Contractor's performance of the Contract the Contract Sum consisting of the Cost of Work as defined in Article 7 and the Contractor's Fee determined as follows:

(State a lump sum, percentage of Cost of the Work or other provisions for determining the Contractor's Fee, and explain and explain how the Contractor's Fee is to be adjusted for change in the Work.)

Upon acceptance of the Guaranteed Maximum Price, the Owner will reimburse the Contractor for Project Administration costs incurred during the Pre-construction Phase on the basis of costs authorized under Article Seven herein.

In consideration of the performance of the Construction Phase of the Contract, the Owner agrees to pay the Contractor in current funds as compensation for his services a Contractor's Fee in the fixed amount to be determined pursuant to Paragraph 5.3 following. Said Fee is included in the Guaranteed Maximum Price set forth in Paragraph 5.2 below. The Contractor's Fee shall not be reduced on account of costs savings realized by the Owner pursuant to Paragraph 5.2 below.

The Contractor's Fee shall be increased or decreased by an amount equal to three percent (3%) of the Cost of any Change in the Work as defined herein.

5.2 GUARANTEED MAXIMUM PRICE

5.2.1 The sum of the Cost of the Work and the Contractor's Fee is guaranteed by the Contractor not to exceed the amount determined pursuant to Paragraph 5.3 following), subject to additions and deductions by Change Order as provided in the Contract Documents. Such maximum sum is referred to in the Contract Documents as the Guaranteed Maximum Price. Costs which would cause the Guaranteed Maximum Price to be exceeded shall be paid by the Contractor without reimbursement by the Owner.

(Insert specific provisions if the Contractor is to participate in any savings)

If the final Cost of the Work plus the Contractor's Fee is less than the Guaranteed Maximum Price (as may be adjusted by Change Order), such savings shall accrue one hundred percent (100%) to the Owner.

5.2.2 The Guaranteed Maximum Price is based upon the following alternates, if any, which are described in the Contract Documents and are hereby accepted by the Owner:

(State the numbers or other identification of accepted alternates, but only if a Guaranteed Maximum Price is inserted in Subparagraph 5.2.1. If decisions on other alternates are to be made by the Owner subsequent to the execution of this Agreement, attach a schedule of such other alternates showing the amount for each and the date until which that amount is valid.)

None

5.2.3 The amounts agreed to for unit prices, if any, are as follows: None (State unit prices only if a Guaranteed Maximum Price is inserted in Subparagraph 5.2.1.)

5.3 Guaranteed Maximum Price Amendment:

Contractor will be furnished with plans and specifications (the Bid Documents) issued by the Architect for the entire work sufficiently developed so that Contractor may obtain bids from subcontractors and materialmen for the various scope of work. After the Bid Documents have been issued and an estimated Cost of the Work for it been agreed to, the Contractor and Owner shall execute a written Amendment to this Contract establishing, a) the estimated Cost of the Work, and b) the Contractor's Fee, referred to in Paragraph 5.1, which shall equal three percent (3%) of the estimated Cost of the Work. The sum of the estimated Cost of the Work and the Contractor's Fee shall be referred to as the Guaranteed Maximum Price ("GMP"). Prior to the execution by Contractor and Owner of an Amendment establishing the Guaranteed Maximum Price, Contractor shall not execute any subcontract or purchase order under this Contract without the express written authorization of the Owner. If a mutually agreeable GMP cannot be agreed upon within 60 calendar days after the date Contractor receives plans and specifications sufficiently detailed for Contractor to develop a GMP proposal, the Owner may terminate this Agreement without liability to Contractor, except as to those costs previously authorized as above or for Pre-construction services in Paragraph 5.1.

ARTICLE 6

CHANGES IN THE WORK

6.1 CONTRACTS WITH A GUARANTEED MAXIMUM PRICE

6.1.1 Adjustments to the Guaranteed Maximum Price on account of changes in the Work may be determined by any of the methods listed in Subparagraph 7.3.3 of the General Conditions.

6.1.2 In calculating adjustments to subcontracts (except those awarded with the Owner's prior consent on the basis of cost plus a fee), the terms "cost" and "fee" as used in Clause 7.3.3.3 of the General Conditions and the terms

"costs" and "a reasonable allowance for overhead and profit" as used in Subparagraph 7.3.6 of the General Conditions shall have the meanings assigned to them in the General Conditions and shall not be modified by Articles 5,7 and 8 of the Agreement. Adjustments to subcontracts awarded with the Owner's prior consent on the basis of cost plus a fee shall be calculated in accordance with the terms of those subcontracts.

6.1.3 In calculating adjustments to this Contract, the terms "cost" and "costs" as used in the above-referenced provisions of the General Conditions shall mean the Cost of the Work as defined in Articles 7 of this Agreement and the terms "fee" and "a reasonable allowance for overhead and profit" shall mean the Contractor's Fee as defined in Paragraph 5.1 of this Agreement.

6.2

6.3

ARTICLE 7

COSTS TO BE REIMBURSED

7.1 The term Cost of the Work shall mean costs necessarily incurred by the Contractor in the proper performance of the Work. Such costs shall be at rates not higher than the standard paid at the place of the Project except with prior consent of the Owner. The Cost of the Work shall include only the items set forth in this Article 7.

7.1.1 LABOR COSTS

7.1.1.1 Wages of construction workers directly employed by the Contractor to perform the construction of the Work at the site or, with the Owner's agreement, at off-site workshops.

7.1.1.2 Wages or salaries of the Contractor's supervisory and administrative personnel with the Owner's agreement. (see 14.3.1)
(If it is intended that the wages or salaries of certain personnel stationed at the Contractor's principal or other offices shall be included in the Cost of the Work, identify in Article 14 the personnel to be included and whether for all or only part of their time.)

7.1.1.3 Wages and salaries of the Contractor's supervisory or administrative personnel engaged, at factories, workshops or on the road, in expediting the production or transportation of materials or equipment required for the Work, but only for that portion of their time required for the Work.

7.1.1.4 Costs paid or incurred by the Contractor for taxes, insurance, contributions, assessments and benefits required by law or collective bargaining agreements and, for personnel not covered by such agreements, customary benefits such as sick leave, medical and health benefits, holidays, vacations and pensions, provided such costs are based on wages and salaries included in the Cost of the Work under Clauses 7.1.1.1 through 7.1.1.3.

7.1.2 SUBCONTRACT COSTS

Payments made by the Contractor to Subcontractors in accordance with the requirements of the subcontracts.

7.1.3 COSTS OF MATERIALS AND EQUIPMENT INCORPORATED IN THE COMPLETED CONSTRUCTION

7.1.3.1 Costs, including transportation, of materials and equipment incorporated in the completed construction.

7.1.3.2 Costs of materials described in the preceding Clause 7.1.3.1 in excess of those actually installed but required to provide reasonable allowance for waste and for spoilage. Unused excess materials, if any, shall be handed over to the Owner at the completion of the Work or, at the Owner's option, shall be sold by the Contractor; amounts realized, if any, from such sales shall be

credited to the Owner as a deduction from the Cost of the Work.

7.1.4 COSTS OF OTHER MATERIALS AND EQUIPMENT, TEMPORARY FACILITIES AND RELATED ITEMS

7.1.4.1 Costs, including transportation, installation, maintenance, dismantling and removal of materials, supplies, temporary facilities, machinery, equipment, and hand tools not customarily owned by the construction workers, which are provided by the Contractor at the site and fully consumed in the performance of the Work; and cost less salvage value on such items if not fully consumed, whether sold to others or retained by the Contractor. Cost for items previously used by the Contractor shall mean fair market value.

7.1.4.2 Rental charges for temporary facilities, machinery, equipment, and hand tools not customarily owned by the construction workers, which are provided by the Contractor at the site, whether rented from the Contractor or others, and costs of transportation, installation, minor repairs and replacements, dismantling and removal thereof. Rates and quantities of equipment rented shall be subject to the Owner's prior approval.

7.1.4.3 Costs of removal of debris from the site.

7.1.4.4 Costs of telegrams and long-distance telephone calls, postage and parcel delivery charges, telephone service at the site, reasonable petty cash expenses of the site office and costs of document reproductions.

7.1.4.5 That portion of the reasonable travel and subsistence expenses of the Contractor's personnel incurred while traveling in discharge of duties connected with the Work. Out of town travel shall be authorized in advance by Owner.

7.1.5 MISCELLANEOUS COSTS

7.1.5.1 That portion directly attributable to this Contract of premiums for insurance and bonds and deductibles incurred. Deductible amounts shall not exceed \$5,000 per occurrence.

7.1.5.2 Sales, use or similar taxes imposed by a governmental authority which are related to the Work and for which the Contractor is liable.

7.1.5.3 Fees and assessments for the building permit and for other permits, licenses and inspections for which the Contractor is required by the Contract Documents to pay.

7.1.5.4 Fees of testing laboratories for tests required by the Contract Documents, except those related to defective or nonconforming Work for which reimbursement is excluded by Subparagraph 13.5.3 of the General Conditions or other provisions of the Contract Documents and which do not fall within the scope of Subparagraphs 7.2.2 through 7.2.4 below.

7.1.5.5 Royalties and license fees paid for the use of a particular design, process or product required by the Contract Documents provided, however, that the Owner shall be notified in advance of such cost; the cost of defending suits or claims for infringement of patent rights arising from such requirement by the Contract Documents; payments made in accordance with legal judgments against the Contractor resulting from such suits or claims and payments of settlements made with the Owner's consent; provided, however, that such costs of legal defenses, judgment and settlements shall not be included in the calculation of the Contractor's Fee or of a Guaranteed Maximum Price, if any, and provided that such royalties, fees and costs are not excluded by the last sentence of Subparagraph 3.17.1 of the General Conditions or other provisions of the Contract Documents.

7.1.5.6 Deposits lost for causes other than the Contractor's fault or negligence.

7.1.6 OTHER COSTS

7.1.6.1 Other costs incurred in the performance of the Work if and to the extent approved in advance in writing by the Owner.

7.2 EMERGENCIES: REPAIRS TO DAMAGED, DEFECTIVE OR NONCONFORMING WORK

The Cost of the Work shall also include costs described in Paragraph 7.1 which are incurred by the Contractor:

7.2.1 In taking action to prevent threatened damage, injury or loss in case of an emergency affecting the safety of persons and property, as provided in Paragraph 10.3 of the General Conditions.

7.2.2 In repairing or correcting Work damaged or improperly executed by construction workers in the employ of the Contractor, provided such damage or improper execution did not result from the fault or negligence of the Contractor or the Contractor's foremen, engineers or superintendents, or other supervisory, administrative or managerial personnel of the Contractor.

7.2.3 In repairing damaged Work other than that described in Subparagraph 7.2.2, provided such damage did not result from the fault or negligence of the Contractor or the Contractor's personnel, and only to the extent that the cost of such repairs is not recoverable by the Contractor from others and the Contractor is not compensated therefor by insurance or otherwise.

7.2.4 In correcting defective or nonconforming Work performed or supplied by a Subcontractor or material supplier and not corrected by them, provided such defective or nonconforming Work did not result from the fault or neglect of the Contractor or the Contractor's personnel adequately to supervise and direct the Work of the Subcontractor or material supplier, and only to the extent that the cost of correcting the defective or nonconforming Work is not recoverable by the Contractor from the Subcontractor or material supplier.

ARTICLE 8

COSTS NOT TO BE REIMBURSED

8.1 The Cost of the Work shall not include:

8.1.1 Salaries and other compensation of the Contractor's personnel stationed at the Contractor's principal office or offices other than the site office, except as specifically provided in Clauses 7.1.1.2 and 7.1.1.3 or as may be provided in Article 14.

8.1.2 Expenses of the Contractor's principal office and offices other than the site office.

8.1.3 Overhead and general expenses, except as may be expressly included in Article 7.

8.1.4 The Contractor's capital expenses, including interest on the Contractor's capital employed for the Work.

8.1.5 Rental costs of machinery and equipment, except as specifically provided in Clause 7.1.4.2.

8.1.6 Except as provided in Subparagraphs 7.2.2 through 7.2.4 and Paragraph 13.5 of this Agreement, costs due to the fault or negligence of the Contractor, Subcontractors, anyone directly or indirectly employed by any of them, or for whose acts any of them may be liable, including but not limited to costs for the correction of damaged, defective or nonconforming Work, disposal and replacement of materials and equipment incorrectly ordered or supplied, and making good damage to property not forming part of the Work.

8.1.7 Any cost not specifically and expressly described in Article 7.

8.1.8 Costs which would cause the Guaranteed Maximum Price, if any, to be exceeded.

ARTICLE 9

DISCOUNTS, REBATES AND REFUNDS

9.1 Cash discounts obtained on payments made by the Contractor shall accrue to the Owner if (1) before making the payment, the Contractor included them in an Application for Payment therefore from the Owner, or (2) the Owner has deposited funds with the Contractor with which to make payments; otherwise, cash discounts shall accrue to the Contractor. Trade discounts, rebates, refunds and amounts received from sales of surplus materials and equipment shall accrue to the Owner, and the Contractor shall make provisions so that they can be secured.

