

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

(☒) ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934

For the fiscal year ended January 2, 1999

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
Preferred Stock Purchase Rights
(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 ☒ 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. [☒]

At March 15, 1999, there were 33,573,446 shares of Common
Stock outstanding, of which 7,884,975 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 15, 1999,
was \$340,372,241.

Documents incorporated by reference: portions of the
Registrant's Proxy Statement for the 1999 Annual Meeting of
Stockholders are incorporated by reference in Part III hereof.

PART I

Item 1. Business

General
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Cerner Corporation ("Cerner" or the "Company") is a Delaware
corporation incorporated in 1980. 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
person/member/patient-focused clinical and management information
systems that are capable of being implemented on an individual,
combined or enterprise-wide basis. Cerner systems are designed
to automate the process of healthcare by accumulating data on

care provided to members/patients, maintaining such data in a database repository and providing access to such data for users of clinical information across a healthcare system, including in the home, at physician's offices and at ambulatory, inpatient and intensive care settings. Cerner's systems are designed and developed using the Health Network Architecture ('HNA'), a single information architecture. HNA is a unified system for combining clinical and management information applications. HNA allows each participating facility within an integrated healthcare enterprise to access an individual's clinical record at the point of care, to organize it for the specific needs of the physician, nurse, laboratory technician or other care provider on a real-time basis, and to use the information in management decisions to improve the efficiency and productivity of the location and the entire enterprise. Cerner has developed and is licensing and installing its newest generation of HNA products known as "Millennium". See "Cerner's HNA Approach and HNA Millennium" for a discussion of Millennium.

Healthcare Industry

The dramatic increase in healthcare costs in the United States, which historically were based on a fee-for-service model, has caused significant changes in the healthcare industry. Managed care organizations and other payers have developed alternative payment models to control costs, including procedure-based cost limits, contractually approved providers and capitation (a fixed monthly fee per member in payment for all required services). The result has been a continuing shift of financial risk from the payer to both the physician provider and the institutional provider (hospitals, clinics, long-term care, subacute providers and rehabilitative care centers). In response, institutional providers are aligning with one another and with physician groups to form Integrated Delivery Systems ('IDS's'), and IDS's are aligning with payer organizations to form Integrated Health Organizations ('IHO's'), in each case to reduce costs in an effort to compete more effectively in the changing healthcare environment.

The changes occurring in the healthcare industry have resulted in changes in the needs for clinical and management information systems by hospitals, physicians, managed care organizations and IDS's. Hospitals' information requirements have become more complex as cost containment pressures have driven the needs for efficiency and process automation while the increasing number of relationships they have with other providers requires additional sophistication. As physicians combine into a variety of provider configurations, management structures and incentive plans, they are increasingly utilizing member/patient focused information systems to improve quality and efficiency for their growing practices and physician networks, to develop the data necessary to compete for contracts with payers and to be able to share the financial risks of healthcare delivery. Managed care organizations are increasingly recognizing the value of process-oriented and clinically-driven information as it relates to understanding and improving the health of their members. Information system requirements for IDS's and IHO's encompass many of the same needs as hospitals, physicians and managed care organizations. Many IDS's and IHO's are becoming aggressively involved with institutional providers and physicians in various relationships where information sharing and process automation are paramount. Many of these larger, more complex organizations are seeking closer relationships with suppliers that can provide comprehensive information systems solutions. Information system requirements for IDS's and IHO's

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include integrated process-based systems for clinical domains, data repositories and applications for physicians and management teams. Cerner is responding to the changing and increasing needs of the healthcare industry for better information systems by developing HNA Millennium, its latest generation of products. See "Cerner's HNA Approach and HNA Millennium" for a discussion of Millennium.

Healthcare Information Systems Industry

Healthcare information systems are evolving to meet the needs of a changing marketplace. Initially, computer systems developed for use in healthcare were financially oriented, with a focus on the ability to capture charges and generate patient bills. Beginning in the mid-1960s, institutional provider organizations began to use clinical information systems, which automate the activities within clinical departments, such as laboratory, pharmacy, radiology and surgery departments, to improve the productivity of resources and automate the production and use of significant amounts of clinical information. Individual departments selected systems based upon specific features on a 'best of breed' basis resulting in disparate information systems within the institutional provider.

More recently, there has been a shift from the purchase of disparate clinical systems on a "best of breed" basis to systems which are able to integrate communication effectively throughout the healthcare enterprise. The two principle approaches to meet this need are a common architecture, in which systems communicate through inherent design, and point-to-point interfaces, in which systems with different architectures communicate through interface linkages. This infrastructure trend also affects the relationship between the health system and the suppliers of information technology. The approach of interfacing disparate systems typically involves multiple system suppliers and the health system must act as the intermediary and integrator. The common architecture approach relies more on a strategic relationship with one or very few suppliers dedicated to implementing a shared vision for the role of information in the operation of the health system.

The same forces that are causing other healthcare providers to join together are causing physicians to combine into larger organizations, including Independent Practice Associations ("IPA's") and Preferred Provider Organizations ("PPO's"), and are increasingly supported administratively through Management Services Organizations ("MSO's") which offer management and administrative services to physicians. In some cases, such organizations align with IDS's and IHO's. Cerner believes that such physician groups require clinical and management information systems that allow them to participate in the community-wide clinical and management information systems employed by the IDS's and IHO's.

The Cerner Vision - -----

As a result of the rapid transformation of the healthcare industry, Cerner believes that a new center of healthcare will emerge--the IHO, which is a combination of payers, physicians and institutional providers affiliated to service a community or defined member population. The focus of the IHO is to be accountable for the health status of a defined population, with strong financial incentives to manage health on a preventive or wellness basis and reduce costs.

Cerner believes that many large IHO's will emerge in the United States in the next decade. These IHO's will need to implement information systems that manage the delivery of care across an entire community while simultaneously managing the business side of health management. Only through automating the core process of healthcare delivery from member enrollment through the ordering and delivery of care will IHO's be able to actually manage and measure care. Process automation will enable healthcare systems interactively to affect the care that is delivered throughout the entire system at each point of delivery. Cerner believes that managing these integrated healthcare systems will require the accumulation and refining of enormous amounts of process-related data in order to monitor performance against plans and to make informed business decisions. This process-oriented approach will also provide the information basis to measure health system performance, in values known as outcomes, from clinical, functional, process, member satisfaction and economic perspectives.

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When all of the complex clinical processes that comprise care delivery in IHO's are automated using fully integrated information systems, it becomes possible to extend automation to the management processes of healthcare.

Cerner's HNA Approach and HNA Millennium - -----

The cornerstone of Cerner's information systems strategy is HNA, the single architecture around which each of Cerner's products is developed. This highly scaleable architecture allows Cerner to meet the clinical, management, and business information requirements of a healthcare delivery system across the continuum of care from the physician practice to the IHO and to integrate the information requirements of clinical operations and business functions. Cerner's newest HNA platform, HNA Millennium, utilizes three-tiered client/server technology to optimize distributed computing performance and functionality advantages. Millennium's breadth of focus and functionality are well suited for large-scale and enterprise application technologies for healthcare organizations. HNA Millennium's system architecture allows its applications to work together as one system. The value of HNA Millennium to a client is the use across a healthcare organization of a single system based on a fully integrated common architecture and data structure. With its single data structure HNA Millennium provides real time access to all information across multiple applications, such as laboratory, pharmacy, nursing and physicians, to all of those needing such access, wherever they are located. Systems based on differing

architectures and data structures must be interfaced together and rely on these interfaces to transmit, modify and arrange data exchanged between them, which limits the data's usefulness across multiple systems and inhibits real-time access. In addition, many of these systems cannot operate across multiple provider settings or locations within a healthcare organization.

March of 1998 marked the completion of the major development cycle of HNA Millennium. During that development cycle the Company expended approximately \$130 million developing HNA Millennium. At the end of 1998, 187 HNA Millennium systems were being used by Cerner clients. As of March of 1999, 23 of HNA Millennium's initial 30 product lines were being used by Cerner clients. By comparison, the Classic version of Cerner's products had 7 product lines. Cerner expects to have more than 400 Millennium systems in use by the end of 1999. Implementation of Millennium at client sites is a much more complex process than implementation of HNA Classic due to the greater range of capability of the Millennium products and its complexity. Substantial project management, process redesign, technology integration and training are all required in order for clients to achieve the full benefits offered by Millennium.

Cerner's systems also allow the use of other vendors products in conjunction with Cerner's system through the use of Cerner's Open Engine Gateway System that allows the exchange of data with the foreign system.

Strategy

Key elements of the Company's business strategy include:

To penetrate the integrated healthcare market.
----- The transformation of healthcare delivery must deal with the changing financial model from fee-for-service to fixed or controlled fee payments for services provided. In order to accomplish the transition, integrated healthcare systems must decrease costs generally, utilize fewer resources per patient or member encounter, decrease the amount of care required by focusing on preventative measures and increase member populations by attracting additional members through better quality healthcare and services. Cerner's process-based, clinical and management systems provide the technology to enable an integrated system to manage healthcare to significantly reduce costs, improve the efficiency of healthcare delivery and maintain and improve the quality of healthcare.

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To penetrate the physician market.
----- As physicians combine to form organizations such as IPA's and PPO's, and then participate in MSO's, they require clinical and process-based systems to manage the member/patient care processes within their own practices. As such groups align with IDS's and IHO's, they further require clinical and management information systems that allow them to share clinical and management processes with these community-wide systems. Healthcare organizations are developing strategies for connecting community-based physicians to the information resources of the health system using the internet. Cerner's systems provide the member/patient data repositories, clinical, management tools and connectivity required by physicians in order for them to participate effectively in the changing healthcare marketplace.

To expand its core business.
----- Cerner expects continued growth in core business areas, including clinical domain systems for specific markets such as PathNet, RadNet and PharmNet, as institutional providers look to restructure and reengineer these high cost centers within their IDS's and IHO's. The Company also intends to market aggressively Cerner clinical and management information systems and services to its existing client base.

To remain committed to a unified architecture.
----- Because Cerner believes that the constituents in health management need to work together to benefit defined populations in a community, the Company has made a commitment to a single unified architecture as the platform for "fully integrated" health information and management systems. This platform enables Cerner's process-based HNA systems to be scaleable on a linear basis, using either Cerner compatible modules for process-oriented applications or competitive systems interfaced using open system protocols.

To expand its products and services.
----- Using Millennium, Cerner intends to expand the range of products and services offered to providers, including IDS's and IHO's, either through internal development or by acquisitions or joint ventures. These

new products and services will complement the systems currently offered, address the emerging information needs of clients or employ technological advances. Cerner believes that major opportunities exist as IHO's begin to include service organizations and on-line services to the home, particularly because the member/patient focus of Cerner's architecture provides the basis for individual electronic medical records which can be used throughout a member-focused health system. In addition, Cerner recognizes the value of the aggregate database being developed by its broad client base as a potential means to enable comparative or normative procedure evaluations as a powerful new tool in the healthcare industry. The substantial project management process redesign, technology integration, and training involved in healthcare systems taking advantage of the opportunities provided by clinical and management information technology represent a significant market for the Company's consulting services.

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Products - -----

The Company's products include Enterprise Systems, which automate processes across and throughout the health system enterprise; Enterprise Repositories, which capture, sort, present and analyze clinical and business information; Clinical Systems for Direct Care, which automate the clinical processes within hospitals and the physicians practice; Clinical Systems for Care Centers, which automate the clinical processes within specific departments or domains; Decision Support and Executable Knowledge systems, which enhance clinical and business processes with information and actions; Financial and Operational Management Systems, which automate the business operations; Population Health Management systems for managing health; Demand Management systems and services for managing the need for care; Personal Health systems for individuals to manage their own health; and Interface Technologies for connecting other technologies to HNA Millennium. These systems can be acquired individually or as a fully integrated health information system. The individual systems perform together even if installed at different times. Cerner also markets over 200 product options that complement Cerner's major information systems. In connection with the licensing of an information system, Cerner also generally sells to its clients computers and related hardware that are manufactured and supplied to Cerner by third parties.

Enterprise Systems - -----

Cerner's Enterprise Systems automate processes across the entire health system. Capstone automates the identification, eligibility, registration and scheduling processes across hospitals, clinics, physician practices and other care delivery organizations, integrating the health system and incorporating existing systems. Powerlink connects community-based physicians to health systems for referrals, authorizations, claims, eligibility, and reporting. PowerChart is the enterprise clinician's desktop solution for viewing, ordering and documenting the electronic medical record.

Enterprise Repositories - -----

Open Agreement Foundation Data Repository is a structured repository for the storage and viewing of health plan information, records, contracts, eligibility and coverage data.

Open Clinical Foundation Data Repository is a structured repository for the storage of member/patient orders; discrete results; clinical reports and other documents; indexes to document images from foreign document imaging systems; and indexes to third-party dictation systems.

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

Open Health Foundation Data Repository is a structured repository for the storage and viewing of health information related to populations, in support of applications and services designed to manage the health status of those populations.

Open Outcome Foundation Data Repository is a structured repository for the storage and viewing of the data that supports the reporting and management of outcomes in the areas of clinical, medical, process, economic and satisfaction.

Clinical Systems for Direct Care

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Cerner's CareNet Acute Care Management System is designed to automate the entire care process in acute or institutional settings. It collects, refines, organizes, and evaluates detailed clinical and management data. It enables the entire care team to plan and manage individual activities and plans, as

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well as measure outcomes and goals. CareNet consists of five major solutions - patient registration, scheduling, orders, documentation, care planning and diagnostic and therapeutic care.

The INet Intensive Care Management System is designed to automate the entire care process in intensive care settings. It supports patient management, chart review and browsing, order management, documentation management, scheduling, and automatic data acquisition. It automatically acquires patient data from bedside medical devices, manages information flow and presentation at the bedside, supports care management through care planning and critical pathways, and encourages timely decisions based on comprehensive data availability; information tailored to the practitioner and the patient; and rule-based decision support.

The ProVide Physician Office Management System supports the broad range of clinical and business activities that occur within a physician office, clinic, or large physician organization (such as a multi-site clinic or management service organization) and ties the office together with others in the community. It automates key activities of the care team in both primary and specialty care settings. ProVide offers clinicians and staff a variety of functional capabilities, including patient/member tracking, clinical records access and navigation, eligibility checking, order and referral processing, and reference library access and navigation.

The ProCall Home Care Management System automates the clinical and business processes of home health organizations, such as visiting nurse associations and hospices. It is appropriate for Medicare-certified or noncertified agencies providing skilled nursing, specialized care, supervisory activities, assessments, and unskilled attendant or medical delivery services. ProCall facilitates the documentation of care activities in the home and provides access to the electronic medical record. It automates the referral, scheduling, and management reporting processes performed by office personnel in home care agencies, and supports their business and administrative processes. Financial and management reporting capabilities provide needed information to directors and managers in home care agencies to allow them to compete in a prospective-pay environment.

Clinical Systems for Care Centers
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The PathNet Laboratory Information System addresses the information management needs of six clinical areas: general laboratory, microbiology, blood bank transfusion services, blood bank donor services, anatomic pathology, and HLA. PathNet automates the ordering and reporting of procedures, the production of accurate and timely reports, and the maintenance of accessible clinical records.

The RadNet Radiology Information System addresses the operational and management requirements of diagnostic radiology departments or services. It allows a department to replace its manual, paper-based system of record-keeping with an efficient computer-based system

The PharmNet Pharmacy Information System provides full integration in an HNA environment for rapid pharmacy order entry and support of the clinical pharmacy in either an inpatient or outpatient setting. PharmNet streamlines medication 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 fill lists, intravenous fill lists and medication administration records are produced automatically or on demand.

The SurgiNet Surgery Information System is designed to address the needs of the surgical department, including automating the functions of resource and equipment scheduling, inventory management, and operating room management.

The FirstNet Emergency Department Information System offers patient and provider tracking and an intuitive presentation of patient diagnoses and clinical events for the emergency department. FirstNet

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provides basic emergency department functionality, including quick admits, tracking, triage, and patient history, as well as a graphical reference to patient location and order status.

The CVNet Cardiology Department Information System automates the processes within the department of cardiology, supporting the scheduling, ordering, documentation and data capture required by professionals in the cardiology domain.

Decision Support and Executable Knowledge -----

Discern Structured Care Design is clinical pathways and protocols that automate the specific plans of care for an individual, and operates within Cerner's clinical systems.

Discern Dialogue is a real-time decision support software application that incorporates executable knowledge and provides order advice to clinicians. It manages the display of clinical alerts through Discern Insights, which are licensed separately. Discern Dialogue provides specific recommendations to change, cancel, or create orders.

Discern Expert and Alerts are an event-driven, rule-based, decision support software application that allows users to define clinical and management rules that are applied to events accessing data that is captured or generated by other HNA applications.

Discern Explorer is a decision support software application integrated with other Cerner HNA clinical and management information systems that allows users to execute predetermined or ad hoc queries and reports regarding process-related data that is generated by the other HNA applications.

Health Facts is Cerner's comparative data warehouse for benchmarking information and services for subscribers to support their own improvement processes.

Financial and Operational Management Systems -----

ProFit is Cerner's application for revenue accounting, billing and accounts receivables for the entire health system as well as each individual domain or organization.

ProRate is an application to automate the managed care processes around membership, eligibility tracking, claims processing and contract management.

The Prologue Enterprise Management System includes a suite of management applications specifically designed to assemble and use the information to help an organization complete its strategic plans, including clinical metrics, case profiling, and performance profiling of individuals and organizations.

The ProFile Health Information Management System helps meet the operations management needs of the health information management (medical records) department and includes functionality for the various chart tracking and completion tasks commonly associated with maintaining medical records.

ProCure and ProTrack automates the business operations around materials and equipment management for the organization.

Population Health Management -----

IQ Health produces personal health risk assessments and analyzes those to create interventions that promote self care and improve health.

Demand Management -----

Health Connections includes applications and services to automate and manage the operations of telecare, including protocol-based triage and person information.

Personal Health -----

Vitality is Cerner's home software product designed to extend medical care to the consumer's home. It provides a way for the consumer to interact on a regular basis with a healthcare provider. Vitality can store health and medical records for easy access. By providing health appraisals and personalized health plans, Vitality takes the first step toward improving health

education for members in a community.

Interface Technologies -----

The Open Engine Application Gateway System facilitates the exchange of data and assists in the management of point-to-point interfaces between foreign systems. It serves as a toolkit to help write interface code.

Software Development -----

Cerner commits significant resources to developing new health information system products. As of January 2, 1999, 1,032 employees were engaged full-time in product development activities. Total expenditures for the development and enhancement of the Company's products were approximately \$74,159,000, \$54,524,000 and \$43,133,000 during the 1998, 1997 and 1996 fiscal years respectively. These figures include both capitalized and noncapitalized portions and exclude amounts amortized for financial reporting purposes.

The Company expects to continue investment and development efforts for its current and future product offerings. As new clinical and management information needs emerge, Cerner intends to enhance its current product lines with new versions released to clients on a periodic basis. In addition, Cerner plans to expand its current product lines by developing additional information systems for use in clinical departments and to continue to support simultaneous use of Cerner's products across multiple facilities. All Cerner systems are developed under HNA using a proprietary systems development methodology. This methodology defines and controls each task throughout the product development cycle and ensures that current and future products can be fully integrated.

The Company is committed to maintaining open attributes in its system architecture through operability in a diverse set of technical and application environments. The Company strives to design its systems to co-exist with disparate applications developed and supported by other suppliers. This effort is exemplified by Cerner's Open Engine, OCF and OMF product lines.

See "Cerner's HNA Approach and HNA Millennium" for a discussion of the development of Cerner's latest generation of software products.

Sales and Marketing -----

The markets for Cerner's information system products include IHO's, IDS's, physician groups and networks and their MSO's, managed care organizations, hospitals, medical centers, free-standing reference laboratories, blood banks, imaging centers, pharmacies, employer coalitions, and public health organizations. To date, a substantial portion of system sales have been in clinical applications in hospital-based provider organizations. Cerner's HNA architecture is highly scaleable, with applications being used in hospitals ranging from under 50 beds to over 2,000 beds and managed care settings with over 2,000,000 members. All Cerner systems are designed to operate on computers manufactured by Compaq Computer Corporation ('Compaq'). In addition, many Cerner Classic applications are available

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on IBM's RISC System/6000 AIX (UNIX) platform. All HNA Millennium applications are designed to operate on either Compaq or IBM platforms, thereby allowing Cerner to be price competitive across the full range of size and organizational structure of healthcare providers. The sale of a health information system usually takes approximately nine to eighteen months, from the time of initial contact to the signing of a contract.

The Company's executive marketing management is located in its Kansas City, Missouri, headquarters, while its account representatives are deployed through regional offices across the United States. The Company, through subsidiaries, and joint ventures has offices and sales staff in Australia, Singapore and Saudi Arabia. The Company has a nonexclusive distribution agreement with Siemens Health Service GmbH & Co. KG by which its products are marketed, implemented and supported in Europe and elsewhere. Cerner's consolidated revenues include foreign sales of \$17,545,000, \$16,272,000 and \$15,874,000 for the 1998, 1997 and 1996 fiscal years, respectively. 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 a 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 clients' environments. The Company's primary direct marketing strategy is to generate sales contacts from its existing client base and through presentations at industry seminars and tradeshows. Cerner attends a number of major tradeshows each year and has begun to sponsor executive conferences, which feature industry experts who address the information system needs of large healthcare organizations.

During 1998 Cerner entered into a technology and marketing agreement with General Electric Company, acting through its GE Medical Systems division. Cerner is a leader in radiology information systems and GE is a leader in radiology imaging systems, as well as picture archiving communication systems. Picture archiving communication systems are designed to store, retrieve and enhance digital images produced by modern radiology imaging systems such as CAT SCAN systems, MRIs and ultrasound medical technology. This agreement is focused upon building and marketing the next generation of solutions in the radiology suite, a fully integrated radiology information system and picture archiving communication system.

At the end of 1998 Cerner licensed HNA Millenium functionality to Syntetic Healthcare Communications, Inc., in exchange for a 19.9% equity interest in such company. Syntetic Healthcare Communications is majority owned by Syntetic, Inc. and was formed for the purpose of creating Internet-based physician connectivity and electronic commerce.

Client Services - -----

Cerner uses a regional strategy to provide the full range of product and service capabilities to its clients from seven locations throughout the United States. Each regional center reflects Cerner's corporate culture and provides support services and resources, including training and development opportunities, for Company personnel working in the geographical area. The regional centers are also used for client education activities. Through the regional centers, Cerner provides on-site personnel for the development and management of systems projects, learn the evolving information needs of clients based on geographical trends in the healthcare industry, work with clients in the development of new products and services and share with clients Cerner's vision of the changing healthcare delivery market and the role of information systems in that transformation. The Company has regional offices in Atlanta, Boston, Dallas, Detroit, Kansas City, Los Angeles and Washington, D.C. Each regional office is focused on long-term marketplace development, product marketing, client project management, long-term client service 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

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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.

Backlog - -----

At January 2, 1999, Cerner had contract backlog of \$314,965,000. Such backlog represents system sales from signed contracts which had not yet been recognized as revenue. The Company recognizes revenue on a percent of completion basis, based on certain milestone conditions, for its software products. At January 2, 1999, the Company had \$94,627,000 of contracts receivable, which represents revenues recognized under the percent of completion method but not yet billable under the terms of the contract. At January 2, 1999, Cerner had a software support and maintenance backlog of \$153,453,000. Such backlog represents contracted software support and hardware maintenance services for a period of twelve months. The Company estimates that approximately 43% of the aggregate backlog of \$468,418,000 will be recognized as revenue during 1999.

Other Factors Affecting the Company's Business - -----

Information under the caption "Factors that may Affect Future Results of Operations, Financial Condition or Business" included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 is incorporated

herein by reference. Such information includes a discussion of various factors that could, among other things, affect the Company's business in the future, including (i) variations in the Company's quarterly operating results; (ii) volatility of the Company's stock price; (iii) market risk of investments; (iv) changes in the healthcare industry; (v) significant competition; (vi) the Company's proprietary technology may be subjected to infringement claims or may be infringed upon; (vii) possible regulation of the Company's software by the U.S. Food and Drug Administration or other government regulation; (viii) the possibility of product-related liabilities; (ix) risks and uncertainties related to the Year 2000; (x) possible failures or defects in the performance of the Company's software; and (xi) the possibility that the Company's anti-takeover defenses could delay or prevent an acquisition of the Company.

Item 2. Properties

The Company's offices are located in a Company-owned office park in North Kansas City, Missouri, containing approximately 500,000 square feet of useable space. As of January 2, 1999, the Company was using approximately 434,000 square feet and substantially all of the remainder was leased to tenants. The Company also leases office space for its branch offices in Atlanta, Boston, Dallas, Detroit, Los Angeles 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 January 2, 1999.

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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 April 1, 1999. Officers are elected annually and serve at the discretion of the board of directors.

Name - - - -	Age ---	Positions -----
Neal L. Patterson	49	Chairman of the Board of Directors, Chief Executive Officer and President
Clifford W. Illig	48	Vice Chairman of the Board of Directors
Glenn P. Tobin, Ph.D.	37	Executive Vice President and Chief Operating Officer
Jack A. Newman, Jr.	51	Executive Vice President
Paul M. Black	40	Senior Vice President and Chief Sales Officer
Robert C. Dieterle	48	Senior Vice President and General Manager
Alan D. Dietrich	36	Senior Vice President
Stephen M. Goodrich	47	Senior Vice President
Douglas M. Krebs	41	Senior Vice President and Area Manager
Marvin G. Pember	45	Senior Vice President and General Manager
Thomas C. Tinstman, M.D.	53	Senior Vice President and Chief Medical Officer
Marc G. Naughton	44	Vice President and Chief Financial Officer
Stanley M. Sword	37	Vice President and Chief People Officer
Jeffrey A. Townsend	35	Vice President and Chief Engineering Officer

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Neal L. Patterson has been Chairman of the Board of Directors and Chief Executive Officer of the Company for more than five years. Mr. Patterson was appointed President of the Company in March of 1999.

Clifford W. Illig has been a Director of the Company for more than five years. He also served as Chief Operating Officer of the Company for more than five years until October, 1998 and as President of the Company for more than five years until March of 1999. Mr. Illig was appointed Vice Chairman of the Board of Directors in March of 1999.

Glenn P. Tobin, Ph.D. joined the Company in early 1998 as General Manager and Senior Vice President. On October 29, 1998, Dr. Tobin was appointed Executive Vice President and Chief Operating Officer. Prior to joining the Company, Dr. Tobin served as a senior consultant with McKinsey and Co., Inc. for more than five years.

Jack A. Newman, Jr. joined the Company in January 1996 as Executive Vice President. Prior to joining the Company, he was with KPMG LLP for 22 years. Immediately prior to joining Cerner he was National Partner-in-Charge of KPMG's Health Care Strategy Practice.

Paul M. Black joined the Company in March, 1994 as a Regional Vice President. He was promoted in December 1998 to his current position. Prior to joining Cerner, he spent twelve years with IBM Corporation.

Robert C. Dieterle joined the Company in July, 1995 as Senior Vice President and General Manager. Prior to joining Cerner, he spent over 20 years in a variety of executive health care positions throughout the country.

Alan D. Dietrich joined the Company in 1990 as Director of Business, Planning and Development. In January 1994 he was promoted to Senior Vice President.

Stephen M. Goodrich joined the Company in October 1987 as a project leader in the product organization. In 1992 he was promoted to Vice President and was promoted to Senior Vice President effective April 1, 1999.

Douglas M. Krebs joined the Company in June 1994 as Regional Vice President. He was promoted to Senior Vice President and Area Manager effective April 1, 1999. Prior to joining Cerner, he spent 15 years with IBM Corporation.

Marvin G. Pember joined the Company in April, 1998 in his current role. Prior to joining Cerner, he served as Chief Financial Officer and Managing Director for Integris Health in Oklahoma City for more than five years.

Thomas C. Tinstman, M.D. joined the Company in November 1995 as Senior Vice President and Chief Medical Officer and has been a Director of the Company since May 1989. Prior to joining the Company, Dr. Tinstman was Director of Medical Informatics with University of Texas Medical Branch in Galveston, Texas. Prior to that he was a physician in private practice with Internal Medicine Associates, P.C. in Omaha, Nebraska. From 1977 to January, 1994, Dr. Tinstman served as Associate Medical Director of Pulmonary Medical Services at Bishop Clarkson Memorial Hospital and as Medical Director of the Respiratory Therapy Department of Midland Hospital, both in Omaha, Nebraska. Dr. Tinstman has served as a director of Smith-Haynes Trust, Inc. since 1988.

Marc G. Naughton joined the Company in November 1992 as Manager of Taxes. In November 1995 he was elected Chief Financial Officer and in February 1996 he was promoted to Vice President.

Stanley M. Sword joined Cerner in July 1998 in his current role. Prior to joining Cerner, he served as a client partner in the outsourcing practice of AT&T Solutions for more than five years.

Jeffrey A. Townsend joined the Company in June 1985. Since that time he has held several positions in the product organization and was promoted to Vice President in February 1997. He was appointed Chief Engineering Officer in March 1998.

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

The Company's common stock trades on The NASDAQ Stock MarketSM under the symbol CERN. The following table sets forth the high, low, and last sales prices for the fiscal quarters of 1998 and 1997 as reported by The NASDAQ National Market System.

	1998					1997				
	High	Low	Last			High	Low	Last		
First quarter	24	9/16	19	1/16	21	15/16	16	1/4	13	1/4
Second quarter	29	15/16	20	7/8	27	7/8	22	1/8	11	7/8
Third quarter	31	7/16	22		22	5/8	32	7/8	20	3/4
Fourth quarter	27	1/16	20	1/2	26	3/4	30	1/2	20	1/4

At February 3, 1999, there were approximately 1,300 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

	1998(1)	1997	1996	1995	1994
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(In thousands, except per share data)					
Statement of Earnings Data:					
Revenues	\$ 330,902	245,057	189,107	186,901	155,917
Operating earnings	38,568	22,170	10,601	37,256	33,779
Earnings before income taxes	38,306	24,484	12,902	37,220	32,451
Net earnings	23,687	15,148	8,251	22,521	19,501
Earnings per share:					
Basic	.72	.46	.25	.75	.71
Diluted	.70	.45	.25	.72	.66
Weighted average shares outstanding:					
Basic	32,825	32,881	32,729	29,845	27,651
Diluted	33,667	33,667	33,620	31,448	29,762
Balance Sheet Data:					
Working capital	\$ 118,681	156,808	171,204	174,064	52,370
Total assets	436,485	331,781	314,753	303,945	156,410
Long-term debt, net	25,000	30,026	30,000	30,104	30,235
Stockholders'equity	271,143	233,747	230,735	221,374	85,777

(1) 1998 Statement of Earnings Data excludes acquisition related charges.

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

Introduction

1998 reflected major accomplishments that will provide long-term financial and strategic benefits for the Company, but also included disappointments in bookings and stock performance despite a 35% increase in revenues and 56% increase in net earnings (excluding acquisition related charges) as compared to 1997. Most notably, the Company completed the major development cycle of HNA Millennium. The Company believes HNA Millennium provides a significant competitive advantage because it utilizes the only fully integrated, large-scale, enterprise-wide architecture in the industry and thus can deliver a superior combination of functionality, efficiency, cost-containment and quality control through intrarelated clinical and management information systems.

The Company is now effectively positioned to meet the complex needs of a dynamic and consolidating health-care industry that requires sophisticated, powerful and comprehensive solutions to information sharing and process automation. Many analysts expect that the overall health information marketplace will grow at least 20% per year for the next five years following the millennium. The Company expects that the clinical information segments of this marketplace will grow even faster. With over 30 product lines currently in HNA Millennium, which will grow over the next few years, the Company believes it can sustain its technological leadership and capitalize on this opportunity. These 30 product lines will include, early in 2000, patient accounting and other business and management systems, where the Company currently has no or limited market share.

In the fourth quarter of 1998, the Company licensed a broad set of HNA Millennium applications to Synetic Healthcare Communications, Inc. ("SHC") which is focused on clinical e-commerce through an Internet platform that connects payers, physicians and patients. In exchange for granting this license and entering into related marketing and other agreements, the Company received 19.9% of SHC's common stock which the Company valued at \$70 million. In November of 1998, the Company entered into an agreement with GE Medical Systems division of General Electric Company ("GE") to develop and market the next generation of solutions in the radiology suite that combines the Company's leadership in radiology information systems with GE's leadership in radiology imaging systems and picture archival communication systems. These alliances create the potential to leverage the Company's access to customers, emerging markets and technology.

The Company's human resources were augmented significantly during 1998. The Company recruited and promoted a number of talented executives to its senior management team last year, including: Jeff Townsend, Chief of Engineering; Glenn Tobin, Chief Operating Officer; Marvin Pember, responsible for provider-based and managed care Enterprise Business Units; Stan Sword, Chief People Officer; and Paul Black, promoted to Chief Sales Officer. The Company also added approximately 550 associates. The Company's ability to recruit and retain such talent was recognized in 1998 by Fortune Magazine with its award as "One of the Top 100 Companies" to work for in the United States. The quality and service-orientation of our associates was also validated by external surveys which identified the Company as the "Best Telephone Support" provider in the industry.

Despite the many positive developments that occurred in 1998, the Company was disappointed with its financial performance. The Company did not fully anticipate the decrease in demand for large-scale systems within the health care industry resulting from the diversion of capital and human resources to solve Year 2000 compliance issues. It is currently expected that this decline in demand will likely persist during 1999 as customers continue to focus on efforts to update their current systems to become Year 2000 compliant. However, after January 1, 2000, the Company expects that this problem will quickly dissipate. Sales of enterprise wide systems were negatively impacted during 1998 because the Company

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did not have a large, complex reference site using significant portions of HNA Millennium applications until January of 1999.

While the Company is quite optimistic about its financial performance heading into the new millennium, it is taking a conservative view for 1999. This cautiousness is predicated primarily on the continued uncertainty that Year 2000 compliance issues create for the buyers of health care information systems. Nevertheless, the Company believes that its revenues and earnings will exceed those of 1998. Earnings from implementation services are expected to increase as more projects are billed under a closely-scoped fee-for-service approach. Approximately 43% of the aggregate backlog of \$468,418,000 is expected to be recognized as revenues during 1999.

Results of Operations

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Year Ended January 2, 1999, Compared to Year Ended January 3, 1998

The Company's revenues increased 35% to \$330,902,000 in 1998 from \$245,057,000 in 1997. Net earnings increased 36% to \$20,589,000 in 1998 from \$15,148,000 in 1997. Excluding acquisition related charges, net earnings increased 56% to \$23,687,000 in 1998 relative to 1997.

Revenues

- ----- - In 1998, revenues increased due to an increase in system sales and support of installed systems. System sales increased 44% to \$245,490,000 in 1998 from \$170,906,000 in 1997. This increase in system sales resulted primarily from an increase in installations under Health Network Architecture (HNA) contracts. Revenue from HNA contracts increased 23% compared to 1997. The sale of additional hardware and software products to the installed client base increased 30% in 1998 as compared to 1997.

