

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON NOVEMBER 22, 1996

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

AMENDMENT NO. 2

TO  
FORM 10/A

GENERAL FORM FOR REGISTRATION OF SECURITIES

PURSUANT TO SECTION 12(B) OR 12(G) OF  
THE SECURITIES EXCHANGE ACT OF 1934

NCR CORPORATION  
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

MARYLAND  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)  
1700 SOUTH PATTERSON BLVD.  
DAYTON, OHIO  
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

31-0387920  
(I.R.S. EMPLOYER  
IDENTIFICATION NO.)  
45479  
(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (937) 445-5000

SECURITIES TO BE REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS  
TO BE SO REGISTERED

NAME OF EACH EXCHANGE ON WHICH  
EACH CLASS IS TO BE REGISTERED

COMMON STOCK, PAR VALUE \$.01 PER SHARE  
PREFERRED SHARE PURCHASE RIGHTS

NEW YORK STOCK EXCHANGE  
NEW YORK STOCK EXCHANGE

SECURITIES TO BE REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

NONE

November , 1996

Dear Shareowner:

The Board of Directors of AT&T Corp. has authorized the distribution to the AT&T shareowners of all of the outstanding shares of common stock of NCR Corporation, which is currently a wholly owned subsidiary of AT&T. The distribution of the shares of NCR is expected to occur on December 31, 1996.

The distribution of NCR will complete the restructuring announced by AT&T on September 20, 1995. Pursuant to the restructuring, AT&T has split into three separate companies: NCR, which engages in the information technology business; Lucent Technologies Inc., which engages in the telecommunications systems, software and products businesses; and the continuing AT&T, which engages in the communications services and credit card businesses. Earlier this year, Lucent Technologies separated from AT&T by means of an initial public offering of approximately 17.6% of its common stock in April, followed by a distribution by AT&T to AT&T's shareowners of the remaining common stock of Lucent on September 30, 1996. AT&T also sold its 86% interest in AT&T Capital Corporation as part of the sale of AT&T Capital consummated on October 1, 1996.

If you are an AT&T shareowner at the close of business on December 13, 1996, the record date for the distribution, you will receive one share of NCR common stock for each 16 shares of AT&T common stock you own on that date, with cash to be paid in lieu of any fractional interest in a share to any holder who receives certificates for NCR shares or who would be entitled to less than one whole share of NCR. Account statements reflecting ownership of NCR shares will be mailed beginning on or about December 31, 1996.

First Chicago Trust Company is acting as distribution agent and will be responsible for mailing NCR share certificates or making book-entry credits to holders of record. NO ACTION IS REQUIRED BY AT&T SHAREOWNERS IN ORDER TO RECEIVE NCR SHARES. A shareowner vote is not required in connection with the matter and, accordingly, your proxy is not being sought. Shareowners with questions relating to the Distribution should call AT&T toll-free at (800) 756-8500 (anytime, 24 hours a day, 7 days a week) or the Distribution Agent at (800) 348-8288, Monday through Friday, 9:00 a.m. to 7:00 p.m. (Eastern time). After the Distribution Date, stockholders of NCR with inquiries relating to their investment in NCR should contact the Transfer Agent and Registrar at (800) NCR-2303 ((800) 627-2303); or NCR Investor Relations, at 1700 South Patterson Boulevard, Dayton, Ohio 45479; or by telephone at (937) 445-5905, Monday through Friday, 8:00 a.m. to 5:00 p.m. (Eastern time).

The attached Information Statement, which is being distributed to all AT&T shareowners in connection with the distribution, describes the NCR distribution in detail and contains important information about NCR, including financial statements and other financial information. I urge you to read it carefully.

Sincerely,

A REGISTRATION STATEMENT RELATING TO THE COMMON STOCK AND THE PREFERRED SHARE PURCHASE RIGHTS OF NCR CORPORATION HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BUT HAS NOT YET BECOME EFFECTIVE. INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT.

PRELIMINARY COPY DATED NOVEMBER 22, 1996

-- FOR INFORMATION ONLY --

INFORMATION STATEMENT

NCR CORPORATION

COMMON STOCK, PAR VALUE \$.01  
PREFERRED SHARE PURCHASE RIGHTS

This Information Statement is being furnished to shareowners of AT&T Corp., a New York corporation ("AT&T"), in connection with the distribution (the "Distribution") by AT&T to its shareowners of all of the outstanding shares of common stock, par value \$.01 per share (the "NCR Common Stock"), of its wholly owned subsidiary, NCR Corporation, a Maryland corporation ("NCR" or the "Company").

It is expected that the Distribution will be made on December 31, 1996, on the basis of one share of NCR Common Stock for each 16 shares of common stock, \$1.00 par value, of AT&T (the "AT&T Common Stock") held on December 13, 1996 (the "Record Date"). Cash will be paid in lieu of fractional interests in a share of NCR Common Stock to any holder who receives certificates for NCR shares or who would be entitled to less than one whole share of NCR. No payment need be made by shareowners of AT&T for the shares of NCR Common Stock to be received by them in the Distribution. AT&T shareowners will not be required to surrender or exchange shares of AT&T Common Stock in order to receive shares of NCR Common Stock. Each share of NCR Common Stock issued in the Distribution will be accompanied by one Preferred Share Purchase Right.

There is currently no public market for NCR Common Stock, although it is expected that a "when-issued" trading market may develop on or about the Record Date. Shares of NCR Common Stock have been approved for listing, subject to official notice of issuance, on the New York Stock Exchange (the "NYSE"), under the symbol "NCR."

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WE ARE NOT ASKING YOU FOR A PROXY  
AND YOU ARE REQUESTED NOT TO  
SEND US A PROXY.  
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THIS INFORMATION STATEMENT SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES. ANY SUCH OFFERING MAY ONLY BE MADE BY MEANS OF A SEPARATE PROSPECTUS PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT AND OTHERWISE IN COMPLIANCE WITH APPLICABLE LAW.

The date of this Information Statement is November , 1996.

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## AVAILABLE INFORMATION

NCR has filed with the Securities and Exchange Commission (the "Commission") a Registration Statement on Form 10 (the "Registration Statement") under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), with respect to the NCR Common Stock and Preferred Share Purchase Rights described herein. This Information Statement does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. For further information, reference is made hereby to the Registration Statement, exhibits and schedules. Statements contained herein concerning any documents are not necessarily complete and, in each instance, reference is made to the copies of such documents filed as exhibits to the Registration Statement. Each such statement is qualified in its entirety by such reference. Copies of these documents may be inspected without charge at the principal office of the Commission at 450 5th Street, N.W., Washington, D.C. 20549, and at the Regional Offices of the Commission at 7 World Trade Center, Suite 1300, New York, New York 10048, at Citicorp Center, Suite 1400, 500 West Madison Street, Chicago, Illinois 60661, and at 5670 Wilshire Boulevard, Suite 1100, Los Angeles, California 90036, and copies of all or any part thereof may be obtained from the Commission upon payment of the charges prescribed by the Commission. Copies of such material may also be obtained from the Commission's Web Site (<http://www.sec.gov>).

Following the Distribution, NCR will be required to comply with the reporting requirements of the Exchange Act and will file annual, quarterly and other reports with the Commission. NCR will also be subject to the proxy solicitation requirements of the Exchange Act and, accordingly, will furnish audited financial statements to its stockholders in connection with its annual meetings of stockholders. NCR will also file with the NYSE copies of such reports, proxy statements and other information which then can be inspected at the offices of the NYSE at 20 Broad Street, New York, New York 10005.