9.2 Amounts which accrue to the Owner in accordance with the provisions of Paragraph 9.1 shall be credited to the Owner as a deduction from the Cost of the Work.

ARTICLE 10

SUBCONTRACTS AND OTHER AGREEMENTS

10.1 Those portions of the Work that the Contractor does not customarily perform with the Contractor's own personnel shall be performed under subcontracts or by other appropriate agreements with the Contractor. The Contractor shall obtain bids from Subcontractors and from suppliers of materials or equipment fabricated especially for the Work and shall deliver such bids to the Architect. The Owner will then determine, with the advice of the Contractor and subject to the reasonable objection of the Architect, which bids will be accepted. The Owner may designate specific persons or entities from whom the Contractor shall obtain bids; however, if a Guaranteed Maximum Price has been established, the Owner may not prohibit the Contractor from obtaining bids from others. The Contractor shall not be required to contract with anyone to whom the Contractor has reasonable objection.

10.2 If a Guaranteed Maximum Price has been established and a specific bidder among those whose bids are delivered by the Contractor to the Architect (1) is recommended to the Owner by the Contractor; (2) is qualified to perform that portion of the Work; and (3) has submitted a bid which conforms to the requirements of the Contract Documents without reservations or exceptions, but the Owner requires that another bid be accepted; then the Contractor may require that a Change Order be issued to adjust the Guaranteed Maximum Price by the difference between the bid of the person or entity recommended to the Owner by the Contractor and the amount of the subcontract or other agreement actually signed with the person or entity designated by the Owner.

10.3 Subcontracts or other agreements shall conform to the payment provisions of Paragraph 12.8, and shall not be awarded on the basis of cost plus a fee without prior consent of the Owner.

ARTICLE 11

ACCOUNTING RECORDS

11.1 The Contractor shall keep full and detailed accounts and exercise such controls as may be necessary for proper financial management under this Contract; the accounting and control systems shall be satisfactory to the Owner. The Owner and Owner's accountants shall be afforded access to the Contractor's records, books, correspondence, instructions, drawings, receipts, subcontracts, purchase orders, vouchers, memoranda and other data relating to this Contract, and the Contractor shall preserve these for a period of three years after final payment, or for such longer period as may be required by law.

ARTICLE 12

PROGRESS PAYMENTS

12.1 Based upon Applications for Payment submitted to the Architect by the Contractor and Certificates for Payment issued by the Architect, the Owner

shall make progress payments on account of the Contract Sum to the Contractor as provided below and elsewhere in the Contract Documents. Applications for Payment shall be submitted on AIA Documents G702 & G703.

12.2 The period covered by each Application for Payment shall be one calendar month ending on the last day of the month, or as follows:

12.3 Provided an Application for Payment is received by the Architect not later than the last day of a month, the Owner shall make payment to the Contractor not later than the fifteenth day of the following month. If an Application for Payment is received by the Architect after the application date fixed above, payment shall be made by the Owner not later than fifteen days after the Architect receives the Application for Payment.

12.4 With each Application for Payment the Contractor shall submit evidence required by the Owner or Architect to demonstrate that disbursements already made by the Contractor on account of the Cost of the Work equal or exceed (1) progress payments already received by the Contractor; less (2) that portion of those payments attributable to the Contractor's Fee; plus (3) payrolls for the period covered by the present Application for Payment; plus (4) retainage provided in Subparagraph 12.5.4 if any, applicable to prior progress payments. Additional documentation as allowed pursuant to Article Eleven shall be available to Owner during any audit it may undertake of Contractor's records from time to time.

12.5 CONTRACTS WITH A GUARANTEED MAXIMUM PRICE

12.5.1 Each Application for Payment shall be based upon the most recent schedule of values submitted by the Contractor in accordance with the Contract Documents. The schedule of values shall allocate the entire Guaranteed Maximum Price among the various portions of the Work, except that the Contractor's Fee shall be shown as a single separate item. The schedule of values shall be prepared in such form and supported by such data to substantiate its accuracy as the Architect may require. This schedule, unless objected to by the Architect, shall be used as a basis for reviewing the Contractor's Applications for Payment.

12.5.2 Applications for Payment shall show the percentage completion of each portion of the Work as of the end of the period covered by the Application for Payment. The percentage completion shall be the lesser of (1) the percentage of that portion of the Work which has actually been completed or (2) the percentage obtained by dividing (a) the expense which has actually been incurred by the Contractor on account of that portion of the Work for which the Contractor has made or intends to make actual payment prior to the next Application for Payment by (b) the share of the Guaranteed Maximum Price allocated to that portion of the Work in the schedule of values.

12.5.3 Subject to other provisions of the Contract Documents, the amount of each progress payment shall be computed as follows:

12.5.3.1 Take that portion of the Guaranteed Maximum Price properly allocable to completed Work as determined by multiplying the percentage completion of each portion of the Work by the share of the Guaranteed Maximum Price allocated to that portion of the Work in the schedule of values. Pending final determination of cost to the Owner of changes in the Work, amounts not in dispute may be included as provided in Subparagraph 7.3.7 of the General Conditions, even though the Guaranteed Maximum Price has not been adjusted by Change Order.

12.5.3.2 Add that portion of the Guaranteed Maximum Price properly allocable to materials and equipment delivered and suitably stored at the site for subsequent incorporation in the Work or, if approved in advance by the Owner, suitably stored off the site at a location agreed upon in writing.

12.5.3.3 Add the Contractor's Fee. The Contractor's Fee shall be computed upon the Cost of the Work described in the two preceding Clauses at the rate stated in Paragraph 5.1 or, if the Contractor's Fee is stated as a fixed sum in that Paragraph, shall be an amount which bears the same ratio to that

fixed-sum Fee as the Cost of the Work in the two preceding Clauses bears to a reasonable estimate of the probable Cost of the Work upon its completion.

12.5.3.4 Subtract the aggregate of previous payments made by the Owner.

12.5.3.5 Subtract the shortfall, if any, indicated by the Contractor in the documentation required by Paragraph 12.4 to substantiate prior Applications for Payment, or resulting from errors subsequently discovered by the Owner's accountants in such documentation.

12.5.3.6 Subtract amounts, if any, for which the Architect has withheld or nullified a Certificate for Payment as provided in Paragraph 9.5 of the General Conditions.

12.5.4 Retainage shall be as follows:

(if it is intended to retain additional amounts from progress payments to the Contractor beyond (1) the retainage from the Contractor's Fee provided in Clause 12.5.3.3, (2) the retainage from Subcontractors provided in Paragraph 12.7 below, and (3) the retainage, if any, provided by other provisions of the Contract, insert provision for such additional retainage here. Such provision, if made, should also describe any arrangement for limiting or reducing the amount retained after the Work reaches a certain state of completion.)

A five percent (5%) retainage from the aggregate of cost and fee shall be withheld from each progress payment until the Work is substantially complete. At substantial completion, all retainages shall be paid to Contractor except an amount equal to twice the value of incomplete punch list work.

12.6

12.7

12.8 Except with the Owner's prior approval, the Contractor shall not make advance payments to suppliers for materials or equipment which have not been delivered and stored at the site.

12.9 In taking action on the Contractor's Applications for Payment, the Architect shall be entitled to rely on the accuracy and completeness of the information furnished by the Contractor and shall not be deemed to represent that the Architect has made a detailed examination, audit or arithmetic verification of the documentation submitted in accordance with Paragraph 12.4 or other supporting data; that the Architect has made exhaustive or continuous on-site inspections or that the Architect has made examinations to ascertain how or for what purposes the Contractor has used amounts previously paid on account of the Contract. Such examinations, audits and verifications, if required by the Owner, will be performed by the Owner's accountants acting in the sole interest of the Owner.

ARTICLE 13

FINAL PAYMENT

13.1 Final payment shall be made by the Owner to the Contractor when (1) the Contract has been fully performed by the Contractor except for the Contractor's responsibility to correct defective or nonconforming Work, as provided in Subparagraph 12.2.2 of the General Conditions, and to satisfy other requirements, if any, which necessarily survive final payment: (2) a final Application for Payment and a final accounting for the Cost of the Work have been submitted by the Contractor and reviewed by the Owner's accountants; and (3) a final Certificate for Payment has then been issued by the Architect; such final payment shall be made by the Owner not more than 30 days after the issuance of the Architect's final Certificate for Payment, or as follows:

13.2 The amount of the final payment shall be calculated as follows:

13.2.1 Take the sum of the Cost of the Work substantiated by the Contractor's final accounting and the Contractor's Fee; but not more than the Guaranteed Maximum Price, if any.

13.2.2 Subtract amounts, if any, for which the Architect withholds, in whole or in part, a final Certificate for Payment as provided in Subparagraph 9.5.1 of the General Conditions or other provisions of the Contract Documents.

13.2.3 Subtract the aggregate of previous payments made by the Owner.

If the aggregate of previous payments made by the Owner exceeds the amount due the Contractor, the Contractor shall reimburse the difference to the Owner.

13.3 The Owner's accountants will review and report in writing on the Contractor's final accounting within 30 days after delivery of the final accounting to the Architect by the Contractor. Based upon such Cost of the Work as the Owner's accountants report to be substantiated by the Contractor's final accounting, and provided the other conditions of Paragraph 13.1 have been met, the Architect will, within seven days after receipt of the written report of the Owner's accountants, either issue to the Owner a final Certificate for Payment with a copy to the Contractor, or notify the Contractor and Owner in writing of the Architect's reasons for withholding a certificate as provided in Subparagraph 9.5.1 of the General Conditions. The time periods stated in this Paragraph 13.3 supersede those stated in Subparagraph 9.4.1 of the General Conditions.

13.4 If the Owner's accountants report the Cost of the Work as substantiated by the Contractor's final accounting to be less than claimed by the Contractor the Contractor shall be entitled to demand arbitration of the disputed amount without a further decision of the Architect. Such demand for arbitration shall be made by the Contractor within 30 days after the Contractor's receipt of a copy of the Architect's final Certificate for Payment; failure to demand arbitration within this 30-day period shall result in the substantiated amount reported by the Owner's accountants becoming binding on the Contractor. Pending a final resolution by arbitration, the Owner shall pay the Contractor the amount certified in the Architect's final Certificate for Payment.

13.5 If, subsequent to final payment and at the Owner's request, the Contractor incurs costs described in Article 7 and not excluded by Article 8 to correct defective or nonconforming Work, the Owner shall reimburse the Contractor such costs and the Contractor's Fee applicable thereto on the same basis as if such costs had been incurred prior to final payment, but not in excess of the Guaranteed Maximum Price, if any. If the Contractor has participated in savings as in determining the net amount to be paid by the Owner to the Contractor.

ARTICLE 14

MISCELLANEOUS PROVISIONS

14.1 Where reference is made in this Agreement to a provision of the General Conditions or another Contract Document, the reference refers to that provision as amended or supplemented by other provisions of the Contract Documents.

14.2 Payments due and unpaid under the Contract shall bear interest from the date payment is due at the rate stated below, or in the absence thereof, at the legal rate prevailing from time to time at the place where the Project is located.

(insert rate of interest agreed upon, if any)

Rate of interest shall be ten percent (10%) per annum. No interest shall accrue on monies withheld to the extent they relate to work which is the subject of a bonafide dispute.

(Usury laws and requirements under the Federal Truth in Lending Act, similar state and local consumer credit laws and other regulations at the Owner's and Contractor's principal places of business, the location of the Project and elsewhere may affect the validity of the provision. Legal advice should be obtained with respect to deletions or modifications, and also regarding requirements such as written disclosures or waivers.)

14.3 Other provisions:

14.3.1 Pursuant to Paragraph 7.1.1.2, the salaries of Project Administration, Construction Operations and Billings and Payment staff assigned to the Project shall be reimbursable, including payroll taxes, insurance and benefits, for that portion of their time attributable to the Work of the Project.

14.3.2 The Construction Phase of this Agreement, and the performance thereof by both parties is contingent upon the obtainment of all necessary zoning and permits for this Project and written notice by the Owner to the Contractor to proceed with the Work.

14.3.3 The Owner shall provide the Contractor with evidence of construction financing as follows: A letter from Mark Twain Bank showing available credit in excess of the Contract Sum for this Project.

ARTICLE 15

TERMINATION OR SUSPENSION

15.1 The Contract may be terminated by the Contractor as provided in Article 14 of the General Conditions; however, the amount to be paid to the Contractor under Subparagraph 14.1.2 of the General Conditions shall not exceed the amount the Contractor would be entitled to receive under Paragraph 15.3 below, except that the Contractor's Fee shall be calculated as if the Work had been fully completed by the Contractor, including a reasonable estimate of the Cost of the Work for Work not actually completed.