Total sales to the installed base in 1998, including new systems, incremental hardware and software, support and maintenance services, and discrete services, were 69% of total revenues in 1998 compared to 73% in 1997. The lower percentage was primarily due to the increase in system sales to new clients.

At January 2, 1999, the Company had \$314,965,000 in contract backlog and \$153,453,000 in support and maintenance backlog, compared to \$198,274,000 in contract backlog and \$132,842,000 in support and maintenance backlog at the end of 1997.

Support and maintenance revenues increased 12% in 1998 compared to 20% in 1997. These revenues represented 23% of 1998 total revenues and 28% of 1997 total revenues. The lower percentage was primarily due to the increase in system sales.

Other revenues increased 59% to \$8,657,000 in 1998 from \$5,438,000 in 1997. This increase was due primarily to services performed beyond contracted requirements for existing clients.

Cost of Revenues

- ----- - The cost of revenues includes the cost of computer hardware and sublicensed software purchased from computer and software manufacturers for delivery to clients. It also includes the cost of hardware maintenance and sublicensed software support subcontracted to the manufacturers. The cost of revenues was 27% of total revenues in 1998 and 29% of total revenues in 1997. Such costs, as a percent of revenues, typically have varied as the mix of revenue (software, hardware, services and support) components carrying different margin rates changes from period to period. The decrease in the cost of revenue as a percent of total revenues resulted principally from a decrease in the percent of revenue from computer hardware and sublicensed software, which carry a higher cost of revenue percentage.

Sales and Client Service

- ----- - Sales and client service expenses include salaries of client service personnel, communications expenses, and unreimbursed travel expenses. Also included are sales and marketing

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salaries, travel expenses, trade show costs, and advertising costs. These expenses as a percent of total revenues were 35% in 1998 and 34% in 1997. The increase in total sales and client service expenses is attributable to the cost of a larger field sales and services organization and marketing of new products.

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 1998 and 1997 were \$74,159,000 and \$54,524,000, respectively. These amounts exclude amortization. Capitalized software costs were \$25,052,000 and \$18,373,000 for 1998 and 1997, respectively. The increase in aggregate expenditures for software development in 1998 is due to development of HNA Millennium products and development of community care 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% in 1998 and 9% in 1997.

Write-off of In-Process Research and Development

- ----- - Write-off of in-process research and development is a one-time expense resulting from the acquisition of Multum.

Interest Income (Expense), Net

- ----- - Net interest expense was \$262,000 in 1998 compared to net interest income of \$2,314,000 in 1997. The decrease is due primarily to a decrease in invested cash.

Income Taxes

- ----- - The Company's effective tax rate was 38% in 1998 and 1997.

Year Ended January 3, 1998, Compared to Year Ended December 28, 1996

The Company's revenues increased 30% to \$245,057,000 in 1997 from \$189,107,000 in 1996. Net earnings increased 84% to \$15,148,000 in 1997 from \$8,251,000 in 1996. Net earnings from the Company's foreign operations decreased to \$2,389,000 in 1997 from \$2,897,000 in 1996.

Revenues

- ----- - In 1997, revenues increased due to an increase in system sales and support of installed systems. System sales increased 39% to \$170,906,000 in 1997 from \$122,836,000 in 1996. This increase in system sales resulted primarily from an increase in installations under Health Network Architecture (HNA) contracts. HNA contracts were 57% of total systems sales in 1997, compared to 43% in 1996. The sale of additional hardware and software products to the installed client base decreased 8%

in 1997 as compared to 1996.

Total sales to the installed base in 1997, including new systems, incremental hardware and software, support and maintenance services, and discrete services, were 73% of total revenues in 1997 compared to 79% in 1996. The lower percentage was primarily due to the increase in system sales to new clients.

At January 3, 1998, the Company had \$198,274,000 in contract backlog and \$132,842,000 in support and maintenance backlog, compared to \$110,330,000 in contract backlog and \$107,255,000 in support and maintenance backlog at the end of 1996.

Support and maintenance revenues increased 20% in 1997 compared to 16% in 1996. This increase was due primarily to the increase in the Company's installed and converted client base. These revenues represented 28% of 1997 total revenues and 30% of 1996 total revenues.

Other revenues decreased 38% to \$5,438,000 in 1997 from \$8,841,000 in 1996. This decrease was due primarily to a decrease in real estate lease revenues from the rental to outside tenants, as the Company utilizes more office space, and the reporting of certain services revenue as system sales in 1997.

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Cost of Revenues

- ----- - The cost of revenues includes the cost of computer hardware and sublicensed software purchased from computer and software manufacturers for delivery to clients. It also includes the cost of hardware maintenance and sublicensed software support subcontracted to the manufacturers. The cost of revenues was 29% of total revenues in 1997 and 31% of total revenues in 1996. Such costs, as a percent of revenues, typically have varied as the mix of revenue (software, hardware, services and support) components carrying different margin rates changes from period to period. The decrease in the cost of revenue as a percent of total revenues resulted principally from a decrease in the percent of revenue from computer hardware and sublicensed software, which carry a higher cost of revenue percentage.

Sales and Client Service

- ----- - Sales and client service expenses include salaries of client service personnel, communications expenses, and unreimbursed travel expenses. Also included are sales and marketing salaries, travel expenses, trade show costs, and advertising costs. These expenses as a percent of total revenues were 34% in 1997 and 1996. The increase in total sales and client service expenses is attributable to the cost of a larger field sales and services organization and marketing of new products.

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 1997 and 1996 were \$54,524,000 and \$43,133,000, respectively. These amounts exclude amortization. Capitalized software costs were \$18,373,000 and \$13,240,000 for 1997 and 1996, respectively. The increase in aggregate expenditures for software development in 1997 is due to development of HNA Millennium products and development of community care 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 9% in 1997 and 10% in 1996.

Interest Income, Net

- ----- - Net interest income was \$2,314,000 in 1997 compared to \$2,301,000 in 1996.

Income Taxes

- ----- - The Company's effective tax rates were 38% and 36% for 1997 and 1996, respectively. The lower 1996 tax rate is due to the utilization of foreign net operating losses.

Liquidity and Capital Resources

- -----

The Company had total cash and cash equivalents of \$42,658,000 at the end of 1998 and working capital of \$118,681,000, compared to cash and cash equivalents of \$77,543,000 at the end of 1997, and working capital of \$156,808,000. The decrease in working capital resulted primarily from the Company's investment in software development, the purchase of capital equipment and the acquisition of Multum. In

November 1998, the Company sold 670,000 shares of common stock to General Electric Company, which resulted in cash proceeds of \$14,874,000.

The Company generated cash of \$5,893,000, \$18,692,000, and \$28,262,000 from operations in 1998, 1997, and 1996, respectively. Cash flow from operations decreased in 1998 and 1997, due primarily to increases in receivables from increased revenues, and, in 1998 from non-cash consideration received for the sale of license software.

Revenues provided under support and maintenance agreements represent recurring cash flows. Support and maintenance revenues increased 12%, 20%, and 16%, in 1998, 1997, and 1996, respectively, and the Company expects these revenues to continue to grow as the base of installed systems grows.

The Company's liquidity is influenced by many factors, including the amount and timing of the Company's revenues, its cash collections from its clients as implementation of its products proceed and

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the amounts the Company invests in software development and capital expenditures. The Company's liquidity has decreased over the three year period ended January 2, 1999 due primarily to increased investment in software development and increase in receivables due to increased sales. The Company expects that its cash position will decrease during the first half of 1999 as it continues its investment in software development, but the Company expects to have an increase in its cash position for the fourth quarter of 1999. The Company believes that its present cash position, together with cash generated from operations, will be sufficient to meet anticipated cash requirements during 1999. The Company has an \$18,000,000 line of credit available but may obtain additional debt capital in order to provide greater financial flexibility.

The effects of inflations were minimal on the Company's business.

Factors that may Affect Future Results of Operations, Financial

Condition or Business

Statements made in this report, other reports and proxy statements filed with the Securities and Exchange Commission, communications to stockholders, press releases and oral statements made by representatives of the Company that are not historical in nature, or that state the Company's or management's intentions, hopes, beliefs, expectations, or predictions of the future, are "forward-looking statements" within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended, and involve risks and uncertainties. The words "should," "will be," "intended," "continue," "believe," "may," "expect," "hope," "anticipate," "goal," "forecast" and similar expressions are intended to identify such forward-looking statements. It is important to note that any such performance, and actual results, financial condition or business could differ materially from those expressed in such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed below as well as those discussed elsewhere in reports filed with the Securities and Exchange Commission. The Company undertakes no obligation to update or revise forward-looking statements to reflect changed assumptions, the occurrence of unanticipated events or changes in future operating results, financial condition or business over time.

Quarterly Operating Results May Vary

----- - The Company's quarterly operating results have varied in the past and may continue to vary in future periods. Quarterly operating results may vary for a number of reasons including demand for the Company's products and services, the Company's long sales cycle, the long installation and implementation cycle for these larger, more complex and costlier systems and other factors described in this section and elsewhere in this report. As a result of healthcare industry trends and the market for the Company's HNA Millennium products, a large percentage of the Company's revenues are generated by the sale and installation of larger, more complex and costlier systems. The sales process for these systems is lengthy and involves a significant technical evaluation and commitment of capital and other resources by the customer. The sale may be subject to delays due to customers' internal budgets and procedures for approving large capital expenditures and by competing needs for other capital expenditures and deploying new technologies or personnel resources. Delays in the expected sale or installation of these large contracts may have a significant impact on the Company's anticipated quarterly revenues and consequently its earnings, since a significant percentage of the

Company's expenses are relatively fixed.

These larger, more complex and costlier systems are installed and implemented over time periods ranging from approximately nine months to three years and involve significant efforts both by the Company and the client. In addition, implementation of the Company's Millennium products is a new and evolving process. The Company recognizes revenue upon the completion of standard milestone conditions and the amount of revenue recognized in any quarter depends upon the Company's and the client's ability to meet these project milestones. Delays in meeting these milestone conditions or modification of the contract relating to one or more of these systems could result in a shift of revenue recognition from one quarter to another and could have a material adverse effect on results of operations for a particular quarter. In addition, support payments by clients for the Company's products do not commence until the product is in use.

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The Company's revenues from system sales historically have been lower in the first quarter of the year and greater in the fourth quarter of the year.

Stock Price May Be Volatile

- ----- - The trading price of the Company's common stock may be volatile. The market for the Company's common stock may experience significant price and volume fluctuations in response to a number of factors including actual or anticipated quarterly variations in operating results, changes in expectations of future financial performance or changes in estimates of securities analysts, governmental regulatory action, healthcare reform measures, client relationship developments and other factors, many of which are beyond the Company's control.

Furthermore, the stock market in general, and the market for software, healthcare and high technology companies in particular, has experienced extreme volatility that often has been unrelated to the operating performance of particular companies. These broad market and industry fluctuations may adversely affect the trading price of the Company's common stock, regardless of actual operating performance.

Market Risk of Investments

- ----- - The Company accounts for its investments in equity securities which have readily determinable fair values as available-for sale. Available-for-sale securities are reported at fair value with unrealized gains and losses reported, net of tax, as a separate component of accumulated other comprehensive income. Investments in other equity securities are reported at cost. All equity securities are reviewed by the Company for declines in fair value. If such declines are considered to be other than temporary, the cost basis of the individual security is written down to fair value as a new cost basis, and the amount of the write-down is included in earnings.

Included in the Company's investments is the ownership of 19.9% of the common stock of Syntetic Healthcare Communications, Inc. ("SHC"). There is no current market for this common stock and it is not accounted for as available-for-sale. As a result, the stock was valued at \$70,000,000 based on a methodology which utilized both a comparable company and the expected underlying discounted future cash flows. The common stock is subject to certain lock-up provisions. A permanent impairment in the value of SHC stock would result in a charge to earnings in either the then current or future periods. There would be no effect on cash flows because the revenue was earned through contractual rights granted in exchange for SHC stock. An increase in the value of the SHC stock would have no effect on reported earnings. Syntetic, Inc., the parent of SHC, has publicly announced that SHC plans to conduct an initial public offering of its shares. The Company has agreed to purchase additional SHC shares in that offering which may maintain its proportionate ownership of SHC. The Company has not engaged in equity swaps or other hedging techniques to manage the equity risk inherent in the SHC shares.

The Company is exposed to market risk from changes in marketable securities (which consist of money market and commercial paper). At January 2, 1999, marketable securities of the Company were recorded at a fair value of approximately \$43 million, with an overall average return of approximately 5% and an overall weighted maturity of less than 90 days. The marketable securities held by the Company are not subject to price risk as they are held to maturity.

The Company is not exposed to material future earnings or cash flow exposures from changes in interest rates on long-term debt since 100% of its long-term debt is at a fixed rate. To date, the Company has not entered into any derivative financial instruments to manage interest rate risk and is currently not evaluating the future use of any such financial instruments.

The Company conducts business in several foreign jurisdictions. However, the business transacted is in the local functional currency and the Company does not currently have any material exposure to foreign currency transaction gains or losses. All other business transactions are in U.S. dollars. To date, the Company has not entered into any derivative financial instrument to manage foreign currency risk and is currently not evaluating the future use of any such financial instruments.

Changes in the Healthcare Industry

- ----- - The healthcare industry is highly regulated and is subject to changing political, economic and regulatory influences. For example, The Balanced Budget Act of 1997 (Public Law 105-32) contains significant changes to Medicare and Medicaid and began to have its initial impact in 1998 due to limitations on reimbursement, resulting cost containment initiatives, and effects on pricing and demand for capital intensive systems. These factors affect the purchasing practices and operation of healthcare organizations. Federal and state legislatures have periodically considered programs to reform or amend the U.S. healthcare system at both the federal and state level and to change healthcare financing and reimbursement systems. These programs may contain proposals to increase governmental involvement in healthcare, lower reimbursement rates or otherwise change the environment in which healthcare industry participants operate. Healthcare industry participants may respond by reducing their investments or postponing investment decisions, including investments in the Company's products and services.

Many healthcare providers are consolidating to create integrated healthcare delivery systems with greater market power. These providers may try to use their market power to negotiate price reductions for the Company's products and services. As the healthcare industry consolidates, the Company's customer base could be eroded, competition for customers could become more intense and the importance of acquiring each customer becomes greater.

Significant Competition

- ----- - The market for healthcare information systems is intensely competitive, rapidly evolving and subject to rapid technological change. The Company believes that the principal competitive factors in this market include the breadth and quality of system and product offerings, the stability of the information systems provider, the features and capabilities of the information systems, the ongoing support for the system, and the potential for enhancements and future compatible products.

Certain of the Company's competitors have greater financial, technical, product development, marketing and other resources than the Company and some of its competitors offer products that it does not offer. The Company's principle existing competitors include Shared Medical Systems Corporation, IDX Systems Corporation, McKesson HBOC, Inc. and Eclipsys Corporation, each of which offers a suite of products that compete with many of the Company's products. There are other competitors that offer a more limited number of competing products.

In addition, the Company expects that major software information systems companies, large information technology consulting service providers and system integrators, Internet-based start-up companies and others specializing in the healthcare industry may offer competitive products or services. The pace of change in the healthcare information systems market is rapid and there are frequent new product introductions, product enhancements and evolving industry standards and requirements. As a result, the Company's success will depend upon its ability to keep pace with technological change and to introduce, on a timely and cost-effective basis, new and enhanced products that satisfy changing customer requirements and achieve market acceptance.

Proprietary Technology May Be Subjected to Infringement Claims or - ----- May Be Infringed Upon

- ----- - The Company relies upon a combination of trade secret, copyright and trademark laws, license agreements, confidentiality procedures, employee nondisclosure agreements and technical measures to maintain the trade secrecy of its proprietary information. The Company has not historically filed patent applications or copyrights covering its software technology. As a result, the Company may not be able to protect against misappropriation of its intellectual property.

In addition, the Company could be subject to intellectual property infringement claims as the number of competitors grows and the functionality of its products overlaps with competitive offerings. These claims, even if not meritorious, could be expensive to defend. If the Company becomes liable to third parties for infringing their intellectual property rights, it

could be required to pay a substantial damage award and to develop noninfringing technology, obtain a license or cease selling the products that contain the infringing intellectual property.

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Government Regulation

- ----- - The United States Food and Drug Administration (the "FDA") has declared that software products that are intended for the maintenance of data used in making decisions regarding the suitability of blood donors and the release of blood or blood components for transfusion are medical devices under the 1976 Medical Device Amendments to the Federal Food, Drug and Cosmetic Act and the Safe Medical Devices Act of 1990. As a consequence, the Company is subject to extensive regulation by the FDA with regard to its blood bank software. If other of the Company's products are deemed to be medical devices by the FDA, the Company could be subject to extensive requirements governing pre- and post- marketing conditions, such as device investigation, approval, labeling and manufacturing. Complying with these FDA regulations would be time consuming, burdensome and expensive. The Company expects that the FDA is likely to become more active in regulating computer software that is used in healthcare.

Following an inspection by the FDA in March of 1998, the Company received a two-item Form FDA 483 (Notice of Inspectional Observations) containing observations of non-compliance with the Federal Food, Drug and Cosmetic Act (the "Act") with respect to the Company's PathNet HNA Blood Bank Transfusion and Donor products (the "Blood Bank Products"). The Company subsequently received a Warning Letter, dated April 29, 1998, as a result of the same inspection. The Company responded promptly to the FDA and undertook a number of actions in response to the Form 483 and Warning Letter, including an audit by a third party of the Company's Blood Bank Products. A copy of the third party audit was submitted to the FDA in October of 1998 and, at the request of the FDA, additional information and clarification was submitted to the FDA in January of 1999.

There can be no assurance, however, that the Company's actions taken in response to the Form 483 and Warning Letter will be deemed adequate by the FDA or that additional actions on behalf of the Company will not be required. In addition, the Company remains subject to periodic inspections and there can be no assurances that the Company will not be required to undertake additional actions to comply with the Act and any other applicable regulatory requirements. Any failure by the Company to comply with the Act and any other applicable regulatory requirements could have a material adverse effect on the Company's ability to continue to manufacture and distribute its products, and in more serious cases, could result in seizure, recall, injunction and/or civil fines. Any of the foregoing would have a material adverse effect on the Company's business, results of operations or financial condition.

Product Related Liabilities

- ----- - Many of the Company's products provide data for use by healthcare providers in providing care to patients. Although no such claims have been brought against the Company to date regarding injuries related to the use of its products, such claims may be made in the future. Although the Company maintains product liability insurance coverage in an amount that it believes is sufficient for its business, there can be no assurance that such coverage will prove to be adequate or that such coverage will continue to remain available on acceptable terms, if at all. A successful claim brought against the Company which is uninsured or under-insured could materially harm its business, results of operations or financial condition.

Year 2000

- ----- - The following statements are a "Year 2000 Readiness Disclosure" within the meaning of the Year 2000 Information and Readiness Disclosure Act. Computer programs that use two digits to identify a year may fail or create errors in the year 2000, leading to system failures or miscalculations causing disruptions to the operations of the user. The Company has conducted a Year 2000 review of its operations focusing on the Company's products and their use by its clients, the computers, operating systems and data bases used in conjunction with its products and the Company's internal operations.

The Company's software products currently being marketed are Year 2000 compliant. The costs incurred to make the Company's current versions compliant have occurred in the ordinary course of software development and enhancement and have not been material. All of the Company's clients using older versions of its software products are entitled to upgrade to the compliant versions with no charge for the compliant version. However, some have elected not to do so for a variety of reasons. The Company is

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working with the clients who wish to upgrade to address Year 2000 issues. These clients have either been upgraded to compliant versions or are scheduled to be upgraded to compliant versions of the Company's software by August 1999. The Company is assisting those clients to upgrade using electronic access from the Company's facilities without charge. If the client desires on-site assistance, the Company is assessing its normal charges. These services are being conducted in the ordinary course of the Company's business by its employees, and the costs to the Company are not expected to be material. The Company is also engaged in many projects to implement its products at client sites. These projects require efforts both by the Company and its clients. For some of these clients, these projects constitute their solution to Year 2000 issues. Substantially all of these projects are planned to be completed by September 1999. The Company is working with its clients, or the clients are working independently, on contingency plans for Year 2000 issues where there is a reasonable likelihood the project may not be completed by the end of 1999.

As clients and potential customers focus on efforts to update their current systems, they may elect to delay capital investments in information systems in order to focus their capital budgets on the expenditures necessary to bring their existing systems into Year 2000 compliance. As a result, the Company may not achieve expected sales revenues and its business, financial condition and results of operations could be materially adversely affected.

The Company believes that its internal third-party software applications, operating systems and telephone systems are Year 2000 compliant. The Company did have some internally developed software applications that required upgrading to be Year 2000 compliant. These upgrades were done internally and have been completed. The Company has also replaced some older computers and operating systems that were not Year 2000 compliant in the normal course of infrastructure maintenance.

The suppliers of the computers, operating systems and data bases necessary to operate the current versions of the Company's software products have indicated to the Company that those products either are Year 2000 compliant or they would be by the end of 1999. The Company has conducted tests of such computers, operating systems and databases with its products now being marketed and currently has no reasonable cause to believe that the Company's products are not Year 2000 compliant when operated with such computers, operating systems and databases. However, in operation at clients' sites, the Company's software products interchange data with many third party systems through interfaces that may be unique to the client or the third party system. Such interfaces or data interchanged may contain inaccuracies or such data may not be in a format that allows the Company's system to correctly identify the date. There can be no assurance that the Company will not be subject to claims that result from the failure of third party systems or their related interfaces to be Year 2000 compliant. These claims, even if not meritorious, could be expensive to defend.

Although the Company believes its Year 2000 review and the actions it has taken and plans to take in response to the review are appropriate, there can be no assurance that the review identified all possible issues or that all identified issues will be satisfactorily resolved. A material failure of the Company's internal systems to be Year 2000 compliant, a material failure in suppliers of the computers, operating systems and databases used in conjunction with the Company's products to be Year 2000 compliant or a material delay in client projects related to Year 2000 issues could have a material adverse effect on the Company's business, results of operations or financial condition.

System Errors and Warranties

- ----- - The Company's systems, particularly the Millennium versions, are very complex. As with complex systems offered by others, the Company's systems may contain errors, especially when first introduced. Although the Company conducts extensive testing, it has discovered software errors in its products after their introduction. The Company's systems are intended for use in collecting and displaying clinical information used in the diagnosis and treatment of patients. Therefore, users of the Company products have a greater sensitivity to system errors than the market for software products generally. The Company's agreements with its clients typically provide warranties against material errors and other matters. Failure of a client's system to meet these criteria could constitute a

material breach under such contracts allowing the client to cancel the contract, or could require the Company to incur additional expense in order to make the system meet these criteria.

The Company's contract with its clients generally limit the Company's liability arising from such claims but such limits may not be enforceable in certain jurisdictions.

Anti-Takeover Defenses

- ----- - The Company's charter, bylaws, shareholders' rights plan and certain provisions of Delaware law contain certain provisions that may have the effect of delaying or preventing an acquisition of the Company. Such provisions are intended to encourage any person interested in acquiring the Company to negotiate with and obtain the approval of the Board of Directors in connection with any such transaction. These provisions include (i) a Board of Directors that is staggered into three classes to serve staggered three-year terms, (ii) blank check preferred stock, (iii) supermajority voting provisions, (iv) inability of stockholders to act by written consent or call a special meeting, (v) limitations on the ability of stockholders to nominate directors or make proposals at stockholder meetings, and (vi) triggering the exercisability of stock purchase rights on a discriminatory basis, which may invoke extensive economic and voting dilution of a potential acquirer if its beneficial ownership of the Company's common stock exceeds a specified threshold. Certain of these provisions may discourage a future acquisition of the Company not approved by the Board of Directors in which shareholders might receive a premium value for their shares.

Item 7A. Quantitative and Qualitative Disclosures about Market Risk

Information contained under the caption "Factors that may Affect Future Results of Operations, Financial Condition or Business -- Market Risk of Investments" set forth under "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 is incorporated herein by reference.

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.

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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 28, 1999, 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 28, 1999, 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 28, 1999, 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.

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 28, 1999, 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 28, 1999, 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.

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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 -
January 2, 1999 and January 3, 1998

Consolidated Statements of Earnings -
Years Ended January 2, 1999, January 3, 1998 and
December 28, 1996

Consolidated Statements of Changes In Equity
Years Ended January 2, 1999, January 3, 1998 and
December 28, 1996

Consolidated Statements of Cash Flows
Years Ended January 2, 1999, January 3, 1998 and
December 28, 1996

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 January 2, 1999 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 of the Registrant, (filed as Exhibit 3(i) to Registrant's Quarterly Report on Form 10-Q for the year ended June 29, 1996 and hereby incorporated by reference).
3(b)	Bylaws, as amended (filed as Exhibit 3 to the Registrant's Quarterly Report on Form 10-Q for the six months ended June 30, 1995, and hereby incorporated by reference).
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4(a)	Amended and Restated Rights Agreement, dated as of March 12, 1999, between Cerner Corporation and UMB Bank, n.a., as Rights Agents, which includes the Form of Certificate of Designation, Preferences and Rights of Series A Preferred Stock of Cerner Corporation, as Exhibit A, and the Form of Rights Certificate, as Exhibit B (filed as an Exhibit to Registrant's current report on Form 8-A/A dated March 31, 1999 and incorporated herein by reference).
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 and Mercantile Bank dated April 1, 1999.
10(a)	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(b)	Indemnification Agreements between the Registrant and Neal L. Patterson, Clifford W. Illig, Gerald E. Bisbee, Jr. and Thomas C. Tinstman, (filed as Exhibit 10(i) to Registrant's

Annual report on Form 10-K for the year ended December 31, 1992, and incorporated herein by reference).*

- 10(c) Indemnification Agreement between Michael E. Herman and Registrant (filed as Exhibit 10(i)(a) to Registrant's Quarterly Report on Form 10-Q for the year ended June 29, 1996 and hereby incorporated by reference).*
- 10(d) Indemnification Agreement between John C. Danforth, and Registrant (filed as Exhibit 10(i)(b) to Registrant's Quarterly Report on Form 10-Q for the year ended June 29, 1996 and hereby incorporated by reference).*
- 10(e) Indemnification Agreement between Thomas A. McDonnell and Registrant (filed as Exhibit 10(i)(c) to Registrant's Quarterly Report on Form 10-Q for the year ended June 29, 1996 and hereby incorporated by reference).*
- 10(f) Amended Stock Option Plan D of Registrant (filed as Exhibit 10(g) to Registrant's Annual Report on Form 10-K for the year ended January 3, 1998, and hereby incorporated by reference).*
- 10(g) Stock Option Plan E of Registrant (filed as Exhibit 10(h) to Registrant's Annual Report on Form 10-K for the year ended January 3, 1998, and hereby incorporated by reference).*
- 10(h) Agreement for Cerner Corporation Consulting Services with Gerald E. Bisbee, Ph.D. (filed as Exhibit 10(i) to Registrant's Annual Report on Form 10-K for the year ended January 3, 1998, and hereby incorporated by reference).*
- 10(i) Cerner Performance Plan for 1998.*
- 10(j) Cerner Performance Plan for 1999.*
- 10(k) Long-Term Incentive Plan for 1998.*

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- 10(l) Long-Term Incentive Plan for 1999.*
- 10(m) Promissory Note of Jack A. Newman, Jr.*
- 10(n) Promissory Note of Robert C. Dieterle.*
- 10(o) Promissory Note of Glenn P. Tobin.*
- 10(p) Promissory Note of Marvin G. Pember.*
- 11 Computation of Registrant's Earnings Per Share. (Exhibit omitted. Information contained in notes to consolidated financial statements.)
- 21 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

A report on form 8-K was filed on March 18, 1999.

(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.

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SIGNATURES

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

CERNER CORPORATION

Dated: April 1, 1999 By: /s/Neal L. Patterson

Neal L. Patterson
Chairman of the Board,
Chief Executive Officer and President

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, Chief Executive Officer (Principal Executive Officer) and President	April 1, 1999
/s/Clifford W. Illig ----- Clifford W. Illig, Vice Chairman and Director	April 1, 1999
/s/Marc G. Naughton ----- Marc G. Naughton, Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	April 1, 1999
/s/Michael E. Herman ----- Michael E. Herman, Director	April 1, 1999
/s/Gerald E. Bisbee ----- Gerald E. Bisbee, Jr., Director	April 1, 1999
/s/Thomas C. Tinstman ----- Thomas C. Tinstman, M.D., Senior Vice President and Director	April 1, 1999
/s/John C. Danforth ----- John C. Danforth, Director	April 1, 1999
/s/Thomas A. McDonnell ----- Thomas A. McDonnell, Director	April 1, 1999

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Independent Auditors' Report

The Board of Directors and Stockholders
Cerner Corporation:

We have audited the accompanying consolidated balance sheets of Cerner Corporation and subsidiaries as of January 2, 1999 and January 3, 1998, and the related consolidated statements of earnings, changes in equity, and cash flows for each of the years in the three-year period ended January 2, 1999. 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 January 2, 1999 and January 3, 1998, and the results of their operations and their cash flows for each of the years in the three-year period ended January 2, 1999, in conformity with generally accepted accounting principles.

KPMG LLP

Kansas City, Missouri
February 3, 1999

Management's 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 to 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.

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Consolidated Balance Sheets

January 2, 1999 and January 3, 1998

	1998	1997
(Dollars in thousands)		
Assets		
Current Assets:		
Cash and cash equivalents	\$ 42,658	77,543
Receivables	167,374	125,516
Inventory	2,651	1,743
Prepaid expenses and other	4,234	3,553
Total current assets	216,917	208,355
Property and equipment, net	77,292	65,724
Software development costs, net	54,971	40,566
Intangible assets, net	8,884	6,402
Investments, net	71,719	2,534
Other assets	6,702	8,200
	\$ 436,485	331,781
Liabilities and Stockholders' Equity		
Current Liabilities:		
Accounts payable	\$ 14,092	11,330
Current installments of long-term debt	5,030	35
Deferred revenue	33,921	8,290
Income taxes	26,057	18,245
Accrued payroll and tax withholdings	16,625	11,610
Other accrued expenses	2,511	2,037
Total current liabilities	98,236	51,547
Long-term debt, net	25,000	30,026
Deferred income taxes	22,106	16,461
Deferred revenue	20,000	--
Stockholders' Equity:		
Common stock, \$.01 par value, 150,000,000 shares authorized, 34,674,164 shares issued in 1998 and 33,816,829 shares in 1997	347	338

Additional paid-in capital	165,239	148,074
Retained earnings	126,862	106,273
Treasury stock, at cost		
(1,201,518 shares in 1998 and 1997)	(20,796)	(20,796)
Accumulated other comprehensive income:		
Foreign currency translation adjustment	(243)	(142)
Unrealized loss on available-for-sale equity security		
(net of deferred tax liability of \$165)	(266)	--
	-----	-----
Total stockholders' equity	271,143	233,747
	-----	-----
Commitments (Note 11)		
	\$ 436,485	331,781
	=====	=====

See notes to consolidated financial statements.

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Consolidated Statements of Earnings

For the years ended January 2, 1999, January 3, 1998, and December 28, 1996

	1998	1997	1996
	-----	-----	-----
(In thousands, except per share data)			
Revenues			
System sales	\$ 245,490	170,906	122,836
Support and maintenance	76,755	68,713	57,430
Other	8,657	5,438	8,841
	-----	-----	-----
Total revenues	330,902	245,057	189,107
	-----	-----	-----
Costs and expenses			
Cost of revenues	89,544	71,943	58,892
Sales and client service	117,107	83,788	65,005
Software development	59,754	44,086	35,890
General and administrative	25,929	23,070	18,719
Write-off of acquired in-process research and development	5,038	--	--
	-----	-----	-----
Total costs and expenses	297,372	222,887	178,506
	-----	-----	-----
Operating earnings	33,530	22,170	10,601
Interest income (expense), net	(262)	2,314	2,301
	-----	-----	-----
Earnings before income taxes	33,268	24,484	12,902
Income taxes	12,679	9,336	4,651
	-----	-----	-----
Net earnings	\$ 20,589	15,148	8,251
	=====	=====	=====
Basic earnings per share	\$.63	.46	.25
	=====	=====	=====
Diluted earnings per common share	\$.61	.45	.25
	=====	=====	=====

See notes to consolidated financial statements.

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Consolidated Statements of Changes In Equity

For the years ended January 2, 1999, January 3, 1998, and December 28, 1996

	Common Shares	Stock Amount	Additional paid-in capital	Retained earnings	Treasury stock amount	Accumulated other comprehensive income	Comprehensive income
	-----	-----	-----	-----	-----	-----	-----
(In thousands)							
Balance at December 30, 1995	33,002	\$ 330	143,876	82,874	(5,693)	(13)	

Exercise of options	402	4	805	-	-	-	
Tax benefit from disqualifying disposition of stock options	-	-	260	-	-	-	
Foreign currency translation adjustment	-	-	-	-	-	41	41
Net earnings	-	-	-	8,251	-	-	8,251
Comprehensive income							8,292
Balance at December 28, 1996	33,404	334	144,941	91,125	(5,693)		28
Exercise of options	311	3	978	-	-	-	
Issuance of common stock grants as compensation	2	-	48	-	-	-	
Issuance of restricted common stock	100	1	1,586	-	-	-	
Tax benefit from disqualifying disposition of stock options	-	-	521	-	-	-	
Purchase of 688,500 shares of treasury stock	-	-	-	-	(15,148)	-	
Foreign currency translation adjustment	-	-	-	-	-	(170)	(170)
Net earnings	-	-	-	15,148	-	-	15,148
Comprehensive income							14,978
Balance at January 3, 1998	33,817	338	148,074	106,273	(20,796)		(142)
Exercise of options	185	2	1,248	-	-	-	
Issuance of common stock grants as compensation	2	-	44	-	-	-	
Issuance of common stock	670	7	14,867	-	-	-	
Non-employee stock option compensation expense	-	-	385	-	-	-	
Tax benefit from disqualifying disposition of stock options	-	-	621	-	-	-	
Foreign currency translation adjustment	-	-	-	-	-	(101)	(101)
Unrealized loss on available-for-sale equity security, net of deferred tax liability of \$165	-	-	-	-	-	(266)	(266)
Net earnings	-	-	-	20,589	-	-	20,589
Comprehensive income							20,222
Balance at January 2, 1999	34,674	\$ 347	165,239	126,862	(20,796)		(509)

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

(In thousands)	1998	1997	1996
CASH FLOWS FROM OPERATING ACTIVITIES			
Net earnings	\$ 20,589	15,148	8,251
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Depreciation and amortization	25,411	18,075	15,498
Common stock received as consideration for sale of license software	(70,000)	--	--
Write-off of acquired in-process research and development	5,038	--	--
Issuance of common stock grants as compensation expense	44	48	--
Non-employee stock option compensation expense	385	--	--
Equity in losses (income) of investee companies	1,601	864	(89)
Provision for deferred income taxes	15,816	8,246	2,894
Tax benefit from disqualifying dispositions of stock options	621	521	260
Loss on disposal of capital equipment	223	110	99
Changes in assets and liabilities:			
Receivables, net	(39,481)	(27,931)	2,376
Inventory	(908)	(127)	630
Prepaid expenses and other	(3,970)	(2,075)	(340)
Accounts payable	2,620	1,984	(5,586)
Accrued income taxes	(2,334)	--	--
Deferred revenue	45,410	479	1,649
Other current liabilities	4,828	3,350	2,620
Total adjustments	(14,696)	3,544	20,011
Net cash provided by operating activities	5,983	18,962	28,262
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of capital equipment	(20,846)	(14,896)	(14,962)
Purchase of land, buildings, and improvements	(2,767)	(86)	(379)
Acquisition of business	(6,874)	--	--
Investment in investee companies	(1,217)	(4,500)	(1,650)
Proceeds on disposal of capital equipment	--	212	33
Capitalized software development costs	(25,052)	(18,373)	(13,240)
Net cash used in investing activities	(56,756)	(37,643)	(30,198)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of long-term debt	(45)	(116)	(130)
Proceeds from sale of common stock	14,874	--	--
Proceeds from exercise of options	1,250	981	809
Purchase of treasury stock	--	(15,103)	--
Net cash provided by (used in) financing activities	16,079	(14,238)	679

Foreign currency translation adjustment	(101)	(170)	41
Net decrease in cash and cash equivalents	(34,885)	(33,359)	(1,216)
Cash and cash equivalents at beginning of year	77,543	110,902	112,118
Cash and cash equivalents at end of year	\$ 42,658	77,543	110,902

Supplemental disclosures of cash flow information

Cash paid (received) during the year for:			
Interest	\$ 2,504	2,473	2,517
Income taxes, net of refund	(2,112)	1,024	685
Noncash investing and financing activities			
Acquisition of equipment through capital leases	\$ --	73	--
Issuance of restricted common stock and grants	44	1,635	--

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 (the Company). 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. The Company also provides project implementation and consulting services. In addition, revenue is generated from servicing installed clinical information systems, which generally includes 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, project-related services associated with the installation of the systems, 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 97-2, "Software Revenue Recognition".