NO PERSON IS AUTHORIZED BY AT&T OR NCR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS INFORMATION STATEMENT, AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED.

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This Information Statement contains trademarks, service marks or registered marks of NCR, AT&T, their respective subsidiaries and other companies.

For the purposes of this Information Statement, the following terms are used to refer to the items that NCR provides to its customers:

A "product" refers to individual hardware, software, and consumable supplies. Examples of products are automated teller machines ("ATMs"), barcode scanners, paper rolls, and NCR's Teradata(@) relational database.

A "system" refers to combinations of hardware, operating systems software, and basic services. "Basic services" primarily includes system installation. Examples of systems are point of sale systems (which could combine point of sale terminals, barcode scanners, servers, operating system software, and basic installation services) and computer systems (which could combine WorldMark(TM) servers, UNIX(@) or Microsoft Windows NT(@) operating systems, and basic installation services).

A "solution" refers to combinations of hardware, operating system software, application software, consumable supplies, and value added services. "Value added services" include items such as consulting services, implementation services, and database design services. Examples of solutions are NCR's High Availability Transaction Processing solutions and Scalable Data Warehousing solutions.

NCR's High Availability Transaction Processing solutions are designed to ensure minimum system downtime for customers' business critical applications. These business critical applications can include financial reporting applications, credit card authorization systems, and order entry systems. NCR's High Availability Transaction Processing solution integrates hardware, software, and services with the customers' application to provide high levels of availability.

Scalable Data Warehousing solutions are designed to help customers store, retrieve, and analyze large volumes of detailed data coming from a wide range of transactional and operational systems. For example, Scalable Data Warehousing would allow retailers to analyze individual transactions from their point of sale systems, to determine the volume of individual products sold in each store location, and to facilitate decision making in areas such as merchandising and inventory. These solutions are scalable, in that customers can increase the size of these solutions from small (10 gigabytes of data), to very large (over 1 terabyte of data, which is equivalent to 1,000 gigabytes) all within the same hardware and software platform.

An "offering" refers to all of the items that NCR provides to its customers, and can include products, systems, solutions, and services. The different services that NCR provides to customers are referred to as "service offerings."

See "Business" for a description of these products, services, systems, and solutions.

## SUMMARY

This summary is qualified by the more detailed information set forth elsewhere in this Information Statement, which should be read in its entirety, including the discussion of certain factors set forth under "Risk Factors." Unless the context otherwise requires, as used herein the term "NCR" or the "Company" includes NCR and its subsidiaries.

## THE DISTRIBUTION

Distributing Company..... AT&T Corp., a New York corporation.

Shares to be Distributed... Approximately 101 million shares of NCR Common Stock, representing all of the outstanding shares of NCR Common Stock. All such shares are currently held by AT&T.

Distribution Ratio..... One share of NCR Common Stock for each 16 shares of AT&T Common Stock. Cash will be paid in lieu of any fractional interest in a share of NCR Common Stock to any holder who receives certificates for NCR shares or who would be entitled to less than one whole share of NCR. No payment need be made by shareowners of AT&T for the shares of NCR Common Stock to be received by them in the Distribution, nor will they be required to surrender or exchange shares of AT&T Common Stock in order to receive NCR Common Stock. See "The Distribution -- Manner of Effecting the Distribution." Shareowners who hold fewer than 16 shares of AT&T Common Stock will receive a cash payment in lieu of a fractional share and will not receive any shares of NCR Common Stock.

Federal Income Tax  
Consequences..... The Distribution is subject to receipt of a ruling from the Internal Revenue Service ("IRS") to the effect that for United States federal income tax purposes no gain or loss will be recognized by holders of AT&T Common Stock upon receipt of NCR Common Stock in the Distribution, except with respect to cash received in lieu of fractional interests in shares of NCR Common Stock, and that no gain or loss will be recognized by AT&T or NCR in respect of the Distribution. The IRS has issued a private letter ruling to the effect described above. AT&T shareowners are urged to consult their own tax advisors as to the specific tax consequences of the Distribution to them. See "The Distribution -- Certain Federal Income Tax Consequences of the Distribution."

Risk Factors..... Shareowners should consider certain factors discussed under "Risk Factors."

Background of and Reasons  
for the Distribution..... The Distribution to AT&T shareowners of all the outstanding shares of NCR Common Stock will complete the restructuring announced by AT&T on September 20, 1995. Pursuant to the restructuring, AT&T has split into three separate companies: NCR; Lucent Technologies Inc., a Delaware corporation ("Lucent"), which engages in the telecommunications systems, software and products businesses; and the continuing AT&T, which engages in the communications services and credit card businesses. Earlier this year, Lucent was separated from AT&T by means of an initial public offering of approximately 17.6% of the Lucent common stock (the "Lucent Common Stock") on April 10, 1996,



followed by the distribution by AT&T to AT&T's shareowners of the remaining Lucent Common Stock on September 30, 1996 (the "Lucent Distribution"). AT&T also sold its 86% interest in AT&T Capital Corporation ("AT&T Capital") as part of the sale of AT&T Capital consummated on October 1, 1996.

The restructuring of AT&T responds to changes in customer needs and demands, public policy, and technology in the industries in which AT&T has operated in the past. In AT&T's view, these changes are creating a new industry structure in which, increasingly, the advantages of vertical integration are outweighed by its costs and disadvantages. In particular, these changes have resulted in, among other things, a situation in which, to varying degrees, many of the actual and potential customers of Lucent and NCR are or will be competitors of AT&T's communications services businesses. NCR believes that its efforts to target the communications industry have been hindered by the reluctance of AT&T's communications services competitors to make purchases from an AT&T subsidiary, and that in some cases the unwillingness of these competitors to share proprietary information, such as customer data and marketing strategies, with NCR has made it more difficult for NCR to market information technology solutions to these companies. Finally, the demands created by this new industry structure have also heightened the need for focused management time and attention in each of the businesses previously conducted by AT&T, including the information technology business operated by NCR. For these reasons, AT&T determined to separate its businesses by means of its restructuring.

Trading Market..... There is currently no public market for NCR Common Stock, although a "when-issued" trading market is expected to develop prior to the Distribution Date. The NCR Common Stock has been approved for listing, subject to official notice of issuance, on the NYSE, under the symbol "NCR." See "Risk Factors -- Absence of a Public Market for NCR Common Stock" and "-- Possibility of Substantial Sales of NCR Common Stock" and "The Distribution -- Listing and Trading of NCR Common Stock."

Record Date..... December 13, 1996.

Distribution Date..... December 31, 1996 (the "Distribution Date"). Commencing on or about the Distribution Date, First Chicago Trust Company (the "Distribution Agent") will commence mailing account statements reflecting ownership of shares of NCR Common Stock to holders of AT&T Common Stock on the Record Date. AT&T shareowners will not be required to make any payment or to take any other action to receive the NCR Common Stock to which they are entitled in the Distribution. See "The Distribution -- Manner of Effecting the Distribution."

Distribution Agent..... First Chicago Trust Company will be the Distribution Agent for the Distribution.