15.2 If a Guaranteed Maximum Price is established in Article 5, the Contract may be terminated by the Owner for cause as provided in Article 14 of the General Conditions; however, the amount, if any, to be paid to the Contractor under Subparagraph 14.2.4 of the General Conditions shall not cause the Guaranteed Maximum Price to be exceeded, nor shall it exceed the amount the Contractor would be entitled to receive under Paragraph 15.3 below.

15.3 If no Guaranteed Maximum Price is established in Article 5, the Contract may be terminated by the Owner for cause as provided in Article 14 of the General Conditions; however, the Owner shall then pay the Contractor an amount calculated as follows:

15.3.1 Take the Cost of the Work incurred by the Contractor to the date of termination.

15.3.2 Add the Contractor's Fee computed upon the Cost of the Work to the date of termination at the rate stated in Paragraph 5.1 or, if the Contractor's Fee is stated as a fixed sum in that Paragraph, an amount which bears the same ratio to that fixed-sum Fee as the Cost of the Work at the time of termination bears to a reasonable estimate of the probable Cost of the Work upon its completion.

15.3.3 Subtract the aggregate of previous payments made by the Owner.

The Owner shall also pay the Contractor fair compensation, either by purchase or rental at the election of the Owner, for any equipment owned by the Contractor which the Owner elects to retain and which is not otherwise included in the Cost of the Work under Subparagraph 15.3.1. To the extent that the Owner elects to take legal assignment of the subcontracts and purchase orders (including rental agreements), the Contractor shall, as a condition of receiving the payments referred to in the Article 15, execute and deliver all such papers and take all such steps, including the legal assignment of such subcontracts and other contractual rights of the Contractor, as the Owner may require for the purpose of fully vesting in the Owner the rights and benefits of the Contractor under such subcontracts or purchase orders.

15.4 The Work may be suspended by the Owner as provided in Article 14 of the General Conditions; in such case, the Guaranteed Maximum Price, if any, shall

be increased as provided in Subparagraph 14.3.2 of the General Conditions except that the term "cost of performance of the Contract" in that Subparagraph shall be understood to mean the Cost of the Work and the term "profit" shall be understood to mean the Contractor's Fee as Described in Paragraphs 5.1 and 6.3 of this Agreement.

15.5 The Work may be terminated by the Owner without cause, in which case the Contractor shall be compensated pursuant to the provisions of Paragraph 15.1 herein and Paragraph 14.4 of the General Conditions.

ARTICLE 16

ENUMERATION OF CONTRACT DOCUMENTS

16.1 The Contract Documents, except for Modifications issued after execution of this Agreement, are enumerated as follows:

16.1.1 The Agreement is this executed Standard Form of Agreement Between Owner and Contractor, AIA Document A111, 1987 Edition.

16.1.2 The General Conditions are the General Conditions of the Contract for Construction, AIA Document A201, 1987 Edition.

16.1.3 The Supplementary Conditions of the Contract are those dated

September 1, 1994, attached hereto and made a part hereof.

16.1.4 The Specifications are those contained in the Project Manual dated as in Paragraph 16.1.3

Section	Title	Pages
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To be added by Amendment

16.1.5 The Drawings are as follows, and are dated unless a different date is shown below:

(Either list the Drawings here or refer to an exhibit attached to this Agreement.)

Number	Title	Date
--------	-------	------

To be added by Amendment

16.1.6 The Addenda, if any, are as follows:

Number	Date	Pages
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To be added by Amendment

Portions of Addenda relating to bidding requirements are not part of the Contract Documents unless the bidding requirements are also enumerated in this Article 16.

16.1.7 Other Documents, if any, forming part of the Contract Documents are as follows:

(List here any additional documents which are intended to form part of the Contract Documents. The General Conditions provide that bidding requirements such as advertisement or invitation to bid. Instructions to Bidders, sample forms and the Contractor's bid are not part of the Contract Documents unless enumerated in this Agreement. They should be listed here only if intended to be part of the Contract Documents.)

Exhibit A, Notice to Owner, attached hereto.

Other Contract Documents for each phase, including Project Manuals (with specifications) and plans shall be added at the time the GMP is fixed or Amended pursuant to Paragraph 5.3 herein.

This Agreement is entered into as of the day and year first written above and is executed in at least three original copies of which one is to be delivered to the Contractor, one to the Architect for use in administration of the Contract, and the remainder to the Owner.

OWNER: Cerner Properties, Inc.

CONTRACTOR: J.E. DUNN CONSTRUCTION

/s/Clifford W. Illig
(Signature)

/s/Terrence P. Dunn
(Signature)

Clifford W. Illig
President
(Printed name and title)

Terrence P. Dunn
President
(Printed name and title)

EXHIBIT A

NOTICE TO OWNER

FAILURE OF THIS CONTRACTOR TO PAY THOSE PERSONS SUPPLYING MATERIAL OR SERVICES TO COMPLETE THIS CONTRACT CAN RESULT IN THE FILING OF A MECHANIC'S LIEN ON THE PROPERTY WHICH IS THE SUBJECT OF THIS CONTRACT PURSUANT TO CHAPTER 429, RSMo. TO AVOID THIS RESULT YOU MAY ASK THIS CONTRACTOR FOR "LIEN WAIVERS" FROM ALL PERSONS SUPPLYING MATERIAL OR SERVICES FOR THE WORK DESCRIBED IN THIS CONTRACT. FAILURE TO SECURE LIEN WAIVERS MAY RESULT IN YOUR PAYING FOR LABOR AND MATERIAL TWICE.

SUPPLEMENT TO GENERAL CONDITIONS OF
THE CONTRACT FOR CONSTRUCTION

Owner: Cerner Properties, Inc.
Contractor: J. E. Dunn Construction Company
Dated as of: September 1, 1994

This Supplement modifies, deletes from and adds to the General Conditions of the Contract for Construction, AIA Document A201, Fourteenth Edition, 1987. Except to the extent modified by the express provisions of this Supplement or by necessary implication, all provisions of the General Conditions shall remain in effect. If and to the extent that this Supplement is inconsistent with the Standard Form of Agreement (AIA Document A111, hereinafter the "Agreement"), the Specifications or the General Conditions, this Supplement shall control.

ARTICLE 1

1.3.1. Add the following at the end of Subparagraph 1.3.1:

The provisions of this Subparagraph 1.3.1 govern the rights and obligations of the Contractor with respect to the Drawings, Specifications and other documents prepared by the Architect, but shall not be deemed to restrict any rights the Owner may have with respect thereto under the agreement between the Owner and the Architect concerning the Project.

ARTICLE 2

2.3.1 Delete the word "persistently" in the first sentence of Subparagraph 2.3.1.

2.4.1. Delete the first two sentences of Subparagraph 2.4.1. and substitute the following in lieu thereof:

If the Contractor defaults or neglects to carry out the work in accordance with the Contract Documents and fails within a seven-day period after receipt of written notice from the Owner to commence and continue correction of such default or neglect with diligence and promptness, the Owner may, without prejudice to other remedies the Owner may have, commence and continue to carry out the Work.

Delete the fourth sentence of Subparagraph 2.4.1 in its entirety. Add at the end of Subparagraph 2.4.1 the following sentence:

The right of the Owner to correct deficiencies pursuant to this Subparagraph 2.4.1 shall not give rise to any duty on the part of the Owner to exercise this right for the benefit of the Contractor or any other person or entity.

ARTICLE 3

3.2.4. Add the following provision as a new Subparagraph 3.2.4:

3.2.4. In any and all cases of discrepancies in dimensions, words, numbers, drawings, and/or specifications, the matter shall immediately be submitted in writing to the Architect for his decision, and without such decision such discrepancies shall not be adjusted by the Contractor, save only at Contractor's expense, and in case of any settlement of any complications arising from such adjustment by the Contractor made without such decision of the Architect, the Contractor shall bear all extra expenses involved.

3.3.2. At the end of Subparagraph 3.3.2, add, "Subcontractors or Sub subcontractors."

3.5.1. Add the following sentence at the end of Subparagraph 3.5.1:

The obligations of the Contractor under all provisions for warranties, guaranties and provisions relating to correction of Work contained in the Contract Documents shall be cumulative and no such provision shall be deemed to limit the Contractor's obligations under any other such provision.

3.18.1. Delete the first sentence of Subparagraph 3.18.1 and substitute the following in lieu thereof:

To the fullest extent permitted by law, the Contractor shall indemnify and hold harmless the Owner, Architect, Architect's consultants, and agents and employees of any of them from and against claims, damages, losses and expenses, including but not limited to punitive damages and attorneys' fees, arising out of or resulting from performance of the Work but only to the extent caused in whole or in part by tortious or negligent acts or omissions of the Contractor, a Subcontractor, anyone directly or indirectly employed by them or anyone for whose acts they may be liable, regardless of whether or not such claim, damage, loss or expense is caused in part by the tortious or negligent acts or omissions of a party indemnified hereunder. To the extent that Owner has paid Contractor, the Contractor shall indemnify and hold harmless the Owner and Owner's lenders, if any, against any assertion of claims for mechanics' liens by Subcontractors, Sub-subcontractors or material suppliers, and against any assertion of security interests by suppliers of goods or materials.

3.18.3. Delete the phrase "provided such giving or failure to give is the primary cause of the injury or damage" from Subparagraph 3.18.3 and substitute in lieu thereof the phrase "to the extent such giving or failure to give is the cause of the injury or damage."

ARTICLE 4

4.1.4. Delete Subparagraph 4.1.4 in its entirety and add the following provision in lieu thereof:

4.1.4. The contractual arrangements between the Owner and the Architect are governed by a separate written agreement between the Owner and the Architect, and nothing contained in these General Conditions shall be deemed to control over anything to the contrary contained in such separate written agreement as to the legal relationship between the Owner and the Architect.

4.2.1. Change the word "representative" in the third line of Subparagraph 4.2.1 to "consultant."

4.3.3. Add the following provision at the end of the first sentence of Subparagraph 4.3.3:

; provided, however, that this requirement and the requirement of

Subparagraph 4.3.9 shall not apply to Claims by the Owner arising from any of the matters referred to in Clauses 4.3.5.1, 4.3.5.3.

4.3.5.2. Add the following provision to Clause 4.3.5.2, before the semicolon: ", and claims made by the Owner pursuant to Paragraphs 3.5 and 12.2."

4.4.4. Delete the phrase ", which decision shall be final and binding on the parties but subject to arbitration" from Subparagraph 4.4.4.

4.5. Delete Paragraph 4.5 in its entirety. Any and all references contained in the General Conditions to arbitration shall be of no effect.

ARTICLE 7

7.1.1. Add the following sentence at the end of Subparagraph 7.1.1:

Under no circumstances shall any change in the Work be authorized or performed except as expressly provided for in accordance with this Article 7. No change in the Contract Time or Contract Sum shall be permitted except as set forth in a change order signed by the Owner, Contractor and Architect, or as determined under Paragraph 7.3 pursuant to a Construction Change Directive signed by the Owner and Architect.

ARTICLE 8

8.3.1. Add the following at the end of the last sentence of Subparagraph 8.3.1:

; provided, however, that in no event shall the Contract Time be extended in the aggregate for more than 20 days beyond the date established for Substantial Completion of the Work under Paragraph 4.2 of the Agreement, except for delay attributable to the Owner or Architect, or an employee or separate contractor of either, or caused by unavoidable casualties or other factors (e.g. weather).

ARTICLE 9

9.3.1. Add the following Clause 9.3.1.3 to Subparagraph 9.3.1:

9.3.1.3. Until Substantial Completion of the Work, the Owner shall pay 95% of the amount due to the Contractor on account of progress payments. Following the date of Substantial Completion and the receipt by the Owner of consent of surety to release of a portion of the retainage, the Owner shall pay 95% of the amount due to the Contractor on account of progress payments.

9.3.3. Delete the last sentence of Subparagraph 9.3.3 and add at the end of the first sentence of Subparagraph 9.3.3, the phrase ", free and clear of liens, claims, security interests and encumbrances."

9.3.4. Add the following provision as a new Subparagraph 9.3.4:

9.3.4. The Contractor shall supply a Contractor's Release or Waiver of liens with each Application for Payment with respect to the work, materials and equipment for which payment is requested and prior to receipt of funds for any subsequent application for payment, shall supply, with respect to the work, materials and equipment for which payment has previously been requested and received, separate Releases or Waivers of Liens from all Subcontractors and separate Releases or Waivers of Liens from material and equipment suppliers for material and equipment.

9.7.1. Delete from the first sentence of Subparagraph 9.7.1 the words "the Architect does not issue a Certificate for Payment, through no fault of the Contractor, within seven days after receipt of the Contractor's Application for Payment, or if".

9.8.1. Insert after the words "Contract Documents" in Subparagraph 9.8.1 the words "and when all required certificates of occupancy, if any, have been issued".