Revenue associated with project implementation and consulting services is recognized as the services are performed. 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) Fiscal Year - The Company's fiscal year ends on the Saturday closest to December 31. Fiscal year 1998, ended January 2, 1999, consisted of 52 weeks, fiscal year 1997 consisted of 53 weeks, and fiscal year 1996 consisted of 52 weeks. All references to years in these notes to consolidated financial statements represent fiscal years unless otherwise noted.

(d) 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 1998, 1997, and 1996, the Company capitalized \$25,052,000, \$18,373,000, and \$13,240,000, respectively, of total software development costs of \$74,159,000, \$54,524,000, and \$43,133,000, respectively. Amortization expense of capitalized software development costs in 1998, 1997, and 1996 was \$10,647,000, \$7,935,000, and \$5,997,000, respectively, and accumulated amortization was \$43,542,000, \$32,895,000, and \$24,960,000, respectively.

(e) Cash Equivalents - Cash equivalents consist of short-term marketable securities with original maturities less than ninety days.

(f) Investments - The Company accounts for its investments in equity securities which have readily determinable fair values as available-for-sale. Available-for-sale securities are reported

at fair value with unrealized gains and losses reported, net of tax, as a separate component of accumulated other comprehensive income. Investments in other equity securities are reported at cost. All equity securities are reviewed by the Company for declines in fair value. If such declines are considered to be other than temporary, the cost basis of the individual security is written down to fair value as a new cost basis, and the amount of the write-down is included in earnings.

Notes to Consolidated Financial Statements

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

(h) 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 twelve years.

(i) Earnings per Common Share - Basic earnings per share (EPS) excludes dilution and is computed by dividing income available to common stockholders by the weighted-average number of common shares outstanding for the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue stock were exercised or converted into common stock or resulted in the issuance of common stock that then shared in the earnings of the Company. A reconciliation of the numerators and the denominators of the basic and diluted per-share computations is as follows:

(In thousands, except per share data)

	1998			1997			1996		
	Earnings (Numerator)	Shares (Denominator)	Per- Share Amount	Earnings (Numerator)	Shares (Denominator)	Per- Share Amount	Earnings (Numerator)	Shares (Denominator)	Per- Share Amount
Basic Earnings per share									
Income available to common stockholders	\$ 20,589	32,825	\$.63	15,148	32,881	\$.46	8,251	32,729	\$.25
Effect of dilutive securities									
Stock options	--	842	--	787	--	--	891		
Diluted earnings per share									
Income available to common stockholders including conversions	\$ 20,589	33,667	\$.61	15,148	33,668	.45	8,251	33,620	\$.25

Options to purchase 1,652,000, 1,149,000 and 494,000 shares of common stock at per share prices ranging from \$25.00 to \$31.00, \$21.50 to \$31.00, and \$18.50 to \$29.63 were outstanding at the end of 1998, 1997 and 1996, respectively, but were not included in the computation of diluted earnings per share because the options' exercise price was greater than the average market price of the common shares.

(j) 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 accumulated other comprehensive income. Gains and losses resulting from foreign currency transactions are included in the consolidated statements of earnings. The net loss resulting from foreign currency transactions was \$673,000, \$762,000, and \$274,000 in 1998, 1997, and 1996, respectively.

(k) Income Taxes - 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.

(l) Goodwill - Excess of cost over net assets acquired (goodwill) is being amortized on a straight-line basis over seven to eight years. Accumulated amortization was \$4,037,000 and \$2,733,000 at the end of 1998 and 1997, respectively. The Company assesses the recoverability of goodwill based on forecasted undiscounted future operating cash flows.

Notes to Consolidated Financial Statements

(m) Comprehensive Income - The Company adopted statement of Financial Accounting Standards No. 130, "Reporting Comprehensive Income" at the beginning of 1998. This statement establishes requirements for reporting and display of comprehensive income and its components. The adoption of this statement had no effect on the previously reported net earnings or stockholders' equity.

(n) Use of Estimates - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(o) Reclassifications - Certain 1997 and 1996 amounts have been reclassified to conform with the 1998 presentations.

2 Acquisition of Business

On March 16, 1998, the Company purchased all of the outstanding common stock of Multum Information Systems, Inc., (Multum) for \$6.9 million. Multum is a supplier to the healthcare industry of drug knowledge databases and intelligent software components designed to improve the quality and cost-effectiveness of medical care. The Company plans to incorporate Multum's drug information and expert dosing component into its Health Network Architecture Millennium solutions to enable Multum's expert knowledge to become executable within the process of care delivery.

The acquisition has been accounted for using the purchase method of accounting with the operating results of Multum included in the Company's consolidated statement of earnings since the date of acquisition. Approximately \$5,000,000 of the purchase price was allocated to in-process research and development that had not reached technological feasibility and was treated as a one-time charge to earnings reducing after tax income for 1998 by \$3.1 million or \$.09 per share on a diluted basis. This acquisition would not have materially affected revenues, net earnings, or earnings per share on a pro forma basis for any period presented.

The acquired in-process research and development related to Multum's component based, drug information software development kit (SDK) for use in clinical information systems. Its components are designed for use in a variety of configurations and to provide complete control over the retrieval of drug information from Multum's knowledge databases. SDK was approximately 80% complete at the time of the acquisition. When Multum was acquired, it was projected that SDK would be completed in 12-18 months at an estimated cost of \$1.9 million. The risks associated with completing SDK are like any other software development project and include changes in technology and competition. The SDK project was valued using the income approach with the following assumptions: material net cash inflows are expected to commence in 2000; no material changes from historical pricing, margins or expense levels are anticipated; and, a 20% risk adjusted discount rate was applied to estimated net cash flows. SDK was approximately 90% complete at the end of 1998; management expects it to be completed in 1999.

The allocation of the purchase price to the estimated fair values of the identified tangible and intangible assets acquired and liabilities assumed, resulted in goodwill of \$1,581,000. The goodwill is being amortized straight-line over seven years.

Notes to Consolidated Financial Statements

3 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. Billings and other consideration received on contracts in excess of

related revenues recognized under the percentage-of-completion method are recorded as deferred revenue. A summary of receivables is as follows:

(In thousands)	1998	1997
	-----	-----
Accounts receivable	\$ 72,747	54,908
Contracts receivable	94,627	70,608
	-----	-----
Total receivables	\$ 167,374	125,516
	=====	=====

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 the end of 1998 and 1997 are amounts due from healthcare providers located in foreign countries of \$12,071,000 and \$9,950,000, respectively. Consolidated revenues include foreign sales of \$17,545,000, \$16,272,000, and \$15,874,000, during 1998, 1997, and 1996, respectively. Consolidated long-lived assets at the end of 1998 and 1997, include foreign long-lived assets of \$290,000 and \$265,000, respectively. Revenues and long-lived assets from any one foreign country are not material.

The Company provides an allowance for estimated uncollectible accounts based upon historical experience and management's judgment. At the end of 1998 and 1997 the allowance for estimated uncollectible accounts was \$3,405,000 and \$1,490,000, respectively.

4 Property and Equipment

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

(In thousands)	1998	1997
	-----	-----
Furniture and fixtures	\$ 19,153	17,496
Computer and communications equipment	59,280	41,898
Marketing equipment	1,913	1,222
Leasehold improvements	13,543	10,803
Capital lease equipment	713	673
Land, buildings, and improvements	32,437	29,669
	-----	-----
	127,039	101,761
Less accumulated depreciation and amortization	49,747	36,037
	-----	-----
Total property and equipment, net	\$ 77,292	65,724
	=====	=====

Notes to Consolidated Financial Statements

5 Investments

Investments consist of the following:

(In thousands)	1998	1997
	-----	-----
Investments in available-for-sale equity securities	\$ 503	503
Less unrealized holding loss	431	--
	-----	-----
Investment in available-for-sale equity securities, at fair value	72	503
Investments in other equity securities, at cost	71,647	2,031
	-----	-----
Total investments, net	\$ 71,719	2,534
	=====	=====

Included in investments in other equity securities in 1998

is common stock received as consideration for the sale of license software. There is no current market for the common stock. As a result, it was valued at \$70,000,000 based on a methodology which utilized both a comparable company and the expected underlying discounted future cash flows. The common stock is subject to certain lock-up provisions.

6 Indebtedness

The Company has a loan agreement with two banks that provides 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 (7.75% at January 2, 1999) or LIBOR (5.094% at January 2, 1999) plus 1.75%. The interest rate may be reduced by up to .5% if certain net worth ratios are maintained. At January 2, 1999, 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.

The Company has \$30,000,000 of Senior Notes. The Senior Notes are payable in six equal annual installments beginning in August 1999. 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 Company also has an obligation under a capital lease agreement, which is secured by the related equipment, for \$30,000 (\$61,000 at January 3, 1998) with interest at 8.5%, payable in monthly installments through September 1999.

The fair value of the Company's Senior Notes is estimated to be \$31,848,000 based on current rates offered to the Company for debt of the same remaining maturities.

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Notes to Consolidated Financial Statements

7 Interest Income and Expense

A summary of interest income and expense is as follows:

(In thousands)	1998	1997	1996
Interest income	\$ 2,242	4,755	4,839
Interest expense	(2,504)	(2,441)	(2,538)
Interest income (expense), net	\$ (262)	2,314	2,301

8 Stock Options and Warrants

At January 2, 1999, the Company had four fixed stock option plans. Under Stock Option Plan B, the Company could grant to associates options to purchase up to 5,600,000 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.

Under Stock Option Plan C, the Company is authorized to grant to associates options to purchase up to 95,000 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. The Company has committed not to issue any more stock options under Stock Option Plan C.

Initially under Stock Option Plan D, the Company was authorized to grant to associates, directors, consultants,

or advisors to the Company options to purchase up to 2,600,000 shares of common stock through January 1, 2000. An additional 2,000,000 shares were approved by the Company's shareholders on May 22, 1998, increasing the total authorized to grant to 4,600,000 shares. The options are exercisable at a price and during a period determined by the Stock Option Committee. Options under this plan currently vest over periods of up to ten years and are exercisable for periods of up to 25 years.

Under Stock Option Plan E, the Company is authorized to grant to associates who are not officers subject to the provisions of Section 16(a) of the Securities and Exchange Act of 1934, consultants, or advisors to the Company options to purchase up to 2,000,000 shares of common stock through January 1, 2005. The options are exercisable at a price and during a period determined by the Stock Option Committee. Options under this plan currently vest over periods of up to ten years and are exercisable for periods of up to 25 years.

The Company has also granted 210,362 other non-qualified stock options under separate agreements to certain third parties. These options are exercisable at a price equal to or greater than the fair market value on the date of grant. These options vest over periods of up to six years and are exercisable for periods of up to ten years.

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Notes to Consolidated Financial Statements

The Company accounts for stock options in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees", and related interpretations. As such, compensation expense is recorded on the date of grant only if the current market price of the underlying stock exceeds the exercise price. On December 31, 1995, the Company adopted Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (FAS 123), which permits entities to recognize as expense over the vesting period the fair value of all stock-based awards on the date of grant. Alternatively, FAS 123 allows entities to continue to apply the provisions of APB Opinion No. 25 and provide pro forma net earnings and pro forma earnings per share disclosures for employee stock option grants made in 1995 and future years as if the fair-value-based method defined in FAS 123 had been applied. The Company has elected to continue to apply the provisions of APB Opinion No. 25 and provide the pro forma disclosure provisions of FAS 123.

A combined summary of the status of the Company's four fixed stock option plans and other stock options at the end of 1998, 1997, and 1996, and changes during these years ended is presented below:

	1998		1997		1996	
	Number of Shares	Weighted- average exercise price	Number of Shares	Weighted- average exercise price	Number of Shares	Weighted- average exercise price
Fixed options						
Outstanding at beginning of year	4,179,258	\$17.74	3,196,072	\$16.50	2,730,786	\$15.95
Granted	1,932,710	24.15	1,592,363	18.22	941,130	15.97
Exercised	(185,335)	6.88	(310,531)	3.12	(401,754)	2.02
Forfeited	(438,442)	17.57	(298,646)	17.50	(74,090)	12.52
Outstanding at end of year	5,488,191	\$20.38	4,179,258	17.24	3,196,072	16.50
Options exercisable at year-end	1,111,943		876,376		838,143	

The following table summarizes information about fixed and other stock options outstanding at January 2, 1999.

Options outstanding				Options exercisable	
Range of exercise prices	Number outstanding at 01/02/99	Weighted- average remaining contractual life	Weighted-average exercise price	Number exercisable at 01/02/99	Weighted-average exercise price
\$1.25-12.56	374,494	6.3 years	\$ 5.01	312,793	\$ 3.52

12.63-17.56	1,578,226	19.9	14.98	367,862	14.92
18.13-26.63	2,434,960	15.7	22.44	235,411	20.76
27.00-31.00	1,100,511	17.6	28.81	195,877	29.52
	-----			-----	
1.25-31.00	5,488,191	16.7	20.38	1,111,943	15.52
	=====			=====	

Notes to Consolidated Financial Statements

The per share weighted-average fair value of stock options granted during 1998, 1997 and 1996 was \$14.97, \$10.99 and \$7.89, respectively, on the date of grant using the Black Scholes option-pricing model with the following weighted-average assumptions:

	1998	1997	1996
Expected years until exercise	8	8	8
Risk-free interest rate	5.0%	6.2%	6.3%
Expected stock volatility	58.5%	56.9%	49.2%
Expected dividend yield	0%	0%	0%

Since the Company applies APB Opinion No. 25 in accounting for its plans, no compensation cost has been recognized for its stock options issued to employees. Had the Company recorded compensation expense based on the fair value at the grant date for its stock options under FAS 123, the Company's net earnings and earnings per share on a diluted basis would have been reduced by approximately \$5,929,000 or \$.18 per share in 1998, approximately \$3,965,000 or \$.12 per share in 1997 and approximately \$3,023,000 or \$.09 per share in 1996.

Pro forma net earnings reflects only options granted since January 1, 1995. Therefore, the full impact of calculating compensation expense for stock options under FAS 123 is not reflected in the pro forma net earnings amounts presented above, because compensation cost is reflected over the options' vesting period of ten years for these options. Compensation expense for options granted prior to January 1, 1995 is not considered.

In November 1998, the Company entered into an agreement with General Electric Company (GE) to integrate the Company's Health Network Architecture Millennium RadNet Radiology Information System with GE Medical Systems' Picture Archive and Communication Systems technology. In conjunction with the agreement, the Company sold GE 670,000 shares of common stock for \$14,874,000 and granted warrants for the purchase of 500,000 shares of common stock at an exercise price equal to the fair value of the stock at the grant date (\$25.49). The warrants become exercisable provided certain conditions are met, including achievement of certain levels of revenue. The warrants expire after seven years or thirty days after termination of the agreement.

9 Income Taxes

Income tax expense (benefit) for the years ended 1998, 1997, and 1996, consists of the following:

(In thousands)	1998	1997	1996
	-----	-----	-----
Current:			
Federal	\$ (1,929)	916	1,403
State	(1,061)	80	136
Foreign	(147)	94	218
	-----	-----	-----
Total current	(3,137)	1,090	1,757
	-----	-----	-----
Deferred:			
Federal	13,634	7,338	2,553
State	1,565	908	341
Foreign	617	--	--
	-----	-----	-----
Total deferred	15,816	8,246	2,894
	-----	-----	-----
Total income tax expense	\$ 12,679	9,336	4,651

Notes to Consolidated Financial Statements

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 the end of 1998 and 1997 relate to the following:

(In thousands)	1998	1997
Deferred Tax Assets		
Acquisition accrual	\$ 2,033	--
Accrued expenses	3,223	2,028
Separate return net operating losses	1,577	1,577
Other	1,076	2,190
Total deferred tax assets	7,909	5,795
Deferred Tax Liabilities		
Software development costs	(20,695)	(15,205)
Contract and service revenues and costs	(32,255)	(23,316)
Depreciation and amortization	(3,856)	(1,577)
Other	(2,867)	(1,645)
Total deferred tax liabilities	(59,673)	(41,743)
Net deferred tax liability	\$ (51,764)	(35,948)

The effective income tax rates for 1998, 1997, and 1996 were 38%, 38%, and 36%, respectively. These effective rates differ from the federal statutory rate of 35% as follows:

(In thousands)	1998	1997	1996
Tax expense at statutory rates	\$ 11,644	8,569	4,516
State income tax, net of federal benefit	1,280	632	310
Other, net	(245)	135	(175)
Total income tax expense	\$ 12,679	9,336	4,651

Income taxes payable are reduced by the tax benefit resulting from disqualifying dispositions of stock acquired under the Company's stock option plans. The 1998, 1997, and 1996 benefits of \$621,000, \$521,000, and \$260,000, respectively, are treated as increases to additional paid-in capital.

Notes to Consolidated Financial Statements

10 Foundations Retirement Plan

The Cerner Corporation Foundations Retirement Plan (the Plan) is established under Section 401(k) of the Internal Revenue Code. All full-time associates are eligible to participate. Participants may elect to make pretax 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 an annual maximum of \$600 per participant. The Company's expense for the plan amounted to \$1,005,000, \$761,000, and \$560,000 for 1998, 1997, and 1996, respectively.

11 Commitments

The Company is committed under operating leases for office space through December 2004. Rent expense for office and warehouse space for the Company's regional and international offices for 1998, 1997, and 1996 was \$1,847,000, \$1,759,000, and \$1,580,000, respectively. Aggregate minimum future payments (in thousands) under these noncancelable leases are as follows:

Years	
1999	\$ 2,438
2000	1,437
2001	935
2002	438
2003	238
2004	171

12 Real Estate Lease Revenue

The Company leases space to unrelated parties in its Kansas City headquarters complex under noncancelable operating leases. Included in other revenues is rental income of \$1,795,000, \$1,694,000, and \$2,383,000 in 1998, 1997, and 1996, respectively. Future minimum lease revenues (in thousands) under these noncancelable operating leases expiring through 2002 are as follows:

Years	
1999	\$ 685
2000	303
2001	32
2002	26

13 Stockholders' Equity

At the end of 1998 and 1997, the Company had 1,000,000 shares of authorized but unissued preferred stock, \$.01 par value.

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Notes to Consolidated Financial Statements

14 Quarterly Results (unaudited)

Selected quarterly financial data for 1998 and 1997 is set forth below:

(In thousands, except per share data)

	Revenue	Earnings before Income taxes	Net earnings	Basic earnings per share	Diluted earnings per share
1998 quarterly results:					
April 4	\$ 73,674	1,106	671	.02	.02
July 4	79,152	8,726	5,369	.16	.16
October 3	82,832	10,185	6,348	.19	.19
January 2	95,244	13,251	8,201	.26	.24
Total	\$ 330,902	33,268	20,589	.63	.61
1997 quarterly results:					
March 29	\$ 51,129	3,123	1,936	.06	.06
June 28	63,320	5,478	3,324	.10	.10
September 27	60,777	7,203	4,445	.13	.13
January 3	69,831	8,680	5,443	.17	.16
Total	\$ 245,057	24,484	15,148	.46	.45

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Cerner Corporation
Valuation and Qualifying Accounts

Schedule II

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance at End of Period
For Year Ended January 3, 1998				
Doubtful Accounts	\$ 1,121,000	\$ 369,000	\$ 0	\$ 1,490,000
Sales Allowances	\$ 0	\$ 0	\$ 0	\$ 0

Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Deductions	Balance at End of Period
For Year Ended January 2, 1999				
Doubtful Accounts	\$ 1,490,000	\$ 1,915,000	\$ 0	\$ 3,405,000
Sales Allowances	\$ 0	\$ 0	\$ 0	\$ 0

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Independent Auditors' Report
on Financial Statement Schedule

The Board of Directors
Cerner Corporation:

Under date of February 3, 1999, we reported on the consolidated balance sheets of Cerner Corporation and subsidiaries as of January 2, 1999 and January 3, 1998 and the related consolidated statements of earnings, changes in equity, and cash flows for each of the years in the three-year period ended January 2, 1999. These consolidated financial statements and our report thereon are included in the Company's annual report on Form 10-K for the year 1998. In connection with our audits of the aforementioned consolidated financial statements, we also have audited the related financial statement schedule as listed under Item 14(a)(2). This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this 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 LLP

Kansas City, Missouri
February 3, 1999

CERNER CORPORATION

\$18,000,000

CREDIT AGREEMENT

Dated as of April 1, 1999

MERCANTILE BANK, as Agent

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THIS CREDIT AGREEMENT (as the same may be amended, modified, supplemented or replaced from time to time, the "Agreement") is made as of April 1, 1999, by and among CERNER CORPORATION, a Delaware corporation (the "Borrower"); MERCANTILE BANK, a Kansas banking corporation, and each other lender, if any, from time to time identified as having a Commitment on Exhibit A hereto and who becomes a party hereto (each a "Bank" and, collectively (whether one or more), the "Banks"); MERCANTILE BANK, a Kansas banking corporation, as the issuing bank of letters of credit (in such capacity, the "Issuing Bank"); and MERCANTILE BANK, a Kansas banking corporation, as agent hereunder for the Banks (in such capacity, together with its successors in such capacity, the "Agent").

To induce the Banks to extend credit and financial accommodations to the Borrower and for other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the parties agree as follows:

SECTION 1. DEFINITIONS, ACCOUNTING MATTERS AND GENERAL RULES

1.1. Certain Defined Terms. As used herein, the following terms shall have the following meanings (all terms defined in this Section 1 or in other provisions of this Agreement in the singular to have the same meanings when used in the plural and

vice versa):
- - - - -

"Acquisition" shall mean any transaction, or any series of

related transactions, consummated after the date of this Agreement, by which the Borrower or any of its Subsidiaries (in one transaction or as the most recent transaction in a series of transactions) (i) acquires any going business or all or substantially all of the assets of any Person (including, in the case of a corporation, any division thereof), whether through purchase of assets, merger or otherwise, (ii) directly or indirectly acquires control of at least a majority (in number of votes) of the securities of a corporation which have ordinary voting power for the election of directors, or (iii) directly or indirectly acquires control of a majority ownership interest in any partnership or joint venture.

"Additional Eurodollar Loan Costs" shall mean any costs

resulting from any Regulatory Change which imposes, modifies or deems applicable any reserve, special deposit, minimum capital, capital ratio or similar requirements (other than the Reserve Requirement utilized in the determination of LIBOR Reserve Adjusted Rate for any Eurodollar Loan) relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, any Bank (including any of the Eurodollar Loans), or any Commitment of any Bank, and which, in each case, are attributable to such Bank's making or maintaining any Eurodollar Loans or its obligation to make any Eurodollar Loans hereunder, or any reduction in any amount receivable by such Bank hereunder in respect of any of such Eurodollar Loans or such obligation.

"Affiliate" shall mean, with respect to any Person, any

other Person or group of affiliated Persons directly or indirectly controlling (including without limitation all directors and officers of such Person), controlled by or under direct or indirect common control with such Person. For purposes of this definition, a Person shall be deemed to control another Person if such first Person possesses, directly or indirectly, the power (i) to vote five percent (5%) or more of the securities having ordinary voting power for the election of directors of such other Person, or (ii) to direct or cause the direction of the management or policies of such other Person.

"Applicable Margin" shall mean: from and after the date

hereof to but excluding June 30, 1999, the Applicable Margin for Corporate Base Rate Loans shall be 0.75% and the Applicable Margin for Eurodollar Loans shall be 1.10%. Thereafter, if at the end of any fiscal quarter (commencing with the quarter ending on April 3, 1999), the Tangible Net Worth Ratio is within the respective ranges set forth below, then with respect

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to Corporate Base Rate Loans and Eurodollar Loans the "Applicable Margin" at all times during the second succeeding fiscal quarter shall be the respective percentages set forth opposite such ratios:

Tangible Net Worth Ratio -----	Applicable Margin for Corporate Base Rate Loans -----	Applicable Margin for Eurodollar Loans -----
Greater than 1.25 to 1	0.25%	1.50%
Less than or equal to 1.25 to 1, but greater than .80 to 1	0.50%	1.25%

Less than or equal to .80 to 1

0.75%

1.10%

provided, however, that during any period that the Borrower has failed to deliver the financial statements or the Borrowing Base and Compliance Certificate as required by Section 6.1 hereof, the Applicable Margin for Corporate Base Rate Loans shall be 0.25% and the Applicable Margin for Eurodollar Loans shall be 1.50%.

"Borrowing Base" means, at any date, an amount equal to

the sum of (i) fifty percent (50%) of the lesser of the cost or market value of all Eligible Inventory, plus (ii) seventy-five percent (75%) of the aggregate amount then due under all Eligible Receivables, plus fifty percent (50%) of the book value of Eligible Equipment. All determinations in connection with the Borrowing Base shall be made initially by the Borrower in accordance with its credit and collection policy and certified to the Agent in the Borrowing Base Certificate; provided, however, that the Agent shall have the right to review and adjust, in its judgment, any such determination by the Borrower to the extent such determination is not in accordance with this Agreement.

"Borrowing Base Certificate" has the meaning assigned to

such term in Section 6.1 hereof.

"Borrowing Date" shall mean the date of each borrowing under

Section 2.2 hereof.

"Business Day" shall mean any day on which commercial banks

are not authorized or required to close in Shawnee, Kansas or Chicago, Illinois; provided, however, that when used in connection with a Eurodollar Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealing in Dollar deposits in the London interbank market.

"Capital Expenditures" shall mean, without duplication,

(i) expenditures (whether paid in cash or accrued as a liability) for fixed assets, tooling, plant and equipment (including without limitation the incurrence of Capital Lease Obligations), (ii) any other expenditures (including without limitation all software research and development costs) that would be classified as capital expenditures under GAAP, and (iii) the amount of consideration paid (other than in equity securities of the Borrower) and/or any monetary obligation incurred in respect of the purchase price for any Acquisition.

"Capital Lease Obligations" shall mean, as to any Person,

the obligations of such Person to pay rent or other amounts under a lease of (or other agreement conveying the right to use) real and/or personal property which obligations are required to be classified and accounted for as a capital lease on a balance sheet of such Person under GAAP and, for purposes of this Agreement, the amount of such obligations shall be the capitalized amount thereof, determined in accordance with GAAP.

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"Change in Control" shall be deemed to have occurred if

(a) any person or group (within the meaning of Rule 13d-5 of

the SEC as in effect on the date hereof) shall own, directly or indirectly, beneficially or of record, shares representing more than 50% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Borrower; or (b) a change shall occur during any period in the Board of Directors of the Borrower in which the individuals who constituted the Board of Directors of the Borrower at the beginning of such period (together with any other director whose election by the Board of Directors of the Borrower or whose nomination for election by the stockholders of the Borrower was approved by a vote of at least two-thirds of the directors then in office who either were directors at the beginning of such period or whose election or nomination for election was previously so approved) cease for any reason to constitute a majority of the directors of the Borrower then in office.

"Code" shall mean the Internal Revenue Code of 1986, as

amended.

"Collateral" shall mean the properties and assets

described in the Security Documents, and all other properties and assets which may be pledged or mortgaged hereafter by any Person to secure the payment and/or performance of any Obligations.

"Commitments" shall mean the Revolving Credit

Commitments.

"Computation Date" shall mean the last day of any

calendar month.

"Consolidated Net Income" shall mean, for any period,

the net income and net losses of the Borrower and its Subsidiaries on a consolidated basis as defined according to GAAP.

"Consolidated Net Worth" shall mean, at any date, the

amount shown as "total shareholders' equity" (or any like caption) on a consolidated balance sheet of the Borrower and its Subsidiaries in accordance with GAAP.

"Continue," "Continuation" and "Continued" shall refer

to the continuation of a Loan of one type as a Loan of the same type from one Interest Period to the next Interest Period.

"Convert," "Conversion," and "Converted" shall refer to

a conversion pursuant to Section 2.7 hereof of Loans of one type into Loans of the other type.

"Corporate Base Rate" shall mean the rate of interest

from time to time announced by Mercantile Bank as its "corporate base rate," with the understanding that such "corporate base rate" may be one of the several announced interest rates and serves as a basis on which effective rates of interest are from time to time calculated for loans making reference thereto, and may not be the lowest, best or most favored of the interest rates offered by Mercantile Bank.

"Corporate Base Rate Loans" shall mean Loans which, at

the time, pursuant to the terms of this Agreement, bear interest at rates based on the Corporate Base Rate.

"Credit Documents" shall mean, collectively, this

Agreement, the Notes, the Security Documents, all Letters of Credit, all Reimbursement Agreements, and all other documents executed in connection herewith or as security for the Notes, as any or all of the foregoing may be renewed, extended, amended, modified, supplemented, replaced, or rearranged from time to time.

"Current Assets" shall mean, at any date, the current

assets of the Borrower and its Subsidiaries determined on a consolidated basis as of such date in accordance with GAAP.

"Current Liabilities" shall mean, at any date, the

current liabilities of the Borrower and its Subsidiaries determined on a consolidated basis as of such date in accordance with GAAP.

"Current Ratio" shall mean, at any date, the ratio of

Current Assets to Current Liabilities.

"Default" shall mean an Event of Default or an event

which with notice or lapse of time or both would become an Event of Default.

"Default Rate" shall mean, in respect of any principal

of any Loan or any other amount whatsoever payable by the Borrower under this Agreement or any Note which is not paid when due (whether at stated maturity, by acceleration or otherwise), a rate per annum during the period commencing on and including the due date of such amount to but not including the date such amount is paid in full equal to three percent (3%) per annum above the Corporate Base Rate from time to time.

"Dollars" and "\$" shall mean lawful money of the United

States of America.

"EBITDA" shall mean, for any period, Consolidated Net

Income for the period in question plus (a) the sum of (i) all amounts deducted in arriving at such Consolidated Net Income in respect to Interest Expense for such period; federal, state and local income taxes for such period; depreciation and amortization and other noncash nonoperating charges for such period; and to the extent not included in the above, miscellaneous expenses from nonoperating transactions which do not relate to any extraordinary items for such period and (ii) extraordinary losses for such period, minus (b) the sum of (i) all amounts included in arriving at such Consolidated Net Income in respect of miscellaneous income from nonoperating transactions and which do not relate to any extraordinary items for such period; and (ii) all extraordinary profits for the period, determined on a consolidated basis for the Borrower and its Subsidiaries.

"Eligible Equipment" means, at any date, all Equipment

of the Borrower and its Subsidiaries except: (i) all Equipment which in the reasonable opinion of the Agent is obsolete or unmerchantable, (ii) all Equipment which the Agent in its sole discretion deems not to be Eligible

Equipment, based on such considerations as the Agent (with the consent of the Majority Banks) may reasonably deem appropriate, (iii) all Equipment which is subject to any Lien or any other claim of any kind or nature whatsoever, (iv) all Equipment which does not comply in all material respects with applicable laws, rules and regulations, (v) all Equipment which is defective, unusable, or otherwise fails to meet the requirements of the Borrower or such Subsidiary in any material respect, (vi) all Equipment as to which any representation or warranty applicable thereto and made herein or in any of the other Credit Documents is or becomes untrue in any respect or as to which any covenant applicable thereto and contained herein or in any of the other Credit Documents shall not

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have been complied with in any material respect, (vii) all Equipment consigned or leased to or from any Person, and (viii) all Equipment that is or becomes a fixture under the laws of the jurisdiction where such Equipment is located.

"Eligible Inventory" means, at any date, all Inventory

of the Borrower and its Subsidiaries other than Foreign Subsidiaries except: (i) all Inventory which in the reasonable opinion of the Agent is obsolete or unmerchantable, (ii) all Inventory which the Agent (with the consent of the Majority Banks) in its sole discretion deems not to be Eligible Inventory, based on such considerations as the Agent (with the consent of the Majority Banks) may reasonably deem appropriate, (iii) all Inventory which is subject to any Lien or any other claim of any kind or nature whatsoever, (iv) all Inventory which does not comply in all material respects with all applicable laws, rules and regulations, (v) all Inventory which is defective, unusable, or otherwise fails to meet the requirements of the Borrower or such Subsidiary in any material respect, (vi) all Inventory as to which any representation or warranty applicable thereto and made herein or in any of the other Credit Documents is or becomes untrue in any respect or as to which any covenant applicable thereto and contained herein or in any of the other Credit Documents shall not have been complied with in any material respect, and (vii) all Inventory consigned or leased to or from any other Person.

"Eligible Receivables" means, at any date, all

Receivables of the Borrower and its Subsidiaries (other than Foreign Subsidiaries) except:

- (i) all Receivables (a) with respect to which an invoice or bill has not been issued or with respect to which any amount due under such Receivable remains unpaid more than 150 days after the date of the original invoice or bill for such Receivable, (b) from any obligor as to whom more than 25% of the aggregate amount due under all Receivables owing from such obligor remains unpaid for that same 150 day period, (c) from an obligor who is insolvent or bankrupt, (d) from an obligor disapproved by the Agent (with the consent of the Majority Banks), in its sole discretion, for reasonable cause, or (e) which should be classified as delinquent or written off as uncollectible in the Agent's reasonable credit judgment;
- (ii) any Receivable which (a) is in dispute or is subject to any Lien or any offset, claim or defense of any kind or nature whatsoever, or (b)

does not comply in all a material respects with all applicable laws, rules and regulations, or (c) was due at any time to a Foreign Subsidiary or is not payable in Dollars.