Conditions to the Distribution..... The Distribution is conditioned upon, among other things: (a) the receipt of a ruling from the IRS to the effect that the Distribution qualifies as a tax-free distribution under Section 355 of the Internal Revenue Code of 1986, as amended (the "Code"); (b) the receipt of any material governmental approvals and third party consents necessary to consummate the Distribution; (c) the absence of any order, injunc-

tion, decree or other legal restraint or prohibition preventing the consummation of the Distribution; (d) no other event occurring that prevents the consummation of the Distribution; (e) the acceptance for listing on a mutually agreed stock exchange or quotations system, which is expected to be the NYSE, of the NCR Common Stock (and related Preferred Share Purchase Rights); and (f) the formal approval by the Board of Directors of AT&T (the "AT&T Board") of the Distribution. The IRS has issued a private letter ruling to the effect described in clause (a) above. The NCR Common Stock has been approved for listing, subject to official notice of issuance, on the NYSE. The AT&T Board may, but has no obligation to, waive any of these conditions. In addition, regardless of whether these conditions are satisfied, the AT&T Board has reserved the right to abandon, defer or modify the Distribution and the related transactions described herein at any time prior to the Distribution Date. See "The Distribution -- Conditions; Termination" and "Arrangements Among AT&T, NCR and Lucent -- NCR Distribution Agreement."

Principal Businesses to Be Retained by AT&T.....

AT&T is among the world's communications leaders, providing voice, data, and video telecommunication services to large and small businesses, government entities and consumers, and offering a general purpose credit card and other services. AT&T and its subsidiaries furnish local, regional, domestic and international communication transmission services. AT&T's wholly owned subsidiaries, including AT&T Wireless Services, Inc. ("AT&T Wireless"), provide cellular telephone and other wireless services. In conjunction with its subsidiaries (including AT&T Universal Card Services Corp.), AT&T also provides billing, directory, and credit and calling card services to support its communications services business.

NCR CORPORATION

NCR Corporation.....

NCR Corporation is currently a wholly owned subsidiary of AT&T that is engaged in the information technology business. NCR was merged with a wholly owned subsidiary of AT&T on September 19, 1991. Prior to such time, NCR was a publicly held company.

NCR designs, develops, markets, and services information technology products, services, systems, and solutions worldwide. NCR's goal is to be a world-class provider of commercial, open computing systems for High Availability Transaction Processing and Scalable Data Warehousing solutions to customers in all industries. NCR also seeks to take advantage of its expertise and market presence in the retail, financial, and communications industries to provide specific information technology solutions to customers in these targeted industries. NCR's systems and solutions are supported by its Customer Support Services and Professional Services offerings, and its Systemedia business, which develops, produces, and markets a complete line of consumable and media products.

NCR's offerings cover a broad range of its customers' information technology needs: from consumers' interaction and data collection, with

products including point of sale workstations, barcode scanning equipment, and self-service devices such as ATMs; through data processing, with NCR's High Availability Transaction Processing solutions; to data storage, manipulation, and usage, with NCR's Teradata relational database management system and Scalable Data Warehousing offerings. NCR's computing platforms and associated products span midrange servers, massively parallel processing computer systems, computer network servers and software systems, imaging and payment systems, workstations and peripherals, business forms, ink ribbons, customized paper rolls, and other consumable supplies and processing media.

NCR also provides Worldwide Customer Support Services and Professional Services that include hardware maintenance, software maintenance, data warehousing service offerings, end-to-end networking service and design, and the implementation, integration, and support of complex solutions.

NCR operates through five business units: the Computer Systems Group; the Financial Systems Group; the Retail Systems Group; Worldwide Services; and Systemedia.

The principal executive offices of NCR are located at 1700 South Patterson Blvd., Dayton, Ohio 45479 and its telephone number at such location is (937) 445-5000. The Company was incorporated in Ohio in 1884 and was reincorporated in Maryland in 1926.

Business Strategy.....	In September 1995, NCR announced a restructuring of the Company, based on five key initiatives: focus, accountability, expense level reduction, process improvements, and a sense of urgency. NCR's business plan focuses on three basic components: the level of resources to be deployed, the processes through which the Company manages the business, and the market opportunities to be pursued. See "Business -- Restructuring and Turnaround" and "-- Strategy," "Management's Discussion and Analysis of Financial Condition and Results of Operations," and "Risk Factors -- Risks Relating to Implementation of New Business Strategy."
Management of NCR.....	The executive officers of NCR following the Distribution are expected to be persons who currently serve as executive officers of NCR. See "Management."
Intercompany Agreements....	NCR, AT&T, and Lucent have entered into certain intercompany agreements governing various interim and ongoing relationships between and among the three companies. In addition, NCR has entered into the Operating Agreement (as defined below) with AT&T Capital. See "Arrangements Among AT&T, NCR and Lucent."
Preferred Share Purchase Rights.....	As of the Distribution Date, NCR will have adopted a Preferred Share Purchase Rights Plan (the "Rights Plan"). Certificates or book entry credits issued in the Distribution representing shares of NCR Common Stock will also initially represent an equivalent number of associated Preferred Share Purchase Rights of NCR (the "Rights"). See "Certain Antitakeover Effects -- Rights Plan."
Certain Antitakeover Effects.....	Certain provisions of NCR's Amended and Restated Charter (the "Charter") and NCR's Bylaws (the "Bylaws"), as each will be in effect

as of the Distribution, and of applicable Maryland state corporation law, have the effect of making more difficult an acquisition of control of NCR in a transaction not approved by NCR's Board of Directors. See "Description of NCR Capital Stock" and "Certain Antitakeover Effects." The Rights Plan will also make more difficult an acquisition of control of NCR in a transaction not approved by NCR's Board of Directors. See "Certain Antitakeover Effects -- Rights Plan."

Post-Distribution Dividend  
Policy.....

NCR does not anticipate the payment of any cash dividends on NCR Common Stock in the foreseeable future. Payment of dividends on NCR Common Stock will also be subject to such limitations as may be imposed by NCR's credit facilities from time to time. The declaration of dividends will be subject to the discretion of the Board of Directors of NCR. See "Dividend Policy" and "Financing."

Transfer Agent and  
Registrar.....

The First National Bank of Boston will be the Transfer Agent and Registrar for NCR after the Distribution.

## SUMMARY HISTORICAL FINANCIAL DATA

The following table presents summary historical financial data of NCR. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements and notes thereto included elsewhere in this Information Statement. The consolidated statement of operations data set forth below for each of the years ended December 31, 1995, 1994, and 1993 and the consolidated balance sheet data at December 31, 1995 and 1994 are derived from, and are qualified by reference to, the audited consolidated financial statements included elsewhere in this Information Statement, and should be read in conjunction with those financial statements and notes thereto. The consolidated balance sheet data at December 31, 1993 are derived from the audited consolidated balance sheet of NCR at December 31, 1993, which is not included in this Information Statement. The consolidated statement of operations data for each of the years ended December 31, 1992 and 1991 and the consolidated balance sheet data at December 31, 1992 and 1991 are derived from unaudited consolidated financial statements not included in this Information Statement. The consolidated statement of operations data for each of the nine-month periods ended September 30, 1996 and 1995, and the consolidated balance sheet data as of September 30, 1996 and 1995 are derived from, and are qualified by reference to, the unaudited interim financial statements included elsewhere herein, and should be read in conjunction with those financial statements and notes thereto. See "Index to Financial Statements."

The historical financial information may not be indicative of NCR's future performance and does not necessarily reflect the financial position and results of operations of NCR had NCR operated as a separate, stand-alone entity during the periods covered. See "Risk Factors -- Limited Relevance of Historical Financial Information."