ARTICLE 10

10.1.4. Add the following new Subparagraph 10.1.5:

10.1.5. The Contractor shall supply the Owner and the Architect with Material Safety Data Sheets (MSDS) on any hazardous materials that the Contractor, any Subcontractor or any Sub-subcontractor intends to, or does, bring on site in connection with the performance of the Work. In addition, the Contractor shall remove all surplus chemicals and hazardous materials brought on site by the Contractor, any Subcontractor, or any Sub-subcontractor or otherwise in connection with performance of the Work. In empty) be placed in any trash dumpster or trash truck or other waste disposal system for disposal at any public trash dump or other waste disposal site not authorized by law to receive such hazardous materials.

ARTICLE 11

11.1.1.7. Insert following the words "Paragraph 3.18" in Clause 11.1.1.7 of Subparagraph 11.1.1 the words "or Subparagraph 10.2.5."

11.1.2. Delete the phrase ", whether written on an occurrence or claims-made basis," in Subparagraph 11.1.2 and substitute in lieu thereof the words "shall be written on an occurrence basis and".

In addition, add the following new Clauses 11.1.2.1 and 11.1.2.2 to Subparagraph 11.1.2:

11.1.2.1. The insurance required by Subparagraph 11.1.1 shall be written for not less than the following limits, or greater if required by law:

1. Workers' Compensation (Voluntary Compensation by any exempt entities):
 - (a) State (all) and applicable Federal statutory;
 - (b) Employer's Liability:
 - \$100,000 per Accident
 - \$500,000 Disease, Policy Limit
 - \$100,000 Disease, Each Employee
2. Commercial General Liability (including Premises-Operations; Independent Contractors' Protective; Products and Completed Operations; Broad Form Property Damage; personal injury; blanket contractual; explosion, collapse and underground):
 - (a) Combined Single Limit Bodily Injury & Property Damage:
 - \$1,000,000 per occurrence
 - \$1,000,000 aggregate

- (b) Products and Completed Operations Insurance shall be maintained for a minimum period of 5 years after final payment, and the Contractor shall continue to provide evidence of such coverage to the Owner on an annual basis during the aforementioned period.
- (c) Contractual Liability (Hold Harmless Coverage) - Combined Single Limit Bodily Injury & Property Damage:
 - \$1,000,000 per occurrence
 - \$1,000,000 aggregate
- (d) Personal Injury (with Employment Exclusion deleted, if applicable):
 - \$1,000,000 aggregate
- (e) If the General Liability includes a General Aggregate, such General Aggregate shall be not less than \$1,000,000. The policy shall be endorsed to have General Aggregate apply to this Project only.

3. Business Auto Liability (including owned, non-owned and hired vehicles):

Combined Single Limit Bodily Injury and Property Damage:

\$1,000,000 per accident

4. Umbrella Excess Liability:

\$10,000,000 over primary insurance

No Self-Insured Retention

11.1.2.2. The Owner shall be named as an additional insured on the Commercial General Liability and Umbrella Liability policies required under Clause 11.1.2.1. The Certificates showing that all coverages required of the Contractor under the Contract Documents are in effect shall be delivered to the Owner before the Work is commenced.

11.1.3. There shall be added to Paragraph 11.1.3 the following two sentences:

Contractor shall obtain and furnish to Owner Certificates of Insurance from all of Contractor's subcontractors evidencing minimum limits as specified in Paragraphs 11.1.2.1.1, 11.1.2.1.2 and 11.1.2.1.3 of Document A201. The Owner shall be named as an additional insured under the General Liability Policies of all such subcontractors.

11.3.1.5. Add the following provision as a new Clause 11.3.1.5:

11.3.1.5. The deductible for the property insurance to be maintained by the Owner under this Paragraph 11.3 is \$1,000 per claim; the Contractor shall pay costs not covered because of such deductible. The limit of such insurance on covered property at any one temporary storage site is \$1,000,000; the limit of such insurance on covered property in or on any one vehicle while in transit is \$1,000,000. The limitations described in this Clause 11.3.1.5 are accepted by the Contractor as meeting the requirements of this Paragraph 11.3.

11.3.2. Add the following at the end of subparagraph 11.3.2:

The insurance required by this Subparagraph 11.3.2 shall be provided with a limit of \$7,000,000, and a \$1,000 deductible and shall cover boilers, fixed vessels and electric steam generators and all unfired vessels requiring operating permits.

11.3.7. In line 9 of Subparagraph 11.3.7, after the word "Work," add the following phrase: "even though such damage may have been occasioned by the

negligence of the person or entity in whose favor this waiver is made,".

11.3.10. Delete from the first sentence in Subparagraph 11.3.10 the words "; if such objection be made, arbitrators shall be chosen as provided in Paragraph 4.5". In addition, delete the second and third sentences of Subparagraph 11.3.10, and substitute in lieu thereof the following sentence:

If such objection be made, the Owner shall not make any settlement with respect to such loss until a resolution has been reached by agreement between such parties in interest and the insurers or by a court of competent jurisdiction.

ARTICLE 13

13.2.1. Delete the second sentence of Subparagraph 13.2.1 and substitute the following in lieu thereof:

The Contractor may not assign its rights or obligations under this Contract. The Owner may assign its rights and obligations hereunder to its lender, if any, and the Contractor agrees to enter into an agreement with such lender pursuant to which, at such lender's request, the Contractor will complete the Work upon appropriate provision for payment of the balance of the Contract Sum. Any entity which shall succeed to the rights of the Owner shall be entitled to enforce its rights hereunder.

In addition, (i) delete the words "either party" in the immediately following sentence and substitute in lieu thereof the words "the Contractor", and (ii) delete the words "that party" in the same sentence and substitute the word "it" in lieu thereof.

13.3.1. Delete Subparagraph 13.3.1 in its entirety and add the following new Subparagraph 13.3.1 in lieu thereof:

13.3.1. Written notice shall be deemed to have been duly served if delivered in person, or sent by registered or certified mail, postage prepaid, or sent by overnight courier, to the following person and address, or to such other person or address specified by prior notice to the sender given pursuant to this Subparagraph 13.3.1:

If to Owner: Cerner Properties, Inc.
 2800 Rockcreek Parkway
 Kansas City, MO 64117
 Attn: Clifford W. Illig, President

If to Contractor: J. E. Dunn Construction Company
 929 Holmes
 Kansas City, MO 64106
 Attn: Terrence P. Dunn

13.7. Delete Paragraph 13.7 in its entirety.

ARTICLE 14

14.1.2. Insert between the words "including" and "reasonable" in the phrase", including reasonable overhead" in Subparagraph 14.1.2 and the phrase ", if the Contract is terminated for the reasons set forth in Clauses 14.1.1.3, 14.1.1.4, or 14.1.1.5,".

14.2.1. Delete the word "persistently", and delete the word "or" following the word "jurisdiction", in Clause 14.2.1.3 of Subparagraph 14.2.1. In addition, insert "; or" following the words "Contract Documents" in Clause 14.2.1.4 and add the following new Clause 14.2.1.5:

14.2.1.5. becomes insolvent or admits in writing its inability to pay its debts as they come due, makes an assignment for the benefit of creditors, files or has filed against it a petition in bankruptcy or proceedings for the appointment of a receiver or trustee for any substantial part of its property, or commences any action under any reorganization, arrangement, readjustment of debt, dissolution or liquidation law now or hereafter in effect.

14.4. Termination by the Owner for convenience.

14.4.1. The Owner may, without cause, and upon seven (7) days notice, order the Contractor in writing to terminate performance of the Contract. The Contractor shall then have 60 days following the termination date to submit to the Owner its claim for termination costs. Such costs to be paid by the Owner within 30 days of presentation shall include those costs allowed by Paragraph 14.1.2 hereof.

OWNER:

CONTRACTOR:

CERNER PROPERTIES, INC.

By:/s/Clifford W. Illig

By:/s/Terrence P. Dunn

Printed Name: Clifford W. Illig

Printed Name: Terrence P. Dunn

Title: President

Title: President

AMENDMENT NO. 1
to the
AGREEMENT
BETWEEN OWNER and CONTRACTOR

MODIFICATION and AMENDMENT

made as of the 24th day of October in the year Nineteen Hundred and Ninety-Four.

Between the Owner: Cerner Properties, Inc.
2800 Rockcreek Parkway, Suite 601
Kansas City, Missouri 64117

and the Contractor: J. E. Dunn Construction Company
929 Holmes
Kansas City, Missouri 64106

The Project: Cerner Associate Center
2800 Rockcreek Parkway
Kansas City, Missouri 64117

The Architect: Hollis & Miller Group
309 SW Market Street
Lee's Summit, Missouri 64063-2315

The Owner and the Contractor agree as set forth below:

Whereas, the Owner and Contractor have previously agreed to amend their Agreement to establish a scope, costs, schedule and Contract Documents, and

Whereas, the Owner and Contractor now wish to so amend their Agreement,

NOW, THEREFORE, in consideration of the mutual covenants and conditions contained herein, the parties hereto agree to Amendment of their Contract dated September 1, 1994, as set forth below:

1. This Amendment No. 1 is for the Early Bid Package.
2. In accordance with Paragraphs 4.1 and 4.2, the Date of Commencement shall be the date of this Amendment and the substantial completion date shall be pursuant to a mutually agreed upon Contractor's project schedule.
3. In accordance with Paragraphs 5.2 and 5.3 of the Agreement, the Guaranteed Maximum Price for the Work of this Amendment shall be established as: Three Million Three Hundred Thirty Two Thousand One Hundred Thirty Nine Dollars (\$3,332,139.00), which includes deductive value engineering alternates 1 through 9 totaling \$224,600.00.

Pursuant to Paragraphs 5.1 and 5.3, the Contractor's Fee applicable to the work of this amendment shall be established as: Ninety Seven Thousand One Hundred Fifty Eight Dollars (\$97,158.00)

4. Pursuant to Paragraphs 16.13 through 16.17 of the Agreement, the Contract Documents describing the Scope of Work of this Amendment and upon which the G.M.P. stated in Item #3 above is based, are as follows:

Paragraph	Description	Title	Date
-----	-----	-----	-----
16.1.3	Supplementary & Other Conditions	Cerner Associate Center - Early	August 22, 1994 (Ref. Exhibit A)

		Bid Package Project Manual	
16.1.4	Specifications	Cerner Associate Center - Early Bid Package Project Manual	August 22, 1994 (Ref. Exhibit A)
16.1.5	Drawings	Cerner Associate Center - Early Bid Package	August 22, 1994 (Ref. Exhibit A)
16.1.6	Addenda	No. 1 No. 2	September 8, 1994 September 15, 1994
16.1.7	Other Documents	Proposal & Clarifications (9 pages)	October 25, 1994

This Modification and Amendment entered into as of the day and year first written above.

OWNER:	CONTRACTOR:
CERNER PROPERTIES, INC.	J. E. DUNN CONSTRUCTION COMPANY
BY:/s/Clifford W. Illig	BY:/s/Barrett Brady Barrett Brady Executive Vice President

EXHIBIT A

1. Contract between Owner and Contractor dated September 1, 1994.
2. General Conditions, AIA Document A201, as supplemented and included in the Project Manual.
3. Drawings dated August 22, 1994, listed as follows:
 - C1.1 through C5.2
 - S100 through S302
 - A0.0, A0.2, A1.1, A2.1 through A2.5, A6.1 through A6.5, A7.1 through A7.6, A8.1, A11.1, A11.3
 - M1.1 through M1.4
 - P1.1 through P1.4
 - ME1.1, E1.1 through E1.4
 - SP-1 through SP-5
4. Project Manual dated August 22, 1994 titled Cerner Associate Center-Early Bid Package Project Manual.
5. Addenda

No. 1 dated September 8, 1994
No. 2 dated September 15, 1994

October 25, 1994

Mr. Steve Lee
Cerner Corporation
2800 Rock Creek Parkway

Kansas City, Missouri 64117

Re: Cerner Associates Center
J. E. Dunn Project No. 821

Dear Steve:

Enclosed for your review is a copy of our Guaranteed Maximum Price proposal for the Early Bid Package on the above referenced project. With assistance of the Hollis & Miller Group, we have provided recommended value engineering alternates which bring the cost of the work within the + 5% of the median range estimate figure.

We have also had the opportunity to look forward and project the Final Bid Package costs. From our cost projections it is apparent that the project has evolved to a level higher than our schematic range estimate assumptions. This is an understandable progression that occurs as the design and expectations are further refined and detailed.

We do believe if the budget is of major concern the cost can be reduced by re-designing various elements prior to issuance of the Final Bid Package.

We look forward to receiving your direction in this matter.

Sincerely,

J.E. DUNN CONSTRUCTION COMPANY

/s/Mark M. Morton
Mark M. Morton

MMM/jr

Enclosure

cc: Charlie Williams, Cerner
Leon Roberts, Hollis & Miller
Doug Cook, Hollis & Miller
File (2)

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EXECUTIVE SUMMARY of BUDGET ANALYSIS

Original Range Estimate dated July 20, 1994	\$7,949,026
Less Accepted Value Engineering Alternates	1,165,700 CR
Revised Range Estimate Dated July 27, 1994	\$6,783,326

EARLY BID PACKAGE

Early Bid Package dated August 22, 1994	\$3,556,739
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Less Recommended Value Engineering Alternates	224,600 CR
Revised Early Bid Package Cost	\$3,332,139
Less Early Bid Package Median Budget	\$3,180,177 CR
Variance from Early Bid Package Median Budget	+ \$ 151,962

(Note: The Early Bid Package costs are within the
+ 5% range of the July 27, 1994 revised budget.)