- (iii) any Receivable (a) due from suppliers of Inventory to the extent the Borrower or any of its Subsidiaries is indebted to such suppliers, (b) which the Borrower or such Subsidiary rescinds, annuls, or modifies (to the extent the modification reduces the amount due or otherwise causes the Receivable to be excepted out pursuant to this definition), (c) with respect to which the payment of any amount due thereunder is contingent upon the fulfillment of any condition whatsoever (other than for the Borrower's customary acceptance procedures), or arises from any repurchase or return arrangement, or (d) which the Agent (with the consent of the Majority Banks) in its sole discretion deems not to be an Eligible Receivable, based on such considerations as the Agent (with the consent of the Majority Banks) may reasonably deem appropriate; and

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- (iv) all Receivables as to which any representation or warranty applicable thereto and made herein or in any of the Credit Documents is or becomes untrue in any material respect or as to which any covenant applicable thereto and contained herein or in any part of the Credit Documents shall not have been complied with in any material respect.

"Environmental Laws" shall mean any and all federal,

state, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, decrees or requirements of any Governmental Authority regulating, relating to or imposing liability or standards of conduct concerning any Hazardous Material or Petroleum Product or environmental protection or health and safety, as now or may at any time hereafter be in effect, including without limitation, the Clean Water Act also known as the Federal Water Pollution Control Act ("FWPCA"), 33 U.S.C. 1251, et seq., the Clean Air Act ("CAA"), 42 U.S.C. 7401 et seq., the Federal Insecticide, Fungicide and Rodenticide Act ("FIFRA"), 7 U.S.C. 136 et seq., the Surface Mining Control and Reclamation Act 1200 et seq. ("SMCRA"), 30 U.S.C. 1201 et seq., the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA"), 42 U.S.C. 9601 et seq., the Superfund Amendments and Reauthorization Act of 1986 ("SARA"), Public Law 99-499, 100 Stat. 1613, the Emergency Planning and Community Right-to-Know Act ("EPCRA"), 42 U.S.C. 1101 et seq., the Resource Conservation and Recovery Act ("RCRA"), 42 U.S.C. 6901 et seq., and the Occupational Safety and Health Act as amended ("OSHA"), 29 U.S.C. 655 and 657, in each case, with any amendment thereto, and the regulations adopted and publications promulgated thereunder and all substitutions thereof.

"ERISA" shall mean the Employee Retirement Income

Security Act of 1974, as amended from time to time.

"ERISA Affiliate" shall mean any corporation or trade

or business which is a member of the same controlled group of corporations (within the meaning of Section 414(b) of the Code) as the Borrower or is under common control (within the meaning of Section 414(c) of the Code) with the Borrower.

"Equipment" shall mean all machinery, furniture,

computers, office equipment, vehicles and other equipment,
as that term is defined in the Uniform Commercial Code as in
effect from time to time in the State of Missouri.

"Eurodollar Loans" shall mean Loans the interest rates

of which are, at the time, determined on the basis of rates
referred to in the definition of "LIBOR" in this
Section 1.1.

"Event of Default" shall have the meaning assigned to

such term in Section 7 hereof.

"Existing Credit Agreement" shall mean that certain

Credit Agreement dated as of April 18, 1994, by and among
Mercantile Bank (as the successor in interest to Mark Twain
Kansas City Bank), Harris Trust and Savings Bank, Cerner
Corporation, and Cerner Properties, Inc., as amended to
date.

"Fiscal Period" shall mean the period of twelve

consecutive months ending on a Computation Date.

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"Fixed Charges" shall mean, for any Fiscal Period, the

sum of (i) all Interest Expense during such period
(provided, however, that in the case of the 11 months ending
immediately following the date of this Agreement, Interest
Expense shall be calculated on the basis of annualized
Interest Expense for the actual number of months that have
ended since the date of this Agreement), (ii) current
maturities of Indebtedness (excluding advances under the
Revolving Credit Loans) as of the last day of such period,
(iii) 20% of the outstanding balance of the Revolving Credit
Loans and the LC Exposure at the end of such Fiscal Period,
but only if the Revolving Credit Termination Date is one
year or more later than the last day of such Fiscal Period,
and (iv) rental expense on operating and other long-term
lease obligations as of the last day of such period,
determined on a consolidated basis for the Borrower and its
Subsidiaries.

"Fixed Charge Coverage Ratio" shall mean, for any

Fiscal Period, the ratio of (i) EBITDA for such Fiscal
Period, minus Capital Expenditures, plus rental expense on

operating and other long-term lease obligations as of the
last day of such Period to (ii) Fixed Charges for such
Fiscal Period, determined on a consolidated basis for the
Borrower and its Subsidiaries.

"Foreign Subsidiary" shall mean any Subsidiary that is

not organized under the laws of any State of the United
States of America or that has any permanent place of
business outside the United States of America, and shall
include Cerner Corporation PTY Limited, a corporation
organized under the laws of Australia, Cerner FSC, Inc., a
corporation organized under the laws of Barbados, Cerner
Limited, a corporation organized under the laws of the
United Kingdom, Cerner Deutschland GmbH, a corporation
organized under the laws of Germany, Cerner Singapore
Limited, a Delaware corporation, Cerner Canada Limited, a
Delaware corporation, and Cerner (Malaysia) SDN BHD, a
corporation organized under the laws of Malaysia.

"Funded Debt" shall mean, as to the Borrower and its

Subsidiaries determined on a consolidated basis, without duplication, all Indebtedness (including Capital Lease Obligations and Guaranties of Indebtedness of others), regardless of maturity.

"Funded Debt Ratio" shall mean, at any date, the ratio

(expressed as a percentage) of (i) the aggregate outstanding Funded Debt to (ii) Total Capitalization on such date, determined on a consolidated basis for the Borrower and its Subsidiaries.

"GAAP" shall mean generally accepted accounting

principles in the United States of America, as in effect from time to time.

"Governmental Authority" shall mean any nation or

government, any state or other political subdivision thereof, and any branch, department, or agency thereof, or any other entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to a government.

"Guarantee" shall mean, in respect of any Person, any

obligation, contingent or otherwise, of such Person directly or indirectly guaranteeing any Indebtedness of another Person, including without limitation by means of an agreement to purchase or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or to maintain financial covenants, or to assure the payment of such Indebtedness by an agreement to make payments in respect of goods or services regardless of whether delivered, or otherwise,

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provided, that the term "Guarantee" shall not include endorsements for deposit or collection in the ordinary course of business; and such term when used as a verb shall have a correlative meaning.

"Hazardous Materials" shall mean any flammable

materials, explosives, radioactive materials, hazardous materials, hazardous wastes, hazardous or toxic substances, or similar materials defined as such in any applicable Environmental Law.

"Inactive Subsidiaries" means Cerner Healthwise, Inc.

and Cerner Performance Logistics, Inc.

"Indebtedness" shall mean, as to any Person, on a

consolidated basis with such Person's Subsidiaries, without duplication: (i) all obligations of such Person for borrowed money or evidenced by bonds, debentures, notes or similar instruments, (ii) all obligations of such Person for the deferred purchase price of property or services, except trade accounts payable and accrued liabilities arising in the ordinary course of business which are not overdue by more than 30 days or which are being contested in good faith by appropriate proceedings, (iii) all Capital Lease Obligations of such Person, (iv) all Indebtedness of others secured by a Lien on any properties, assets or revenues of such Person to the extent of the value of the property subject to such Lien, (v) all Indebtedness of others Guaranteed by such Person and (vi) all obligations of such Person, contingent or otherwise, in respect of any letters of credit or bankers' acceptances.

"Interest Expense" shall mean, for any period, all cash

and noncash interest on Indebtedness (including imputed
interest on Capital Lease Obligations) of the Borrower and
its Subsidiaries during such period; provided, however, that

there shall be added to "Interest Expense" any fees or
commissions or net losses amortized during such period under
any Interest Rate Protection Agreement and any fees or
commissions payable in connection with any letters of credit
during such period and there shall be subtracted from
"Interest Expense" any net gains under any Interest Rate
Protection Agreement during such period.

"Interest Period" shall mean, with respect to any

Eurodollar Loan, each period commencing on the date such
Loan is made, Continued, or Converted, and ending on the
numerically corresponding day in the first, second, third or
sixth calendar month thereafter, as the Borrower may select,
except that each Interest Period which commences on the last
Business Day of a calendar month (or on any day for which
there is no numerically corresponding day in the appropriate
subsequent calendar month) shall end on the last Business
Day of the appropriate subsequent calendar month.
Notwithstanding the foregoing: (a) any Interest Period for
any Loan which would otherwise extend beyond the Termination
Date applicable to such Loan shall end on such Termination
Date; (b) each Interest Period that would otherwise end on a
day which is not a Business Day shall end on the immediately
succeeding Business Day (or, if such next succeeding
Business Day falls in the next succeeding calendar month, on
the immediately preceding Business Day); and (c) the
Borrower shall select the duration of Interest Periods in
such a way so that, notwithstanding clauses (a) and (b)
above, no Interest Period shall have a duration of less than
one month (and, if any Eurodollar Loans would otherwise have
an Interest Period of a shorter duration, they shall be
Corporate Base Rate Loans for the relevant period).

"Interest Rate Protection Agreement" shall mean any

interest rate swap, cap, collar agreement or similar
agreement or arrangement designed to protect the Borrower or
any of its Subsidiaries against fluctuations in interest
rates.

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"Inventory" shall mean all goods, merchandise and other

personal property now owned or hereafter acquired by the
Borrower or any of its Subsidiaries and which are (i) held
by the Borrower or any of its Subsidiaries for sale or
lease, (ii) furnished or to be furnished by the Borrower or
any of its Subsidiaries under any contract for service,
(iii) raw materials, (iv) work in progress, and/or (v)
materials used or consumed, or to be used or consumed, in
the business of Borrower or any of its Subsidiaries.

"Investment" by any Person in any other Person shall

mean: (i) the amount paid or committed to be paid, or the
value of property or services contributed or committed to be
contributed, by such first Person for or in connection with
any stock, bonds, notes, debentures, partnership or other
ownership interests or other securities of such other Person
or as a capital contribution to such other Person; and (ii)
the principal amount of any advance, loan or extension of
credit by such first Person to such other Person (other than
any such advance, loan or extension of credit having a
stated term not exceeding 60 days made by such first Person

to its trade customers in the ordinary course of its business) and (without duplication) any amount committed to be advanced, loaned or extended by such first Person to such other Person.

"LC Exposure" shall mean, at any time, the sum of

(i) the aggregate face amount of all Letters of Credit then outstanding, plus (ii) the aggregate amount of all payments made by the Issuing Bank under or in connection with any Letter of Credit for which the Issuing Bank has not been reimbursed.

"Letters of Credit" shall mean letters of credit issued

by the Issuing Bank for the account of the Borrower pursuant to Section 2.21 hereof.

"LIBOR" shall mean, with respect to any Eurodollar Loan

for any Interest Period therefor, (i) the LIBOR Index Rate for such Interest Period, if such rate is available, and (ii) if the LIBOR Index Rate cannot be determined, the arithmetic mean, as determined by the Agent, of the rates per annum (rounded upwards, if necessary, to the nearest 1/16 of 1%) quoted by each of the Reference Banks and notified to the Agent at approximately 11:00 a.m. London time (or as soon thereafter as practicable) on the date two Business Days prior to the first day of such Interest Period for the offering by such Reference Bank to leading banks in the London interbank market of Dollar deposits having a term comparable to such Interest Period and in an amount comparable to the aggregate principal amount of the Eurodollar Loans to be held by the Agent for such Interest Period. If any Reference Bank does not timely furnish such information for determination of any rate, the Agent shall determine such rate on the basis of information timely furnished by the remaining Reference Banks.

"LIBOR Index Rate" means for any Interest Period, the

rate per annum (rounded upwards, if necessary, to the nearest 1/16th of 1%) for deposits in Dollars for a period equal to such Interest Period, as quoted, as of 11:00 a.m. (London, England time) on the date two Business Days before the first day of such Interest Period, on the appropriate Telerate page or by such other financial news service (electronic or otherwise) as the Agent, acting in a commercially reasonable manner, may elect to utilize from time to time.

"LIBOR Reserve Adjusted Rate" shall mean, for any

Eurodollar Loan for any Interest Period therefor, a rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) determined by the Agent to be equal to the sum of (a) LIBOR for such Loan for such Interest Period divided by (b) 1 minus the Reserve Requirements for such Loan for such Interest Period.

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"Lien" shall mean any mortgage, lien, pledge, claim,

charge, security interest or encumbrance of any kind, including without limitation the interest of a vendor or lessor under any conditional sale agreement, capital lease or other title retention agreement, or any agreement to create or grant any of the foregoing or prohibiting the Borrower or any of its Subsidiaries from granting Liens on their respective assets for the benefit of the Banks.

"Loans" shall mean the Revolving Credit Loans.

"Majority Banks" shall mean, at any time, one or more

Banks holding at least 66-2/3% of the aggregate principal amount of Loans or, if no Loans are at the time outstanding, one or more Banks having at least 66-2/3% of the Commitments.

"Mandatory Prepayments" shall mean the prepayments of

the Loans required by Section 2.11 hereof.

"Multiemployer Plan" shall mean a Plan defined as such

in Section 3(37) of ERISA to which contributions have been made by the Borrower or any ERISA Affiliate and which is covered by Title IV of ERISA.

"Notes" shall mean Revolving Credit Notes.

"Obligations" shall mean, collectively, all

indebtedness, liabilities and obligations whatsoever of the Borrower to the Banks whether now existing or hereafter arising under or in connection with this Agreement and/or any of the other Credit Documents, including without limitation, the principal of, and interest on, the Loans, all future advances thereunder, and all other amounts now or hereafter owing to the Banks under this Agreement, the Notes, the Letters of Credit, the Reimbursement Agreements, the Subsidiary Guaranty, or any of the other Credit Documents.

"PBGC" shall mean the Pension Benefit Guaranty

Corporation or any entity succeeding to any or all of its functions under ERISA.

"Permitted Liens" shall mean:

- (i) pledges or deposits by the Borrower or any of its Subsidiaries under worker's compensation laws, unemployment insurance laws or similar legislation, or good faith deposits in connection with bids, tenders, contracts (other than for the payment of Indebtedness of the Borrower or any of its Subsidiaries), or leases to which the Borrower or any of its Subsidiaries are parties, deposits to secure public or statutory obligations of the Borrower or any of its Subsidiaries, deposits of cash or U.S. Government bonds to secure surety or appeal bonds or payment or performance bonds to which the Borrower or any of its Subsidiaries are parties or which are issued for their account (other than for the payment of Indebtedness of the Borrower or any of its Subsidiaries), or deposits for the payment of rent (provided that such deposits as security for the payment of rent are required in the ordinary course of business);

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- (ii) Liens imposed by law, such as carrier's, warehousemen's, materialmen's and mechanics' Liens; provided, however, that the aggregate amount of liabilities with respect to such Liens are otherwise permitted by the terms of this Agreement, are not yet overdue or in dispute, and do not exceed \$2,500,000 at any one time outstanding for the Borrower and its Subsidiaries

in the aggregate; provided further that in the event the liabilities with respect to any such Liens become past due in accordance with their terms or are in dispute, and with respect to all Liens arising out of judgments or awards, the Borrower or relevant Subsidiary shall currently be contesting such Liens by prosecuting an appeal or proceeding for review in good faith and by proper procedure, such Liens shall be bonded against to the satisfaction of the Majority Banks, and such Liens shall not exceed \$2,500,000 at any one time outstanding in the aggregate;

- (iii) Liens for taxes not yet subject to penalties for non-payment, the payment of which is being contested in good faith by appropriate proceedings, and Liens for taxes which are not yet overdue;
- (iv) minor survey exceptions, minor encumbrances, easements or reservations of, or rights of others for, rights of way, highways and railroad crossings, sewers, electric lines, telegraph and telephone lines and other similar purposes, or zoning or other restrictions as to the use of real properties or other Liens incidental to the conduct of the business of the Borrower or any of its Subsidiaries or to the ownership of their property which were not incurred in connection with Indebtedness of the Borrower or any of its Subsidiaries, and which Liens do not materially detract from the value of said properties or materially impair the operation of the business of the Borrower or any of its Subsidiaries;
- (v) Liens created in connection with Capital Lease Obligations, provided that such Liens do not encumber any property other than the property financed by the capital lease under which such Capital Lease Obligations exist;
- (vi) Liens existing on any assets acquired by the Borrower or any of its Subsidiaries after the date of this Agreement or created at the time of acquisition of such assets by the Borrower or any of its Subsidiaries after the date of this Agreement to secure purchase money Indebtedness; provided that any such acquisition or incurrence of Indebtedness must be permitted by all other applicable provisions of this Agreement, that the Lien must not extend to any assets other than those being acquired, that the purchase money Indebtedness not exceed 90% of the value of the asset so acquired, and that the aggregate amount of purchase money Indebtedness secured by all such Liens (excluding the aggregate amount of purchase money Indebtedness incurred pursuant to an Acquisition that is permitted by the terms of this Agreement) shall not exceed \$5,000,000;
- (vii) existing Liens in respect of property, assets or revenues of the Borrower or any of its Subsidiaries listed on Schedule 1.1 hereto;

- (viii) Liens arising by operation of law in favor of landlords in connection with the leasing of real property in the ordinary course of business, to the extent such liens encumber only personal property located on the leased property and the obligations secured thereby are limited to

obligations arising under the related lease; and

- (ix) extensions, renewals, refinancings or replacements of any Permitted Liens referred to above, provided that, with respect to any such Liens described in subparts (v), (vi) and (vii) immediately above, the principal amount of the obligation secured thereby is not increased and that any such extension, renewal, refinancing or replacement is limited to the property originally encumbered thereby.

"Person" shall mean any individual, corporation,

partnership, trust, joint venture, unincorporated association or other enterprise or any Governmental Authority.

"Petroleum Products" shall mean, collectively,

gasoline, diesel fuel, motor oil, waste or used oil, heating oil, kerosene and any other petroleum products.

"Plan" shall mean an employee benefit plan established

or maintained by the Borrower or any ERISA Affiliate and which is covered by Title IV of ERISA, other than a Multiemployer Plan.

"Quarterly Date" shall mean the last Business Day of

each March, June, September and December, the first of which shall be the first such day after the date of this Agreement.

"Receivables" means all rights of the Borrower or any

of its Subsidiaries to receive payment for goods sold, licensed or leased or for services rendered by the Borrower or any of its Subsidiaries in the ordinary course of business which are not evidenced by an instrument or chattel paper, together with all interest, finance charges or other amounts payable by an obligor in respect thereof.

"Reference Banks" shall mean three banks that regularly

quote rates for the offering by such bank to leading banks in the London interbank market of Dollar deposits, which shall be selected from time to time by the Agent and designated as such for purposes of this Agreement.

"Regulation D" shall mean Regulation D of the Board of

Governors of the Federal Reserve System (or any successor thereto), as the same may be amended or supplemented from time to time.

"Regulatory Change" shall mean, with respect to any

Bank, any change after the date of this Agreement in United States Federal or state law or regulations, or the entry, adoption, or making after such date of any order, interpretation, directive, or request of or under any United States Federal or state law or regulations (whether or not having the force of law) by any court or governmental or monetary authority charged with the interpretation or administration thereof, applying to a class of banks including such Bank.

"Reimbursement Agreement" shall mean any application

and/or reimbursement agreement pursuant to which a Letter of Credit has been issued, as the same may be amended, modified, supplemented or replaced from time to time.

"Reimbursement Obligations" shall mean, at any time,

the obligations of the Borrower then outstanding, or which may thereafter arise in respect to all Letters of Credit then outstanding, to reimburse amounts paid by the Issuing Bank in respect of any drawings under a Letter of Credit.

"Replacement Applicable Margin" means as follows: if

at the end of any fiscal quarter the Tangible Net Worth Ratio is within the respective ranges set forth below, then with respect to Corporate Base Rate Loans and Eurodollar Loans the "Replacement Applicable Margin" at all times during the second succeeding fiscal quarter shall be the respective percentages set forth opposite such ratios:

Tangible Net Worth Ratio -----	Replacement Applicable Margin for Corporate Base Rate Loans -----	Replacement Applicable Margin for Eurodollar Loans -----
Greater than 1.25 to 1	0.00%	1.75%
Less than or equal to 1.25 to 1, but greater than .80 to 1	0.25%	1.50%
Less than or equal to .80 to 1	0.50%	1.35%

provided, however, that during any period that the Borrower has failed to deliver the financial statements or the Borrowing Base and Compliance Certificate as required by Section 6.1 hereof, the Replacement Applicable Margin for Corporate Base Rate Loans shall be 0% and the Replacement Applicable Margin for Eurodollar Loans shall be 1.75%.

"Requirement of Law" shall mean for any Person any law,

treaty, regulation, rule, order, judgment or decree, or any other determination or requirement of any Governmental Authority or arbitrator applicable to or binding on such Person or any of its property or to which such Person or any of its property is subject.

"Reserve Requirement" shall mean, for any Eurodollar

Loan for any Interest Period therefor, the average maximum rate at which reserves (including any marginal, supplemental or emergency reserves) are required to be maintained during such Interest Period under Regulation D by any Bank against "Eurocurrency liabilities" (as such term is used in Regulation D), which shall be determined without benefit of or credit for exemptions, prorations or offsets. Without limiting the effect of the foregoing, the Reserve Requirement shall reflect any other reserves required to be maintained by such Bank by reason of any Regulatory Change against (a) any category of liabilities which includes deposits by reference to which LIBOR is to be determined as provided in the definition of "LIBOR" in this Section 1.1 or (b) any category of extension of credit or other assets which includes the Eurodollar Loans.

"Restricted Payments" shall have the meaning set forth

in Section 6.12 hereof.

"Revolving Credit Commitment" shall mean, as to each

Bank, the obligation of such Bank to make Revolving Credit Loans under Section 2.1(a) hereof up to an aggregate principal amount at any one time outstanding equal to the amount set forth opposite the name of such Bank on Exhibit A hereto under the heading "Revolving Credit Commitment" (as the same may be reduced from time to time pursuant to Section 2.3 hereof), minus (without duplication) the principal amount of such Bank's Revolving Credit Loans then outstanding and the amount, if any, of such Bank's LC Exposure as of the date on which any determination of such Bank's Revolving Credit Commitment is being made; provided, however, that at no time shall any Bank's Revolving Credit Commitment exceed its pro rata share of the Borrowing Base then in effect. The original aggregate amount of the Revolving Credit Commitments is \$18,000,000.

"Revolving Credit Loan" shall have the meaning assigned

to such term in Section 2.1(a) hereof.

"Revolving Credit Notes" shall mean the promissory

notes defined as such in Section 2.6 hereof.

"Revolving Credit Termination Date" shall mean March

31, 2002; provided, however, that if such date would otherwise fall on a date which is not a Business Day, the Revolving Credit Termination Date shall be the next preceding Business Day.

"SEC" shall mean the Securities and Exchange Commission

or any successor thereto.

"Security Documents" shall mean, collectively, the

Subsidiary Guaranty, the Reimbursement Agreements and all other documents executed as security for the Obligations to the extent set forth therein, as any or all of the foregoing may be renewed, extended, amended, modified, supplemented or replaced from time to time.

"Subsidiary" shall mean, with respect to any Person,

any corporation or other entity of which at least a majority of the outstanding securities or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or other persons performing similar functions (irrespective of whether or not at the time stock of any other class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more of its Subsidiaries or by such Person and one or more of its Subsidiaries. Notwithstanding the preceding sentence, Health Network Ventures, Inc. shall not be considered a "Subsidiary" of the Borrower, for purposes of this Agreement, unless the Borrower directly or indirectly owns or controls at least 75% of its outstanding voting securities.

"Subsidiary Guarantor" shall mean each Subsidiary of

the Borrower other than the Foreign Subsidiaries. As of the date hereof, the Subsidiary Guarantors are Cerner Properties, Inc., Cerner International, Inc., Multum Information Services, Inc., Cerner Health Connections, Inc., Cerner Health Facts, Inc., Cerner Healthwise, Inc. and Cerner Performance Logistics, Inc.

"Subsidiary Guaranty" shall mean the Subsidiary

Guaranty, executed by each Subsidiary Guarantor for the benefit of the Agent, dated as of the date hereof, as the same may be amended, modified, supplemented or replaced from time to time.

"Tangible Net Worth" shall mean, at any date,

Consolidated Net Worth minus any amount included in the determination thereof which would be attributable to goodwill and any other intangible item (other than intangible items attributable to capitalized software costs).

"Tangible Net Worth Ratio" shall mean, at any date, the

ratio of (i) the total liabilities of the Borrower and its Subsidiaries determined on a consolidated basis on such date, to (ii) Tangible Net Worth on such date.

"Termination Date" shall mean the Revolving Credit

Termination Date.

"Total Capitalization" shall mean, at any date, the sum

of (i) Funded Debt, plus (ii) Tangible Net Worth.

"Wholly-Owned Subsidiary" shall mean, with respect to

any Person, any Subsidiary of such Person all of the shares of capital stock (and all rights and options to purchase such shares) of which, other than directors' qualifying shares, are owned, beneficially and of record, by such Person or another Wholly-Owned Subsidiary of such Person.

Additional definitions may be found in the preamble and throughout this Agreement.

1.2.Accounting Terms; Statements of Variation. -----

(a) All accounting terms used herein shall (except as otherwise expressly provided herein) be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Agent, the Banks or the Issuing Bank hereunder shall be prepared, in accordance with GAAP applied on a basis consistent with the accounting principles used in the preparation of the audited financial statements of the Borrower and its Subsidiaries on a consolidated basis referred to in Section 5.2 hereof.

(b) the Borrower shall deliver to the Banks at the same time as the delivery of any annual or monthly financial statement under Section 6.1 hereof notice of any material variation between the application of accounting principles employed in the preparation of such statement and the application of accounting principles employed in the preparation of the immediately preceding annual or monthly financial statements, as the case may be.

(c) Except as otherwise provided herein, if any changes in accounting principles from those used in the preparation of the audited financial statements referred to in Section 5.2 hereof are hereafter required or permitted by the rules, regulations, pronouncements and opinions of the Financial Accounting Standards Board or the American Institute of Certified Public Accountants (or successors thereto or agencies with similar functions) and are adopted by the Borrower with the agreement of its independent certified public accountants and such changes result in a

change in the method of calculation of any of the financial covenants, standards or terms in or relating to Section 6 hereof, the parties hereto agree to enter into discussions with a view to amending such provisions so as to equitably reflect such changes with the desired result that the criteria for evaluating the financial condition of the Borrower on a consolidated basis shall be the same after such changes as if such changes had not been made, provided that no change in GAAP that would affect the method of calculation of any of said financial covenants, standards

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or terms shall be given effect in such calculations until such provisions are amended, in a manner satisfactory to the Majority Banks, to so reflect such change in accounting principles.

(d) the Borrower and its Subsidiaries shall maintain their respective accounts on the basis of a fiscal year ending on the Saturday closest to December 31 of each year.

1.3.General Rules. For the purposes of this Agreement,

the words "herein," "hereof," "hereunder" and words of similar import refer to this Agreement as a whole and not to a particular section, paragraph or other subdivision.

SECTION 2. THE COMMITMENTS

- -----

2.1. Loans.

(a) Each Bank severally agrees, on and subject to the terms of this Agreement to make loans to the Borrower from time to time on any Business Day during the period from and including the date hereof to but excluding the Revolving Credit Termination Date in an aggregate principal amount at any one time outstanding up to but not exceeding the lesser of (i) the amount of such Bank's Revolving Credit Commitment as then in effect, or (ii) the Bank's pro rata share of the Borrowing Base then in effect. Subject to the terms and conditions of this Agreement, during such period the Borrower may borrow, repay and reborrow the amount of the Revolving Credit Commitments. Loans made pursuant to this Section 2.1 are herein called "Revolving Credit Loans."

(b) The Loans made on each Borrowing Date may, on and subject to the terms and conditions of this Agreement, be Corporate Base Rate Loans or Eurodollar Loans (each being referred to in this Agreement as a "type" of Loan) as specified in the relevant notice of borrowing referred to in Section 2.2(a) hereof; provided that (i) no more than four Loans constituting Eurodollar Loans may be outstanding from each Bank at any one time and (ii) subject to clause (i) above, the Borrower may Convert Loans of one type into Loans of the other type or Continue Loans of one type as Loans of the same type, all as hereinafter provided.

2.2.Borrowings.

(a) The Borrower shall give the Agent notice (which shall promptly notify the Banks by telephone, confirmed promptly in writing) of each borrowing hereunder as provided in Section 2.15 hereof.

(b) Not later than 2:00 p.m. Kansas City time on the date specified for each borrowing hereunder, each Bank shall make available to the Agent the amount of the Loan to be made by it on such date, at such account maintained by the Agent as the Agent shall specify, in immediately available funds, for the account

of the Borrower. The amount so received by the Agent shall, subject to the terms and conditions of this Agreement, promptly be made available to the Borrower by depositing the same, in immediately available funds, in one or more accounts of the Borrower maintained with Mercantile Bank.

2.3.Reductions and Changes of Commitments.

(a) The Borrower shall have the right to terminate in whole, but not in part, the Revolving Credit Commitments, upon notice as provided herein.

(b) Commitments once terminated in accordance with paragraph (a) of this Section 2.3 may not be reinstated, unless each Bank shall agree to the reinstatement of such Commitments upon the request of the Borrower; provided, however, that any Bank may decline any such request for reinstatement, in its sole discretion.

2.4.Lending Offices. The Loans of each type made by

each Bank shall be made and maintained at such Bank's applicable lending office for Loans of such type.

2.5.Several Obligations; Remedies Independent. The

failure of any Bank to make any Loan to be made by it on the date specified therefor shall not relieve any other Bank of its obligation to make its Loan on such date, and neither any Bank nor the Agent shall be responsible for the failure of any other Bank to make a Loan to be made by such other Bank.

The amounts payable by the Borrower at any time hereunder and under the Notes to each Bank shall be a separate and independent debt and each Bank shall be entitled to protect and enforce its rights arising out of this Agreement and its Notes, and it shall not be necessary for any other Bank or the Agent to consent to, or be joined as an additional party in, any proceedings for such purposes; provided, however, that this Section 2.5 shall not be construed to permit acceleration of any obligation hereunder, or cancellation by any Bank of its Commitments hereunder, other than in accordance with Section 7 hereof or as otherwise expressly permitted by the terms of this Agreement.

2.6.Notes. The Revolving Credit Loans made by each

Bank under its Revolving Credit Commitment shall be evidenced by a single promissory note of the Borrower in substantially the form of Exhibit B hereto. Each Note shall be dated as of the date hereof, payable to the order of such Bank in a principal amount equal to the amount of such Commitment as then in effect and otherwise duly completed. Each Loan made by each Bank under its Commitments, and all payments and prepayments made on account of the principal thereof, shall be recorded by such Bank on its books and records.

2.7.Conversion or Continuation of Loans. Subject to

Section 4 hereof, the Borrower shall have the right to Convert Loans of one type into Loans of the other type or Continue Loans of one type as Loans of the same type, at any time or from time to time, provided that Eurodollar Loans may be Converted only on the last day of an Interest Period for such Loans.

2.8.Repayment of Loans. The Borrower shall pay to the

Agent for the account of each Bank the full outstanding principal amount of such Bank's Revolving Credit Loans made under its Revolving Credit Commitment (and all accrued interest thereon in accordance with Section 2.9) on the Revolving Credit Termination Date, or such earlier date as may be herein provided.

2.9.Interest.

(a) The Borrower shall pay to the Agent for the account of each Bank interest on the unpaid principal amount of each Revolving Credit Loan of such Bank for the period commencing on and including the date of such Revolving Credit Loan to but excluding the date such Revolving Credit Loan is paid in full, at the following rates per annum:

- (i) during any period while such Revolving Credit Loan is a Corporate Base Rate Loan, the Corporate Base Rate (as in effect from time to time) minus the Applicable Margin (as in effect from time to time); and
- (ii) during any period while such Revolving Credit Loan is a Eurodollar Loan, for each Interest Period relating thereto, the LIBOR Reserve Adjusted Rate for such Revolving Credit Loan for such Interest Period plus the Applicable Margin (as in effect from time to time).

(b) Notwithstanding the provisions of clause (a) above, the Borrower shall pay to the Agent for the account of each Bank interest at the applicable Default Rate on any principal of any Loan of such Bank, and on any interest or other amount payable by the Borrower, as applicable, hereunder or under any Note held by such Bank, which is not paid in full when due (whether at stated maturity, by acceleration or otherwise), for the period commencing on and including the due date thereof until the same is paid in full.

(c) Accrued interest on each Loan shall be payable (i) in the case of a Corporate Base Rate Loan, on each Quarterly Date, and (ii) in the case of a Eurodollar Loan, on the last day of each Interest Period therefor and, if such Interest Period is longer than three months, at three-month intervals following the first day of such Interest Period; provided that interest payable at the Default Rate shall be payable from time to time on demand.

(d) Promptly after the determination of any interest rate provided for herein or any change therein, the Agent shall notify the Banks and the Borrower thereof.

(e) The "Applicable Margin," as used in this Section 2.9, is subject to being replaced by the Replacement Applicable Margin, subject to the terms and conditions of Section 2.22 hereof. This subsection (e) is for informational purposes only.

2.10. Optional Prepayments. The Borrower shall

have the right to prepay the Loans in whole or in part at any time without premium or penalty, subject to giving the Agent prior notice in accordance with the provisions of Section 2.15 hereof, provided that (a) each such partial prepayment shall be in the aggregate

principal amount of not less than \$100,000, and (b) any prepayment of a Eurodollar Loan may be made only on the last day of the Interest Period therefor. Amounts prepaid in respect of Revolving Credit Loans under this Section 2.10 may be reborrowed on and subject to the terms and conditions hereof.

2.11. Mandatory Prepayments. On any date, the

Borrower shall prepay the principal of the Revolving Credit Loans to the extent the then outstanding principal balance thereof exceeds the Borrowing Base then in effect.

2.12. Payments.

(a) Except to the extent otherwise provided herein, all payments of principal, interest and other amounts to be made by the Borrower under this Agreement and the Notes shall be made in Dollars, in immediately available funds, to the Agent at such account maintained by the Agent with Mercantile Bank not later than 1:00 p.m. Kansas City time on the date on which such payment shall become due (each such payment made after such time on such due date to be deemed to have been made on the next succeeding Business Day). Payment to the Agent shall be payment to the Banks.

(b) The Borrower shall, at the time of making each payment under this Agreement or any Note, specify to the Agent the Loans or other amounts payable by the Borrower hereunder to which such payment is to be applied (and in the event that it fails to so specify, or if any Default has occurred and is continuing, the Agent may distribute such payment to the Banks in such manner as it may determine to be appropriate, subject to Section 2.13 hereof).

(c) Each payment received by the Agent under this Agreement or any Note for the account of a Bank shall be paid by the Agent promptly to such Bank, in immediately available funds, for the account of such Bank's applicable lending office for the Loan in respect of which such payment is made; and the Agent shall promptly notify each Bank of the Agent's receipt of such payments.

(d) All payments by the Borrower hereunder shall be made without deduction, set-off or counterclaim.