## NCR CORPORATION

SUMMARY HISTORICAL FINANCIAL DATA  
(DOLLARS IN MILLIONS)

	NINE MONTHS ENDED SEPTEMBER 30		YEARS ENDED DECEMBER 31				
	1996	1995	1995	1994	1993	1992	1991
	(UNAUDITED)		(UNAUDITED)				
<b>STATEMENT OF OPERATIONS DATA</b>							
Revenues(3)(5).....	\$4,923	\$ 5,893	\$ 8,162	\$ 8,461	\$ 7,265	\$ 7,139	\$ 7,246
Operating expenses(1)(6)							
Cost of revenues.....	3,572	5,566	7,316	5,894	4,839	4,378	4,322
Selling, general and administrative expenses.....	1,075	2,070	2,632	2,169	2,136	1,938	2,113
Research and development expenses.....	273	441	585	500	571	568	709
Income (loss) from operations....	3	(2,184)	(2,371)	(102)	(281)	255	102
Interest expense.....	40	66	90	44	41	77	85
Other income, net(2)(4).....	(17)	(86)	(45)	(130)	(42)	(77)	(87)
Income (loss) before income taxes and cumulative effects of accounting changes.....	(20)	(2,164)	(2,416)	(16)	(280)	255	104
Income tax expense (benefit).....	96	(189)	(136)	187	138	157	387
Income (loss) before cumulative effects of accounting changes.....	(116)	(1,975)	(2,280)	(203)	(418)	98	(283)
Cumulative effects of accounting changes(7).....	--	--	--	--	(869)	--	--
Net income (loss).....	\$ (116)	\$ (1,975)	\$ (2,280)	\$ (203)	\$ (1,287)	\$ 98	\$ (283)
Pro forma net loss per common share (Unaudited)(8).....	\$(1.15)		\$(22.57)				
<b>FINANCIAL POSITION AND OTHER DATA</b>							
Cash and short-term investments.....	\$ 767	\$ 239	\$ 338	\$ 661	\$ 343	\$ 436	\$ 391
Accounts receivable, net.....	1,376	1,747	1,908	1,860	1,288	1,228	1,305
Inventories.....	559	814	621	952	781	620	504
Property, plant and equipment, net.....	922	986	957	1,234	1,143	1,026	1,067
Total assets.....	4,940	5,288	5,256	5,836	4,664	4,565	4,448
Short-term borrowings.....	42	68	45	73	40	118	105
Long-term debt.....	90	333	330	642	115	142	229
Shareholder's equity.....	836	180	358	1,690	1,032	1,831	1,628
Headcount (employees and contractors).....	38,900	45,400	41,100	50,000	52,500	53,800	54,000

- (1) 1995 operating expenses include restructuring and other charges of \$1,649, including \$1,597 in the nine months ended September 1995. (See Note 5 of Notes to Consolidated Financial Statements.)
- (2) 1995 other income, net includes a gain on sale of the Microelectronics components business of \$51.
- (3) The decrease in revenues beginning in the fourth quarter of 1995 and through the nine months ended September 30, 1996 is due largely to the Company's decision in September 1995 to discontinue selling personal computers through high volume indirect channels.
- (4) 1994 other income, net includes a gain on sale of certain assets of \$110.
- (5) The fiscal year-end for locations outside the U.S. was changed from November to December in 1994 to conform the domestic and international reporting periods. This change increased reported revenues in 1994 by \$223, however the effect on loss from operations was not significant.
- (6) 1993 operating expenses include restructuring and other charges of \$219. (See Note 5 of Notes to Consolidated Financial Statements.)
- (7) NCR changed its methods of accounting for postretirement benefits, postemployment benefits, and income taxes effective in 1993. (See Note 3 of Notes to Consolidated Financial Statements.)
- (8) Assumes 101 million shares of NCR Common Stock outstanding. (See "Summary of Significant Accounting Policies -- Pro forma Loss per Common Share"-- Note 2 of Notes to Consolidated Financial Statements.)

## INTRODUCTION

NCR is currently a wholly owned subsidiary of AT&T. The Distribution to AT&T shareowners of all the outstanding shares of NCR Common Stock will complete the restructuring announced by AT&T on September 20, 1995. Pursuant to the restructuring, AT&T has split into three separate companies: NCR, which engages in the information technology business; Lucent, which engages in the telecommunications systems, software, and products businesses; and the continuing AT&T, which engages in the communications services and credit card businesses. Earlier this year, Lucent was separated from AT&T by means of an initial public offering of approximately 17.6% of the Lucent Common Stock on April 10, 1996, followed by the Lucent Distribution on September 30, 1996. AT&T also sold its 86% interest in AT&T Capital as part of the sale of AT&T Capital consummated on October 1, 1996. NCR, AT&T and, in certain cases, Lucent, have entered into certain agreements governing various interim and ongoing relationships between and among the three companies. In addition, NCR has entered into the Operating Agreement with AT&T Capital. See "Arrangements Among AT&T, NCR and Lucent."

The Distribution will be effected by distributing to holders of AT&T Common Stock on the Record Date all of the outstanding shares of NCR Common Stock. On the Distribution Date, AT&T will deliver the outstanding shares of NCR Common Stock to First Chicago Trust Company, the Distribution Agent for transfer and distribution to the holders of AT&T Common Stock as of the Record Date for the Distribution. It is expected that the Distribution Date will be December 31, 1996. The Distribution is conditioned upon, among other things, the receipt of a ruling from the IRS that the transaction will be a tax-free spin-off for federal income tax purposes, except to the extent of cash received instead of fractional shares. The IRS has issued a private letter ruling to the effect described above. See "The Distribution -- Certain Federal Income Tax Consequences of the Distribution" and "-- Conditions; Termination."

Shareowners of AT&T with inquiries relating to the Distribution should call AT&T toll-free at (800) 756-8500 (anytime, 24 hours a day, 7 days a week) or the Distribution Agent at (800) 348-8288, Monday through Friday, 9:00 a.m. to 7:00 p.m. (Eastern time). After the Distribution Date, stockholders of NCR with inquiries relating to their investment in NCR should contact the Transfer Agent and Registrar at (800) NCR-2303 ((800) 627-2303); or NCR Investor Relations, at 1700 South Patterson Boulevard, Dayton, Ohio 45479; or by telephone at (937) 445-5905, Monday through Friday, 8:00 a.m. to 5:00 p.m. (Eastern time).

NO ACTION IS REQUIRED BY AT&T SHAREOWNERS IN ORDER TO RECEIVE THE NCR COMMON STOCK TO WHICH THEY ARE ENTITLED IN THE DISTRIBUTION.

## RISK FACTORS

Shareowners should carefully consider and evaluate all of the information set forth in this Information Statement, including the risk factors listed below. NCR also cautions readers that, in addition to the historical information included herein, this Information Statement includes certain forward-looking statements and information that are based on management's beliefs as well as on assumptions made by and information currently available to management. When used in this Information Statement, the words "expect," "anticipate," "intend," "plan," "believe," "seek," "estimate," and similar expressions are intended to identify such forward-looking statements. However, this Information Statement also contains other forward-looking statements. Such statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions, including but not limited to the following factors, which could cause NCR's future results and stockholder values to differ materially from those expressed in any forward-looking statements made by or on behalf of NCR. Many of such factors are beyond NCR's ability to control or predict. Readers are cautioned not to put undue reliance on forward-looking statements. NCR disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or otherwise. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Forward Looking Statements."