Cost variance in the Early Package are due to:

1. Site Utilities
2. Machine Excavation
3. Precast Concrete

Explanation of variance in the Early Package:

1. Site Utilities - Additional 8" water line and associated appurtenances required by the City of North Kansas City, Missouri.
2. Machine Excavation - Unforeseen soil condition requiring extensive undercut of foundation system and recompaction of soil.
3. Precast - Premium due to market conditions and schedule requirements of the project have caused precast costs to overrun from budget.

FINAL BID PACKAGE

Potential cost overruns on the Final Bid Package:

1. Architectural	\$ 345,000
2. Mechanical	\$ 245,000
3. Electrical	\$ 180,000

Potential Total Overrun	\$ 770,000

Explanation of cost overruns in the Final Package:

1. Refinement of the final design has introduced many new items, increased quantity of budgeted items and inclusion of previously deleted items. Examples of these items include: access flooring, wood flooring, lockers, folding partitions, mesh partitions, daycare exterior storage rooms, drywall light coves, projection screens in gym, locker units, acoustical wall and ceiling panels, special coatings, millwork, folding partitions, wire mesh partitions etc...
2. Refinement and changes in the anticipated use of various scopes within the building have impacted the budget. Examples of the changes are: changing the lobby/corridor spaces to reception and prefunction areas, changing the gymnasium to a multipurpose/auditorium area and upgrading the meeting room finishes to boardroom-like finishes.
3. A general refinement of the mechanical and electrical systems have also impacted the budget. Examples include premium rooftop units, sophisticated temperature controls, premium light fixtures, dimming system and programmable lighting system etc...

VALUE ENGINEERING ALTERNATES - RECOMMENDED
October 21, 1994

1. Utilize a precast face mix which significantly reduces the unit cost of same from the specified \$248/CY mix to within range of \$126/CY to \$160/CY and incorporate a sandblast/waterwash finishes.

Approximate Deduct: \$94,200 - \$134,000

2. Substitute limestone aggregate for granite at the interior exposed walls. Also, a light sandblast would need to be substituted for the water wash in order to not reveal the limestone. The mix would contain the same dye as the specified mix and with the light sandblast only be slightly lighter.
Deduct: \$ 8,200
 3. Eliminate the curved precast wall panels at the daycare perimeter and provide segmented precast wall panels.
Deduct: \$ 3,200
 4. Modify the column and beam feature on the west side of the building to 12" diameter columns and 14" thick single piece beams. The beams will have a hand-finish on the beam side which faces the structure. It may also be possible to hand finish the top of the beam in lieu of the inside face.
Deduct: \$12,500
 5. Eliminate the 9" thick panel sections and change to 8" thick throughout. This simplifies the formwork requirements from that currently required. In addition 1" depressions may be added to various locations, upon engineering review, at no cost, and 10" precast panel thicknesses are unaffected.
Deduct: \$27,200
 6. Delete the 24 each - 12" round bollards added by Addendum No. 2.
Deduct: \$25,600
 7. Delete bowstring joists at canopies and replace with a self supporting roof system which will be defined further in the final package. Note this is not a net deduct as the final design requires completion.
Deduct: \$17,500
 8. Substitute Vulcraft or Wheeling acoustical deck with NRC of .90 for specified Epic ER2A with NRC of .95 in the gymnasium area.
Deduct: \$30,900
 9. Eliminate face block at pool equipment rooms, the receiving dock perimeter (rooms A113, A114 & A112), the gym storage (room B111), pool storage areas (room C122, C123, C124 & C118).
Deduct: \$ 5,300
- TOTAL ADDITIONAL VALUE ENGINEERING ALTERNATES: \$224,600

Project Description and Clarification

Early Bid Package

October 21, 1994

1. This Proposal is based on the drawings and specifications prepared by The Hollis & Miller Group dated August 22, 1994, including Civil Drawings, C1.1 through C5.2; Structural Drawings, S100 through S302; Architectural Drawings, A0.0, A0.2, A1.1, A2.1 through A2.5, A6.1 through A6.5, A7.1 through A7.6, A8.1, A11.1, A11.3; Mechanical Drawings M1.1 through M1.4; Plumbing Drawings P1.1 through P1.4; Electrical Drawings ME1.1, E1.1 through E1.4; Pool

Drawings SP-1 through SP-5. The above referenced Contract Documents have also been modified by Addendum No. 1 dated September 8, 1994 and Addendum No. 2 dated September 15, 1994, which are also included in the GMP proposal.

2. The GMP Proposal excludes the following items:
 - a. Design Fees
 - b. Financing Costs
 - c. Special Inspection Costs
 - d. Performance Bonds
 - e. Builder's Risk Insurance
 - f. Furniture and Artwork
 - g. Security System
 - h. Telephone System
 - i. Material Testing Costs (soil, asphalt, concrete, etc.)
 - j. Drawing Reproduction
 - k. Hazardous Material Abatement
 - l. Landscaping and Irrigation System
 - m. Utility Company Charges for Extension of Services
 - n. Development Fees or Special Assessments
3. As it relates to the critical delivery items (namely precast and structural steel), we are requesting the Design Team review, approve and return shop drawings within a one week time period. Because of the critical nature of these items and their fabrication time it is imperative the shop drawing review be expedited in order for the project to be completed in accordance with the schedule.
4. This proposal includes an eight foot plywood fence along Rockcreek Parkway and the entrance to the Union Pacific Building with wire panel fence encompassing the remainder of the site. Painting of the site fence is excluded.
5. We have included asphalt patching required and specifically indicated on drawing C5.1. However, we are excluding the patching of the remaining asphalt because of the lack of information on the existing asphalt section and can not accurately anticipate the extent to which the asphalt may be damaged during construction. This work will be reviewed and estimated after the scope of work has been accurately determined.
6. We have included in this proposal five handicap sign bases (one for each space), six light pole bases per the Architect's direction and six steel bollards per Addendum No. 2. Each of these items will be verified in the next bid package in location, number required or size specification.
7. We are excluding from this proposal the precast concrete grass pavers, since this type of work is typically provided by a landscaping contractor.
8. We have not included in this proposal the colored concrete specified but not yet defined on the drawings.
9. In this proposal we have included asphalt mixes APWA Type 1 base and APWA Type 3 surface mixes in lieu of the BM-2b and BM2 indicated on the plans. This substitution is supported by the specifications and has been reviewed with the Architect as acceptable.
10. We have estimated the excess topsoil can be stockpiled on-site and specifically exclude offsite haul-off. The topsoil will be wasted behind Building No. 5 per the Owner and Architect's direction. Other material (non-topsoil) will be utilized in eroded areas along the ravine on the east property line.
11. Quinn Concrete is the apparent low bidder for the precast concrete materials on the project. They are, however, not members of PCI, but do provide their own in-house testing and quality control which is

periodically certified by an independent consulting engineer. In addition, Quinn Concrete is also a Kansas City, Missouri approved precast supplier.

12. We have included in this proposal 40 sf of glass block at the Daycare Lobby, turret feature.
13. In our proposal we have included rails at the stair opening at the gymnasium storage mezzanine. This rail was not detailed in the drawings, therefore we are providing a 1.5" square tube code compliant rail. We also have provided the rail at the mezzanine in the lobby area with a top tube rail and two channel intermediate rails.
14. We have included in our proposal angle framing at the roof top units with two framed openings per RTU per details 3/S102 and 4/S102.

EXHIBIT 10(x)

Standard Form of Agreement
Between Owner and Architect

AGREEMENT

made as of the Twenty-ninth (29th) day of April in the year of Nineteen
Hundred and Ninety-Four

BETWEEN the Owner:
(Name and address)
Cerner Properties, Inc.
2800 Rockcreek Parkway
Kansas City, Missouri 64117-2551

and the Architect:
(Name and address)
The Hollis & Miller Group, Inc.
5000 West 95th Street, Suite 100
Prairie Village, Kansas 66207-3363

For the following Project:
(Include detailed description of Project, location, address and scope.)
Associate Center and Related Campus Improvements
Rockcreek Office Park
2800 Rockcreek Parkway
Kansas City, Missouri 64117-2551

The Owner and Architect agree as set forth below.

TERMS AND CONDITIONS OF AGREEMENT BETWEEN OWNER AND ARCHITECT

ARTICLE 1

ARCHITECT'S RESPONSIBILITIES

1.1 ARCHITECT'S SERVICES

1.1.1 The Architect's services consist of those services performed by the Architect, Architect's employees and Architect's consultants as enumerated in Articles 2 and 3 of this Agreement and any other services included in Article 12.

1.1.2 The Architect's services shall be performed as expeditiously as is consistent with professional skill and care and the orderly progress of the Work. Upon request of the owner, the Architect shall submit for the Owner's approval a schedule for the performance of the Architect's services which may be adjusted as the Project proceeds, and shall include allowances for periods of time required for the Owner's review and for approval of submissions by authorities having jurisdiction over the Project. Time limits established by this schedule approved by the owner shall not, except for reasonable cause, be exceeded by the Architect or Owner.

1.1.3 The services covered by this Agreement are subject to the time limitations contained in Subparagraph 11.5.1.

ARTICLE 2

SCOPE OF ARCHITECT'S BASIC SERVICES

2.1 DEFINITION

2.1.1 The Architect's Basic Services consist of those described in Paragraphs 2.2 through 2.6 and any other services identified in Article 12 as part of Basic Services, and include normal structural, mechanical and electrical engineering services.

2.2 SCHEMATIC DESIGN PHASE

2.2.1 The Architect shall review the program furnished by the Owner to ascertain the requirements of the Project and shall arrive at a mutual understanding of such requirements with the Owner.

2.2.2 The Architect shall provide a preliminary evaluation of the Owner's program, schedule and construction budget requirements, each in terms of the other, subject to the limitations set forth in Subparagraph 5.2.1.

2.2.3 The Architect shall review with the Owner alternative approaches to design and construction of the Project.

2.2.4 Based on the mutually agreed-upon program, schedule and construction budget requirements, the Architect shall prepare, for approval by the Owner, Schematic Design Documents consisting of drawings and other documents illustrating the scale and relationship of Project components.

2.2.5 The Architect shall submit to the Owner a preliminary estimate of Construction Cost based on current area, blouse or other unit costs.

2.3 DESIGN DEVELOPMENT PHASE

2.3.1 Based on the approved Schematic Design Documents and any adjustments authorized by the Owner in the program, schedule or construction budget, the Architect shall prepare, for approval by the Owner, Design Development Documents consisting of drawings and other documents to fix and describe the size and character of the Project as to architectural, structural, mechanical and electrical systems, materials and such other elements as may be appropriate.

2.3.2 The Architect shall advise the Owner of any adjustments to the preliminary estimate of Construction Cost.

2.4 CONSTRUCTION DOCUMENTS PHASE

2.4.1 Based on the approved Design Development Documents and any further adjustments in the scope or quality of the Project or in the construction budget authorized by the Owner, the Architect shall prepare, for approval by the Owner, Construction Documents consisting of Drawings and Specifications setting forth in detail the requirements for the construction of the Project.

2.4.2 The Architect shall assist the Owner in the preparation of the necessary bidding information, bidding forms, the Conditions of the Contract, and the form of Agreement between the Owner and Contractor.

2.4.3 The Architect shall advise the Owner of any adjustments to previous preliminary estimates of Construction Cost indicated by changes in requirements or general market conditions.

2.4.4 The Architect shall assist the Owner in connection with the Owner's responsibility for filing documents required for the approval of governmental authorities having jurisdiction over the Project.

2.5 BIDDING OR NEGOTIATION PHASE

2.5.1 The Architect, following the Owner's approval of the Construction Documents and of the latest preliminary estimate of Construction Cost, shall

assist the Owner in obtaining bids or negotiated proposals and assist in awarding and preparing contracts for construction.

2.6 CONSTRUCTION PHASE--ADMINISTRATION OF THE CONSTRUCTION CONTRACT

2.6.1 The Architect's responsibility to provide Basic Services for the Construction Phase under this Agreement commences with the award of the Contract for Construction and terminates at the earlier of the issuance to the Owner of the final Certificate for Payment or 60 days after the date of Substantial Completion of the Work.

2.6.2 The Architect shall provide administration of the Contract for Construction as set forth below and in the edition of AIA Document A201, General Conditions of the Contract for Construction, current as of the date of this Agreement, unless otherwise provided in this Agreement.

2.6.3 Duties, responsibilities and limitations of authority of the Architect shall not be restricted, modified or extended without written agreement of the Owner and Architect with consent of the Contractor, which consent shall not be unreasonably withheld.