(e) If the due date of any payment under this Agreement or any Note would otherwise fall on a day which is not a Business Day such date shall (unless otherwise expressly provided herein) be extended to the immediately succeeding Business Day and interest shall be payable for any principal so extended for the period of such extension.

2.13. Pro Rata Treatment. Except to the extent

otherwise expressly provided herein:

(a) each borrowing hereunder shall be made from the Banks, each payment of commitment fee shall be made for the account of the Banks, and each termination or reduction of the amount of the Revolving Credit Commitments shall be applied to such Commitments of the Banks, pro rata according to the amounts of their respective unused Commitments;

(b) the making, Conversion and Continuation of Loans of a particular type (except as otherwise provided in Section 3 hereof) shall be pro rata among the

Banks according to the amounts of their respective Commitments; and

- (c) each payment and prepayment by the Borrower of principal of or interest on the Loans of a particular type shall be made to the Agent for the account of the Banks holding Loans of such type pro rata in accordance with the respective unpaid principal amounts thereof.

2.14. Minimum Amounts. Each borrowing, Conversion

or Continuation of Corporate Base Rate Loans shall be in an amount of at least \$100,000 and each borrowing, Conversion or Continuation of Eurodollar Loans shall be in an amount of \$1,000,000 or a multiple of \$100,000 in excess thereof (borrowings, Conversions or Continuations of or into Loans of different types or, in the case of Eurodollar Loans, having different Interest Periods at the same time hereunder to be deemed separate borrowings or Conversions for purposes of the foregoing, one for each type or Interest Period). Anything in this Agreement to the contrary notwithstanding, the aggregate principal amount of Eurodollar Loans having the same Interest Period shall be at least equal to \$1,000,000 and, if any Eurodollar Loans would otherwise be in a lesser principal amount for any period, such Loans shall be Corporate Base Rate Loans during such period.

2.15. Certain Notices. The Borrower shall give

notices to the Agent of all borrowings, terminations of Commitments, Conversions, Continuations or prepayments of Loans, and of the duration of Interest periods, such notices to be substantially in the form of Exhibit C hereto. Each such notice shall be irrevocable and shall be effective only if received by the Agent not later than 1:00 p.m. Kansas City time on the number of Business Days prior to the date of the relevant borrowing, termination, Conversion, Continuation or prepayment or the first day of such Interest Period specified below:

Notice of Business

Notice -----	Days Prior -----
Termination of Commitments	1
Borrowing or prepayments of, on Conversion into, Corporate Base Rate Loans	1
Borrowing or prepayment of, Conversion into, Continuation as, or duration on Interest Period for Eurodollar Loans	3

Each such notice of termination shall specify that it relates to the Revolving Credit Commitments and the aggregate amount of the relevant Commitments to be terminated or reduced. Each such notice of borrowing, Conversion, Continuation or prepayment shall specify the aggregate amount of Loans to be borrowed, Converted, Continued or prepaid and the amount, the type of Loans to be borrowed, Converted, Continued or prepaid (and, in the case of a Conversion, the type of Loans to result from such Conversion) and the date

of borrowing, Conversion, Continuation or prepayment (which

shall be a Business Day). Each such notice of the duration of an Interest Period shall specify the Loans to which such Interest Period is to relate. The Agent shall promptly notify the Banks of the contents of each such notice. In the event that the Borrower fails to select the type of Loan, or the duration of any Interest Period, for any Eurodollar Loan within the time period and otherwise as provided in this Section 2.15, such Loan (if outstanding as a Eurodollar Loan) will be automatically Converted into a Corporate Base Rate Loan on the last day of the then current Interest Period for such Loan or (if outstanding as a Corporate Base Rate Loan) will remain as, or (if not then outstanding) will be made as, a Corporate Base Rate Loan.

2.16. Non-Receipt of Funds by the Agent. Unless

the Agent shall have been notified by a Bank or the Borrower prior to the date on which it is scheduled to make payment to the Agent of (in the case of a Bank) the proceeds of a Loan to be made by it hereunder or (in the case of the Borrower) a payment to the Agent for the account of one or more of the Banks hereunder (such payment being herein called the "Required Payment"), which notice shall be effective upon receipt by the Agent, that it does not intend to make the Required Payment to the Agent, the Agent may assume that the Required Payment has been made and may, in reliance on such assumption (but shall not be required to), make the amount thereof available to the intended recipient(s) on such date and, if such Bank has not, or the Borrower (as the case may be) has not, in fact made the Required Payment to the Agent by the close of business on the date due, the recipient(s) of such payment shall, on demand, repay to the Agent the amount so made available together with interest thereon in respect of each day during the period commencing on and including the date such amount was so made available by the Agent until the date the Agent recovers such amount at a rate per annum equal to (i) in the case of the Borrower, the Corporate Base Rate, and (ii) in the case of a Bank, the Agents cost of overnight funds, in each case for each day such amount was made available by the Agent.

2.17. Balances; Sharing of Payments.

(a) The Borrower agrees that, in addition to (and without limitation of) any right of set-off, banker's lien or counterclaim a Bank may otherwise have, each Bank shall be entitled, at its option, to set off and apply balances held by it for the account of the Borrower at any of its offices or Affiliates, in Dollars or in any other currency, whether or not matured, against any principal of or interest on any of such Bank's Loans, or any other amount payable to such Bank hereunder, which is not paid when due in accordance with the terms hereof (regardless of whether such balances are then due to the Borrower), in which case it shall promptly notify the Borrower and the Agent thereof, provided that such Bank's failure to give such notice shall not affect the validity of any such set off.

(b) If any Bank shall obtain payment of any principal of or interest on any Loan or Reimbursement Obligation through the exercise of any right of set-off, banker's lien or counterclaim or similar right or otherwise, and, as a result of such payment, such Bank shall have received a greater percentage of the principal or interest then due hereunder by the Borrower to such Bank than its pro rata share thereof, it shall promptly purchase from such other Banks participations in (or, if and to the extent specified by such Bank, direct interests in) the Loans made by or the Reimbursement Obligations owing to such other Banks (or in interest due thereon, as the case may be) in such amounts, and make such other adjustments from time to time as shall be equitable, to the end that all the Banks shall share the benefit of such excess payment (net of any expenses which

may be incurred by such Bank in obtaining or preserving such excess payment) pro rata in

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accordance with the unpaid principal and/or interest on the Loans or Reimbursement Obligation held by each of the Banks. To such end all the Banks shall make appropriate adjustments among themselves (by the resale of participations sold or otherwise) if such payment is rescinded or must otherwise be restored. The Borrower agrees that any Bank so purchasing a participation (or direct interest) in the Loans made by other Banks or the Reimbursement Obligations owing to such Bank (or in interest due thereon, as the case may be) may exercise any and all rights of set-off, bankers' lien, counterclaim or similar rights with respect to such participation as fully as if such Bank were a direct holder of Loans or Reimbursement Obligation in the amount of such participation. Nothing in this Agreement shall require any Bank to exercise any such right or shall affect the right of any Bank to exercise, and retain the benefits of exercising, any such right with respect to any other indebtedness or obligation of the Borrower. If under any applicable bankruptcy, insolvency or other similar law, any Bank receives a secured claim in lieu of a set-off to which this Section 2.17 applies, such Bank shall, to the extent practicable, exercise its rights in respect of such secured claim in a manner consistent with the rights of the Banks entitled under this Section 2.17 to share in the benefits of any recovery on such secured claim.

2.18. Computation of Interest. Interest on the

principal amount of the Loans from time to time outstanding, the fees payable under Section 3.1, and any other amount due hereunder shall be computed on the basis of a year of 360 days and paid for the actual number of days elapsed. Each payment of interest shall be computed on the basis of the principal amount outstanding during each day of the term of each Loan and Reimbursement Obligation and the interest rate applicable to each such day.

2.19. Guaranty. Payment and/or performance of the

Obligations shall be guaranteed pursuant to the Subsidiary Guaranty.

2.20. Advances After Default. Notwithstanding

anything to the contrary herein, but subject, nevertheless, to Section 9.4 hereof, the Majority Banks may, but shall have no obligation of any kind whatsoever to, extend any credit or make any loan or advance to the Borrower under this Agreement, the Notes or any of the other Credit Documents so long as any Default or Event of Default shall have occurred and be continuing.

2.21. Letters of Credit.

(a) From time to time after the date hereof, until the Revolving Credit Termination Date, the Borrower may apply to the Issuing Bank for the Issuing Bank to issue and deliver or to extend the expiry date of one or more letters of credit for the account of the Borrower ("Letters of Credit"), each of which (i) is to be for an aggregate, undrawn amount at any one time outstanding which does not exceed the aggregate amount of the Revolving Credit Commitments then in effect, (ii) is to be in a form approved in writing by the Borrower and the Issuing Bank, (iii) is to be issued pursuant to the Issuing Bank's then-current standard form of application and reimbursement agreement, either as a documentary credit or as a standby letter of credit for such general purposes of the Borrower as are approved by the Issuing Bank, such approval

not to be unreasonably withheld, (iv) shall, by its terms, expire not later than the earlier of (A) the first anniversary of the date of issuance or extension (subject to extension for additional one-year periods by the Issuing Bank, in its discretion (and any automatic renewal clause requested in such Letter of Credit shall require notice of non-renewal to be given no more than 90 days from the stated expiry date), and (B) the Revolving Credit

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Termination Date; and (v) shall require payment by the Borrower of an issuance fee (A) in the case of standby letters of credit of a percentage per annum of the maximum face amount of the Letter of Credit that is equal to the then current Applicable Margin for Eurodollar Loans minus 0.50% (but in a minimum amount of \$250) (subject, however, to the provisions on Section 2.22 regarding the replacement of the Applicable Margin with the Replacement Applicable Margin), payable in advance, annually for the pro rata benefit of the Banks and (B) in the case of a documentary credit, such fees as are provided by the Issuing Bank's then current standard fee schedule, and (vi) shall conform to all terms and conditions required by the Issuing Bank as set forth in the applicable Reimbursement Agreement, including, but not limited to, the condition that the Letter of Credit shall be governed by the Uniform Customs and Practice for Documentary Credits (1994 Revision), ICCP Publication No. 500, as amended, or the International Standby Practices (ISP 98), ICC Publication No. 590 (January 1, 1999), as applicable.

(b) The Issuing Bank shall be under no obligation to issue any Letter of Credit for which an application is made pursuant to Section 2.21(a) above, but in the event that the Issuing Bank, in its sole discretion, with the consent of the Banks, in their sole discretion, complies with the Borrower's request and issues a Letter of Credit, the Issuing Bank shall give notice thereof to the Agent, which shall in turn give to each Bank, prompt written or telecopy advice of the issuance of such Letter of Credit; provided, however, that the Issuing Bank shall not issue or extend the expiry of any Letter of Credit if, immediately after giving effect to such issuance or extension, (i) the Banks' aggregate LC Exposure plus the aggregate principal amount of Revolving Credit Loans then outstanding at such time would exceed the Banks' aggregate Revolving Credit Commitments or the Borrowing Base then in effect or (ii) a Default or an Event of Default would exist.

(c) By the issuance of a Letter of Credit, and without any further action on the part of the Issuing Bank or the Banks in respect thereof, the Issuing Bank hereby grants to each Bank, and each Bank hereby acquires from the Issuing Bank, a participation in each such Letter of Credit equal to such Bank's pro rata percentage, based on the Revolving Credit Commitments in effect at the time of any issuance of such Letter of Credit, of the maximum face amount of such Letter of Credit, effective upon the issuance of such Letter of Credit and pursuant to any other terms and conditions as the Issuing Bank and the Banks may hereafter mutually agree in writing with respect to such participations. In consideration and in furtherance of the foregoing, each Bank hereby absolutely and unconditionally agrees to pay to the Issuing Bank, in accordance with Section 2.21(d) below, such Bank's pro rata percentage, based on its Revolving Credit Commitment, of all Reimbursement Obligations; provided, however, that the Bank shall not be obligated to make any such payment with respect to any disbursement made under any Letter of Credit as a result of the gross negligence or willful misconduct of the Issuing Bank. Each Bank acknowledges and agrees that its acquisition of participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall

not be affected by any circumstance whatsoever, including the occurrence and continuance of any Default or Event of Default hereunder, and that each such payment shall be made without any offset, abatement, withholding, or reduction whatsoever.

(d) Promptly after it shall have ascertained that any draft and any accompanying documents presented under a Letter of Credit appear to be in conformity with the terms and conditions of such Letter of Credit, the Issuing Bank shall give written or telecopy notice to the Borrower, the Agent, and the Banks of the receipt and amount of such draft and the date on which payment thereon will be made. If the Issuing Bank shall not have received from the Borrower the payment required pursuant to Section 2.21(e) below by 12:00

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noon, Kansas City time, one Business Day after the date on which payment of a draft present under any Letter of Credit has been made, the Issuing Bank shall promptly so notify the Agent and each Bank, specifying in the notice to each Bank such Bank's pro rata percentage, based on the Revolving Credit Commitments on the date of issuance, of such disbursement. Each Bank shall pay to the Agent, not later than 2:00 p.m. Kansas City time, on such date, such Bank's percentage of such disbursement, which the Agent shall promptly pay to the Issuing Bank. The Issuing Bank shall promptly remit to each Bank such Bank's percentage of any amount subsequently received by the Issuing Bank in respect of any such disbursement.

(e) If the Issuing Bank shall pay any draft presented under a Letter of Credit under circumstances entitling it to reimbursement under the applicable Reimbursement Agreement, the Borrower shall promptly pay to the Issuing Bank the amount of any such draft, and shall make all other payments required by, and comply with all other terms and conditions of, the applicable Reimbursement Agreement. With respect to any such payment which becomes due under the terms of this Section 2.21(e), the Borrower authorizes the Agent, at its option and upon the request of the Issuing Bank and the Majority Banks, to cause such payment to be made when due by charging such payment as an advance under the Revolving Credit Loans.

(f) Upon the occurrence of an Event of Default, or the occurrence of any Default described in Sections 7(h), 7(i) or 7(j), an amount equal to the amount of the then aggregate LC Exposure shall without demand upon or notice to any Borrower or any other Person, be deemed (as between the Issuing Bank and the Borrower) to have been paid by the Issuing Bank under the then outstanding Letters of Credit (notwithstanding that such amount may not in fact have been so paid), and the Borrower shall be immediately obligated to reimburse the Issuing Bank for the amount deemed to have been so paid. Any amounts so received by the Issuing Bank pursuant to the provisions of the foregoing sentence shall be deposited to a restricted deposit account (the "Assignee

Deposit Account") maintained by the Agent as collateral

security for the repayment of the Obligations. Neither the Borrower nor any other Person shall have any right to withdraw funds deposited in the Assignee Deposit Account, which right shall be vested solely in the Agent, on behalf of the Banks. The funds deposited in the Assignee Deposit Account pursuant to this subsection 2.21(f) shall be applied at any time to the Obligations whether or not then due in such order of application as the Majority Banks may determine in their sole and absolute discretion.

2.22. Banks' Option to Adjust Pricing. The

Majority Banks shall have the option (the "Pricing

Adjustment Option"), but not the obligation, to (i) replace

the Applicable Margin with the Replacement Applicable Margin
(the "Applicable Margin Adjustment"), and (ii) adjust the

commitment fee described in Section 3.1 from 0.30 % per
annum to 0.25% per annum (the "Commitment Fee Adjustment"),

in each case subject to the following terms and conditions:

- (a) the Pricing Adjustment Option may be exercised only by the Agent, at the direction of the Majority Banks, giving the Borrower written notice thereof not more than 10 Business Days before, and not more than 10 Business Days after, April 1, 2000;
- (b) the Pricing Adjustment Option, if exercised in accordance with the terms of this Agreement, shall be deemed effective as of April 1, 2000, and the following shall

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be deemed to have occurred as of that date without further agreement or action on any Person's part:

- (i) all references in Sections 2.9 and 2.21 hereof to the "Applicable Margin" shall be deemed to refer instead to the "Replacement Applicable Margin," and
- (ii) the number "0.25%" shall be substituted for the number "0.30%" in Section 3.1 hereof; and
- (c) the Agent may not elect the Applicable Margin Adjustment without also electing the Commitment Fee Adjustment, and vice versa.

SECTION 3. FEES; YIELD PROTECTION

3.1.Commitment Fees. The Borrower shall pay to the

Agent for the pro rata account of each Bank a commitment fee at a rate equal to 0.30% per annum (subject, however, to the provisions of Section 2.22 hereof regarding the adjustment of such number) on the daily average unused amount of such Bank's Revolving Credit Commitment, for the period from and including the date hereof to but excluding the earlier of the date Revolving Credit Commitments are terminated or the Revolving Credit Termination Date. Accrued commitment fees shall be payable on each Quarterly Date and on the dates referred to in the immediately preceding sentence.

3.2.Additional Costs. The Borrower shall pay to the

Agent for the account of each Bank from time to time such amounts as such Bank may determine to be necessary to compensate it for any costs which such Bank determines are attributable to its making or maintaining any Loans or its obligation to make any Loans or issue or participate in any Letters of Credit hereunder, or any reduction in any amount receivable by such Bank hereunder in respect of any of such

Loans or Letters of Credit or such obligation (such increases in costs and reductions in amounts receivable being herein called "Additional Costs") resulting from any Regulatory Change which:

- (a) changes the basis of taxation of any amounts payable to such Bank under this Agreement, the Notes, the Letters of Credit or any of the other Credit Documents in respect of any of the Loans (other than taxes imposed on the overall net income of the Bank); or
- (b) imposes, modifies or deems applicable any reserve, special deposit, minimum capital, capital ratio or similar requirements (other than the Reserve Requirement utilized in the determination of LIBOR Reserve Adjusted Rate for such Loan) relating to any extensions of credit or other assets of, or any deposits with or other liabilities of, such Bank (including any of the Loans), or any Commitment of such Bank; or

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- (c) imposes any other condition affecting this Agreement, the Notes held by such Bank (or any of such extensions of credit or liabilities), the Letters of Credit, any of the other Credit Documents, the Loans, or the Commitment of such Bank or its lending office.

Each Bank will notify the Borrower of any event occurring after the date of this Agreement which will entitle such Bank to compensation pursuant to this Section 3.2 as promptly as practicable after it obtains knowledge thereof and determines to request such compensation (which determination such Bank will endeavor to make with reasonable promptness). Each Bank will furnish the Borrower with a certificate setting forth in reasonable detail the basis and amount of each request by the Bank for compensation under this Section 3.2.

Without limiting the effect of the provisions of Section 3.2 hereof, in the event that, by reason of any Regulatory Change, any Bank becomes subject to restrictions on the amount of a category of deposits or liabilities which it may hold which includes deposits by reference to which the interest rate on Eurodollar Loans is determined as provided in this Agreement or a category of assets of such Bank which includes Eurodollar Loans, then, if such Bank so elects by notice to the Borrower and the Agent, the obligation of such Bank to make and to Continue, and to Convert Loans of any other type into, Eurodollar Loans hereunder shall be suspended until such Regulatory Change ceases to be in effect (and all Eurodollar Loans then held by such Bank shall be Converted into Corporate Base Rate Loans at the end of the Interest Periods applicable thereto, or immediately if holding any such Eurodollar Loan would be contrary to any Requirement of Law).

Determinations and allocations by any Bank for purposes of this Section 3.2 of the effect of any Regulatory Change on its costs or rate of return of maintaining the Loans or its obligation to make Loans, or on amounts receivable by it in respect of the Loans, and of the amounts required to compensate such Bank under this Section 3.2, shall be conclusive, provided that such determinations and allocations are made on a reasonable basis and are set forth

in reasonable detail in the certificates referred to herein.

3.3.Limitation on Types of Loans. Anything herein to

the contrary notwithstanding, if, on or prior to the determination of any Eurodollar Rate for any Interest Period the Agent determines (which determination shall be conclusive) that quotations of interest rates for the relevant deposits referred to in the definition of "LIBOR" in Section 1.1 hereof are not being provided in the relevant amounts or for the relevant maturities for purposes of determining rates of interest for Eurodollar Loans as provided herein, then the Agent shall give the Borrower and each Bank prompt notice thereof, and so long as such condition remains in effect, the Banks shall be under no obligation to make additional Loans of such type, to Continue Loans of such type or to Convert Loans of any other type into Loans of such type and the Borrower shall, on the last day(s) of the then current Interest Period(s) for the outstanding Loans of such type, either prepay such Loans or Convert such Loans into another type of Loan.

3.4.Illegality. Notwithstanding any other provision of

this Agreement, in the event that it becomes unlawful for any Bank to honor its obligation to make or maintain Eurodollar Loans hereunder, then such Bank shall promptly notify the Borrower thereof (with a copy to the Agent) and such Bank's obligation to make or Continue Eurodollar Loans, or Convert Loans into Eurodollar Loans, shall be suspended until such time as

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such Bank may again make and maintain Eurodollar Loans (and such Bank's outstanding Eurodollar Loans shall be Converted into Corporate Base Rate Loans in accordance with Section 3.5 hereof).

3.5.Certain Conversions Pursuant to Sections 3.3 and 3.4.

If the Eurodollar Loans of any Bank (such Loans being herein called "Affected Loans") are to be Converted pursuant to Section 3.3 or 3.4 hereof, such Bank's Affected Loans shall be automatically Converted into Corporate Base Rate Loans on the last day(s) of the then current Interest Period(s) for the Affected Loans (or, if holding such Affected Loan would be contrary to any Requirement of Law, on such earlier date as such Bank may specify to the Borrower with a copy to the Agent) and, unless and until such Bank gives notice as provided below that the circumstances specified in Section 3.3 or 3.4 hereof which gave rise to such Conversion no longer exist:

- (a) to the extent that such Bank's Affected Loans have been so Converted, all payments and prepayments of principal which would otherwise be applied to such Bank's Affected Loans shall be applied instead to its Corporate Base Rate Loans; and
- (b) all Loans which would otherwise be made or Continued by such Bank as Eurodollar Loans shall be made or Continued instead as Corporate Base Rate Loans and all Loans of such Bank which would otherwise be Converted into Eurodollar Loans shall be Converted instead into (or shall remain as) Corporate Base Rate Loans.

If such Bank gives notice to the Borrower (with a copy to the Agent) that the circumstances specified in Section 3.3 or 3.4 hereof which gave rise to the Conversion or non-Continuation of such Bank's Affected Loans pursuant to this Section 3.5 no longer exist (which such Bank agrees to

do promptly upon such circumstances ceasing to exist) at a time when Eurodollar Loans are outstanding, such Bank's Corporate Base Rate Loans shall be automatically Converted, on the first day(s) of the next succeeding Interest Period(s) for such outstanding Eurodollar Loans, to the extent necessary so that, after giving effect thereto, all Loans held by the Banks holding Eurodollar Loans and by such Bank are held pro rata (as to principal amounts and Interest Periods) in accordance with their respective Commitments.

3.6.Compensation. The Borrower shall pay to the Agent

for the account of each Bank, upon the request of such Bank through the Agent, such amount or amounts as shall be sufficient (in the reasonable opinion of such Bank) to compensate it for any loss, cost or expense which such Bank incurs (including, without limitation, any loss, cost or expense incurred by reason of the liquidation or re-employment of deposits, but excluding loss of anticipated profits) and determines is attributable to:

- (a) any payment, prepayment or Conversion of a Eurodollar Loan made by such Bank for any reason (including, without limitation, pursuant to Section 2.11 hereof or by reason of the acceleration of the Loans pursuant to Section 7 hereof) on a date other than the last day of an Interest Period for such Loan; or
- (b) any failure by the Borrower for any reason (including, without limitation, the failure of any of the conditions precedent specified in Section 4 hereof to be

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satisfied, but excluding the failure of the Agent or such Bank to make funds available to the Borrower when required to do so by the terms of this Agreement) to borrow any Loan from such Bank on the date for such borrowing specified in the relevant notice of borrowing given pursuant to Section 2.15 hereof.

SECTION 4. CONDITIONS PRECEDENT

4.1.Conditions Precedent to the Loans. Notwithstanding

anything to the contrary in this Agreement, the obligation of any Bank to make any Loans hereunder on the initial Borrowing Date is subject to each of the following conditions precedent:

- (a) The Agent shall have received the following, each of which shall be in form and substance satisfactory to the Agent:
 - (i) the Note(s), duly executed and delivered by the Borrower;
 - (ii) this Agreement, duly executed and delivered by the Borrower;
 - (iii) the Subsidiary Guaranty, duly executed and delivered by each of the Subsidiary Guarantors;
 - (iv) an initial Borrowing Base Certificate;

- (v) payment in full of all loans and other obligations outstanding under the Existing Credit Agreement and termination of all Commitments thereunder;
- (vi) Certified copies of the Certificate of Incorporation and Bylaws (or equivalent documents) of the Borrower and each of the Subsidiary Guarantors and of resolutions of their respective Boards of Directors authorizing the making and performance, in the case of the Borrower, of this Agreement, the Notes and all other Credit Documents, and in the case of the Subsidiary Guarantors, of the Subsidiary Guaranty, and the transactions contemplated hereby and thereby;
- (vii) A certificate of appropriate officers of the Borrower and each of the Subsidiary Guarantors in respect of each of its officers (1) who is authorized to execute and deliver, as the case may be, this Agreement, the Notes, the Subsidiary Guaranty, and all other Credit Documents, and (2) who will, until replaced by another officer or officers duly authorized for that purpose, act as its representative for the purpose of signing documents and giving notices and other communications in connection with, as the case may be, this Agreement, the Subsidiary Guaranty, and the other Credit Documents and the transactions contemplated hereby and thereby (and the Agent and the Banks may conclusively rely on such certificate

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until it receives notice in writing from the Borrower or such Subsidiary Guarantor to the contrary);

- (viii) Certificates of all liability insurance policies required by this Agreement and the other Credit Documents naming the Agent, in its capacity as Agent for the Banks, as an additional insured thereunder;
- (ix) An opinion of Randy D. Sims, General Counsel to the Borrower, addressing such matters and in such form as the Agent may reasonably require; and
- (x) Such other documents as the Agent may reasonably request.

(b) No material adverse change in the assets, prospects, business, operations, financial condition, liabilities or capitalization of the Borrower shall have occurred since January 2, 1999.

(c) No litigation or similar proceeding shall exist or be threatened with respect to the making of the Loans or consummation of the transactions contemplated hereby, and no Requirement of Law shall have been promulgated or deemed applicable which is likely to have a material adverse effect on the assets, liabilities, operations, business, prospects, financial condition or capitalization of the Borrower, on the timely payment of the principal of or interest on the Loans, or the enforceability of this Agreement, the Notes or any of the other Credit Documents, or the Banks' rights and remedies hereunder or thereunder.

(d) All representations and warranties made by the Borrower herein or in any of the other Credit Documents, or in any certificate or statement furnished in connection with the Loans or otherwise, are true and correct in all material respects as of the date of each Loan as if made on and as of such date.

(e) No Default or Event of Default shall have occurred and be continuing as of the date of any Loan or after giving effect to any Loan.

(f) The Loans, the use of the proceeds thereof, the other transactions contemplated by this Agreement and the other Credit Documents, and the performance thereof by the Borrower and/or the Banks shall not violate, contravene, or conflict with, any Requirement of Law.

4.2. Subsequent Loans and Advances. Each borrowing

hereunder made after the initial Borrowing Date and each issuance of a Letter of Credit is subject to each condition precedent set forth in Section 4.1 above. In addition, in the case of each borrowing hereunder and each issuance of a Letter of Credit, such borrowing or request for a Letter of Credit to be issued and the related notice thereof by the Borrower hereunder shall constitute a certification by the Borrower, as of the date of such borrowing or request for a Letter of Credit to be issued, and after giving effect thereto, that (i) all representations and warranties made by the Borrower herein (except those regarding Subsidiaries and Material Contracts made at Sections 5.12 and 5.14 hereof that are identified as being made "as of the date hereof") or in any of the other Credit Documents, or in any certificate or statement furnished in connection with the Loans or otherwise, are true and correct in

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all material respects as if made on and of such date, and (ii) no Default or Event of Default shall have occurred and be continuing.

SECTION 5. REPRESENTATIONS AND WARRANTIES. The

Borrower represents and warrants, as to itself, to the Agent and the Banks as follows:

5.1. Corporate Existence and Structure. The Borrower

and each of its Subsidiaries is a corporation duly organized and validly existing in good standing under the laws of the jurisdiction of its organization; has all requisite corporate power; has all material governmental licenses, authorizations, consents and approvals necessary to own its assets and carry on its business as now being or as proposed to be conducted; and is qualified to do business in all jurisdictions in which the nature of the business conducted by it makes such qualification necessary and where failure to so qualify would have a material adverse effect on the assets, prospects, business, operations, financial condition, liabilities or capitalization of the Borrower or any such Subsidiary.

5.2. Financial Condition. The audited consolidated

balance sheet of the Borrower as at January 2, 1999, and the related consolidated statements of earnings and changes in financial position of the Borrower for the fiscal year ended on said date, with the opinion thereon of January 2, 1999, heretofore furnished to each of the Banks, fairly present the consolidated financial condition of the Borrower as at said date and the consolidated results of its operations for the period covered thereby, all in accordance with GAAP

applied on a consistent basis. Except as disclosed on Schedule 5.2 hereto, Borrower did not have on said date any material contingent liabilities, material liabilities for taxes, unusual forward or long-term commitments or any material unrealized or anticipated losses from any unfavorable commitments, except as referred to or reflected or provided for in said balance sheet or the notes thereto as at said date. Since January 2, 1999, there has been no material adverse change in the assets, prospects, business, operations, financial condition, liabilities (direct or contingent) or capitalization of the Borrower from that set forth in said financial statements as at said date.

5.3.Litigation. Except as disclosed on Schedule 5.3

hereto, there are no legal or arbitration proceedings or any proceedings by or before any Governmental Authority now pending, or (to any Borrower's knowledge) threatened, against the Borrower or any of its Subsidiaries, which, if adversely determined, would have a material adverse effect on the business, assets, prospects, operations, financial condition, liabilities or capitalization of the Borrower and its Subsidiaries taken as a whole.

5.4.No Breach. None of the execution and delivery of

this Agreement, the Notes, or any of the other Credit Documents, the consummation of the transactions herein and therein contemplated, or the performance or compliance with the terms and provisions hereof or thereof will conflict with or result in a breach of, or require any consent or prepayment under:

- (i the charter or bylaws of the Borrower, or
- (ii any order, writ, injunction or decree of any court or other Governmental Authority or any arbitration board applicable to or binding on the Borrower, or

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- (iii any material agreement or instrument to which the Borrower is a party or by which it is bound, or constitute a default under any such agreement or instrument, or result in the creation or imposition of any Lien (other than Permitted Liens) on any of the properties, assets or revenues of the Borrower pursuant to the terms of any such agreement or instrument.

5.5.Corporate Action; Binding Effect. The Borrower has

all necessary corporate power and authority to make and perform this Agreement, the Notes, the Reimbursement Agreements, and each of the other Credit Documents, and the making and performance by the Borrower of this Agreement, the Notes, the Reimbursement Agreements, and each of the other Credit Documents, and the consummation of the transactions contemplated hereby and thereby, have been duly authorized by all necessary corporate action on its part. This Agreement constitutes, each of the Notes when executed and delivered for value will constitute, and each of the other Credit Documents executed or to be executed by the Borrower, constitutes, the legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms, except to the extent that enforcement may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally, and by general principles of equity (regardless of whether enforcement is

sought in a proceeding in equity or at law).

5.6.Approvals. No authorizations, approvals or

consents of, and no filings or registrations with, any Governmental Authority or any other Person are necessary for the making or performance by the Borrower of this Agreement, the Notes, the Reimbursement Agreements, or any of the other Credit Documents, or the validity or enforceability thereof.

5.7.ERISA. The Borrower and each of its ERISA

Affiliates have fulfilled their respective obligations under the minimum funding standards of ERISA and the Code with respect to each Plan and are in compliance in all material respects with the presently applicable provisions of ERISA and the Code, and have not incurred any material liability to the PBGC or any Plan or Multiemployer Plan, other than an obligation to fund or make contributions to any such Plan in accordance with its terms and in the ordinary course.

5.8.Taxes. Except as disclosed on Schedule 5.8 hereto,

the Borrower and all of its Subsidiaries have filed all United States Federal income tax returns and all other material tax returns which are required to be filed by them and have paid all taxes shown to be due pursuant to such returns or pursuant to any assessment received by the Borrower or such Subsidiary, except those taxes being contested in good faith by proper proceedings and (except in the case of Inactive Subsidiaries) for which adequate reserves are being maintained.

5.9.Investment Company Act. The Borrower is not an

"investment company" or a company "controlled" by an "investment company" within the meaning of the Investment Company Act of 1940, as amended.

5.10.Public Utility Holding Company Act. The Borrower is

not a "holding company" or a "subsidiary company" of a "holding company" or an "affiliate" of a "holding company" or of a "subsidiary

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company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended.

5.11. Environmental Matters.

(a The Borrower and each of its Subsidiaries has obtained all applicable permits, licenses and other authorizations which are required under all Environmental Laws, including laws relating to emissions, discharges, releases or threatened releases of Hazardous Materials into the environment (including, without limitation, ambient air, surface water, ground water or land) or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, except to the extent failure to have any such permit, license or authorization does not have, and will not have, a material adverse effect on the assets, prospects, business, operations, financial condition, liabilities or capitalization of the Borrower or such Subsidiary. Except as set forth in Schedule 5.11 hereto, the Borrower and each of its Subsidiaries is in compliance with all applicable Environmental Laws and with all terms and conditions of all permits, licenses and authorizations required to be obtained by it, and is also in compliance with all other limitations, restrictions, conditions,

standards, prohibitions, requirements, obligations, schedules and timetables contained in applicable Environmental Laws or contained in any regulations, code, plan, order, decree, judgment, injunction, notice or demand letter issued, entered, promulgated or approved thereunder, except to the extent that failure to so comply does not have, and will not have, a material adverse effect on the assets, prospects, business, operations, financial condition, liabilities or capitalization of the Borrower or such Subsidiary.

(b) Except as set forth on Schedule 5.11 hereto, (i) neither the Borrower nor any of its Subsidiaries has used, stored, treated, transported, manufactured, refined, handled, produced or disposed of any Hazardous Materials or Petroleum Products on, under, at, from, or otherwise affecting any of their properties or assets, in any manner which at the time of the action in question materially violated any applicable Environmental Law governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of such Hazardous Materials or Petroleum Products, and (ii) to the best of the Borrower's knowledge, no prior owner of such property or asset or any past or present tenant, subtenant, or other occupant or user thereof has used Hazardous Materials or Petroleum Products on, at, under, from or affecting such property or asset, in any manner which at the time of the action in question materially violated any applicable Environmental Law governing the use, storage, treatment, transportation, manufacture, refinement, handling, production or disposal of Hazardous Materials or Petroleum Products.

(c) Except as set forth on Schedule 5.11 hereto, neither the Borrower nor any of its Subsidiaries has any obligations or liabilities under any applicable Environmental Law which could reasonably be expected to have a material adverse effect on the business, prospects, assets, financial condition, operations, liabilities or capitalization of the Borrower and its Subsidiaries taken as a whole, and neither the Borrower nor any of its Subsidiaries has received notice of any claims against it, and no presently outstanding citations or notices have been issued against or received by it which could reasonably be expected to have a material adverse effect on the business, prospects, assets, operations, financial condition, liabilities or capitalization of the Borrower and its Subsidiaries taken as a whole which in any case have been or are imposed by reason of or based on any applicable Environmental Law.