## HISTORICAL LOSSES

NCR has experienced net losses of \$2,280 million, \$203 million and \$1,287 million for the years ended December 31, 1995, 1994, and 1993, respectively, and net losses of \$116 million and \$1,975 million for the nine months ended September 30, 1996 and 1995, respectively. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and notes thereto included elsewhere in this Information Statement. The Company has announced a restructuring, implementation of which management believes has improved and should continue to improve NCR's results of operations. See "Business -- Restructuring and Turnaround" and " -- Strategy." Although there have been improvements in operating results since the announcement of the restructuring, there can be no assurance that NCR will maintain or improve operating profitability. See " -- Risks Relating to Implementation of New Business Strategy."

## RISKS RELATING TO IMPLEMENTATION OF NEW BUSINESS STRATEGY

NCR announced a restructuring in September 1995, with the goal of creating a more focused and efficient business. See "Business -- Restructuring and Turnaround" and "-- Strategy." Although management believes that implementation of its restructuring and strategic business plan has improved and should continue to improve NCR's results of operations, there can be no assurance that NCR will be successful in implementing its new business strategies or that it will be able to maintain or improve upon its current operating performance. Although improvements in operating results since the announcement of the restructuring have come in part from expense reductions, further expense reductions are not expected to drive material improvements in operating results. As a result, NCR's ability to continue to improve its operating results will depend primarily on its ability to increase revenues and to continue to improve sales and services and rentals gross margins.

A key determinant of the success of NCR's strategy will be NCR's ability to expand its data warehousing and professional services businesses. There can be no assurances that NCR will not face unforeseen costs, delays or obstacles in the implementation of its business plan, that these changes will have the desired benefits, or that NCR's strategy will be successful. The success of NCR's strategy will also depend, among other things, upon the technologies, actions, products, and strategies of NCR's current and future competitors, general domestic and foreign economic and business conditions, the condition of the information technology industry and the industries in which NCR's customers operate, and other factors. See "-- Dependence on New Product Development" and "-- Competition."

## FUTURE CAPITAL REQUIREMENTS; ABSENCE OF AT&amp;T FUNDING

In recent years, NCR's working capital and cash flow requirements have been substantial. Since 1991, NCR's working capital, research and development, capital expenditures, and other financing requirements have been met by AT&T's corporate-wide cash management and funding policies. Net cash transfers from AT&T were \$1,034 million, \$770 million, and \$425 million for the years ended December 31, 1995, 1994, and 1993, respectively, and \$638 million for the nine months ended September 30, 1996. After the Distribution, AT&T will no longer provide such funds to finance NCR's operations or for any other purpose.

In order to meet its working capital needs after the Distribution, NCR entered into a five-year, unsecured revolving credit facility (the "Credit Facility") with a syndicate of commercial banks and financial institutions. The Credit Facility provides that NCR may borrow from time to time on a revolving credit basis an aggregate principal amount of up to \$600 million, subject to the terms and conditions thereof. See "Financing" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Financial Condition, Liquidity and Capital Resources."

NCR believes that cash flows from operations, availability under the Credit Facility and other short and long-term debt financings, if any, will be sufficient to satisfy its future working capital, research and development, capital expenditure, and other financing requirements for the foreseeable future. NCR further believes that it will be able to access capital markets on terms and in amounts that will be satisfactory to it,



although there can be no assurance that will be the case. NCR believes that it will be able to obtain bid and performance bonds, to arrange or provide customer financing as necessary, and to engage in hedging transactions on commercially acceptable terms.

However, NCR does not expect to be able to obtain financing with interest rates or other terms as favorable as those historically experienced by AT&T, with the result that its cost of capital will likely be higher than that reflected in NCR's historical financial statements. NCR will also likely be subject to financial, operating, and other covenants restricting its operations, although historically, as a wholly owned subsidiary of AT&T, it has not been subject to any such restrictive covenants.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Financial Condition, Liquidity and Capital Resources" and the consolidated financial statements and notes thereto included elsewhere in this Information Statement.

#### DEPENDENCE ON NEW PRODUCT DEVELOPMENT

The markets for many of NCR's offerings are characterized by rapidly changing technology, evolving industry standards, and frequent new product introductions. NCR's operating results will depend to a significant extent on its ability to design, develop or otherwise obtain and introduce new products, services, systems, and solutions and to reduce the costs of these offerings. The success of these and other new offerings is dependent on many factors, including proper identification of customer needs, cost, timely completion and introduction, differentiation from offerings of NCR's competitors, and market acceptance. Often a delay in introducing an offering can cause a company to miss a market opportunity. There can be no assurance that NCR will successfully identify new product, service, system or solution opportunities and bring new offerings to market in a timely manner, or that products, technologies or services developed by others will not render NCR's current or future offerings or technology investments obsolete or noncompetitive. In addition, there can be no assurance that any of the technologies in which NCR is focusing its capital expenditure and research and development investments will achieve broad acceptance in the marketplace. Finally, there can be no assurance that NCR will be able to attract and retain the highly skilled technical personnel necessary to enable NCR to develop and sell new products, services, systems, and solutions successfully. Any such factors could have a material adverse effect on NCR's financial condition and results of operations.

Shortening product life cycles in the information technology industry pose a challenge for the effective management of the transition from existing products to new products. Product development or manufacturing delays, variations in product costs, and delays in customer purchases of existing products in anticipation of new product introductions are among the factors that make a smooth transition from current products to new products difficult. The transition to new products can also result in inventory of old or obsolete products and components. In addition, competitors' introductions of new offerings may coincide with periods leading up to NCR's own introduction of new or enhanced offerings. Furthermore, some of NCR's own new products replace or compete with other of NCR's current products. The foregoing factors may materially adversely affect NCR's financial condition and results of operations.

#### RELIANCE ON SUPPLIERS AND PARTNERS

Due to NCR's focus on providing complex integrated solutions to customers, NCR frequently relies on third parties to provide significant elements of NCR's offerings, which must be integrated with the elements provided by NCR. Elements provided by third parties can include operating software, software tools, application specific software, hardware, components, services, and other technology. In addition, because NCR's business interacts with areas in which other companies have greater technological, marketing, and service expertise, NCR has from time to time formed alliances with third parties that have complementary products, services, and skills. These business practices often require NCR to rely on the performance and capabilities of third parties which are beyond NCR's control. NCR may also compete against many of these third parties in other parts of their businesses.

NCR's reliance on third parties introduces a number of risks to NCR's business. In addition to the risk of non-performance by alliance partners or other third parties, the need to integrate elements provided by NCR

with those of third parties could result in delays in the introduction of new products, services, systems, or solutions. Further, the failure of any of these third parties to provide products or services that conform to NCR's specifications or quality standards could impair the ability of NCR to offer solutions that include such third-party elements or may impair the quality of such solutions. Any of these factors could have a material adverse impact on NCR's financial condition and results of operations.

A number of NCR's products and systems rely primarily on specific suppliers for microprocessors, operating systems, and other central components. For example, the Company's computer systems are based on microprocessors and related peripheral chip technology designed by Intel Corporation ("Intel"). In addition, NCR incorporates UNIX and Microsoft Windows NT operating systems into its products. NCR's High Availability Transaction Processing and Scalable Data Warehousing solutions may utilize commercial databases from Oracle Corporation ("Oracle") or Informix Corporation ("Informix"). The failure of any of these technologies to remain competitive, either individually or as part of a system or solution, or the failure of these providers to continue such technologies, could have a material adverse effect on NCR's financial condition and results of operations.