2.6.4 The Architect shall be a representative of and shall advise and consult with the Owner (1) during construction until final payment to the Contractor is due, and (2) as an Additional Service at the Owner's direction from time to time during the correction period described in the Contract for Construction. The Architect shall have authority to act on behalf of the Owner only to the extent provided in this Agreement unless otherwise modified by written instrument.

2.6.5 The Architect shall visit the site at intervals appropriate to the stage of construction or as otherwise agreed by the Owner and Architect in writing to become generally familiar with the progress and quality of the Work completed and to determine in general if the Work is being performed in a manner indicating that the Work when completed will be in accordance with the Contract Documents. However, the Architect shall not be required to make exhaustive or continuous on-site inspections to check the quality or quantity of the Work. On the basis of on-site observations as an architect, the Architect shall keep the Owner informed of the progress and quality of the Work, and shall endeavor to guard the Owner against defects and deficiencies in the Work. (More extensive site representation may be agreed to as an Additional Service, as described in Paragraph 3.2.)

2.6.6 The Architect shall not have control over or charge of and shall not be responsible for construction means, methods, techniques, sequences or procedures, or for safety precautions and programs in connection with the Work, since these are solely the Contractor's responsibility under the Contract for Construction. The Architect shall not be responsible for the Contractor's schedules or failure to carry out the Work in accordance with the Contract Documents. The Architect shall not have control over or charge of acts or omissions of the Contractor, Subcontractors, or their agents or employees, or of any other persons performing portions of the Work.

2.6.7 The Architect shall at all times have access to the Work wherever it is in preparation or progress.

2.6.8 Except as may otherwise be provided in the Contract Documents or when direct communications have been specially authorized, the Owner and Contractor shall communicate through the Architect. Communications by and with the Architect's consultants shall be through the Architect.

2.6.9 Based on the Architect's observations and evaluations of the Contractor's Applications for Payment, the Architect shall review and certify the amounts due the Contractor.

2.6.10 The Architect's certification for payment shall constitute a representation to the Owner, based on the Architect's observations at the site as provided in Subparagraph 2.6.5 and on the data comprising the Contractor's Application for Payment, that the Work has progressed to the

point indicated and that, to the best of the Architect's knowledge, information and belief, quality of the Work is in accordance with the Contract Documents. The foregoing representations are subject to an evaluation of the Work for conformance with the Contract Documents upon Substantial Completion, to results of subsequent tests and inspections, to minor deviations from the Contract Documents correctable prior to completion and to specific qualifications expressed by the Architect. The issuance of a Certificate for Payment shall further constitute a representation that the Contractor is entitled to payment in the amount certified. However, the issuance of a Certificate for Payment shall not be a representation that the Architect has (1) made exhaustive or continuous on-site inspections to check the quality or quantity of the Work, (2) reviewed construction means, methods, techniques, sequences or procedures, (3) reviewed copies of requisitions received from Subcontractors and material suppliers and other data requested by the Owner to substantiate the Contractor's right to payment or (4) ascertained how or for what purpose the Contractor has used money previously paid on account of the Contract Sum.

2.6.11 The Architect shall have authority to reject Work which does not conform to the Contract Documents. Whenever the Architect considers it necessary or advisable for implementation of the intent of the Contract Documents, the Architect will have authority to require additional inspection or testing of the Work in accordance with the provisions of the Contract Documents, whether or not such Work is fabricated, installed or completed. However, neither this authority of the Architect nor a decision made in good faith either to exercise or not to exercise such authority shall give rise to a duty or responsibility of the Architect to the Contractor, Subcontractors, material and equipment suppliers, their agents or employees or other persons performing portions of the Work.

2.6.12 The Architect shall review and approve or take other appropriate action upon all Contractor's submittals such as Shop Drawings, Product Data and Samples, but only for the limited purpose of checking for conformance with information given and the design concept expressed in the Contract Documents. The Architect's action shall be taken with such reasonable promptness as to cause no delay in the Work or in the construction of the Owner or of separate contractors, while allowing sufficient time in the Architect's professional judgment to permit adequate review. Review of such submittals is not conducted for the purpose of determining the accuracy and completeness of other details such as dimensions and quantities or for substantiating instructions for installation or performance of equipment or systems designed by the Contractor, all of which remain the responsibility of the Contractor, to the extent required by the Contract Documents. The Architect's review shall not constitute approval of safety precautions or, unless otherwise specifically stated by the Architect, of construction means, methods, techniques, sequences or procedures. The Architect's approval of a specific item shall not indicate approval of an assembly of which the item is a component. When professional certification of performance characteristics of materials, systems or equipment is required by the Contract Documents, the Architect shall be entitled to rely upon such certification to establish that the materials, systems or equipment will meet the performance criteria required by the Contract Documents.

2.6.13 The Architect shall prepare Change Orders and Construction Change Directives, with supporting documentation and data if deemed necessary by the Architect as provided in Subparagraphs 3.1.1 and 3.3.3, for the Owner's approval and execution in accordance with the Contract Documents, and may authorize minor changes in the Work not involving an adjustment in the Contract Sum or an extension of the Contract Time which are not inconsistent with the intent of the Contract Documents and or the intended functional use of the Facilities.

2.6.14 The Architect shall conduct inspections to determine the date or dates of Substantial Completion and the date of final completion, shall receive and forward to the Owner for the Owner's review and records written warranties and related documents required by the Contract Documents and assembled by the Contractor, and shall issue a final Certificate for payment

upon compliance with the requirements of the Contract Documents.

2.6.15 The Architect shall interpret and decide matters concerning performance of the Owner and Contractor under the requirements of the Contract Documents on written request of either the Owner or Contractor. The Architect's response to such requests shall be made with reasonable promptness and within any time limits agreed upon.

2.6.16 Interpretations and decisions of the Architect shall be consistent with the intent of and reasonably inferable from the Contract Documents and shall be in writing or in the form of drawings. When making such interpretations and initial decisions, the Architect shall endeavor to secure faithful performance by both Owner and Contractor, shall not show partiality to either, and shall not be liable for results of interpretations or decisions so rendered in good faith.

2.6.17 The Architect's decisions on matters relating to aesthetic effect shall be final if consistent with the intent expressed in the Contract Documents.

2.6.18 The Architect shall render written decisions within a reasonable time on all claims, disputes or other matters in question between the Owner and Contractor relating to the execution or progress of the Work as provided in the Contract Documents.

ARTICLE 3

ADDITIONAL SERVICES

3.1 GENERAL

3.1.1 The services described in this Article 3 are not included in Basic Services unless so identified in Article 12, and they shall be paid for by the Owner as provided in this Agreement, in addition to the compensation for Basic Services. The services described under Paragraphs 3.2 and 3.4 shall only be provided if authorized or confirmed in writing by the Owner. If services described under Contingent Additional Services in Paragraph 3.3 are required due to circumstances beyond the Architect's control, the Architect shall notify the Owner prior to commencing such services. If the Owner deems that such services described under Paragraph 3.3 are not required, the Owner shall give prompt written notice to the Architect. If the Owner indicates in writing that all or part of such Contingent Additional Services are not required, the Architect shall have no obligation to provide those services.

3.2 PROJECT REPRESENTATION BEYOND BASIC SERVICES

3.2.1 If more extensive representation at the site than is described in Subparagraph 2.6.5 is required, the Architect shall provide one or more Project Representatives to assist in carrying out such additional on-site responsibilities.

3.2.2 Project Representatives shall be selected, employed and directed by the Architect, and the Architect shall be compensated therefor as agreed by the Owner and Architect. The duties, responsibilities and limitations of authority of Project Representatives shall be as described in the edition of AIA Document B352 current as of the date of this Agreement, unless otherwise agreed.

3.2.3 Through the observations by such Project Representatives, the Architect shall endeavor to provide further protection for the Owner against defects and deficiencies in the Work, but the furnishing of such project representation shall not modify the rights, responsibilities or obligations of the Architect as described elsewhere in this Agreement.

3.3 CONTINGENT ADDITIONAL SERVICES

3.3.1 Making revisions in Drawings, Specifications or other documents when

such revisions are:

.1 inconsistent with approvals or instructions previously given by the owner, including revisions made necessary by adjustments in the Owner's program or Project budget;

.2 required by the enactment or revision of codes, laws or regulations subsequent to the preparation of such documents; or

.3 due to changes required as a result of the Owner's failure to render decisions in a timely manner.

3.3.2 Providing services required because of significant changes in the Project including, but not limited to, size, quality, complexity, the Owner's schedule, or the method of bidding or negotiating and contracting for construction, except for services required under Subparagraph 5.2.5.

3.3.3 Preparing Drawings, Specifications and other documentation and supporting data, evaluating Contractor's proposals, and providing other services in connection with Change Orders and Construction Change Directives.

3.3.4 Providing services in connection with evaluating substitutions proposed by the Contractor and making subsequent revisions to Drawings, Specifications and other documentation resulting therefrom.

3.3.5 Providing consultation concerning replacement of Work damaged by fire or other cause during construction, and furnishing services required in connection with the replacement of such Work.

3.3.6 Providing services made necessary by the default of the Contractor, by major defects or deficiencies in the Work of the Contractor, or by failure of performance of either the Owner or Contractor under the Contract for Construction.

3.3.7 Providing services in evaluating an extensive number of claims submitted by the Contractor or others in connection with the Work.

3.3.8 Providing services in connection with a public hearing, arbitration proceeding or legal proceeding except where the Architect is party thereto.

3.3.9 Preparing documents for alternate, separate or sequential bids or providing services in connection with bidding, negotiation or construction prior to the completion of the Construction Documents Phase.

3.4 OPTIONAL ADDITIONAL SERVICES

3.4.1 Providing analyses of the Owner's needs and programming the requirements of the Project.

3.4.2 Providing financial feasibility or other special studies.

3.4.3 Providing planning surveys, site evaluations or comparative studies of prospective sites.

3.4.4 Providing special surveys, environmental studies and submissions required for approvals of governmental authorities or others having jurisdiction over the Project.

3.4.5 Providing services relative to future facilities, systems and equipment.

3.4.6 Providing services to investigate existing conditions or facilities or to make measured drawings thereof.

3.4.7 Providing services to verify the accuracy of drawings or other information furnished by the Owner.

3.4.8 Providing coordination of construction performed by separate contractors or by the Owner's own forces and coordination of services required in connection with construction performed and equipment supplied by the Owner.

3.4.9 Providing services in connection with the work of a construction manager or separate consultants retained by the Owner.

3.4.10 Providing detailed estimates of Construction Cost.

3.4.11 Providing detailed quantity surveys or inventories of material, equipment and labor.

3.4.12 Providing analyses of owning and operating costs.

3.4.13 Providing interior design and other similar services required for or in connection with the selection, procurement or installation of furniture, furnishings and related equipment. See Article 12.2.

3.4.14 Providing services for planning tenant or rental spaces.

3.4.15 Making investigations, inventories of materials or equipment, or valuations and detailed appraisals of existing facilities.

3.4.16 Preparing a set of reproducible record drawings showing significant changes in the Work made during construction based on marked-up prints, drawings and other data furnished by the Contractor to the Architect.

3.4.17 Providing assistance in the utilization of equipment or systems such as testing, adjusting and balancing, preparation of operation and maintenance manuals, training personnel for operation and maintenance, and consultation during operation.

3.4.18 Providing services after issuance to the Owner of the final Certificate for Payment, or in the absence of a final Certificate for Payment, more than 60 days after the date of Substantial Completion of the Work. See Article 12.3.

3.4.19 Providing services of consultants for other than architectural, structural, mechanical and electrical engineering portions of the Project provided as a part of Basic Services.

3.4.20 Providing any other services not otherwise included in this Agreement or not customarily furnished in accordance with generally accepted architectural practice.

ARTICLE 4

OWNER'S RESPONSIBILITIES

4.1 The Owner shall provide full information regarding requirements for the Project, including a program which shall set forth the Owner's objectives, schedule, constraints and criteria, including space requirements and relationships, flexibility, expandability, special equipment, systems and site requirements.

4.2 The Owner shall establish and update an overall budget for the Project, including the Construction Cost, the Owner's other costs and reasonable contingencies related to all of these costs.

4.3 If requested by the Architect, the Owner shall furnish evidence that financial arrangements have been made to fulfill the Owner's obligations under this Agreement.

4.4 The Owner shall designate a representative authorized to act on the Owner's behalf with respect to the Project. The Owner or such authorized representative shall render decisions in a timely manner pertaining to documents submitted by the Architect in order to avoid unreasonable delay

in the orderly and sequential progress of the Architect's services.

4.5 The Owner shall furnish surveys describing physical characteristics, legal limitations and utility locations for the site of the Project, and a written legal description of the site. The surveys and legal information shall include, as applicable, grades and lines of streets, alleys, pavements and adjoining property and structures; adjacent drainage, rights-of-way, restrictions, easements, encroachments, zoning, deed restrictions, boundaries and contours of the site; locations, dimensions and necessary data pertaining to existing buildings, other improvements and trees; and information concerning available utility services and lines, both public and private, above and below grade, including inverts and depths. All the information on the survey shall be referenced to a project benchmark.