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5.12. Subsidiaries. Each of the Subsidiaries

listed on Schedule 5.12 hereto (other than the Foreign Subsidiaries) is a Wholly-Owned Subsidiary of the Borrower, and the Borrower owns and has good title to (free and clear of all Liens), and has the unencumbered right to vote all the outstanding shares of capital stock of each such Subsidiary. Except as shown on Schedule 5.12, each of the Foreign Subsidiaries is a Wholly-Owned Subsidiary of Cerner International, Inc., which owns and has good title to (free and clear of all Liens), and has the unencumbered right to vote all the outstanding shares of capital stock of each such Foreign Subsidiary. As of the date hereof, the Borrower has only the Subsidiaries listed on Schedule 5.12 hereto. None of the Inactive Subsidiaries have any material assets or properties.

5.13. Assets of the Borrower. The Borrower and

each of its Subsidiaries owns all properties and assets it purports to own, free and clear of all Liens (except Permitted Liens), except to the extent the Borrower's or any Subsidiary's failure to own any such properties or assets would not have a material adverse effect on the business, prospects, assets, financial condition, operations, liabilities or capitalization of the Borrower and its Subsidiaries taken as a whole.

5.14. Material Contracts.

(a Any agreement or instrument that has or is likely to have a material effect on the assets, prospects, business, operations, financial condition, liabilities or capitalization of the Borrower is referred to in this Section 5.14 as a "Material Contract." As of the date

hereof, all of the Borrower's Material Contracts are listed on Schedule 5.14 hereto.

(b The Borrower is not in default under any Material Contract in any manner that could materially and adversely affect the assets, prospects, business, operations, financial condition, liabilities or capitalization of the Borrower, or in any manner that could jeopardize the Borrower's right to require the performance, observance or fulfillment of any of the obligations, covenants or conditions contained in any Material Contract.

5.15. Solvency.

(a The fair saleable value of the assets of the Borrower (on an unconsolidated basis) exceeds and will, immediately following the making of the Loans, exceed the amount that will be required to be paid on or in respect of the existing debts and other liabilities (including contingent liabilities) of the Borrower as they mature.

(b Neither the Borrower nor any of its Subsidiaries has or will have, immediately following the making of each Loan, unreasonably small capital to carry on its business as conducted or as proposed to be conducted.

(c Neither the Borrower nor any of its Subsidiaries intends to, or believes that it will, incur debts beyond its ability to pay such debts as they mature.

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5.16. Margin Regulations. Neither the making of

the Loans hereunder, nor the use of the proceeds thereof, will violate or be inconsistent with the provisions of Regulation G, T, U or X of the Board of Governors of the Federal Reserve System. No part of the proceeds of any Loan will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or to extend credit to others for the purpose of purchasing or carrying Margin Stock (as defined in said Regulation U).

5.17. Copyrights, Patents and Other Rights. The

Borrower and each of its Subsidiaries possesses all patents, patent rights or patent licenses, trademark rights, trade names, trade name rights and copyrights and all other intellectual property rights which are required to conduct its business as presently conducted, and such rights do not infringe on or conflict with the rights of any other Person, except to the extent such infringement or conflict would not have a material adverse effect on the business, assets,

prospects, operations, financial condition, liabilities or capitalization of the Borrower and its Subsidiaries taken as a whole.

5.18. Disclosure. Neither this Agreement, nor any

of the other Credit Documents, nor any certificate or statement furnished to the Agent or any Bank in connection herewith or otherwise, at the time it was executed, delivered and/or furnished, contained any untrue statement of a material fact, or omitted to state a material fact which was necessary in order to make the statements contained herein or therein not materially misleading. At the date hereof, there is no fact known to the Borrower which materially and adversely affects, or in the future may reasonably be expected to materially and adversely affect, the business, assets, prospects, operations, financial condition, liabilities or capitalization of the Borrower.

5.19. Labor Matters. For at least the last 5

years, neither the Borrower nor any of its Subsidiaries has experienced any strike, labor dispute, slowdown or work stoppage due to labor disagreement, and to the best of the Borrower's knowledge, there is no strike, dispute, slowdown or work stoppage threatened against the Borrower or any of its Subsidiaries.

5.20. No Event of Default. No Default or Event of

Default has occurred and is continuing.

5.21. Use of Proceeds. The proceeds of the Loans

will be used by the Borrower to prepay the amount due under the Existing Credit Agreement, for working capital and for general corporate purposes, including but not limited to other Acquisitions that are permitted by the terms of this Agreement. All Loans are and shall be (x) business loans as provided in Mo. Rev. Stat. 408.035 and also loans to a corporation, (y) business loans within the meaning of the Depository Institutions Deregulation and Monetary Control Act of 1980, as amended, and (z) for business, commercial, investment or other similar purpose and not primarily for personal, family, household or agricultural use (as such terms are used or defined in Regulation Z promulgated by the Board of Governors of the Federal Reserve System and Title I and V of the Consumer Credit Protection Act, as amended).

5.22. Authorized Officers. The Borrower hereby

designates, appoints, authorizes and directs each of the officers designated in the certified resolution of the board of directors of the Borrower delivered to the Agent on the date hereof (the "Authorized Officer") to act on behalf of

the Borrower for purposes of giving notice to the Agent of requests for Loans under Section 2.2 hereof and for otherwise giving notices under this Agreement or the other Credit Documents. The Agent and the Banks are entitled to rely and act on the instructions of the Authorized Officer on behalf of the Borrower. The Borrower covenants and agrees to

assume liability for and to protect, indemnify and hold harmless the Agent and the Banks from any and all liabilities, obligations, damages, penalties, claims, causes of action, costs, charges and expenses (including without limitation, attorneys' fees), which may be incurred by, imposed or asserted against the Agent or any Bank howsoever arising or incurred because of, out of or in connection with

the Agent or any Bank dealing with the Authorized Officer on behalf of the Borrower, other than those liabilities, obligations, damages, penalties, claims causes of action, costs, charges and expenses incurred by reason of the gross negligence or willful misconduct of such Agent or Bank, as the case may be.

SECTION 6. COVENANTS. Until payment in full of the

principal of and interest on the Loans and all other amounts payable by the Borrower hereunder or under any of the other Credit Documents and until the expiration of the Commitments:

6.1.Information. The Borrower shall deliver to the

Agent, with copies for each of the Banks:

- (a) as soon as available and in any event within 30 days after the end of each fiscal quarter (commencing with the first whole or partial quarter after the date hereof), (i) a consolidating balance sheet and income statement for the Borrower for the fiscal quarter and year-to-date period; (ii) consolidated balance sheet and income statement for the Borrower reflecting quarterly and year-to-date performance against current quarter budget, budget year-to-date (on a calendar year basis), the prior year quarter and the prior year-to-date; (iii) consolidated cash flow statement for the Borrower reflecting current quarter and year-to-date performance against current quarter and year-to-date budget and prior year quarter and prior year-to-date results; and (iv) a certificate of the chief financial officer of the Borrower which certificate shall state that said financial statements fairly present the consolidated financial condition and results of operations of the Borrower in accordance with GAAP consistently applied, as at the end of, and for, such period (subject to normal year-end audit adjustments and to the absence of footnote disclosures);
- (b) as soon as available, and in any event within 120 days after the end of each fiscal year of the Borrower consolidated and consolidating income statements, statements of cash flows and reconciliation of net worth and the related consolidated and consolidating balance sheet and consolidated statement of stockholders' equity for the Borrower as at the end of such year, and for the immediately preceding fiscal year, setting forth in the case of each consolidated statement and balance sheet in comparative form the corresponding figures for the preceding fiscal year, and accompanied by an unqualified opinion thereon, of independent certified public accountants satisfactory to the Agent, which opinion shall state that said consolidated financial statements fairly present the consolidated financial condition and results of operations of the Borrower as at the end of, and for, such fiscal year, and a certificate of such accountants stating that, in making the examination necessary for their opinion, they obtained no knowledge, except as specifically stated, of any Default or Event of Default continuing as of the date of such certificate;
- (c) promptly upon their becoming available, copies of all registration statements and annual, periodic or other regular reports, final proxy statements and such other similar information

as shall be filed by the Borrower with the SEC, any national securities exchange or (to the extent not duplicative) any other similar Governmental Authority;

- (d) promptly upon the mailing thereof to the shareholders of the Borrower generally, copies of all notices, financial statements, reports and proxy statements so mailed;
- (e) as soon as possible, and in any event within ten days after the Borrower knows that any "reportable event" as defined in ERISA or notice of termination with respect to any Plan or Multiemployer Plan have occurred or exist, a statement signed by a senior officer of the Borrower setting forth details respecting such event or condition and the action, if any, which the Borrower or its ERISA Affiliate proposes to take with respect thereto (and a copy of any report or notice required to be filed with or given to PBGC by the Borrower or any of its ERISA Affiliates with respect to such event or condition);
- (f) except as otherwise provided in Section 6.11(d), not less than 5 Business Days prior to the formation of any Subsidiary or any Acquisition that, upon the consummation of that Acquisition, will result in any Person becoming a Subsidiary of the Borrower, notice thereof describing such transaction or event and the expected proceeds to be received therefrom, in detail satisfactory to the Majority Banks;
- (g) not later than February 28 of each year, a consolidated operating budget for the Borrower, for the then-current "plan year" of the Borrower (to be the same as the Borrower's fiscal year) showing projected revenues, expenses, earnings and balance sheet by month and in such other detail reasonably satisfactory to the Majority Banks, and thereafter from time to time any material modification to such budgets as soon as available;
- (h) promptly upon receipt by the Borrower, a copy of any management letter sent by the Borrower's independent certified public accountants (which shall deliver the opinion on the Borrower's financial statements pursuant to clause (b) above), and promptly upon completion of any response report, a copy of such response report;
- (i) promptly after the Borrower knows that any Default has occurred, notice of such Default, describing the same in reasonable detail and describing the steps being taken to remedy the same;
- (j) promptly from time to time such other information regarding (i) the business, affairs, operations or condition (financial or otherwise) of the Borrower, (ii) compliance by the Borrower with its obligations contained herein or in any of the other Credit Documents, and (iii) the transactions contemplated hereby, in each case in such form and in such detail as the Majority Banks may reasonably request;
- (k) promptly after obtaining knowledge thereof, any material adverse change in the business, prospects, assets, financial condition, liabilities or capitalization of the Borrower; and

- (1) as soon as available and in any event within 30 days after the end of each fiscal quarter (commencing with the quarter ending April 3, 1999), a certificate (a "Borrowing Base and Compliance Certificate") in the form of Exhibit D hereto, calculating the Borrowing Base as of the end of the most recently completed fiscal quarter, and setting forth in reasonable detail the computations necessary to determine whether the Borrower is in compliance with the financial covenants hereof as of the end of such fiscal quarter.

The Borrower will furnish to the Agent, with copies for each Bank, at the same time it furnishes financial statements pursuant to clauses (a) or (b) above, a certificate of the chief financial officer of the Borrower (i) to the effect that no Default has occurred and is continuing, (ii) to the effect that all representations and warranties made by the Borrower in this Agreement (except those regarding Subsidiaries and Material Contracts made at Sections 5.12 and 5.14 hereof that are identified as being made "as of the date hereof") or in any of the other Credit Documents are true and correct in all material respects as of the date of such certificate with the same force and effect as if made on such date, and (iii) containing such other information as the Agent or any Bank (through the Agent) may from time to time reasonably request to be included in such certificate.

6.2.Litigation, Etc. The Borrower shall promptly give

to the Agent, with copies for each of the Banks, notice of:

- (a) all legal or arbitration proceedings, and of all proceedings by or before any Governmental Authority affecting the Borrower or any of its Subsidiaries which, if adversely determined, might result in a monetary loss (regardless of whether any portion of such loss is covered by insurance) to the Borrower or any such Subsidiary in an amount in excess of \$1,000,000 individually or in excess of \$10,000,000 in the aggregate for all such proceedings; and
- (b) (i) the issuance by any Governmental Authority of any injunction, order or other restraint prohibiting, or having the effect of prohibiting or delaying, any action on the part of the Borrower or any of its Subsidiaries, or (ii) the institution of any litigation or similar proceedings seeking any such injunction, order or other restraint which, in the case of subpart (i) hereof, would have, and in the case of subpart (ii) hereof, would reasonably be expected to have if the outcome were adverse, a material adverse effect on the business, assets, prospects, operations, financial condition, liabilities or capitalization of the Borrower and its Subsidiaries taken as a whole.

6.3.Compliance, Inspection, Etc. The Borrower shall,

and shall cause each of its Subsidiaries to:

- (a) comply with all applicable Requirements of Law if failure to so comply would materially and adversely affect the assets, prospects, business, operations, financial condition, liabilities or capitalization of the Borrower, or any of its

Subsidiaries, or the timely payment of the principal of or interest on the Loans, or the enforceability of this Agreement, the Notes or any of the other Credit Documents or the rights and remedies of the Agent or the Banks hereunder or thereunder;

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- (b) pay and discharge all taxes, assessments and governmental charges or levies imposed on it or on its income or profits or on any of its property prior to the date on which penalties attach thereto, except for any such tax, assessment, charge or levy the payment of which is being contested in good faith and by proper proceedings and, if material, against which adequate reserves are being maintained or which are bonded against to the satisfaction of the Majority Banks;
- (c) permit representatives of the Agent and the Banks, during normal business hours, to examine, copy and make extracts from its books and records, to inspect its properties, and to discuss its business and affairs with its officers, all to the extent reasonably requested by the Agent or any Bank, which shall include, but not be limited to, conducting field audits of the assets of the Borrower and its Subsidiaries, one of which field audits each year shall be at the Borrower's expense; and
- (d) as soon as possible and in any event within 10 days after the Borrower has received any notice or other communication from any Governmental Authority to the effect that the Borrower or any of its Subsidiaries is not in compliance with any Environmental Law or any permit, license or authorization referred to in Section 5.11 hereof (in accordance with the provisions thereof), a notice of such circumstance describing the same in reasonable detail.

6.4. Use of Proceeds. The proceeds of the Loans shall

be used solely to prepay the Existing Credit Agreement and for working capital and general corporate purposes of the Borrower, including but not limited to Acquisitions permitted by the terms of this Agreement, and in accordance with Sections 5.16 and 5.21 hereof.

6.5. Current Ratio. The Borrower shall not permit its

Current Ratio to be less than 2.00 to 1.00 at any time.

6.6. Minimum Tangible Net Worth. The Borrower shall not

permit its Tangible Net Worth on any date to be less than the sum of (i) \$200,000,000, plus (ii) an amount equal to 50% of its Consolidated Net Income (without reduction for any deficit in its Consolidated Net Income) for the period from January 2, 1999 to and including the date of determination thereof, computed on a cumulative basis for such entire period.

6.7. Funded Debt Ratio. The Borrower shall not permit

its Funded Debt Ratio at the end of any fiscal quarter to exceed 60%.

6.8. Fixed Charge Coverage Ratio. The Borrower shall

not permit its Fixed Charge Coverage Ratio for any Fiscal

Period to be less than 1.75 to 1.00.

6.9.[this section intentionally left blank]

6.10. Certain Obligations Respecting Subsidiaries.

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(a) The Borrower will, and will cause each of its Subsidiaries to, take such action from time to time as shall be necessary to ensure that all of the Borrower's Subsidiaries are and remain owned as described in Section 5.12 hereof. Notwithstanding the foregoing, the Borrower may wind up the corporate affairs of and dissolve any Inactive Subsidiary, provided that the Borrower gives the Agent not less than five days prior written notice thereof.

(b) The Borrower will not permit any of its Subsidiaries to enter into, after the date of this Agreement, any indenture, agreement, instrument or other arrangement (each, a "Restrictive Agreement") that (or

modify the terms of any Restrictive Agreement which is in effect on the date of this Agreement if such modification) would directly or indirectly, prohibit or restrain, or have the effect of prohibiting or restraining, or would impose materially adverse conditions upon, the incurrence or payment of Indebtedness (including the Subsidiary Guaranty), the granting of Liens, the declaration or payment of dividends, the making of loans, advances or Investments (or the repayment of or return on the same) or the sale, assignment, transfer or other disposition of assets. Notwithstanding the foregoing, a Subsidiary may enter into, after the date of this Agreement, one or more Restrictive Agreements provided that (i) each Restrictive Agreement is entered into in connection with, and substantially at the same time as, the Borrower's proposed private placement of approximately \$100 million of debt (as such proposed debt has been described by the Borrower to the Agent in writing on before the date hereof), and (ii) no provision in any Restrictive Agreement prohibits or otherwise restricts the incurrence or payment of any Indebtedness or other amounts due or in favor of the Agent or any of the Banks under any of the Credit Documents, including, without limitation, the Subsidiary Guaranty.

(c) No later than five (5) Business Days after any Person becomes a Subsidiary of the Borrower after the date of this Agreement, the Borrower shall, in each such instance, forthwith cause such Subsidiary to become a party to the Subsidiary Guaranty, provided that if any such

Subsidiary is a Foreign Subsidiary such Foreign Subsidiary need not become a party to the Subsidiary Guaranty. The Borrower shall, and shall cause such Subsidiary to, furnish such certificates and other documentation as the Agent may require, including, without limitation, favorable opinions of counsel to such Person (which shall cover, among other things, the legality, validity, binding effect and enforceability of the documentation necessary to cause such Subsidiary to become a party to the Subsidiary Guaranty.

6.11. Mergers, Acquisitions, Sale of Assets, Etc.

The Borrower shall not, nor shall it permit any of its Subsidiaries to, consolidate or merge with any other Person, or sell, lease, assign, transfer or otherwise dispose of all or any part of its business or assets to any other Person, or be a party to any Acquisition of any other Person or all or substantially all of such Person's assets, other than:

- (a) sales of inventory, licensing of intellectual property and leasing of real estate in the ordinary course of its business and consistent with its past practices;
- (b) the disposition of obsolete or worn-out fixed assets, plant, equipment or other property no longer required by or useful to the Borrower or any of its Subsidiaries in connection with the operation of its business;
- (c) sales, assignments, transfers or other dispositions of assets for cash consideration, but only so long as the aggregate fair market value of the assets so disposed of does not exceed 5% of

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the fair market value of the Borrower's total assets (on a consolidated basis) in the aggregate as at the end of the preceding fiscal year;

- (d) any Acquisition (including, without limitation, the formation of any Subsidiary in connection with such Acquisition) so long as, after giving effect to such Acquisition, no Default or Event of Default has occurred and is continuing, and provided that the Borrower has given the Agent and each Bank:
 - (i) in the case of an Acquisition in which the value of the assets, securities or other interests acquired equals or exceeds \$10,000,000, at least 5 Business Days prior written notice of such Acquisition, which notice shall include a description of the terms of the Acquisition, the manner in which it will be financed, summary historical financial information about the Person being acquired or the Person from whom such assets are being acquired, as the case may be, pro forma financial calculation demonstrating why the proposed Acquisition will not result in any Default under this Agreement, and
 - (ii) in the case of an Acquisition in which the value of the assets, securities or other interests acquired is less than \$10,000,000, all of the information described in subpart (i) immediately above, except that the information need not be given to the Agent until 5 Business Days after the Acquisition has been consummated, and
 - (iii) such other information about the Acquisition or proposed Acquisition, as the case may be, as the Majority Banks may reasonably request from time to time; or
- (e) any merger or consolidation, so long as after giving effect thereto, no Default or Event of Default has occurred and is continuing and provided that either (i) the Borrower is the surviving corporation thereof, or (ii) in the case of a merger or consolidation involving a Wholly-Owned Subsidiary and one more other Persons (other than the Borrower), the Wholly-Owned Subsidiary is the surviving corporation thereof.

6.12. Dividends and Distributions. The Borrower

shall not, nor shall it permit any of its Subsidiaries to, make any Investment in any Foreign Subsidiary or declare or pay, directly or indirectly, any dividend or make any other distribution (by reduction of capital or otherwise), whether in cash, property, securities or a combination thereof, with respect to any shares of its capital stock or directly or indirectly redeem, purchase, retire or otherwise acquire for value any shares of any class of its capital stock or set aside any amount for any such purpose (the foregoing transactions being collectively called "Restricted Payments"); provided that (a) the Borrower and its Subsidiaries may make Investments in its Foreign Subsidiaries and may declare and pay dividends payable solely in shares of its common stock, (b) any Subsidiary of the Borrower may make Restricted Payments to the Borrower, and (c) so long as immediately after giving effect to any such proposed action no Default shall have occurred and be continuing, the Borrower may make Restricted

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Payments in respect of its common stock either in cash or securities of the Borrower and the Borrower and its Subsidiaries may make Investments in the Borrower's Foreign Subsidiaries if the aggregate amount or fair market value thereof shall not exceed the sum of (i) \$25,000,000, (ii) 50% of Consolidated Net Income (net of cumulative losses) for the period (taken as a single accounting period) beginning January 2, 1999, and ending on the last day of the most recent month for which financial statements shall have been delivered pursuant to Section 6.01 hereof, and (iii) the proceeds of any issue of common stock of the Borrower or the conversion or exchange of any of the Borrower's debt securities into or for its common stock after the date hereof, net of any discount, costs and expenses incurred in connection with such issue, conversion or exchange, that are received by the Borrower in the form of equity.

6.13. Sale and Lease-Back Transactions. The

Borrower shall not, nor shall it permit any of its Subsidiaries to, enter into any arrangement, directly or indirectly, with any Person (other than the Borrower or one of its Subsidiaries except a Foreign Subsidiary) whereby it shall sell or transfer any property, real or personal, whether now owned or hereafter acquired, and thereafter rent or lease such property or other property which it intends to use for substantially the same purpose or purposes as the property being sold or transferred (a "Sale and Lease-Back

Transaction"); provided that the Borrower or one or more of

its Subsidiaries may enter into any Sale and Lease-Back Transaction if (a) at the time of such Transaction no Default shall have occurred and be continuing, (b) Such Transaction is in connection with the issuance of "qualified small issue bonds" (as defined in Section 144(a) of the Code) after the date hereof.

6.14. Investments and Joint Ventures. The

Borrower shall not, and shall not permit any of its Subsidiaries to, make or permit to remain outstanding any Investment in any Person or enter into any joint venture, except:

- (a) Investments in short-term obligations issued or fully guaranteed by the U.S. Government;
- (b) certificates of deposit and other time deposits with, and any other Investment purchased through

any Bank;

- (c) commercial paper rated A-1 or A-2 by Standard & Poor's Corporation or P-1 or P-2 by Moody's Investors Service, Inc.;
- (d) Investments by the Borrower in its Subsidiaries (other than a Foreign Subsidiary), and Investments by a Subsidiary of the Borrower in the Borrower or another Subsidiary (other than a Foreign Subsidiary, except to the extent permitted by Section 6.12 hereof);
- (e) existing Investments of the Borrower and its Subsidiaries listed on Schedule 6.14 hereto;
- (f) Investments in other companies for strategic alliance or investment purposes in an aggregate amount outstanding at any time not to exceed \$10,000,000;
- (g) Investments in foreign government debt in an aggregate amount outstanding at any time not to exceed \$5,000,000;

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- (h) Investment in municipal bonds rated BBB (or its equivalent) or higher by a nationally recognized debt rating agency;
- (i) Investments in 49-day dividend instruments rated BBB (or its equivalent) or higher by a nationally recognized debt rating agency; and
- (j) Investments in Missouri industrial training bonds rated BBB (or its equivalent) or higher by a nationally recognized debt rating agency.

6.15. Liens. The Borrower shall not, and shall

not permit any of its Subsidiaries to, create, incur or permit to exist any Lien on or in respect of its properties, assets or revenues, now or hereafter acquired, except for Permitted Liens; provided, however, that nothing in this

Section 6.15 shall prohibit the Borrower or any Subsidiary from entering into a Restrictive Agreement which prohibits or restricts the granting of Liens if such Restrictive Agreement may be entered into without violating Section 6.10(b) hereof. For purposes of the Borrower's right to enter into a Restrictive Agreement in compliance with this Section 6.15, the Borrower shall be treated the same as a Subsidiary under Section 6.10(b) hereof.

6.16. Transactions With Affiliates. The Borrower

shall not, and shall not permit any of its Subsidiaries to, directly or indirectly, (a) make any Investment in an Affiliate, (b) transfer, sell, lease, assign or otherwise dispose of any assets to an Affiliate, (c) merge or consolidate with or purchase or acquire any assets from an Affiliate, (d) Guarantee or assume any obligations of an Affiliate, or (e) enter into any other transaction directly or indirectly with or for the benefit of an Affiliate; provided that (i) any Affiliate who is an individual may serve as a director, officer or employee of the Borrower, or any of its Subsidiaries and receive compensation or indemnification in connection with his services in such capacity, (ii) the Borrower or any Subsidiary may enter into any sale, license, lease or similar transaction with an Affiliate in the ordinary course of business if the monetary or business consideration arising therefrom would be not

materially less advantageous to the Borrower or the Subsidiary as the monetary or business consideration which it would obtain in a comparable arm's length transaction with a similarly situated Person not an Affiliate, and (iii) the prohibitions in subparts (a) and (d) of this Section 6.16 on transactions with Affiliates are modified as follows: (x) the prohibitions do not apply insofar as such Investment or Guarantee, as the case may be, exists on the date hereof, and (y) notwithstanding the prohibitions, the Borrower may make such Investments and Guarantee such obligations if the aggregate outstanding amount of such Investments and such Guaranteed Obligations do not at any time exceed \$10,000,000.

6.17. Insurance. The Borrower shall, and shall

cause each of its Subsidiaries to:

- (a) keep its assets which are of an insurable character insured (to the extent and for time periods consistent with normal industry practices) by financially sound and reputable insurers against loss or damage by fire, explosion, theft or other hazards which are included under extended coverage in amounts sufficient to prevent the Borrower or such Subsidiary from becoming a co-insurer, and in amounts not less than the insurable value of the property insured or such lesser amounts as are consistent with normal industry practices and the past practices of the Borrower or such Subsidiary;

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- (b) maintain with financially sound and reputable insurers, insurance against other hazards and risks and liability to persons and property to the extent and in the manner customary for Persons in similar businesses (other than product or professional liability insurance); provided however, that worker's compensation insurance or similar coverage may be effected through self-insurance consistent with normal industry practices and the past practices of the Borrower or such Subsidiary or with respect to its operations in any particular state or other jurisdiction through an insurance fund operated by such state or jurisdiction; and
- (c) cause all such above-described insurance (excluding worker's compensation insurance) to
 - (i) provide that 30 days' prior written notice of suspension, cancellation, termination, modification, non-renewal or lapse or material change of coverage shall be given to the Agent,
 - (ii) to the extent the Agent shall not be liable for premiums or calls, name the Agent as an additional insured for the benefit of the Banks.

6.18. Maintenance of Properties. The Borrower

shall, and shall cause each of its Subsidiaries to, keep its properties which are material to its business in good repair, working order and condition consistent with industry practice, ordinary wear and tear excepted, and, from time to time (i) make all necessary and proper repairs, renewals, replacements, additions and improvements thereto and (ii) comply at all times with the provisions of all Material Contracts and all applicable Requirements of Law, so as to prevent any loss or forfeiture thereof or thereunder.

6.19. Environmental Laws; Indemnification.

(a) The Borrower shall, and shall cause each of its Subsidiaries to:

- (i) promptly notify the Agent of any violation or non-compliance with, or liability under any applicable Environmental Law which, when taken together with all other pending violations or alone, could reasonably be expected to have a material adverse effect on the business, prospects, operations, assets, financial condition, liabilities or capitalization of the Borrower or such Subsidiary and promptly furnish to the Agent all notices of any nature which the Borrower or such Subsidiary may receive from any Governmental Authority or other Person with respect to any violation, or potential violation or non-compliance with, or liability or potential liability under any applicable Environmental Law which, in any case or when taken together with all such other notices, could reasonably be expected to have a material adverse effect on the business, prospects, assets, financial condition, liabilities or capitalization of the Borrower or such Subsidiary;
- (ii) comply in all material respects with, and use its reasonable efforts to ensure compliance in all material respects by all tenants, subtenants and other occupants and users with, all applicable Environmental Laws, and obtain and comply in all material respects with, and maintain and use its reasonable efforts to ensure that all tenants, subtenants and other occupants and users obtain and comply in all

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material respects with and maintain, any and all licenses, approvals, registrations or permits required by applicable Environmental Laws; provided, however, that compliance with such requirements shall not be required if such compliance is being contested in good faith by appropriate proceedings;

- (iii) conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under all applicable Environmental Laws and promptly comply in all material respects with all lawful orders and directives of all Governmental Authorities; provided, however, that compliance with such orders or demands is not required if such compliance is being contested in good faith by appropriate proceedings; and
- (iv) the Borrower shall defend, indemnify and hold harmless each of the Agent and the Banks and each of their employees, agents, officers, directors and Affiliates (each of whom is sometimes referred to herein as an "Indemnified Party"), from and against any and all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses of whatever kind or nature,

known or unknown, contingent or otherwise, arising out of, or in any way related to the violation of or non-compliance by the Borrower or its any of its Subsidiaries with any applicable Environmental Laws, or any orders, requirements or demands of any Governmental Authority relating thereto, including, without limitation, reasonable attorney's and consultant fees, investigation and laboratory fees, court costs and litigation expenses, but excluding therefrom all claims, demands, penalties, fines, liabilities, settlements, damages, costs and expenses arising out of or resulting from the gross negligence or willful misconduct of any Indemnified Party.

(b) The Borrower shall not cause or permit any of its Subsidiaries' properties or assets to be used to generate, manufacture, refine, transport, treat, store, handle, dispose, transfer, produce or process Hazardous Materials or Petroleum Products, in non-compliance with applicable Environmental Laws, nor release, discharge, dispose of, or permit or suffer any release or disposal by any other Person of, Hazardous Materials or Petroleum Products onto any of its properties or assets in violation of any applicable Environmental Law.

6.20. Nature of Business; Limitations on Fundamental Changes.

(a) The Borrower shall not, and shall not permit any of its Subsidiaries to, (i) engage in any business other than that in which it is presently engaged or is directly related thereto, (ii) carry on its business at any location or locations other than those presently in existence except upon 30 days prior notice to the Agent, (iii) change its name, its identity or its structure, or (iv) liquidate, wind-up or dissolve itself.

(b) The Borrower shall cause substantially all the operating assets owned and operations conducted by the Borrower on the date hereof to continue to be owned and conducted directly by the Borrower, and not through Subsidiaries of the Borrower, at all times (except as a result of assets sales permitted by Section 6.12).

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SECTION 7. EVENTS OF DEFAULT. If one or more of the

following events (herein called "Events of Default") shall

occur and be continuing:

- (a) the Borrower shall fail to pay or prepay any principal of any Loan or any Reimbursement Obligation when due; or
- (b) the Borrower shall fail to pay any interest on any Loan or Reimbursement Obligation or any fee or other amount payable by it hereunder, under the Notes or under any of the other Credit Documents within five (5) days after the date due; or
- (c) any representation, warranty or certification made or deemed made in this Agreement or in any other Credit Document by the Borrower or any Subsidiary Guarantor, or in any certificate furnished to the Agent or any Bank pursuant to the provisions hereof or thereof, shall prove to have been false or misleading as of the time made or furnished in

any material respect; or

- (d) the Borrower shall fail to keep, observe or perform (i) any of its obligations under Sections 6.2, 6.3(c), 6.4, 6.5, 6.6, 6.7, 6.8, 6.10, 6.11 or 6.12 of this Agreement; or
- (e) the Borrower shall fail to keep, observe or perform any of its obligations under any other Section of Section 6 hereof not specifically listed in subsection (d) above, or any of its other obligations under this Agreement and such Default described in this subsection (e) continues for 30 days (or in the case of Section 6.1, five days) following notice of such Default from the Agent; or
- (f) the Borrower or any of its Subsidiaries shall default in the payment when due of any principal of or interest on any Indebtedness aggregating \$1,000,000 or more, or any other event specified in any note, agreement, indenture, or other document evidencing or relating to such Indebtedness shall occur, if the effect of such event is to cause, or to give the holder (or any agent or trustee on behalf of such holder) of such Indebtedness the right to cause, such Indebtedness to become due prior to its stated maturity; or
- (g) the Borrower or any of its Subsidiaries shall admit in writing its inability to, or be generally unable to, pay its debts as such debts become due; or
- (h) the Borrower or any of its Subsidiaries shall (i) apply for or consent in writing to the appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all or a substantial part of its property, (ii) make a general assignment for the benefit of its creditors, (iii) commence a voluntary case under the Bankruptcy Code (as now or hereafter in effect), (iv) file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or readjustment of debts, (v) fail to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against it in an involuntary case under the Bankruptcy Code (as now or hereafter in effect), or (vi) take any action for the purpose of effecting any of the foregoing; or

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- (i) a proceeding or case shall be commenced, without the application or consent of the Borrower or any of its Subsidiaries, in any court of competent jurisdiction, seeking (i) its liquidation, reorganization, dissolution or winding-up, or the composition or readjustment of its debts, (ii) the appointment of a trustee, receiver, custodian, liquidator or the like of the Borrower or such Subsidiary or of all or any substantial part of its assets, or (iii) similar relief in respect of the Borrower or such Subsidiary under any law relating to bankruptcy, insolvency, reorganization, winding-up, or composition or adjustment of debts, and such proceeding or case shall continue undismissed, or an order, judgment or decree approving or ordering any of the foregoing shall be entered and continue unstayed

and in effect, for a period of sixty (60) days; or

- (j) an order for relief against the Borrower or any of its Subsidiaries shall be entered in an involuntary case under the Bankruptcy Code (as now or hereafter in effect); or
- (k) a final judgment or judgments for the payment of money in excess of \$250,000 in the aggregate shall be rendered by a court or courts against the Borrower or any of its Subsidiaries and the same shall not be discharged (or provision shall not be made for such discharge), or a stay of execution thereof shall not be procured, within thirty (30) days from the date of entry thereof and the Borrower or such Subsidiary shall not, within said period of thirty (30) days, or such longer period during which execution of the same shall have been stayed, appeal therefrom and cause the execution thereof to be stayed during such appeal; or
- (l) an event or condition specified in Section 6.1(e) hereof shall occur or exist with respect to any Plan or Multiemployer Plan and, as a result of such event or condition, together with all other such events or conditions, the Borrower or any of its ERISA Affiliates shall incur a liability to a Plan, a Multiemployer Plan or PBGC (or any combination of the foregoing), and the same shall not be discharged within ten (10) days after the Borrower becomes aware of any such liability; or
- (m) unless specifically released by the Agent with the consent of the Majority Banks, one or more of the Security Documents shall cease to be in full force and effect, or shall cease to give the Agent the rights, powers and privileges purported to be created thereby and the same shall continue unremedied for a period of ten (10) days after the Borrower becomes aware of any such Default; or
- (n) a Change of Control occurs; or
- (o) any "Event of Default" as defined in any Security Document shall occur.