NCR also uses many standard parts and components in its products and believes there are a number of competent vendors for most parts and components. However, a number of important components are developed by and purchased from single sources due to price, quality, technology or other considerations. In some cases, those components are available only from single sources. The process of substituting a new producer of such parts could materially adversely affect NCR's financial condition and results of operations. Some suppliers of certain components require long lead times making it difficult for NCR to plan inventory levels of components consistently to meet demand for NCR's products. Certain other components have from time to time been subject to industry-wide shortages. Future shortages of components could materially adversely affect NCR's financial condition and results of operations. In addition, if NCR is required to enter into licensing or similar arrangements with third parties, who may be competitors of NCR, to obtain intellectual property or other rights necessary for its offerings, NCR may encounter delays or costs which may adversely affect its ability to provide these offerings.

NCR must develop and implement effective strategies that anticipate availability and pricing by suppliers as well as forecast customer demand for its products. In order to secure components for production and introduction of new products, NCR may make advance payments to certain suppliers and may enter into noncancelable purchase commitments with vendors with respect to the purchase of components. Many of the components used in NCR's products, particularly microprocessors and memory, experience steep price declines over their product lives. If NCR is unable to manage its purchases and utilization of such components efficiently to maintain low inventory levels immediately prior to major price declines, NCR could be unable to take immediate advantage of such declines to lower its product costs, which could have a material adverse effect on NCR's financial condition and results of operations.

#### COMPETITION

NCR faces significant competition in all geographic areas where it operates. Its markets are characterized by continuous, rapid technological change, the need to introduce products in a timely manner in order to take advantage of market opportunities, short product life cycles, frequent product performance improvements, and price reductions.

The methods of competition vary, depending on the product, service, system, or solution being offered, but typically include product and system performance, quality and reliability, price/performance ratio, global marketing and distribution capabilities, technology, industry expertise, total cost of ownership, industry knowledge of the vendor, availability and performance of software, system expandability and upgrade capability, compatibility, adaptability in support of new applications and software, availability and performance of applications, ability to design, develop, introduce and deliver products, services, systems, or solutions in a timely manner, product features and functions, service and support, ease of system operation, compliance with industry standards, and corporate reputation. Customers evaluating purchases from NCR which contemplate continued performance or service by NCR over a period of time may consider NCR's financial

prospects relative to that of other more well-capitalized companies as a factor in their purchasing decisions. In addition, competitors and competitive factors vary by geographic area and by business unit. See "Business -- Retail Systems Group -- Competition," "-- Financial Systems Group -- Competition," "-- Computer Systems Group -- Competition," "-- Worldwide Services -- Competition" and "-- Systemedia Group -- Competition."

Present and potential competition in the various markets served by NCR comes from domestic and international companies of various sizes and types, a number of which have greater financial, technical, marketing and other resources, larger installed bases of customers or a wider range of available applications software than NCR. NCR's competitors include both some of the largest and most well-capitalized domestic and international corporations and newer, smaller companies which have historically had great success in making major inroads in the information technology industry. In addition, companies not currently in direct competition with NCR may introduce competing products in the future. In the information technology industry, it is possible for companies to be, at various times, competitors, customers, and collaborators.

The significant competition in the information technology industry has decreased gross margins for many companies in recent years and could continue to do so in the future. During the period 1992 through 1994, NCR experienced a decline in gross margins greater than that of the industry generally. Future operating results will depend in part on NCR's ability to mitigate such margin pressure by maintaining a favorable mix of system, solutions, service, and other revenues and by achieving component cost reductions and operating efficiencies.

#### SEASONALITY

NCR's sales are historically seasonal, with revenue higher in the fourth quarter of each year. Consequently, during the three quarters ending in March, June, and September, NCR has historically experienced less favorable results than in the quarter ending in December. Such seasonality also causes NCR's working capital cash flow requirements to vary from quarter to quarter depending on, among other things, the variability in the volume, timing and mix of product sales. In addition, in many quarters, a large portion of NCR's revenue is realized in the third month of the quarter. Operating expenses are relatively fixed in the short term and often cannot be materially reduced in a particular quarter if revenue falls below anticipated levels for such quarter. As a result, even a relatively small revenue shortfall may cause a period's results to be materially below expectations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Results of Operations -- Seasonality."

#### RELIANCE ON AT&T ENTITIES; INDUSTRY FOCUS

In recent years, NCR's largest customer, measured by total revenue, has been AT&T and its affiliated companies, including Lucent, although other customers purchase more of certain systems and product lines. The contribution of AT&T and its affiliated companies (including Lucent) to NCR's total revenue and as a percentage of total revenue for the years ended December 31, 1995, 1994 and 1993 was \$630 million (8%), \$522 million (6%) and \$385 million (5%), respectively. For the nine months ended September 30, 1996 and 1995, respectively, the contribution of these companies to total revenue and as a percentage of total revenue was \$357 million (7%) and \$446 million (8%). No other customer of NCR accounted for more than 3% of consolidated revenue during the year ended December 31, 1995 or during the nine-month period ended September 30, 1996.

Except as set forth in the AT&T Volume Purchase Agreement (as defined herein) entered into between NCR and AT&T and the Lucent Volume Purchase Agreement (as defined herein) entered into between NCR and Lucent, neither AT&T nor Lucent is obligated to make any minimum level of future purchases from NCR or to provide NCR with binding forecasts of product purchases for any future period. Moreover, with the spinoff of Lucent from AT&T on September 30, 1996, future decisions as to purchases by each company will be made independently from the other company. Pursuant to the AT&T Volume Purchase Agreement, AT&T and its designated affiliates (other than Lucent) have committed to purchase an aggregate of at least \$350 million of offerings from NCR during the three-year period ending December 31, 1999,

subject to certain conditions. Pursuant to the Lucent Volume Purchase Agreement, Lucent has committed to purchase an aggregate of at least \$150 million of offerings from NCR during the three-year period ending December 31, 1998. As of September 30, 1996, approximately \$106 million of such commitment had been purchased by Lucent. See "Arrangements Among AT&T, NCR and Lucent -- Purchase Agreements."

In addition, NCR's focus on three industries -- retail, financial, and communications -- may increase NCR's vulnerability to economic and business conditions affecting customers in each such industry and to other events outside of its control that could reduce technology spending in such industries. See "Business -- Strategy."

#### RISK OF FOREIGN OPERATIONS AND FOREIGN EXCHANGE

For the year ended December 31, 1995, approximately \$4.6 billion, or 56%, of NCR's revenue was generated by its foreign operations. NCR's foreign operations are subject to a number of risks inherent in operating abroad. Such operations may be adversely affected by a variety of factors, many of which cannot be readily foreseen and over which the Company has no control, including, but not limited to, risks with respect to currency exchange rates, foreign economic and political conditions or destabilization, other disruption of capital and trading markets, restrictive actions by foreign governments (such as restrictions on transfer of funds, trade protection measures including export duties and quotas, and foreign customs duties and tariffs), changes in legal or regulatory requirements, import or export licensing requirements, risks relating to the repatriation of funds from non-United States subsidiaries, difficulty in obtaining distribution and support, nationalization, the laws and policies of the United States affecting trade, foreign investment and loans, natural disasters, and foreign tax laws. See "Business -- Properties" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Financial Condition, Liquidity and Capital Resources." Although the Company has not experienced any material adverse impact on its financial condition and results of operations as a result of these factors, there can be no assurance that these factors will not have a material adverse impact on NCR's ability to increase or maintain its foreign sales or on its financial condition or results of operations or will not require the Company to modify its current business practices. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

A significant change in the value of the dollar or another functional currency against the currency of one or more countries where NCR recognizes revenues or earnings or maintains net asset investments may materially adversely affect NCR's financial condition and results of operations. NCR attempts to mitigate a portion of such changes through the use of foreign currency contracts, although there can be no assurances that such attempts will be successful. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Financial Condition, Liquidity and Capital Resources."