4.6 The Owner shall furnish the services of geotechnical engineers when such services are requested by the Architect. Such services may include but are not limited to test borings, test pits, determinations of soil bearing values, percolation tests, evaluations of hazardous materials, ground corrosion and resistivity tests, including necessary operations for anticipating subsoil conditions, with reports and appropriate professional recommendations.

4.6.1 The Owner shall furnish the services of other consultants when such services are reasonable required by the scope of the Project and are requested by the Architect.

4.7 The Owner shall furnish structural, mechanical, chemical, air and water pollution tests, tests for hazardous materials, and other laboratory and environmental tests, inspections and reports required by law or the Contract Documents.

4.7.1 See Article 12.4

4.8 The Owner shall furnish all legal, accounting and insurance counseling services as may be necessary at any time for the Project, including auditing services the Owner may require to verify the Contractor's Applications for Payment or to ascertain how or for what purposes the Contractor has used the money paid by or on behalf of the Owner.

4.9 The services, information, surveys and reports required by Paragraphs 4.5 through 4.8 shall be furnished at the Owner's expense, and the Architect shall be entitled to rely upon the accuracy and completeness thereof.

4.10 Prompt written notice shall be given by the Owner to the Architect if the Owner becomes aware of any fault or defect in the Project or nonconformance with the Contract Documents.

4.11 The proposed language of certificates or certifications requested of the Architect or Architect's consultants shall be submitted to the Architect for review and approval at least 14 days prior to execution. The Owner shall not request certifications that would require knowledge or services beyond the scope of the Agreement.

ARTICLE 5

CONSTRUCTION COST

5.1 DEFINITION

5.1.1 The Construction Cost shall be the total cost or estimated cost to the owner of all elements of the Project designed or specified by the Architect.

5.1.2 The Construction Cost shall include the cost at current market rates of labor and materials furnished by the Owner and equipment designed, specified, selected or specially provided for by the Architect,

plus a reasonable allowance for the Contractor's overhead and profit. In addition, a reasonable allowance for contingencies shall be included for market conditions at the time of bidding and for changes in the Work during construction.

5.1.3 Construction Cost does not include the compensation of the Architect and Architect's consultants, the costs of the land, rights-of-way, financing or other costs which are the responsibility of the Owner as provided in Article 4.

5.2 RESPONSIBILITY FOR CONSTRUCTION COST

5.2.1 Evaluations of the Owner's Project budget, preliminary estimates of Construction Cost and detailed estimates of Construction Cost, if any, prepared by the Architect, represent the Architect's best judgment as a design professional familiar with the construction industry. It is recognized, however, that neither the Architect nor the Owner has control over the cost of labor, materials or equipment, over the Contractor's methods of determining bid prices, or over competitive bidding, market or negotiating conditions. Accordingly, the Architect cannot and does not warrant or represent that bids or negotiated prices will not vary from the Owner's Project budget or from any estimate of Construction Cost or evaluation prepared or agreed to by the Architect.

5.2.2 No fixed limit of Construction Cost shall be established as a condition of this Agreement by the furnishing, proposal or establishment of a Project budget, unless such fixed limit has been agreed upon in writing and signed by the parties hereto. If such a fixed limit has been established, the Architect shall be permitted to include contingencies for design, bidding and price escalation, to determine what materials, equipment, component systems and types of construction are to be included in the Contract Documents, to make reasonable adjustments in the scope of the Project and to include in the Contract Documents alternate bids to adjust the Construction Cost to the fixed limit. Fixed limits, if any, shall be increased in the amount of an increase in the Contract Sum occurring after execution of the Contract for Construction.

5.2.3 If the Bidding or Negotiation Phase has not commenced within 90 days after the Architect submits the Construction Documents to the Owner, any Project budget or fixed limit of Construction Cost shall be adjusted to reflect changes in the general level of prices in the construction industry between the date of submission of the Construction Documents to the Owner and the date on which proposals are sought.

5.2.4 If a fixed limit of Construction Cost (adjusted as provided in Subparagraph 5.2.3) is exceeded by the lowest bona fide bid or negotiated proposal, the Owner shall:

- .1 give written approval of an increase in such fixed limit;
- .2 authorize rebidding or renegotiating of the Project within a reasonable time;
- .3 if the Project is abandoned, terminate in accordance with Paragraph 8.3; or
- .4 cooperate in revising the Project scope and quality as required to reduce the Construction Cost.

5.2.5 If the Owner chooses to proceed under Clause 5.2.4.4, the Architect, without additional charge, shall modify the Contract Documents as necessary to comply with the fixed limit, if established as a condition of this Agreement. The modification of Contract Documents shall be the limit of the Architect's responsibility arising out of the establishment of a fixed limit. The Architect shall be entitled to compensation in accordance with this Agreement for all services performed whether or not the Construction Phase is commence.

5.2.6 See Article 12.5.

ARTICLE 6

USE OF ARCHITECT'S DRAWINGS SPECIFICATIONS AND OTHER DOCUMENTS

6.1 The Drawings, Specifications and other documents prepared by the Architect for this Project are instruments of the Architect's service for use solely with respect to this Project and, unless otherwise provided, the Architect shall be deemed the author of these documents and shall retain all common law, statutory and other reserved rights, including the copyright. The Owner shall be permitted to retain copies, including reproducible copies, of the Architect's Drawings, Specifications and other documents shall not be used by the Owner or others on other projects, for additions to this Project or for completion of this Project by others, unless the Architect is adjudged to be in default under this Agreement, except by agreement in writing and with appropriate compensation to the Architect.

6.2 Submission or distribution of documents to meet official regulatory requirements or for similar purposes in connection with the Project is not to be construed as publication in derogation of the Architect's reserved rights.

ARTICLE 7

ARBITRATION

7.1 See Article 12.6

7.2

7.3

7.4

ARTICLE 8

TERMINATION, SUSPENSION OR ABANDONMENT

8.1 This Agreement may be terminated by either party upon not less than seven days' written notice should the other party fail substantially to perform in accordance with the terms of this Agreement through no fault of the party initiating the termination.

8.2 If the Project is suspended by the Owner for more than 30 consecutive days, the Architect shall be compensated for services performed prior to notice of such suspension. When the Project is resumed, the Architect's compensation shall be equitably adjusted to provide for expenses incurred in the interruption and resumption of the Architect's services. However, such equitable adjustment to the Architect's compensation shall be paid only in those instances in which the Owner has not extended the period of time for the Architect's performance of services under this Agreement equal to the time by which the Project was suspended.

8.3 This Agreement may be terminated by the Owner upon not less than seven days' written notice to the architect in the event that the Project is permanently abandoned.

8.4 Failure of the Owner to make payments to the Architect in accordance with this Agreement shall be considered substantial nonperformance and cause for termination.

8.5 If the Owner fails to make payment when due the Architect for services and expenses, the Architect may, upon seven days' written notice to the Owner, suspend performance of services under this Agreement. Unless payment in full is received by the Architect within seven days of the date of the notice, the suspension shall take effect without further notice. In

the event of a suspension of services, the Architect shall have no liability to the Owner for delay or damage caused the Owner because of such suspension of services.

8.6 In the event of termination not the fault of the Architect, the Architect shall be compensated for services performed prior to termination, together with Reimbursable Expenses then due.

8.7

ARTICLE 9

MISCELLANEOUS PROVISIONS

9.1

9.2 Terms in this Agreement shall have the same meaning as those in AIA Document A201, General Conditions of the Contract for Construction, current as of the date of this Agreement.

9.3 Causes of action between the parties to this Agreement pertaining to acts or failures to act shall be deemed to have accrued and the applicable statutes of limitations shall commence to run not later than either the date of Substantial Completion for acts or failures to act occurring prior to Substantial Completion, or the date of issuance of the final Certificate for Payment for acts or failures to act occurring after Substantial Completion.

9.4 The Owner and Architect waive all rights against each other and against the contractors, consultants, agents and employees of the other for damages, but only to the extent covered by property insurance during construction, except such rights as they may have to the proceeds of such insurance as set forth in the edition of AIA Document A201, General Conditions of the Contract for Construction, current as of the date of this Agreement. The Owner and Architect each shall require similar waivers from their contractors, consultants and agents.

9.5 The Owner and Architect, respectively, bind themselves, their partners, successors, assigns and legal representatives to the other party to this Agreement and to the partners, successors, assigns and legal representatives of such other party with respect to all covenants of this Agreement. Neither Owner nor Architect shall assign this Agreement without the written consent of the other.

9.6 This Agreement represents the entire and integrated agreement between the Owner and Architect and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be amended only by written instrument signed by both Owner and Architect.

9.7 Nothing contained in this Agreement shall create a contractual relationship with or a cause of action in favor of a third party against either the Owner or Architect.

9.8 Unless otherwise provided in this Agreement, the Architect and Architect's consultants shall have no responsibility for the discovery, presence, handling, removal or disposal of or exposure of persons to hazardous materials in any form at the Project site, including but not limited to asbestos, asbestos products, polychlorinated biphenyl (PCB) or other toxic substances.

9.9 The Architect shall have the right to include representations of the design of the Project, including photographs of the exterior and interior, among the Architect's promotional and professional materials. The Architect's materials shall not include the Owner's confidential or proprietary information if the Owner has previously advise the Architect in writing of the specific information considered by the Owner to be confidential or proprietary. The Owner shall provide professional credit for the Architect on the construction sign and in the promotional materials for the Project.

ARTICLE 10

PAYMENTS TO THE ARCHITECT

10.1 DIRECT PERSONNEL EXPENSE

10.1.1 Direct Personnel Expense is defined as the direct salaries of the Architect's personnel engaged on the Project.

10.2 REIMBURSABLE EXPENSES

10.2.1 Reimbursable Expenses are in addition to compensation for Basic and Additional Services and include expenses incurred by the Architect and Architect's employees and consultants in the interest of the Project, as identified in the following Clauses.

10.2.1.1 Expense of transportation in connection with authorized out-of-town travel; long-distance communications; and fees paid for securing approval of authorities having jurisdiction over the Project.

10.2.1.2 Expense of reproductions, postage and handling of Drawings, Specifications and other documents.

10.2.1.3 If authorized in advance by the Owner, expense of overtime work requiring higher than regular rates.

10.2.1.4 Expense of renderings, models and mock-ups requested by the Owner.

10.2.1.5 Expense of additional insurance coverage or limits, including professional liability insurance, requested by the Architect and Architect's consultants.

10.2.1.6

10.3 PAYMENTS ON ACCOUNT OF BASIC SERVICES

10.3.1 An initial payment as set forth in Paragraph 11.1 is the minimum payment under this Agreement.

10.3.2 Subsequent payments for Basic Services shall be made monthly and, where applicable, shall be in proportion to services performed within each phase of service, on the basis set forth in Subparagraph 11.2.2.

10.3.3 If and to the extent that the time initially established in Subparagraph 11.5.1 of this Agreement is exceeded or extended through no fault of the Architect, compensation for any services rendered during the additional period of time shall be computed in the manner set forth in Subparagraph 11.3.2.

10.3.4 When compensation is based on a percentage of Construction Cost and any portions of the Project are deleted or otherwise not constructed, compensation for those portions of the Project shall be payable to the extent services are performed on those portions, in accordance with the schedule set forth in Subparagraph 11.2.2, based on (1) the lowest bona fide bid or negotiated proposal, or (2) if no such bid or proposal is received, the most recent preliminary estimate of Construction Cost or detailed estimate of Construction Cost for such portions of the Project.

10.4 PAYMENTS ON ACCOUNT OF ADDITIONAL SERVICES

10.4.1 Payments on account of the Architect's Additional Services and for Reimbursable Expenses shall be made monthly upon presentation of the Architect's statement of services rendered or expenses incurred.

10.5 PAYMENTS WITHHELD

10.5.1 No deductions shall be made from the Architect's compensation on account of penalty, liquidated damages or other sums withheld from payments to contractors, or on account of the cost of changes in the Work other than those for which the Architect has been found to be liable.

10.6 ARCHITECT'S ACCOUNTING RECORDS

10.6.1 Records of Reimbursable Expenses and expenses pertaining to Additional Services and services performed on the basis of a multiple of Direct Personnel Expense shall be available to the Owner or the Owner's authorized representative at mutually convenient times.

ARTICLE 11

BASIS OF COMPENSATION

The Owner shall compensate the Architect as follows:

11.1 AN INITIAL PAYMENT of N/A Dollars (\$-0-) shall be made upon execution of this Agreement and credited to the Owner's account at final payment.

11.2 BASIC COMPENSATION

11.2.1 FOR BASIC SERVICES, as described in Article 2, and any other services included in Article 12 as part of Basic Services, Basic Compensation shall be computed as follows:

(Insert basis of compensation, including stipulated sums, multiples or percentages, and identify phases to which particular method of compensation apply, if necessary)

Fixed Fee of 6-3/4% of approved Project budget.