THEREUPON: (i) in the case of an Event of Default other than an Event of Default referred to in clause (h), (i), or (j) of this Section 7, the Agent shall, upon request of the Majority Banks, cancel the Commitments and/or declare the principal amount then outstanding of, and all accrued unpaid interest on, the Loans and all other amounts payable by the Borrower under this Agreement and the other Credit Documents to be forthwith

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due and payable, whereupon such amounts shall be immediately due and payable without presentment, demand, protest, notice of protest, notice of dishonor, or other notice or formality of any kind, all of which are hereby expressly waived by the Borrower; and (ii) in the case of the occurrence of an Event of Default referred to in clause (h), (i), or (j) of this Section 7, the Commitments forthwith shall be automatically canceled and the principal amount then outstanding of, and all accrued unpaid interest on, the Loans and all other amounts payable by the Borrower under this Agreement and the other Credit Documents shall become automatically immediately due and payable without presentment, demand, protest, notice of protest, notice of dishonor, or other notice or formality of any kind, all of which are hereby expressly waived by the Borrower.

8.1.Appointment, Powers and Immunities. Each Bank

hereby irrevocably appoints and authorizes the Agent to act as its agent hereunder and under the other Credit Documents with such powers as are specifically delegated to the Agent by the terms hereof and thereof, together with such other powers as are reasonably incidental thereto. The Agent (which term as used in this sentence and in Section 8.5 hereof shall include reference to its Affiliates and its own and its Affiliates' officers, directors, employees and agents): (a) shall have no duties or responsibilities except those expressly set forth in this Agreement or in any of the Credit Documents, and shall not by reason of this Agreement be a trustee for any Bank; (b) shall not be responsible to the Banks for any recitals, statements, representations or warranties contained in this Agreement or any of the other documents in any certificate or any of the other Credit Documents or received by any of them under, this Agreement or any of the other Documents, or for the value, validity, effectiveness, genuineness, enforceability or sufficiency of this Agreement, any Note or any of the other Credit Documents or for any failure by the Borrower or any other Person to perform any of its obligations hereunder or thereunder, or for the satisfaction of any condition precedent specified in Section 4 hereof; (c) shall not be required to initiate or conduct any litigation or collection proceedings hereunder; and (d) shall not be responsible for any action taken or omitted to be taken by it hereunder or under any of the other Credit Documents, except for its own gross negligence or willful misconduct. Without limiting the generality of the foregoing, the Agent shall be conclusively entitled to assume that the conditions precedent set forth in Section 4.1 hereof have been satisfied unless the Agent has received notice from a Bank referring to the relevant Section and stating that the relevant condition has not been satisfied or unless the certificate furnished by the Borrower pursuant thereto so indicates. The Agent may employ agents and attorneys-in-fact and shall not be responsible for the negligence or misconduct of any such agents or attorneys-in-fact selected by it in good faith. The Agent may deem and treat the payee of any Note as the holder thereof for all purposes hereof unless and until a written notice of the assignment or transfer thereof shall have been filed with the Agent.

8.2.Reliance by Agent. The Agent shall be entitled to

rely on any certification, notice or other communication (including any thereof by telephone, telex, telegram or cable) believed by it to be genuine and correct and to have been signed or sent by or on behalf of the proper Person or Persons, and on advice and statements of legal counsel, independent accountants and other experts selected by the Agent. As to any matters not expressly provided for by this Agreement or any of the Credit Documents, the Agent shall in all cases be fully protected in acting, or in refraining from acting, hereunder or thereunder (as the case may be) in accordance with instructions signed by the Majority Banks, and such instructions of the Majority Banks and any action taken or failure to act pursuant thereto shall be binding on all of the Banks. If the Agent shall seek the consent or approval of the Majority Banks to the taking or refraining from taking of any action hereunder

or under any of the Credit Documents, the Agent shall give notice thereof to each Bank and as soon as practicable notify each Bank at any time that the Majority Banks have instructed the Agent to act or refrain from acting hereunder or thereunder (as the case may be).

8.3.Defaults. The Agent shall not be deemed to have

knowledge of the occurrence of a Default or an Event of Default (other than the non-payment of principal of or interest on Loans or of commitment fees) unless the Agent has received notice from a Bank or the Borrower specifying such Default or Event of Default and stating that such notice is a "Notice of Default". In the event that the Agent receives such a notice of the occurrence of a Default or Event of Default, the Agent shall give prompt notice thereof to the Banks (and shall give each Bank prompt notice of each such nonpayment). The Agent shall take such action with respect to such Default as shall be directed by the Majority Banks, provided that, unless and until the Agent shall have received such directions, the Agent may (but shall not be obligated to) take such action or refrain from taking such action with respect to such default as it shall deem advisable in the best interest of the Banks.

8.4.Rights as a Bank. With respect to its Commitment

and the Loans made by it, Mercantile Bank (and any successor acting as Agent), in its capacity as a Bank hereunder, shall have the same rights and powers hereunder as any other Bank and may exercise the same as though it were not acting as the Agent, and the term "Bank" or "Banks" shall, unless the context otherwise indicates, include the Agent in its individual capacity. Mercantile Bank, and any successor acting as Agent and its Affiliates, may, without having to account therefor to any Bank, accept deposits from, lend money to and generally engage in any kind of banking, trust or other business with the Borrower (and any of its Affiliates) as if it were not acting as the Agent, and Mercantile Bank and its Affiliates may accept fees and other consideration from the Borrower and its Affiliates for services in connection with this Agreement or otherwise without having to account for the same to the Banks.

8.5.Indemnification. The Banks indemnify the Agent (to

the extent not reimbursed under Section 9.3 hereof, but without limiting the obligations of the Borrower under said Section 9.3), ratably in accordance with the aggregate principal amount of the Loans made by the Banks (or, if no Loans are at the time outstanding, ratably in accordance with their respective Commitments in effect from time to time), for any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind and nature whatsoever which may be imposed on, incurred by or asserted against the Agent in any way relating to or arising out of this Agreement or any of the other Credit Documents or the transactions contemplated hereby (including, without limitation, the costs and expenses which the Borrower is obligated to pay under Section 9.3 hereof but excluding, unless a Default or Event of Default has occurred and is continuing, normal administrative costs and expenses incident to the performance of its agency duties hereunder) or the enforcement of any of the terms hereof or of any such other Credit Documents, provided that no Bank shall be liable for any of the foregoing to the extent they arise from the gross negligence or willful misconduct of the party to be indemnified.

8.6.Non-Reliance on Agent and other Banks. Each Bank

agrees that it has, independently and without reliance on the Agent or any other Bank, and based on such documents and information as it has deemed appropriate, made its own credit analysis and evaluation of the Borrower and its Subsidiaries and its own decision to enter into this Agreement and that it will, independently and without reliance on the Agent or any other Bank, and based on such documents and information as it shall deem appropriate at

the time, continue to make its own analysis and decisions in taking or not taking action under this Agreement. The

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Agent shall not be required to keep itself informed as to the performance or observance by the Borrower or any other Person of this Agreement or any other Credit Document or in respect of the properties or books of the Borrower or any of its Subsidiaries or any other Person. Except for notices, reports and other documents and information expressly required to be furnished to the Banks by the Agent hereunder, the Agent shall not have any duty or responsibility to provide any Bank with any credit or other information concerning the affairs, financial condition or business of the Borrower (or any of its Subsidiaries or other Affiliates) which may come into the possession of the Agent or any of its Affiliates.

8.7.Failure to Act. Except for action expressly

required of the Agent hereunder or under any of the Credit Documents, the Agent shall in all cases be fully justified in failing or refusing to act hereunder or thereunder (as the case may be) unless it shall be indemnified to its satisfaction by the Banks against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action.

8.8.Resignation or Removal of Agent. Subject to the

appointment and acceptance of a successor Agent as provided below, the Agent may resign at any time by giving notice thereof to the Banks and the Borrower and the Agent may be removed at any time with or without cause by the Majority Banks. Upon any such resignation or removal, the Majority Banks shall have the right to appoint a successor Agent. If no such successor Agent shall have been so appointed by the Majority Banks and shall have accepted such appointment within 30 days after the retiring Agent's giving of notice of resignation or the Majority Banks' removal of the retiring Agent, then the retiring Agent may, on behalf of the Banks, appoint a successor Agent. Upon the acceptance or any appointment as Agent hereunder by a successor Agent, such successor Agent shall thereupon succeed to and become vested with all the rights, powers, privileges and duties of the retiring Agent, and the retiring Agent shall be discharged from its duties and obligations hereunder. After any retiring Agent's resignation or removal hereunder as Agent, the provisions of this Section 8.8 shall continue in effect for its benefit in respect of any actions taken or omitted to be taken by it while it was acting as the Agent.

SECTION 9. MISCELLANEOUS

9.1.Waiver. No failure on the part of the Agent or any

Bank to exercise and no delay in exercising, and no course of dealing with respect to, any right, power or privilege under this Agreement or any of the other Credit Documents shall operate as a waiver thereof, nor shall any single or partial exercise of any right, power or privilege under this Agreement or any of the other Credit Documents preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The remedies provided herein and in the other Credit Documents are cumulative and not exclusive of any remedies provided at law or in equity.

9.2.Notices. All notices and other communications

provided for herein (including, without limitation, any

waivers or consents under this Agreement) shall be given or made by telex, telecopy, cable or otherwise in writing (each communication given by any of such means to be deemed to be "in writing" for purposes of this Agreement) and telexed, telecopied, cabled, mailed or delivered to the intended recipient at the "Address for Notices" specified below its name on the signature pages hereof, or, as to any party, at such other address as shall be designated by such party in a written notice to the other parties hereto. Except as otherwise provided in this Agreement, all such communications shall be deemed to have been duly given when transmitted by telex or telecopier, delivered to the cable office or personally delivered or, in the case of a

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mailed notice, upon deposit with the United States Postal Service, certified mail, return receipt requested, with postage prepaid, in each case given or addressed as aforesaid.

9.3. Expenses, Indemnification, Etc. The Borrower

agrees (a) to pay or reimburse the Agent and the Banks on demand for their reasonable out-of-pocket costs and expenses (including without limitation the reasonable fees and expenses of counsel to the Banks, and other counsel to the Agent and the Banks), in connection with (i) the negotiation, preparation, execution and delivery of this Agreement and the other Credit Documents and the making of the Loans hereunder, and (ii) any amendment, modification, waiver or extension of any of the terms of this Agreement or any of the other Credit Documents, (b) to pay or reimburse the Agent and the Banks for all reasonable out-of-pocket costs and expenses of the Agent and the Banks (including reasonable counsels' fees and expenses) in connection with the enforcement of this Agreement and any of the other Credit Documents, and all transfer, stamp, documentary or other similar taxes, assessments or charges levied by any Governmental Authority in respect of this Agreement, any of the Notes, or any of the other Credit Documents and (c) to pay filing and recording fees relating to, and taxes, title insurance premiums and other charges incurred in connection with, perfecting, maintaining and protecting, the Liens created or contemplated to be created pursuant to the Security Documents. The Borrower hereby indemnifies the Agent and each Bank and their respective directors, officers, employees, agents and Affiliates (each of which is sometimes referred to herein as an "Indemnified Party") and

agrees to hold each Indemnified Party harmless against, any and all losses, claims, damages, liabilities or actions or other proceedings commenced or threatened in respect thereof, and all reasonable expenses (including but not limited to expenses that appear on any service charge schedule maintained from time to time by the Agent or any Bank) that arise out of or in any way relate to or result from the making of Loans hereunder or the other transactions contemplated hereby, including, without limitation, any investigation or litigation or other proceedings (whether or not such Indemnified Party is a party to any action or proceeding out of which any of the foregoing arise), other than any of the foregoing to the extent incurred by reason of the gross negligence or willful misconduct of such Indemnified Party or in any action in which the Borrower is the prevailing party against such Indemnified Party. Neither the Agent nor any Bank nor any other Indemnified Party shall be responsible or liable to the Borrower for any consequential damages which may be alleged.

9.4. Amendments, Etc. This Agreement, any of the other

Credit Documents, or any provision hereof or thereof may be amended only by an instrument in writing signed by the

Borrower, the Agent, and the Majority Banks, and any provisions of this Agreement may be waived by the Agent and the Majority Banks; provided that any amendment or waiver extending the date fixed for the payment of principal or interest on the Loans or any fee or reimbursement obligation, reducing the amount of any such payment or any originating or commitment fee, changing the definition of "Revolving Credit Termination Date" or "Majority Banks," amending this Section 9.4 or Section 2.13, increasing the amount of any Bank's Commitment or releasing all or substantially all of the Collateral shall require an instrument in writing signed by, or the consent of, all of the Banks.

9.5. Successors and Assigns. This Agreement shall be

binding on and inure to the benefit of the parties hereto and their respective legal representatives, successors and permitted assigns.

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9.6. Assignments and Participations.

(a) The Borrower may not assign its rights or obligations hereunder or under any of the other Credit Documents without the prior written consent of the Majority Banks. The Banks may assign all or any part of the Loans, the Reimbursement Obligations, the Notes or any of the other Credit Documents to another financial institution. Upon such assignment, the assignee shall succeed to the obligations, rights and benefits of the Bank to the extent provided in such assignment, and the Bank shall be released to the extent of such assignment.

(b) The Borrower expressly recognizes and agrees that the Banks may sell to other financial institutions participations in the Loans incurred by the Borrower pursuant hereto.

(c) The Banks may furnish, from time to time, any information concerning the Borrower to assignees and participants (including prospective assignees and participants).

9.7. Survival. The obligations of the Borrower under

Sections 3.2, 3.6 and 9.3 hereof shall survive the repayment of the Loans and the termination of the Commitments. Similarly, the Bank's obligations under Section 9.18 shall survive the repayment of the Loans and the termination of the Commitments.

9.8. Captions. Captions and section headings appearing

herein are included solely for convenience of reference and are not intended to affect the interpretation of any provision of this Agreement.

9.9. Counterparts. This Agreement may be executed in

any number of counterparts, all of which taken together shall constitute one and the same instrument and any of the parties hereto may execute this Agreement by signing any such counterpart.

9.10. Survival of Agreements. All agreements,

covenants, representations and warranties made herein shall survive the execution and delivery of this Agreement, the Notes, the other Credit Documents, the making of the Loans,

and any and all renewals, extensions, modifications and rearrangements thereof.

9.11. Interest. It is the intention of the

parties hereto to comply with applicable usury laws; accordingly, it is agreed that notwithstanding any provisions to the contrary in this Agreement, the Notes, the Reimbursement Agreements or any of the other Credit Documents, in no event shall any such agreement or instrument, require the payment or permit the collection of interest, as defined under applicable usury laws, in excess of the maximum amount permitted by such laws. If any such excess of interest is contracted for, charged or received under this Agreement, the Notes, the Reimbursement Agreements or any of the other Credit Documents, or if the maturity of the Loans is accelerated in whole or in part, or in the event that all or part of the principal of or interest on the Loans shall be prepaid, so that under any of such circumstances the amount of interest contracted for, charged or received under this Agreement, the Notes, the Reimbursement Agreements or any of the other Credit Documents, on the amount of principal actually outstanding from time to time under the Notes shall exceed the maximum amount of interest permitted by applicable usury laws, then in any such event (i) the provisions of this Section shall govern and control, (ii) neither the Borrower nor any other Person now or hereafter liable under this Agreement or the Credit Documents for the payment of all or any part of the Loans shall be obligated to pay the amount of such interest to the extent that it is in excess of

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the maximum amount of interest permitted to be contracted for by, charged to or received from the Person obligated thereon under applicable usury laws, (iii) any such excess which may have been collected either shall be applied as a credit against the then unpaid principal amount of such Loans or refunded to the Person paying the same, at the Borrower's option, and (iv) the effective rate of interest shall be automatically reduced to the maximum lawful rate of interest permitted under applicable usury laws as now or hereafter construed by the courts having jurisdiction thereof. It is further agreed that, without limitation of the foregoing, all calculations of the rate of interest contracted for, charged or received under this Agreement, the Notes, the Reimbursement Agreements or any of the other Credit Documents which are made for the purpose of determining whether such rate exceeds the maximum lawful rate of interest shall be made, to the extent permitted by applicable usury laws, by amortizing, prorating, allocating and spreading in equal parts during the period of the full stated term of the Loans, all interest at any time contracted for, charged or received from the Borrower, or otherwise by any Bank in connection with the Notes, this Agreement, the Reimbursement Agreements or any of the other Credit Documents.

9.12. Integration; Severability. This Agreement,

together with all the other Credit Documents, represents the entire agreement of the parties thereto, and supersedes all prior agreements, negotiations and understandings, both written and oral. There are no contemporaneous oral agreements or understandings of the parties hereto or to the other Credit Documents. No course of dealing between the parties, no course of performance, no usage of trade, and no parol evidence of any nature shall be used to supplement or modify any of the terms, provisions, covenants or conditions of this Agreement or any of the other Credit Documents. If any provision of this Agreement or any of the other Credit

Documents shall be held illegal or invalid by any court having jurisdiction, the illegality or invalidity of such provision shall not affect any of the other provisions of this Agreement or any of the other Credit Documents. The illegal or invalid provision shall be modified to the maximum extent possible to confer on the Agent or the Banks the rights, powers, remedies or other privileges intended thereby, and such provision as modified, together with the remaining provisions of this Agreement or any of the other Credit Documents, shall be construed and enforced to such effect as if the illegal or invalid provision or portion thereof had not been contained herein or in any of the other Credit Documents, to the maximum extent possible.

9.13. NO ORAL AGREEMENTS; FINAL WRITTEN AGREEMENT.

ORAL AGREEMENTS OR COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT INCLUDING PROMISES TO EXTEND OR RENEW SUCH DEBT ARE NOT ENFORCEABLE. TO PROTECT YOU (THE BORROWER) AND US (THE AGENT, THE ISSUING BANK AND THE BANKS) FROM MISUNDERSTANDING OR DISAPPOINTMENT, ANY AGREEMENTS WE REACH COVERING SUCH MATTERS ARE CONTAINED IN THIS WRITING, WHICH, TOGETHER WITH ALL OTHER WRITTEN AGREEMENTS BETWEEN US, IS THE COMPLETE AND EXCLUSIVE STATEMENT OF THE AGREEMENT BETWEEN US, EXCEPT AS WE MAY LATER AGREE IN WRITING TO MODIFY IT.

9.14. Controlling Document. In the event of

actual conflict in the terms and provisions of this Agreement, the Notes or any of the other Credit Documents, the terms and provisions of this Agreement will control.

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9.15. JURISDICTION. THE BORROWER HEREBY

IRREVOCABLY SUBMITS TO THE JURISDICTION OF ANY KANSAS STATE COURT SITTING IN JOHNSON COUNTY, KANSAS, OR MISSOURI STATE COURT SITTING IN JACKSON OR CLAY COUNTY, MISSOURI, OR UNITED STATES FEDERAL COURT SITTING IN KANSAS CITY, KANSAS, OR KANSAS CITY, MISSOURI OVER ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR ANY OF THE OTHER CREDIT DOCUMENTS, AND THE BORROWER HEREBY IRREVOCABLY AGREES THAT ALL CLAIMS IN RESPECT OF SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH KANSAS OR MISSOURI STATE OR FEDERAL COURT. AS AN ALTERNATIVE METHOD TO SERVICE, THE BORROWER ALSO IRREVOCABLY CONSENTS TO THE SERVICE OF ANY AND ALL PROCESS IN ANY SUCH ACTION OR PROCEEDING BY THE MAILING OF COPIES OF SUCH PROCESS TO THE BORROWER AT ITS ADDRESS SET FORTH BENEATH ITS SIGNATURE HERETO. THE BORROWER AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. THE BORROWER FURTHER WAIVES ANY OBJECTION TO VENUE IN KANSAS OR MISSOURI AND ANY OBJECTION TO ANY ACTION OR PROCEEDING IN KANSAS OR MISSOURI ON THE BASIS OF FORUM NON CONVENIENS. NOTHING IN THIS SECTION 9.15 SHALL AFFECT THE RIGHT OF THE AGENT OR ANY BANK TO SERVE LEGAL PROCESS IN ANY OTHER MANNER PERMITTED BY LAW OR AFFECT THE RIGHT OF THE AGENT OR ANY BANK TO BRING ANY ACTION OR PROCEEDING AGAINST THE BORROWER OR ITS PROPERTY IN THE COURTS OF ANY OTHER JURISDICTIONS.

9.16. GOVERNING LAW. THIS AGREEMENT AND EACH OF

THE OTHER CREDIT DOCUMENTS SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF MISSOURI, WITHOUT GIVING EFFECT TO CHOICE OF LAW OR CONFLICT OF LAW PRINCIPLES.

9.17. WAIVER OF TRIAL BY JURY. THE BORROWER

WAIVES TRIAL BY JURY IN ANY ACTION, PROCEEDING, LAWSUIT, CROSS-CLAIM OR COUNTERCLAIM ARISING OUT OF OR IN ANY WAY RELATING TO THIS AGREEMENT, ANY OTHER CREDIT DOCUMENTS, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY.

9.18. Confidentiality and Nondisclosure. In

connection with the negotiations for and administration of this Agreement, the Agent and the Banks have acquired, and may continue to acquire, information concerning the Borrower and its Subsidiaries (collectively, the "Protected Parties")

which is either non-public, confidential or proprietary in nature. The Agent and each of the Banks severally agrees to treat confidentially such information and any other information that any of the Protected Parties, or their agents, directors, officers, employees or other representatives, including attorneys, accountants and consultants, furnish to it, or which it may obtain from any of the foregoing persons, including any analyses, compilations, studies or other documents prepared by the Agent or any Bank or any of their respective directors, employees, agents or other representatives, including attorneys, accountants and consultants (collectively, the "Representatives"), which contain or otherwise reflect such

information, whether furnished before or after the date of this Agreement (collectively, the "Information"). The Agent

and each of the Banks severally agrees not to use any of the Information for any purpose other than for the purpose of evaluating, documenting and administering this

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Agreement and the other Credit Documents and the transactions contemplated hereby and thereby, and for enforcing or exercising any rights or remedies in connection herewith or therewith.

The term Information does not include Information which (i) becomes generally available to the public other than as a result of a disclosure by the Agent, any Bank or any of their respective Representatives, (ii) was available to the Agent, any Bank or any of their respective Representatives on a non-confidential basis prior to its disclosure to the Agent, any Bank or any of their respective Representatives by the Borrower, any other Protected Party or any of their respective representatives, (iii) becomes available to the Agent, any Bank or any of their respective Representatives on a non-confidential basis from a source other than the Borrower, any other Protected Party or any of their respective representatives, provided that such source, to the actual knowledge of the Agent, such Bank or such Representative, as the case may be, is not bound by a confidentiality agreement with the Borrower or any other Protected Party at the time such Information is received, or (iv) any Information which any Protected Party or any representative thereof authorizes the disclosure of, whether orally, in writing or otherwise, to the extent of such authorization.

[the remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

THE BORROWER:

CERNER CORPORATION

By: /s/Marc Naughton

Name: Marc Naughton

Title: VP/CFO

Address for Notices:

2800 Rock Creek Parkway
North Kansas City, MO 64117
Attention: Chief Financial Officer (with a copy to the Secretary)
Telecopier No: (816) 474-1742
Telephone No: (816) 221-1024

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THE BANK(S):

MERCANTILE BANK

By:/s/Mark Jorgenson

Name: Mark Jorgenson

Title: SVP

Address for Notices:

P.O. Box 419147, Mail Stop 419147
Kansas City, Missouri 64141
Attention: Mark R. Jorgenson
Telecopier No: (913) 261-5548
Telephone No: (913) 261-5539

THE AGENT:

THE ISSUING BANK:

MERCANTILE BANK

MERCANTILE BANK

By:/s/Mark Jorgenson

By:/s/Mark Jorgenson

Name: Mark Jorgenson

Name: Mark Jorgenson

Title: SVP

Title: SVP

Address for Notices:

Address for Notices:

P.O. Box 419147
Kansas City, Missouri 64141
Attention: Mark R. Jorgenson
Telecopier No: (913) 261-5548
Telephone No: (913) 261-5539

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Kansas City, Missouri 64141
Attention: Mark R. Jorgenson
Telecopier No: (913) 261-5548
Telephone No: (913) 261-5539

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EXHIBIT A

COMMITMENTS

Mercantile Bank \$18,000,000

TOTAL \$18,000,000

EXHIBIT B

[Form of Revolving Credit Note]

PROMISSORY NOTE

\$ _____ April 1, 1999
Kansas City, Missouri

FOR VALUE RECEIVED, CERNER CORPORATION, a Delaware corporation (the "Borrower"), hereby promises to pay to _____ (the "Bank"), at _____ (or at such other place as may be expressly provided for in the Credit Agreement referred to below) the principal sum of _____ Dollars (\$ _____) (or such lesser amount as shall equal the aggregate unpaid principal amount of the Revolving Credit Loans made by the Bank to the Borrower under the Credit Agreement), in lawful money of the United States of America and in immediately available funds, on the Revolving Credit Termination Date, and to pay interest on the unpaid principal amount of each such Revolving Credit Loan, at such office (or such other place as aforesaid), in like money and funds, for the period commencing on the date of such Revolving Credit Loan until such Revolving Credit Loan shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement.

The amount and type of, the rate of interest on, and the duration of each Interest Period for, each Revolving Credit Loan made by the Bank to the Borrower under the Credit Agreement, the date such Revolving Credit Loan is made or Continued or Converted from a Loan of one type to a Loan of the other type, and the amount of each payment or prepayment made on account of the principal thereof, shall be recorded by the Bank on its books and records, and such records shall be prima facie evidence of the existence and

amounts of the obligations of the Borrower to which such entries relate; provided that any failure by the Bank to make any such record shall not affect the obligations of the Borrower under this Note.

This Note is one of the Revolving Credit Notes referred to in the Credit Agreement (as the same may be amended, modified, supplemented or replaced from time to time, the "Credit Agreement") dated as of April 1, 1999, among the

Borrower, the Banks named therein (including the Bank), Mercantile Bank, as Agent, and Mercantile Bank, as Issuing Bank, and evidences Revolving Credit Loans made by the Bank under its Revolving Credit Commitment thereunder. Capitalized terms used in this Note have the respective meanings assigned to them in the Credit Agreement.

The Credit Agreement (the terms of which are hereby incorporated by reference) provides for the acceleration of the maturity of this Note upon the occurrence of certain events and for prepayments of Revolving Credit Loans upon the terms and conditions specified therein.

The Borrower and any and all sureties, guarantors and endorsers of this Note and all other parties now or hereafter liable hereon, severally waive grace, demand, presentment for payment, protest, notice of any kind (including, but not limited to, notice of dishonor, notice of protest, notice of intention to accelerate and notice

of acceleration) and diligence in collecting and bringing suit against any party hereto, and agree (a) to all extensions and partial payments, with or without notice, before or after maturity, (b) to any substitution, exchange or release of any security now or hereafter given for this Note, (c) to the release of any party primarily or secondarily liable hereon, and (d) that it will not be necessary for the Bank, in order to enforce payment of this Note, to first institute or exhaust the Bank's remedies against the Borrower or any other party liable therefor or against any security for this Note.

THIS NOTE SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAW OF THE STATE OF MISSOURI, WITHOUT GIVING EFFECT TO CHOICE OF LAW OR CONFLICT OF LAW PRINCIPLES.

CERNER CORPORATION

By:_____

Name:_____

Title:_____

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EXHIBIT C

[FORM OF NOTICE OF BORROWING, TERMINATION,
CONVERSIONS, CONTINUATIONS, OR PREPAYMENTS OF LOANS]

NOTICE OF [BORROWING]

This Notice of [Borrowing] is submitted pursuant to Section 2.15 of the Credit Agreement dated as of April 1, 1999 (the "Credit Agreement"), by and among CERNER

CORPORATION, a Delaware corporation (the "Borrower");

MERCANTILE BANK, a Kansas banking corporation, and each other lender, if any, from time to time identified as having a Commitment on Exhibit A thereto and who becomes a party thereto (each a "Bank" and, collectively (whether one or

more), the "Banks"); MERCANTILE BANK, a Kansas banking

corporation, as the issuing bank of letters of credit (in such capacity, the "Issuing Bank"), and MERCANTILE BANK, a

Kansas banking corporation, as agent hereunder for the Banks (in such capacity, together with its successors in such capacity, the "Agent").

Unless otherwise defined herein, capitalized terms used in the Credit Agreement are used herein as defined in the Credit Agreement.

[1. The Borrower hereby requests the Banks to make available to the Borrower Revolving Credit Loans in the aggregate amount set forth below, pursuant to the terms and conditions of the Credit Agreement, as follows:

(a) Aggregate amount of Revolving Credit Loans

requested \$ _____

(b) Type of Loans (Corporate Base Rate Loan or Eurodollar Loan) _____

(c) Borrowing Date _____

(d) Interest Period _____

(e) The Loan proceeds should be deposited in the following account(s): _____

(f) (If applicable) Loan proceeds are to be withdrawn from the above-referenced account(s) and wire transferred as follows:] _____

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2. All representations and warranties made by the Borrower in the Credit Agreement (except those regarding Subsidiaries and Material Contracts made at Sections 5.12 and 5.14 thereof that are identified as being made "as of the date hereof," and which were true as of the date of the Credit Agreement) or in any of the other Credit Documents, or in any certificate or statement furnished in connection with the Loans or otherwise, are true and correct in all material respects as if made on and as of the date hereof.

3. No Default or Event of Default has occurred and is continuing.

4. All conditions precedent set forth in Section 4.1 of the Credit Agreement have been satisfied.

This Notice of [Borrowing] is submitted as of _____ a.m. Kansas City time on _____, ____.

CERNER CORPORATION

By: _____

Name: _____

Title: _____

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EXHIBIT D

[FORM OF]
BORROWING BASE AND COMPLIANCE CERTIFICATE
CALCULATIONS FOR QUARTER ENDED _____.

THIS CERTIFICATE is furnished pursuant to Section 6.1 of the Credit Agreement dated as of April 1, 1999 (the "Credit Agreement") by and between CERNER CORPORATION, a Delaware corporation (the "Borrower"); MERCANTILE BANK, a Kansas banking corporation, and each other lender, if any, from time to time identified as having a Commitment on Exhibit A thereto and who becomes a party thereto (each a "Bank" and, collectively (whether one or more), the "Banks"); MERCANTILE BANK, a Kansas banking corporation, as the issuing bank of letters of credit (in such capacity, the "Issuing Bank"); and MERCANTILE BANK, a Kansas banking corporation, as agent hereunder for the Banks (in such capacity, together with its successors in such capacity, the "Agent").

The undersigned, _____, hereby certifies that the undersigned is the duly elected [chief financial officer] of the Borrower and, as such, is duly authorized to execute and deliver this certificate on behalf of the Borrower, and that:

1. The Borrowing Base, financial covenant compliance calculations, and calculations relating to the Applicable Margin (or the Replacement Applicable Margin, as the case may be) for the Borrower at the quarter ended as indicated above, are as follows:

A. BORROWING BASE

1. Aggregate amount due under all Receivables \$ _____

2. Less Receivables:

(a) with respect to which an invoice or bill has not been issued or any amount due remains unpaid more than 150 days after invoice date \$ _____

(b) from any obligor as to whom more than 25% of the aggregate amount due under all receivables owing from such obligor remains unpaid for that same period \$ _____

(c) from an obligor who is insolvent or bankrupt \$ _____

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(d) due from suppliers of Inventory, to the extent the Borrower or its Subsidiaries are indebted thereto \$ _____

(e) not included in (a) through (d) above that are due to Foreign Subsidiaries \$ _____

(f) which otherwise do not meet the definition of "Eligible Receivables" \$ _____

(g) sum of lines 2(a) through (f) \$ _____

3. Line 1 minus line 2 (g) \$ _____

4. 75% of the Aggregate Amount Due under Eligible Receivables (75% of line A3 above) \$ _____

5. 50% of Book Value of Eligible Equipment at _____ \$ _____

6. 50% of Aggregate Cost or Market Value (whichever is less) of Eligible Inventory \$ _____

7. Borrowing Base at _____ (the sum of line A4, line A5, and line A6 above) \$ _____

B. CURRENT RATIO

1. Current Assets _____
2. Current Liabilities _____
3. Line B1 divided by line B2 _____
4. Line B3 cannot be less than: 2.0:1

C. MINIMUM TANGIBLE NET WORTH

-
1. Total Shareholders' Equity _____
 2. Goodwill and other intangible items _____
 3. Tangible Net Worth (Line C1 less line C2) _____
 4. Cumulative Consolidated Net Income since 1/2/99 _____

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5. Line C4 times 50% _____
 6. Line C5 plus \$200 million _____
 7. Line C3 less line C6 must be greater than _____ \$0
-

D. FUNDED DEBT RATIO

1. Total Indebtedness for borrowed money _____
 2. Total Capitalized Lease Obligations _____
 3. Outstanding letters of credit _____
 4. Outstanding guarantees and other Indebtedness _____
 5. Sum of lines D1 through D4 (Funded Debt) _____
 6. Tangible Net Worth (per C3 above) _____
 7. (Total Capitalization) Sum of line D5 plus D6) _____
 8. Ratio of line D5 to line D7, expressed as a percentage _____
 9. Line D8 cannot exceed _____ 60%
-

E. FIXED CHARGE COVERAGE RATIO

1. Consolidated Net Income for the past 12 months _____
2. Interest Expense for the past 12 months _____
3. Income taxes (federal, state and local for the past 12 months) _____
4. Depreciation and amortization for the past 12 months _____
5. Other non-cash, non-operating expenses (which had the effect of reducing net income) and, to the extent not included in the above, miscellaneous expenses from nonoperating transactions which do not relate to any extraordinary items for such period _____
6. Extraordinary losses for the past 12 months _____
7. Sum of lines E1 through lines E6 _____
8. Miscellaneous income from non-operating non-extraordinary transactions for the past 12 months _____
9. Extraordinary profits for the past 12 months _____
10. Sum of lines E8 and E9 _____
11. Line E7 minus line E10 (EBITDA) _____
12. Capital Expenditures for the past 12 months (other than research and software development costs included in such Capital Expenditures) _____
13. Research and software development costs included in Capital Expenditures for the past 12 months _____
- 13A. Rental expense on operating and other long-term lease obligations as of the end of the 12 month period _____
14. Sum of line E11 and line E13A minus sum of line E12 and line E13 _____
15. Principal payments required to be made during the past twelve months relative to Indebtedness other than Revolving Credit Loans _____

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16. Revolver outstanding as of the end of the 12-month period:
 - a. Loans _____
 - b. Letters of Credit _____
 - c. Total (lines E16a + E16b) _____

17. 20% of Line E16c	_____
18. Rental expense on operating and other long-term lease obligations as of the end of the 12 month period	_____
19. Interest expense for the past 12 months (Annualized post closing interest expense for the 11 months following closing; and trailing 12 month interest expense thereafter)	_____
20. Sum of line E15 + line E17 +line E18 + line E19 (Fixed Charges)	_____
21. Ratio of line E14 to line E20 (Fixed Charge Coverage Ratio)	_____
22. Line E21 shall not be less than	1.75:1 -----

F. Tangible Net Worth Ratio

1. Total liabilities of the Borrower and its subsidiaries at [last day of most recently completed fiscal quarter] _____
2. Tangible Net Worth of the Borrower and it Subsidiaries at _____
3. Ratio of line F1 to line F2. _____

2. The financial statements described in Section 6.1(a) of the Credit Agreement for the Borrower and its Subsidiaries as of the month ended _____, which are attached hereto and are incorporated herein by this reference, fairly present the consolidated financial condition and results of operations of the Borrower in accordance with GAAP consistently applied, as at the end of, and for, such period (subject to normal year-end audit adjustments and to the absence of footnote disclosures).