#### CERTAIN LEGAL MATTERS; POTENTIAL ENVIRONMENTAL LIABILITIES

In the normal course of business, NCR is subject to regulations, proceedings, lawsuits, claims, and other matters, including actions under laws and regulations related to the environment, health, and safety, among others. Such matters are subject to the resolution of many uncertainties, and accordingly, outcomes are not predictable with assurance. Although NCR believes that amounts provided in its financial statements are currently adequate in light of the probable and estimable liabilities, there can be no assurances that the amounts required to discharge alleged liabilities from lawsuits, claims, and other legal proceedings and environmental matters, and to comply with applicable environmental laws, will not exceed the amounts reflected in NCR's financial statements or will not have a material adverse effect on the Company's consolidated financial condition, results of operations, or cash flows. Any amounts of costs that may be incurred in excess of those amounts provided as of September 30, 1996 cannot be determined.

Among the lawsuits and claims pending against NCR as of September 30, 1996, there were approximately 80 individual product liability claims alleging that the Company's products, including personal computers ("PCs"), supermarket barcode scanners, cash registers, and check encoders, caused so-called "repetitive strain injuries" or "cumulative trauma disorders," such as carpal tunnel syndrome. In such lawsuits, the plaintiff typically alleges that he or she suffers from injuries caused by the design of the product

at issue or a failure to warn of alleged hazards. These plaintiffs seek compensatory damages and, in many cases, punitive damages. Most other manufacturers of these products have also been sued by plaintiffs on similar theories. Ultimate resolution of the litigation against the Company may substantially depend on the outcome of similar matters of this type pending in various state and federal courts. The Company has denied the merits and basis for the pending claims against it and intends to continue to contest these cases vigorously.

NCR's facilities and operations are subject to a wide range of environmental protection laws in the United States and other countries related to solid and hazardous waste disposal, the control of air emissions and water discharges, and the mitigation of impacts to the environment from past operations and practices. NCR has investigatory and remedial activities, including characterization and cleanup actions, underway at a number of currently and formerly owned or operated facilities to comply, or to determine compliance, with applicable environmental protection laws. NCR has been identified, either by a governmental agency or by a private party seeking contribution to site cleanup costs, as a potentially responsible party ("PRP") at a number of sites pursuant to a variety of statutory schemes, both state and federal, including the Federal Water Pollution Control Act ("FWPCA") and comparable state statutes, and the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"), and comparable state statutes.

In February 1996, NCR received notice from the United States Department of the Interior, Fish & Wildlife Service ("USF&WS") that USF&WS considers NCR a PRP under the FWPCA and CERCLA with respect to alleged natural resource restoration and damages to the Fox River and related Green Bay environment ("Fox River System") due to, among other things, sediment contamination in the Fox River System allegedly resulting from liability arising out of NCR's former carbonless paper manufacturing operations at Appleton and Combined Locks, Wisconsin. USF&WS has also notified a number of other manufacturing companies of their status as PRPs under the FWPCA and CERCLA for natural resource restoration and damages in the Fox River System resulting from their ongoing or former paper manufacturing operations in the Fox River Valley. USF&WS and two Indian Tribes have stated their intention to conduct a Natural Resource Damage Assessment to determine and quantify the nature and extent of alleged injury to natural resources. In addition, NCR has been identified, along with a number of other companies, by the Wisconsin Department of Natural Resources ("WDNR") with respect to alleged liability arising out of alleged past discharges that have contaminated sediments in the Fox River System. NCR is also actively pursuing discussions with the WDNR regarding the Company's alleged liability. NCR's share, if any, of such cleanup costs or natural resource restoration and damages liability cannot be predicted with certainty at this time due to (i) the unknown magnitude, scope, and source of any alleged contamination, (ii) the absence of identified remedial objectives and methods, and (iii) the uncertainty of the amount and scope of any alleged natural resource restoration and damages. At this point, NCR believes that there are additional PRPs who may be liable for such natural resource damages and remediation costs. Further, in 1978, NCR sold the business to which the claims apply and believes the claims described above are the responsibility of the buyer and its former parent company pursuant to the terms of the sales agreement. In this connection, NCR has commenced litigation against the buyer to enforce its position.

It is difficult to estimate the future financial impact of environmental laws, including potential liabilities. NCR accrues environmental provisions when it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. Management expects that the amounts provided as of December 31, 1995 and September 30, 1996 will be paid out over the period of investigation, negotiation, remediation, and restoration for the applicable sites, which may be 30 years or more. Provisions for estimated losses from environmental remediation are, depending on the site, based primarily on internal and third-party environmental studies, estimates as to the number and participation level of any other PRPs, the extent of the contamination, and the nature of required remedial and restoration actions. Accruals are adjusted as further information develops or circumstances change. The amounts provided for environmental matters in NCR's consolidated financial statements are the estimated gross undiscounted amount of such liabilities, without deductions for insurance or third-party indemnity claims. In those cases where insurance carriers or third-party indemnitors have agreed to pay any amounts and management believes that collectibility of such amounts is probable, the amounts are reflected as receivables in the consolidated financial statements.

NCR has received notice of a purported class action suit filed on or about November 8, 1996, in the Circuit Court for Pinellas County, Florida (Case No. 96-7077-CI-8), in which NCR is named as one of the defendants. The complaint seeks, among other things, damages from the defendants in the aggregate amount of \$200 million, trebled, plus attorneys fees, based on state antitrust and common law claims of unlawful restraints of trade, monopolization, and unfair business practices. The portions of the complaint pertinent to NCR, among other things, assert a purported agreement between Siemens-Nixdorf entities ("Siemens") and NCR regarding the servicing of certain "ultra-high speed printers" manufactured by Siemens and the agreement's impact upon independent service organizations, brokers, and end-users of such printers. The amount of any liabilities or other costs that may be incurred in connection with this matter cannot currently be determined.

#### RISK OF INTELLECTUAL PROPERTY INFRINGEMENT CLAIMS

NCR relies on patent, trademark, trade secret, and copyright laws both to protect its proprietary technology and to protect NCR against claims from others. NCR believes that it has direct intellectual property rights or rights under licensing arrangements covering substantially all of its material technologies and has not received notice of any material infringement claims against it which it believes are valid. However, given the technological complexity of NCR's systems and products, rapid technological changes in the computer and technology industries, extensive patent and copyright coverage, and the rapid establishment of new copyright and patent rights, there can be no assurance that claims of infringement will not be asserted against NCR or against NCR's customers in connection with their use of NCR's systems and products. There can also be no assurance as to the outcome of any such claims. In addition, there can be no assurance that NCR will be able to ensure that component supplies and the cost of components are not adversely affected by legal proceedings in which an adverse determination is made with respect to intellectual property rights of NCR or one of its suppliers.