11.2.2 Where compensation is based on a stipulated sum or percentage of Construction Cost, progress payments for Basic Services in each phase shall total the following percentages of the total Basic Compensation payable: (Insert additional phases as appropriate.)

Schematic Design Phase: five	percent (5%)
Design Development Phase: thirty	percent (30%)
Construction Documents Phase: forty	percent (40%)
Bidding or Negotiation Phase : five	percent (5%)
Construction Phase: twenty	percent (20%)

Total Basic Compensation one hundred percent (100%)

11.3 COMPENSATION FOR ADDITIONAL SERVICES

11.3.1 FOR PROJECT REPRESENTATION BEYOND BASIC SERVICES, as described in Paragraph 3.2, compensation shall be computed as follows:

Hourly at Direct Personnel Expense times a multiplier of 3.0 of personnel performing work on the Project.

11.3.2 FOR ADDITIONAL SERVICES OF THE ARCHITECT, as described in Articles 3 and 12, other than (1) Additional Project Representation, as described in paragraph 3.2, and (2) services included in Article 12 as part of Basic Services, but excluding services of consultants, compensation shall be computed as follows:

(Insert basis of compensation, including rates and/or multiples of Direct Personnel Expense for Principals and employees, and identify Principals and classify employees, if required. Identify specific services to which particular methods of compensation apply, if necessary.)

Hourly at Direct Personnel Expense times a multiplier of 3.0 of personnel performing work on the Project.

11.3.3 FOR ADDITIONAL SERVICES OF CONSULTANTS, including additional structural, mechanical and electrical engineering services and those provided under Subparagraph 3.4.19 or identified in Article 12 as part of Additional Services, a multiple of one and one tenth (1.1) times the amounts billed to the Architect for such services.
(Identify specific types of consultants in Article 12, if required.)

11.4 REIMBURSABLE EXPENSES

11.4.1 FOR REIMBURSABLE EXPENSES, as described in Paragraph 10.2, and any other items included in Article 12 as Reimbursable Expenses, a multiple of one (1.0) times the expenses incurred by the Architect, the Architect's employees and consultants in the interest of the Project if the Owner compensates the Architect for same within fifteen (15) days of the date of the Owner's receipt of the Architect's invoice therefor; otherwise, the Owner will compensate the Architect by a multiple of one and one-tenth (1.1) times such expenses.

11.5 ADDITIONAL PROVISIONS

11.5.1 IF THE BASIC SERVICES covered by this Agreement have not been completed within thirty-six (36) months of the date hereof, through no fault of the Architect, extension of the Architect's services beyond that time shall be compensated as provided in Subparagraphs 10.3.3 and 11.3.2.

11.5.2 Payments are due and payable thirty (30) days from the date of the Architect's invoice. Amounts unpaid thirty-one (31) days after the invoice date shall bear interest at the prime rate established by United Missouri Bank; provided, however, that for any items of the Architect's services that are in dispute, the Owner shall notify the Architect in writing of such dispute within thirty (30) days from the date of the Architect's invoice, - and the Owner may hold the sums attributable to such disputed services until such time as the dispute has been resolved.
(usury laws and requirements under the Federal Truth in Lending Act, similar state and local consumer credit laws and other regulations at the Owner's and Architect's principal places of business, the location of the Project and elsewhere may affect the validity of this provision. Specific legal advice should be obtained with respect to deletions or modifications, and also regarding requirements such as written disclosures or waivers.)

11.5.3 The rates and multiples set forth for Additional Services shall be annually adjusted in accordance with normal salary review practices of the Architect.

ARTICLE 12

OTHER CONDITIONS OR SERVICES

EXHIBIT "A" to Standard Form of Agreement Between Owner and Architect,
dated April 29, 1994, attached.

This Agreement entered into as of the day and year first written above.

OWNER: Cerner Properties, Inc. ARCHITECT: The Hollis & Miller Group, Inc.

By:/s/Clifford W. Illig By:/s/Quentin L. Roberts, Jr.
(signature) (signature)

NAME: Clifford W. Illig NAME: Quentin L. Roberts, Jr. AIA
TITLE: President TITLE: Executive Vice President
(Printed name and title) (Printed name and title)

EXHIBIT "A"

To Standard Form of Agreement Between Owner and Architect
AIA Document B141, dated April 29, 1994

12.1 The Architect shall advise the Owner, in writing, of any potential changes to Contract Documents or the Work prior to the initiation of the change. The Architect shall work with the Owner and Contractor in preparing any Change orders associated with any changes in the Contract Documents or the Work.

12.2 Services for Interior Design and specification of loose furniture per Paragraph 3.4.13 are not part of the basic services. If requested by the Owner, a fee proposal will be provided for services to include inventory of existing furniture, selection, bidding, and checking installation of new furniture. Compensation will be based on the designed scope of furniture and equipment and shall be negotiated by the parties.

12.3 Notwithstanding Subpart (2) of Subparagraph 2.6.4, as part of Basic Services, Architect shall conduct an inspection of the building 11 months after Substantial Completion for the purpose of notifying Contractor of any warranty problems observed, or noted by Owner, before expiration of the one-year warranty. (Ref. 3.4.18)

12.4 The Owner shall furnish an Environmental Assessment of the site when such tests are reasonable required by the Scope of the Project and are requested by the Architect. (Ref. 4.7.1-Added)

12.5 When Change Orders during construction result solely from negligent acts or omissions of the Architect or Engineer, deviating from generally accepted professional standards and practices, the Owner shall pay the Contractor and Owner shall be entitled to a credit for said changed work against fees owed Architect by Owner in an amount equal to the difference in cost between the actual cost of the changed work and the estimated cost of the changed work had it been included as a part of the work at the start of the project. Further, the Architect shall make no charge to the Owner for any additional architectural services resulting solely from such negligent acts or omissions of the Architect or Engineer. (Ref.5.2.6-Added)

12.6 Unresolved claims, disputes and other matters in question between the parties to this Agreement arising out of or relating to this Agreement or breach thereof, shall be subject to lawful recourse of the parties pursuant to law in the State of Missouri.

12.7 Indemnification: Architect does hereby agree to indemnify and hold the Owner harmless from and against any and all liabilities, damages, or losses arising out of damage to property or physical injury to persons to the extent caused by or through the negligent acts or omissions of the Architect.

12.8 During the performance of the Services under this Agreement, the Architect shall maintain the following insurance:

12.8.1 General liability Insurance with bodily injury and property damage coverage of \$1,000,000 combined single limit, and \$1,000,000 aggregate.

12.8.2 Automobile Liability Insurance with bodily injury and property damage coverage of \$1,000,000 combined single limit each accident.

12.8.3 Workers' Compensation Insurance in accordance with statutory requirements and Employer's Liability Insurance with limits of not less than \$100,000 for each occurrence.

12.8.4 Professional Liability Insurance with limits of not less than \$1,000,000 annual aggregate.

12.9 The Architect shall, upon request, furnish owner with certificate(s) of insurance which shall be updated from time to time to evidence that the foregoing coverages and limitations of liability remain in full force and effect during the term of this Agreement, and which shall include a provision that such insurance shall not be canceled without at least thirty (30) day's written notice to Owner. All Project Contractors shall be required to include Owner and Architect as additional insureds on their General Liability Insurance policies.

12.10 Should hazardous materials be present or discovered during construction at the site of the Project, the Owner shall retain and be responsible for the cost of a special consultant to design and specify removal of such materials. Architectural services to coordinate with this special consultant will be considered additional services and be billed as identified in paragraph 11.3.2.

12.11 Storm water permit services are not included in Basic Services under Paragraph 2.4.4.

12.12 Services for Acoustical Design, Sound System Design, Theatrical Lighting, and Food service Design, when reasonably required for the project and requested by the Architect, shall be additional services per Paragraph 3.4.19. The Architect shall select and retain a Consultant as required, subject to written approval by the Owner for these services. Services shall be billed as identified in Paragraph 11.3.3.

12.13 The Architect shall exercise reasonable care to see that its services comply with applicable federal, state, and municipal laws, regulations, and ordinances governing the services covered by this Agreement, as published and in effect on the date of this Agreement.

12.14 The standard of care for all professional architectural and related services performed or furnished by the Architect under this Agreement will be the care and skill ordinarily used by members of the Architect's profession practicing under similar conditions at the same time and in the same locality. The Architect makes no warranties, express or implied, under this Agreement or otherwise, in connection with the Architect's services.

12.15 The Architect will use good-faith efforts to cooperate and coordinate the Architect's services with those of the Contractor during the pre construction period.

12.16 The Architect shall, as part of the Basic Services, coordinate the activities of the Contractor and various consultants (e.g., landscape architects, security experts, etc.) with respect to the Project.

12.17 With reference to Paragraph 6.1, the Architect agrees:

- A. Not to use the Drawings, Specifications and other documents ("Plans") prepared by the Architect for this Project with respect to any other persons or for any other projects, and
- B. To place copyright notices on all copies of the Plans sent to subcontractors or otherwise used in this Project, and
- C. To require the subcontractors to agree to use the Plans only for this Project.
- D. To place no limits on owner's use of the Plans, except that Owner shall indemnify and hold the Architect harmless from and against claims arising out of use of the Plans in a way not agreed by the Architect and owner, where such use causes harm to Cerner, Cerner subsidiaries or parent, or any third person, and further except that the last sentence of Paragraph 6.1 shall hereby be deemed deleted.

12.18 The Architect shall furnish insurance in the amount no less than \$1,000,000 to fund the indemnification set forth at Paragraph 12.7 above. To the extent permitted by the insurers and if requested in writing by the Owner following receipt of a price quote, the Owner shall be shown as an additional insured on all policies, including the Professional Liability Policy.

OWNER: Cerner Properties, Inc. ARCHITECT: The Hollis & Miller Group, Inc.

By:/s/Clifford W. Illig

By:/s/Quentin L. Roberts, Jr.

NAME: Clifford W. Illig
TITLE: President

NAME: Quentin L. Roberts, Jr., AIA
TITLE: Executive Vice President

Cerner Corporation
Computation of Earnings per Common Share

Year Ended December 31,

	1994	1993	1992
	-----	-----	-----
Net Earnings:	\$ 19,501,000	\$ 14,558,000	\$ 9,932,000
	-----	-----	-----
	-----	-----	-----
Weighted average number of common and common stock equivalent shares:			
Weighted average number of outstanding common shares:	13,825,552	13,143,351	12,723,144
Dilutive effect (excess of number of shares issuable over number of shares assumed to be repurchased with the proceeds of exercised options and converted warrants based on the average market price during the period)	1,055,552	1,435,827	1,617,264
	-----	-----	-----
	14,881,104	14,579,178	14,340,408
Earnings per common and common stock equivalent shares:	\$ 1.31	\$ 1.00	\$ 0.69
	-----	-----	-----
	-----	-----	-----
Weighted average number of common and common stock equivalent shares assuming full dilution:			
Additional dilutive effect (reduction in number of shares assumed to be repurchased with the proceeds of exercised stock options and converted warrants based on the end of the period market price of the stock, if higher than the average price)	22,648	63,721	166,550
	-----	-----	-----
	14,903,752	14,642,899	14,506,958

Earnings per common and
common stock equivalent
shares assuming full
dilution:

-----	-----	-----
-----	-----	-----
\$ 1.31	\$ 0.99	\$ 0.68
-----	-----	-----
-----	-----	-----
-----	-----	-----
-----	-----	-----

EXHIBIT 22

SUBSIDIARIES OF REGISTRANT

Cerner Megasource, Inc.

Cerner Corporation PTY Limited

Cerner FSC, Inc.

Cerner International, Inc.

Cerner Limited

Cerner Properties, Inc.

Cerner Software GmbH

EXHIBIT 23

INDEPENDENT AUDITORS' CONSENT

The Board of Directors
Cerner Corporation:

We consent to incorporation by reference in the Registration Statements (No. 33-56868, No. 33-55082, No. 33-41580, No. 33-39777, No. 33-39776, No. 33-20155 and No. 33-15156) on Form S-8 and Registration Statement No. 33-72756 on Form S-3 of Cerner Corporation of our reports dated February 10, 1995, relating to the consolidated balance sheets of Cerner Corporation as of December 31, 1994 and 1993, and the related consolidated statements of earnings, stockholders' equity, and cash flows and related schedules for each of the years in the three-year period ended December 31, 1994, which reports appear herein or are incorporated by reference in the December 31, 1994 annual report on Form 10-K of Cerner Corporation.

KPMG Peat Marwick LLP

Kansas City, Missouri
March 27, 1995

<ARTICLE> 5

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<PREFERRED>		0
<OTHER-SE>		0
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<SALES>		155,917,000
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<CGS>		46,426,000
<TOTAL-COSTS>		122,138,000
<OTHER-EXPENSES>		0
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		1,328,000
<INCOME-PRETAX>		32,541,000
<INCOME-TAX>		12,950,000
<INCOME-CONTINUING>		19,501,000
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		19,501,000
<EPS-PRIMARY>		1.31
<EPS-DILUTED>		1.31