3. A review of the activities of the Borrower and its Subsidiaries during the period since [the date of the last Borrowing Base and Compliance Certificate] has been made at my direction and under my supervision with a view to determining whether the Borrower and its Subsidiaries have kept, observed and/or performed all of their respective obligations under the Credit Agreement and all other Credit Documents to which any of them are parties, and to the best of my knowledge after due inquiry and investigation, (i) the Borrower and each of its Subsidiaries have kept, observed and/or performed all of their respective obligations under the Credit Agreement and all other Credit Documents to which they are parties, (ii) no Default or Event of Default has occurred and is continuing, and (iii) all representations and warranties made by the Borrower and its Subsidiaries in the Credit Agreement and the other Credit Documents to which they are parties, are true and correct in all material respects as of _____ (except those regarding Subsidiaries and Material Contracts made at Section 5.12 and 5.14 of the Credit Agreement that are identified as being made "as of the date

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hereof," in which case such representations and warranties are true and correct in all material respects as of such earlier date).

4. The Banks may rely on this certificate.

IN WITNESS WHEREOF, the undersigned has executed this certificate on behalf of the Borrower on _____, _____.

_____,
the _____
of Cerner Corporation

SCHEDULE 1.1

EXISTING LIENS

SCHEDULE 5.2

CONTINGENT LIABILITIES

SCHEDULE 5.3

LITIGATION

SCHEDULE 5.8

TAXES

SCHEDULE 5.11

ENVIRONMENTAL MATTERS

SCHEDULE 5.12

EXISTING SUBSIDIARIES

SCHEDULE 5.14

EXISTING MATERIAL CONTRACTS

SCHEDULE 6.14

EXISTING INVESTMENTS

Cerner Performance Plans for 1998

CPP Overview

- - - - -

Cerner continues to grow at a phenomenal rate. The growth of our associate population has mirrored the growth of our client base and diversification of our solution set. Clearly, our greatest people needs remain in two areas: 1) consulting professionals who implement our solutions and tailor them to drive benefits for our clients, and 2) architects, engineers, and functional experts who build and support what have proven to be the industry leading solutions for all facets of health care. Additionally, we continue to seek talented associates for most areas of our business as we grow and improve our operations.

In 1998, we responded to very competitive talent markets in a number of ways. Two key responses affected Cerner Performance Plans. First, for most non-executive roles, we shifted from a highly complex variable pay model to a more competitive base-only compensation model. Coupled with more robust associate performance feedback and more integrated knowledge sharing and skills development, we have improved retention in a number of key associate groups, and maintained our strong performance/pay link. Second, for senior executives, we reinforced Cerner Performance Plans by including plans that reward intermediate-term performance. The new plans reward delivering on 3-year EPS targets, and creating shareholder value. We believe these plans will add a critical link to existing plans which reward attainment of quarterly and annual performance metrics, and a stock option program designed to drive performance over the very long-term (10 year). These changes were fully implemented by July 1, 1998.

Currently, approximately 25% of all associates participate in Cerner Performance Plans. Generally, sales associates participate in marketing incentives that comprise the majority of their total compensation. Senior consultants and leaders with P&L responsibility participate in performance plans that comprise 20 - 25% of their total compensation. Executives participate in performance plans that comprise 30 - 50% of their total compensation, depending on the nature and scope of their responsibility.

CPP Plans

- - - - -

The first structure in the design of CPP is the plan. Plans are defined by role or team, and reflect the key responsibilities for an associate. Even though every Cerner associate "wears multiple hats" or plays multiple roles through the course of a year, most associates participate in only one plan. Some executives, however, participate in multiple plans reflecting overlapping "performance terms" (quarterly, annual, and intermediate-term) to drive balanced corporate performance. The potential incentive for an associate is called a Target Bonus Level (TBL).

There are three types of plans:

Annual CPP -- All associates participating in Cerner Performance Plans participate in an Annual CPP plan. Several types of metrics may be used to calculate performance and plan payout.

The most common metric is a rewardable event metric, and is typically a quarterly, cumulative year-to-date target for business unit bookings, or operating earnings. We calculate and make quarterly rewardable events payments to reinforce consistent performance in support of annual corporate

earnings targets. Year-end payments of rewardable events are adjusted by a factor which reflects the associate's performance. This Annual Performance Evaluation factor (APE) is used to reflect and reward success on not only the "what" dimension of performance, but also the "how." We believe this is an important factor because Cerner's long-term success will be highly correlated to "how" (developing associate capabilities, sharing knowledge, building effective teams, supporting other business units, etc.) results are delivered now. The APE factor can adjust payments downward by more than 50%, or upward by 30%.

1

For sales associates, marketing incentives are paid on the basis of percent of quota, or sales commission. These plans reward performance within a specified geographical region and/or product set.

EPS Incentive Plan -- A limited number of senior executives participate in this plan which is intended to drive consistent three-year EPS growth. Payments are calculated annually, based on attainment of EPS targets set over the previous three years. The design of this plan reinforces sustained earnings growth over a longer planning horizon than Annual CPP and rewards profitable investments.

Shareholder Value Plan -- A limited number of senior executives participate in this plan which is intended to drive sustained stock price growth. Using stock options to structure this plan, it is technically not a cash compensation program. However, it is a key component of Cerner's performance-based compensation for senior executives. These options cliff vest in 6 years. Vesting can be accelerated, however, by attaining a specified stock price. Each year the "vesting" stock price is increased to reflect shareholder expectations and business model growth targets. These stock options, in addition to the core option grant programs, are designed to create a high degree of alignment between shareholder and management goals.

CPP Eligibility and Payments

- - - - -

CPP plans are administered on quarterly cycles, which are aligned with the quarters in the financial year. Eligibility and payments are made on this basis.

Eligibility

Eligibility for a plan is based on the role of the associate, and executive approval. Participants will be eligible for participation in the first full plan quarter following employment (or transfer into a role). If an associate starts during the first 15 working days of a quarter, he/she may be approved to participate in the plan for that quarter; however, sales associates will receive 50% of the payout for the agreement margins attained that quarter, and full payout for following quarters.

If an associate's participation in a Cerner Performance Plan is terminated due to termination of employment or transfer to a non-CPP role, the associate will be entitled to payment for any earned but not yet paid amounts. Payments are earned only for completed quarters; i.e., if participation is terminated in the middle of a quarter, no incentive will be paid for that quarter.

If an associate transfers from one CPP-based role to another, participation in the previous plan will be "closed out" per normal end-of-quarter processing under the provisions of the previous plan. 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.

Payment Cycles

Rewardable event incentives will be calculated and paid quarterly. Payments will be made by the 15th of the second month succeeding quarter.

Marketing Incentives will be calculated and paid quarterly, by the end of the month following quarter-end. Incentives are earned only upon completion of certain contracting and payment requirements. As these requirements are met, marketing incentive payments are made on a monthly basis.

2

1998 CPP Metrics

Neal L. Patterson
TBL: \$187,500

Rewardable Event - - - - -	Weighting - - - - -	Cycle - - - - -
Corporate EPS	100%	Q

Clifford W. Illig
TBL: \$155,000

Rewardable Event - - - - -	Weighting - - - - -	Cycle - - - - -
Corporate EPS	100%	Q

Glenn P. Tobin
TBL: \$34,478

Rewardable Event - - - - -	Weighting - - - - -	Cycle - - - - -
Corporate EPS	100%	Q

Jack A. Newman, Jr.
TBL: \$182,500

Rewardable Event - - - - -	Weighting - - - - -	Cycle - - - - -
NAFTA Bookings	50%	Q
Licensed Sales Operating Margin	30%	Q
Corporate EPS	20%	Q

Paul M. Black
TBL: \$215,000

Rewardable Event - - - - -	Weighting - - - - -	Cycle - - - - -
Area Bookings	50%	Q
Licensed Sales Operating Margin	30%	Q
Quarterly Corporate EPS	20%	Q

Robert C. Dieterle
TBL: \$162,500

Rewardable Event - - - - -	Weighting - - - - -	Cycle - - - - -
Corporate EPS	70%	Q
Annual EPS	30%	A

3

Alan D. Dietrich
TBL: \$186,250

Rewardable Event - - - - -	Weighting - - - - -	Cycle - - - - -
NAFTA Bookings	50%	Q
Licensed Sales Operating Margin	30%	Q
Corporate EPS Growth	20%	Q

Stephen M. Goodrich
TBL: \$81,250

Rewardable Event - - - - -	Weighting - - - - -	Cycle - - - - -
Client Services Operating Margin	70%	Q

Corporate EPS 30% Q

Douglas M. Krebs
TBL: \$203,750

Rewardable Event - - - - -	Weighting -----	Cycle -----
Area Bookings	50%	Q
Licensed Sales Operating Margin	30%	Q
Quarterly Corporate EPS	20%	Q

Marvin G. Pember
TBL: \$50,000

Rewardable Event - - - - -	Weighting -----	Cycle -----
Corporate EPS	70%	Q
Annual EPS	30%	Q

Marc G. Naughton
TBL: \$62,500

Rewardable Event - - - - -	Weighting -----	Cycle -----
Corporate EPS	50%	Q
Annual EPS	25%	A
Days Sales Outstanding	25%	Q

Stanley M. Sword
TBL: \$25,000

Rewardable Event - - - - -	Weighting -----	Cycle -----
Corporate EPS	70%	Q
Annual EPS	30%	A

Jeffrey A. Townsend
TBL: \$88,250

Rewardable Event	Weighting	Cycle
- - - - -	- - - - -	- - - - -
NAFTA Bookings	70%	Q
Corporate EPS	30%	Q

Target Bonus Level (TBL) represents the amount payable if the target is achieved. If the target is exceeded additional amounts can be paid.

Cerner Performance Plans for 1999

CPP Overview

- -----

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CPP Plans

- -----

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earnings targets. Year-end payments of rewardable events are adjusted by a factor which reflects the associate's performance. This Annual Performance Evaluation factor (APE) is used to reflect and reward success on not only the "what" dimension of performance, but also the "how." We believe this is an important factor because Cerner's long-term success will be highly correlated to "how" (developing associate capabilities, sharing knowledge, building effective teams, supporting other business units, etc.) results are delivered now. The APE factor can adjust payments downward by more than 50%, or upward by 30%.

1

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CPP Eligibility and Payments

- - - - -

CPP plans are administered on quarterly cycles, which are aligned with the quarters in the financial year. Eligibility and payments are made on this basis.

Eligibility

Eligibility for a plan is based on the role of the associate, and executive approval. Participants will be eligible for participation in the first full plan quarter following employment (or transfer into a role). If an associate starts during the first 15 working days of a quarter, he/she may be approved to participate in the plan for that quarter; however, sales associates will receive 50% of the payout for the agreement margins attained that quarter, and full payout for following quarters.

If an associate's participation in a Cerner Performance Plan is terminated due to termination of employment or transfer to a non-CPP role, the associate will be entitled to payment for any earned but not yet paid amounts. Payments are earned only for completed quarters; i.e., if participation is terminated in the middle of a quarter, no incentive will be paid for that quarter.

If an associate transfers from one CPP-based role to another, participation in the previous plan will be "closed out" per normal end-of-quarter processing under the provisions of the previous plan. 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.

Payment Cycles
- - - - -

Rewardable event incentives will be calculated and paid quarterly. Payments will be made by the 15th of the second month succeeding quarter.

Marketing Incentives will be calculated and paid quarterly, by the end of the month following quarter-end. Incentives are earned only upon completion of certain contracting and payment requirements. As these requirements are met, marketing incentive payments are made on a monthly basis.

2

1999 CPP Metrics

Neal L. Patterson
TBL: \$175,000

Rewardable Event	Weighting	Cycle
- - - - -	- - - - -	- - - - -
Corporate EPS	100%	Q

Clifford W. Illig
TBL: \$35,000

Rewardable Event	Weighting	Cycle
- - - - -	- - - - -	- - - - -
Corporate EPS	100%	Q

Glenn P. Tobin
TBL: \$50,000

Rewardable Event	Weighting	Cycle
- - - - -	- - - - -	- - - - -
Corporate EPS	100%	Q

Jack A. Newman, Jr.
TBL: \$235,000

Rewardable Event	Weighting	Cycle
------------------	-----------	-------

-----	-----	-----
Alignment Bookings	50%	Q
Licensed Sales Operating Margin	20%	Q
Corporate EPS	30%	Q

Thomas C. Tinstman, M.D.

TBL: \$75,000

Rewardable Event	Weighting	Cycle
-----	-----	-----
Corporate EPS	100%	Q

Paul M. Black

TBL: \$223,750

Rewardable Event	Weighting	Cycle
-----	-----	-----
NAFTA Bookings	40%	Q
Region Bookings	20%	Q
Licensed Sales Operating Margin	20%	Q
Corporate EPS	20%	Q

3

Robert C. Dieterle

TBL: \$178,750

Rewardable Event	Weighting	Cycle
-----	-----	-----
Goals	40%	Q
Corporate EPS	20%	Q
Health Service/Health Venture Operating Earnings	20%	Q
Health Service/Health Venture Operating Earnings	20%	Q

Alan D. Dietrich

TBL: \$190,000

Rewardable Event	Weighting	Cycle
-----	-----	-----
Alignment Bookings	40%	Q
NAFTA/Intl Bookings	30%	Q

Corporate EPS 30% Q

Stephen M. Goodrich
TBL: \$82,500

Rewardable Event - - - - -	Weighting -----	Cycle -----
Client Services Operating Margin	45%	Q
Classic Migrations	35%	Q
Corporate EPS	20%	Q

Douglas M. Krebs
TBL: \$208,750

Rewardable Event - - - - -	Weighting -----	Cycle -----
NAFTA/Intl Bookings	30%	Q
Region Bookings	30%	Q
Licensed Sales Operating Margin	20%	Q
Corporate EPS	20%	Q

Marvin G. Pember
TBL: \$100,000

Rewardable Event - - - - -	Weighting -----	Cycle -----
Corporate EPS	40%	Q
Managerial Enterprise Bookings	30%	Q
Provider Enterprise Operating Earnings	30%	Q

4

Marc G. Naughton
TBL: \$50,000

Rewardable Event - - - - -	Weighting -----	Cycle -----
Corporate EPS	75%	Q
Days Sales Outstanding	25%	Q

Stanley M. Sword
TBL: \$100,000

Rewardable Event - - - - -	Weighting -----	Cycle -----
Corporate EPS	70%	Q
Annual EPS	30%	A

Jeffrey A. Townsend
TBL: \$97,750

Rewardable Event - - - - -	Weighting -----	Cycle -----
Corporate EPS	45%	Q
Millenium Operating Earnings	30%	Q
Conversions	25%	Q

Target Bonus Level (TBL) represents the amount payable if the target is achieved. If the target is exceeded additional amounts can be paid.

Cerner Corporation
Long Term Incentive Plan for 1998
(As adopted by the Board of Directors on May 22, 1998)

I. Plan Concept.

1. Reward long term, consistent earnings growth.
2. Cerner is valued primarily on its forward earnings multiplied by the earnings growth rate. This incentive rewards those valuation elements.

II. Plan Targets and Participant Payments.

1. Three year earnings per share targets are determined by the Compensation Committee of the Board of Directors computed based on desired earnings growth rates.
2. Each year the Compensation Committee of the Board of Directors shall approve the participation of each officer of Cerner and the amount of such participant's potential payments. Any participant who is not a Cerner associate at the end of the fiscal year is not entitled to any payment under this Plan.
3. Each year a set of seven EPS targets for each of the next three years are established by the Compensation Committee of the Board of Directors. For example:
 - In 1998, EPS targets are established for 1998, 1999, and 2000
 - In 1999, EPS targets are established for 1999, 2000, and 2001
 - In 2000, EPS targets are established for 2000, 2001, and 2002

Target Payout	75%	100%	110%	120%	130%	140%	150%

1998 EPS

	\$	
1999 EPS	\$	
2000 EPS	\$	

4. By year 2000, there will be three separate sets of EPS targets established for year 2000. One-third of the incentive will be tied to the targets created in 1998, 1999 and 2000, respectively. This allows the Plan to take into consideration any significant changes in projected earnings without resetting all the targets.
5. In 1998, only one Long Term 1998 EPS target will exist. Therefore, the incentive will be paid 100% based on that metric. In 1999, only two Long Term 1999 EPS targets will

1

<PAG>E

exist (those created in 1998 and 1999). Therefore, the incentive will be paid based 50% on the first target and 50% on the second target. In 2000, all three Long Term 2000 EPS targets will exist and the incentive will then be paid based one-third on each of the three targets.

III. Plan Payments.

1. Amounts earned under the Plan would be paid in cash up

to 100% target payout level paid annually after close of year (February 15th).

2. Amounts earned under the Plan in excess of the 100% target payout level would be paid one half in cash and one half in restricted Cerner common stock (valued at the average market value for the last thirty trading days of the fiscal year).
3. Restricted stock could not be sold for two years from the date issued and would require the associate to be employed by Cerner at the end of such two years for the restriction to be removed. If the associate is not employed by Cerner (other than by reason of death or disability as determined by the Board of Directors of Cerner) at the end of the two year period the stock is returned to Cerner.
4. Stock restriction ensures that current earnings are not maximized at the expense of future earnings.

IV. Plan Amendment and Termination.

1. The Plan may be terminated by the Compensation Committee of the Board of Directors as of the end of any fiscal year of Cerner either by announcing its termination or by not establishing any new compensation levels for that fiscal year.
2. The Plan may be amended by the Compensation Committee of the Board of Directors at any time, but may not be amended so as to affect any EPS targets already determined or to reduce the amount of any participants potential payment already determined.

2

1998 Long Term Incentive Plan Participants and Payments (at 100%)

Name	Role	Amount
- ----	----	-----
Neal Patterson	CEO	\$210,000
Cliff Illig	Vice-Chairman	105,000
Jeff Reese	EVP-Consulting	56,000
Glenn Tobin	COO	50,000
Marc Naughton	VP-CFO	50,000
Jeff Townsend	VP-Engineering	42,000
Steve Goodrich	VP-Client Services	35,000

3

Cerner Corporation
Long Term Incentive Plan for 1999
(As adopted by the Board of Directors on May 22, 1998)

I. Plan Concept.

1. Reward long term, consistent earnings growth.
2. Cerner is valued primarily on its forward earnings multiplied by the earnings growth rate. This incentive rewards those valuation elements.

II. Plan Targets and Participant Payments.

1. Three year earnings per share targets are determined by the Compensation Committee of the Board of Directors computed based on desired earnings growth rates.
2. Each year the Compensation Committee of the Board of Directors shall approve the participation of each officer of Cerner and the amount of such participant's potential payments. Any participant who is not a Cerner associate at the end of the fiscal year is not entitled to any payment under this Plan.
3. Each year a set of seven EPS targets for each of the next three years are established by the Compensation Committee of the Board of Directors. For example:
 - In 1998, EPS targets are established for 1998, 1999, and 2000
 - In 1999, EPS targets are established for 1999, 2000, and 2001
 - In 2000, EPS targets are established for 2000, 2001, and 2002

Target Payout	75%	100%	110%	120%	130%	140%	150%

1998 EPS

\$	
1999 EPS	\$
2000 EPS	\$

4. By year 2000, there will be three separate sets of EPS targets established for year 2000. One-third of the incentive will be tied to the targets created in 1998, 1999 and 2000, respectively. This allows the Plan to take into consideration any significant changes in projected earnings without resetting all the targets.
5. In 1999, only one Long Term 1999 EPS target will exist. Therefore, the incentive will be paid 100% based on that metric. In 1999, only two Long Term 1999 EPS targets will

exist (those created in 1998 and 1999). Therefore, the incentive will be paid based 50% on the first target and 50% on the second target. In 2000, all three Long Term 2000 EPS targets will exist and the incentive will then be paid based one-third on each of the three targets.

III. Plan Payments.

1. Amounts earned under the Plan would be paid in cash up to 100% target payout level paid annually after close of year (February 15th).
2. Amounts earned under the Plan in excess of the 100% target payout level would be paid one half in cash and one half in restricted Cerner common stock (valued at the average market value for the last thirty trading days of the fiscal year).
3. Restricted stock could not be sold for two years from the date issued and would require the associate to be employed by Cerner at the end of such two years for the restriction to be removed. If the associate is not employed by Cerner (other than by reason of death or disability as determined by the Board of Directors of Cerner) at the end of the two year period the stock is returned to Cerner.
4. Stock restriction ensures that current earnings are not maximized at the expense of future earnings.

IV. Plan Amendment and Termination.

1. The Plan may be terminated by the Compensation Committee of the Board of Directors as of the end of any fiscal year of Cerner either by announcing its termination or by not establishing any new compensation levels for that fiscal year.
2. The Plan may be amended by the Compensation Committee of the Board of Directors at any time, but may not be amended so as to affect any EPS targets already determined or to reduce the amount of any participants potential payment already determined.

2

1999 Long Term Incentive Plan Participants and Payments (at 100%)

Name - ----	Role ----	Amount -----
Neal Patterson	CEO	\$210,000
Glenn Tobin	COO	75,000
Marc Naughton	VP-CFO	50,000
Jeff Townsend	VP-Engineering	50,000
Steve Goodrich	VP-Client Services	45,000

3

PROMISSORY NOTE

March 12, 1996

\$100,000.00

For value received, the undersigned promises to pay to the order of Cerner Corporation, a Delaware corporation ("Cerner") the sum of One Hundred Thousand Dollars (\$100,000.00), payable in five equal annual installments, each in the amount of Twenty Thousand Dollars (\$20,000.00), the first installment payable on December 30, 2000 and each succeeding installment due on the following four anniversaries thereof. No interest shall be payable with respect to this Promissory Note.

Payment of this Promissory Note shall be made at the office of Cerner at 2800 Rockcreek Parkway, Kansas City, Missouri, or at such other place within the State of Missouri as Cerner may designate in writing to the undersigned, in United States Dollars.

In the event that the undersigned shall fail to make any payment hereunder when due, Cerner may, without notice to the undersigned, declare this Promissory Note in default and the entire unpaid amount of this Promissory Note shall be immediately due and payable in full; provided, however, that this Promissory Note shall be nonrecourse to the undersigned and the undersigned shall not be personally liable to pay to Cerner any amounts due to Cerner hereunder, but Cerner shall look solely to the collateral held by Cerner as security for this Promissory Note.

The undersigned hereby pledges and grants to Cerner a security interest in _____ shares of Common Stock of Cerner represented by certificate no. _____, and any additional shares of Cerner Common Stock or other securities or property that the undersigned shall be entitled to receive as a result of being the owner of any of such Cerner Common Stock or other securities or property, as security for all of the obligations of the undersigned under this Promissory Note or deliver to Cerner any such additional Cerner Common Stock or other securities or property, as security for all of the obligations of the undersigned under this Promissory Note or otherwise to Cerner. The undersigned has delivered to Cerner such certificate no. _____ and agrees to deliver to Cerner any such additional Cerner Common Stock or other securities or property, all to be held by Cerner as provided for hereunder. In the event that this Promissory Note shall become payable in full as set forth in the immediately preceding paragraph or the undersigned shall be default in payment of any of such other obligations of the undersigned to Cerner. Cerner shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as in effect in the State of Missouri, including the right to sell any of the collateral held by Cerner hereunder and apply the proceeds thereof first to the costs and expenses incurred by Cerner in exercising its rights hereunder and then to the amount secured by the collateral. Any surplus shall continue to be held by Cerner hereunder if there remain outstanding any obligations of the undersigned to Cerner secured by such collateral.

The undersigned waives any and all notices, demands or other indulgences or rights granted by law in connection with the collection hereof by Cerner.

In witness whereof, the undersigned has executed this Promissory Note as of the day and year first above written.

/s/Jack A. Newman, Jr.

Jack A. Newman, Jr.

PROMISSORY NOTE

\$135,000

March 30, 1998

For value received, the undersigned promises to pay to the order of Cerner Corporation, a Delaware corporation, ("Cerner") the sum of One Hundred Thirty-Five Thousand Dollars (\$135,000) at Cerner offices at 2800 Rockcreek Parkway, Kansas City, Missouri 64117, in annual installments of Fifteen Thousand Dollars (\$15,000), the first installment to be due on August 4, 1998 and the subsequent eight (8) installments each to be due on the first eight (8) consecutive anniversaries of August 4, 1998. Notwithstanding the foregoing, in the event the undersigned's employment with Cerner is terminated, for any reason, this Promissory Note shall become immediately due and payable in full, without notice by Cerner to the undersigned, upon the earlier to occur of (1) the undersigned's sale of the real property covered by the mortgage referred to below, (2) settlement of any payments due to the undersigned from Cerner under CPP or any other bonus plans of Cerner or (3) receipt by the undersigned after the termination date of an aggregate of Seventy Five Thousand Dollars (\$75,000) or more from the sale by the undersigned of any Cerner stock received by the undersigned upon exercise of any stock options granted to the undersigned by Cerner.

In the event of the failure of the undersigned to pay any installment when due or if there is a breach of any of the terms and conditions of the Mortgage dated the date hereof made by the undersigned and his spouse in favor of Cerner, Cerner may accelerate all unpaid installments hereof and all other amounts payable hereunder by written notice delivered to the undersigned in writing addressed at 2800 Rockcreek Parkway, Kansas City, Missouri 64117, whereupon the entire unpaid amount hereof shall be immediately due and payable in full.

Any installment hereof not paid when due shall thereafter bear interest at the lesser of the highest amount permitted by applicable law or the prime or base rate of interest announced from time to time by CitiBank, N. A., New York, New York.

The undersigned hereby grants to Cerner a security interest in all outstanding CPP or other bonus payments due to the undersigned from Cerner at any time and any shares of Cerner Common Stock acquired by the undersigned as a result of exercising any stock options granted to the undersigned by Cerner as security for all amounts due to Cerner hereunder. This Promissory Note is also secured by and subject to the benefits of the second mortgage dated March 30, 1998, made by the undersigned and his spouse in favor of Cerner.

The undersigned hereby waives all demands, protests, notices, indulgences and other benefits provided by law to the undersigned in connection with the collection hereof by Cerner and agrees to pay all costs of collection hereof by Cerner, including reasonable attorney's fees and expenses.

In witness whereof the undersigned have executed this Promissory Note as of the date hereof.

/s/Robert C. Dieterle

Robert C. Dieterle

PROMISSORY NOTE
and SECURITY AGREEMENT

April 30, 1998

\$100,000.00

For value received, the undersigned promises to pay to the order of Cerner Corporation, a Delaware corporation ("Cerner") the sum of One Hundred Thousand Dollars (\$100,000.00), payable on April 30, 2003, together with interest at the rate of three percent (3%) per annum. Interest shall be computed on the basis of a 360-day year. Payment of this Promissory Note shall be made at the office of Cerner at 2800 Rockcreek Parkway, Kansas City, Missouri, 64117, or at such other place within the State of Missouri as Cerner may designate in writing to the undersigned, in United States dollars.

Notwithstanding the foregoing, if the undersigned's employment with Cerner is terminated for any reason, whether by Cerner or by the undersigned, this Promissory Note shall become immediately due and payable in full, without notice by Cerner to the undersigned.

Any amount hereunder not paid when due shall thereafter bear interest at the lesser of the highest amount permitted by applicable law or the prime or base rate of interest announced from time to time by CitiBank, N.A., New York, New York.

The undersigned hereby grants to Cerner a security interest in (i) all outstanding Cerner Performance Plan ("CPP") or other bonus payments due to the undersigned from Cerner at any time, (ii) all stock options granted to the undersigned by Cerner, whether vested or not vested, and (iii) any shares of Cerner Common Stock acquired by the undersigned as a result of exercising any stock options granted to the undersigned by Cerner as security for all amounts due to Cerner hereunder. The undersigned will deliver to Cerner any such certificates representing Cerner Common Stock to be held by Cerner. The undersigned shall assist Cerner in taking whatever steps Cerner deems advisable in perfecting its security interest in the foregoing collateral, including but not limited to signing financing statements, stock powers and control agreements. In the event that this Promissory Note shall become payable in full as set forth above, Cerner shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as in effect in the State of Missouri, including the right to sell any of the collateral held by Cerner hereunder and apply the proceeds thereof first to the costs and expenses, including reasonable attorney's fees and expenses, incurred by Cerner in exercising its rights hereunder and then to the amount secured by the collateral. In addition to the foregoing, if the amount of this Promissory Note is not paid when due, to the extent permitted by law, Cerner may set off any moneys due from Cerner to the undersigned, including without limitation, salary, CPP and any other compensation, if any, against any of the undersigned's obligations hereunder, whether or not the same is due and in any order of priority.

The undersigned waives any and all notices, demands, protests or other indulgences or rights granted by law in connection with the collection hereof by Cerner.

In witness whereof, the undersigned has executed this Promissory Note and Security Agreement as of the day and year first above written.

/s/Glenn Tobin

Glenn Tobin, Ph.D.

Address: 610 W. 56th St.

Kansas City, MO 64113

Signatory as to the grant of the security interest only:

/s/Nancy Beer Tobin

Name:Nancy Beer Tobin

PROMISSORY NOTE
and SECURITY AGREEMENT

June 22, 1998

\$200,000.00

For value received, the undersigned promises to pay to the order of Cerner Corporation, a Delaware corporation ("Cerner") the sum of Two Hundred Thousand Dollars (\$200,000.00), payable as follows:

Date ----	Principal Repayment -----
July 1, 1999	\$0
July 1, 2000	\$10,000
July 1, 2001	\$20,000
July 1, 2002	\$20,000
July 1, 2003	\$40,000
July 1, 2004	\$40,000
July 1, 2005	\$70,000

This Promissory Note will not bear interest for the first five (5) years and eight (8) days. Beginning on July 1, 2003, interest will accrue on the unpaid principal balance hereof at the rate of three percent (3%) per annum. Interest shall be computed on the basis of a 360-day year. Payment of this Promissory Note shall be made at the office of Cerner at 2800 Rockcreek Parkway, Kansas City, Missouri, 64117, or at such other place within the State of Missouri as Cerner may designate in writing to the undersigned, in United States dollars.

Notwithstanding the foregoing, and without notice by Cerner to the undersigned, the entire unpaid principal amount of this Promissory Note (plus accrued interest, if any) shall become immediately due and payable in full upon (i) the voluntary termination of the undersigned's employment with Cerner or (ii) Cerner's termination of the undersigned's employment due to the undersigned's dishonesty, illegal conduct, breach of Cerner's policy or breach of the undersigned's Cerner Associate Employment Agreement, dated April 15, 1998. In the event of the undersigned's involuntary termination of employment with Cerner (other than for the undersigned's dishonesty, illegal conduct, breach of Cerner's policy or breach of the undersigned's Cerner Associate Employment Agreement, dated April 15, 1998), the entire remaining principal amount of this Promissory Note (plus accrued interest, if any) will be due and payable one (1) year following such involuntary termination, without notice by Cerner to the undersigned.

Any amount hereunder not paid when due shall thereafter bear interest at the lesser of the highest amount permitted by applicable law or the prime or base rate of interest announced from time to time by CitiBank, N.A., New York, New York.

The undersigned hereby grants to Cerner a security interest in (i) all outstanding Cerner Performance Plan ("CPP") or other bonus payments due to the undersigned from Cerner at any time, (ii) all stock options granted to the undersigned by Cerner, whether vested or not vested, and (iii) any shares of Cerner Common Stock acquired by the undersigned as a result of exercising any stock options granted to the undersigned by Cerner as security for all amounts due to Cerner hereunder. The undersigned will deliver to Cerner any such certificates representing Cerner Common Stock to be held by Cerner. The undersigned shall assist Cerner in taking whatever steps Cerner deems advisable in perfecting its security interest in the

foregoing collateral, including but not limited to signing financing statements, stock powers and control agreements. In the event that this Promissory Note shall become payable in full as set forth above, Cerner shall have all of the rights and remedies of a secured party under the Uniform Commercial Code as in effect in the State of Missouri, including the right to sell any of the collateral held by Cerner hereunder and apply the proceeds thereof first to the costs and expenses, including reasonable attorney's fees and expenses, incurred by Cerner in exercising its rights hereunder and then to the amount secured by the collateral. In addition to the foregoing, if the amount of this Promissory Note is not paid when due, to the extent permitted by law, Cerner may set off any moneys due from Cerner to the undersigned, including without limitation, salary, CPP and any other compensation, if any, against any of the undersigned's obligations hereunder, whether or not the same is due and in any order of priority.

This Promissory Note is also secured by and subject to the benefits of the mortgage, dated June 22, 1998, made by the undersigned and his spouse in favor of Cerner with respect to the property commonly known as 648 East 45th, Kansas City, Missouri 64110.

The undersigned waives any and all notices, demands, protests or other indulgences or rights granted by law in connection with the collection hereof by Cerner.

In witness whereof, the undersigned has executed this Promissory Note and Security Agreement as of the day and year first above written.

/s/Marvin G. Pember

Marvin G. Pember

Address: 648 East 45th
Kansas City, Missouri 64110

Signatory as to the grant of the security interest only:

/s/Beverly K. Pember

Beverly A. Pember

State of Kansas)
-----)
County of Johnson)

On this 20th day of June in the year 1998, before me, the undersigned notary public, personally appeared Marvin G. Pember and Beverly A. Pember, known to me to be the persons whose names are subscribed to the within instrument, and acknowledged that each executed the same as their free act and deed.

In witness thereof, I hereunto set my hand and official seal.

Susan K. Parker

Notary Public

SUSAN K. PARKER
NOTARY PUBLIC
STATE OF KANSAS
My App. Exp. 11.30.98

Exhibit 21

SUBSIDIARIES OF REGISTRANT

Name ----	State of Incorporation -----
Cerner Corporation Pty Limited	New South Wales (Australia)
Cerner Deutschland GmbH	Germany
Cerner FSC, Inc.	Barbados
Cerner Health Connections, Inc.	Delaware
Cerner Health Facts, Inc.	Delaware
Cerner HealthWise, Inc.	Delaware
Cerner International, Inc.	Delaware
Cerner Limited	United Kingdom
Cerner Performance Logistics, Inc.	Delaware
Cerner Properties, Inc.	Delaware
Cerner Singapore Limited	Delaware
Cerner (Malaysia) Sdn Bhd	Malaysia
Cerner Canada Limited	Delaware
Multum Information Services, Inc.	Delaware

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 3, 1999, relating to the consolidated balance sheets of Cerner Corporation as of January 2, 1999 and January 3, 1998 and the related consolidated statements of earnings, changes in equity, and cash flows and related schedule for each of the years in the three-year period ended January 2, 1999, which reports are incorporated herein by reference or are included herein.

KPMG LLP

Kansas City, Missouri
April 2, 1999

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