AT&T, Lucent and NCR have entered into certain defensive protection agreements under which each company has the ability, subject to specified restrictions, to assert infringement claims under specified patents against companies that assert patent infringement claims against them. See "Arrangements Among AT&T, NCR and Lucent -- Patent Licenses and Related Matters."

#### LIMITED RELEVANCE OF HISTORICAL FINANCIAL INFORMATION

The historical financial information included herein may not necessarily reflect the results of operations, financial position and cash flows of NCR in the future or the results of operations, financial position, and cash flows had NCR operated as a separate, stand-alone entity during the periods presented. The financial information included herein does not reflect any changes that may occur in the funding and operations of NCR as a result of the Distribution. See "Management's Discussion and Analysis of Financial Condition and Results of Operations. Nonetheless, the historical financial information included herein reflects net losses of \$2,280 million, \$203 million, and \$1,287 million for the years ended December 31, 1995, 1994, and 1993, respectively, and net losses of \$116 million and \$1,975 million for the nine months ended September 30, 1996 and 1995, respectively. Although management believes that implementation of its restructuring and strategic business plan has improved and should continue to improve NCR's results of operations, there can be no assurance that NCR will be successful in implementing its new business strategies or that it will be able to maintain or improve its current operating performance. See "-- Historical Losses" and "-- Risks Relating to Implementation of New Business Strategy."

#### ABSENCE OF HISTORY AS A STAND-ALONE COMPANY

NCR has not operated as a stand-alone company since its merger with a wholly owned subsidiary of AT&T in September 1991. In recent years, NCR's working capital and cash flow requirements have been substantial. Since 1991, NCR's working capital, research and development, capital expenditures, and other financing requirements have been met by AT&T's corporate-wide cash management and funding policies. Net cash transfers from AT&T were \$1,034 million, \$770 million, and \$425 million for the years ended December 31, 1995, 1994, and 1993, respectively, and \$638 million for the nine months ended September 30,

1996. After the Distribution, AT&T will no longer provide such funds to finance NCR's operations or for any other purpose. See "-- Future Capital Requirements; Absence of AT&T Funding." In addition, after the Distribution, AT&T will have no obligation to provide assistance to NCR or any of its subsidiaries except as described in "Arrangements Among AT&T, NCR and Lucent -- Purchase Agreements." Furthermore, AT&T will have no obligation to enter into new arrangements with NCR as the existing arrangements expire.

#### ABSENCE OF A PUBLIC MARKET FOR NCR COMMON STOCK

There is currently no public market for NCR Common Stock. Although the NCR Common Stock has been approved for listing, subject to official notice of issuance, on the NYSE, there can be no assurance as to the prices at which trading in NCR Common Stock will occur after the Distribution. Until the NCR Common Stock is fully distributed and an orderly trading market develops, the prices at which trading in such stock occurs may fluctuate significantly. There can be no assurance that an active trading market in NCR Common Stock will develop or be sustained in the future.

The prices at which NCR Common Stock trades will be determined by the marketplace and may be influenced by many factors, including, among others, NCR's performance and prospects, the depth and liquidity of the market for NCR Common Stock, investor perception of NCR and of the information technology industry, NCR's dividend policy, general financial and other market conditions, and domestic and international economic conditions. In addition, financial markets, including the NYSE, have experienced extreme price and volume fluctuations that have affected the market price of many information technology industry stocks and that, at times, could be viewed as unrelated or disproportionate to the operating performance of such companies. Such fluctuations have also affected the share prices of many newly public issuers. Such volatility and other factors may materially adversely affect the market price of NCR Common Stock.

#### POSSIBILITY OF SUBSTANTIAL SALES OF NCR COMMON STOCK

The planned Distribution will involve the distribution of an aggregate of approximately 101 million shares of NCR Common Stock to the shareowners of AT&T on the Distribution Date, representing all of the outstanding shares of NCR Common Stock. Substantially all of such shares of NCR Common Stock will be eligible for immediate resale in the public market. Also, NCR anticipates that, subject to certain conditions, its Transfer Agent and Registrar may establish an odd-lot program to be in effect for a period of time after the Distribution. Neither AT&T nor NCR is able to predict whether substantial amounts of NCR Common Stock will be sold in the open market following the Distribution. Any sales of substantial amounts of NCR Common Stock in the public market, or the perception that such sales might occur, whether as a result of the Distribution or otherwise, could materially adversely affect the market price of NCR Common Stock. See "The Distribution -- Listing and Trading of NCR Common Stock."

#### CERTAIN ANTITAKEOVER EFFECTS

The Charter and Bylaws, the Rights Plan, and applicable sections of the Maryland General Corporation Law (the "GCL") contain several provisions that may make more difficult the acquisition of control of NCR without the approval of the NCR Board of Directors. Certain provisions of NCR's Charter and the Bylaws, among other things: (i) classify the NCR Board of Directors into three classes, each of which serve for staggered three-year terms; (ii) provide that a director of NCR may be removed by the stockholders only for cause by the vote of 80% of the stock entitled to vote generally in the election of directors (the "Voting Stock"); (iii) provide that only the NCR Board of Directors or President or the holders of at least a majority of the Voting Stock may call special meetings of the stockholders; (iv) provide that the stockholders may take action without a meeting of stockholders only by unanimous written consent (which as a practical matter makes action by written consent impossible in a public corporation such as NCR after the Distribution); (v) provide that stockholders must comply with certain advance notice procedures in order to nominate candidates for election to the NCR Board of Directors or to place stockholders' proposals on the agenda for consideration at meetings of the stockholders; and (vi) provide that the stockholders may amend or repeal any of the foregoing provisions of the Charter or the Bylaws only by a vote of 80% of the Voting Stock. The Rights

Plan would cause substantial dilution to a person or group that attempts to acquire NCR on terms not approved in advance by the NCR Board of Directors. The GCL generally imposes certain restrictions on mergers and other business combinations between NCR and any holder of 10% or more of the NCR Common Stock if the holder's acquisition of such position was not approved in advance by the NCR Board of Directors. In addition, under the GCL, the affirmative vote of the holders of two-thirds of the NCR Common Stock is required to approve any merger or similar business combination involving NCR, with certain exceptions. See "Description of NCR Capital Stock" and "Certain Antitakeover Effects." In addition, certain of the equity-based incentive plans of NCR are expected to contain provisions providing for the acceleration or modification of benefits upon a Change of Control (as defined in the respective plans) of NCR. Also, NCR is evaluating entering into severance agreements, or adopting similar arrangements, to provide specified employees with certain benefits in the event of a change of control of NCR. See "Management."

## THE DISTRIBUTION

### BACKGROUND OF AND REASONS FOR THE DISTRIBUTION

NCR is currently a wholly owned subsidiary of AT&T, engaged in the information technology business. The Distribution to AT&T shareowners of all the outstanding shares of NCR Common Stock will complete the restructuring announced by AT&T on September 20, 1995. Pursuant to the restructuring, AT&T has split into three separate companies: NCR, Lucent and the continuing AT&T. Earlier this year, Lucent was separated from AT&T by means of an initial public offering of approximately 17.6% of the Lucent Common Stock on April 10, 1996, followed by the Lucent Distribution on September 30, 1996. AT&T also sold its 86% interest in AT&T Capital as part of the sale of AT&T Capital consummated on October 1, 1996.

The restructuring of AT&T responds to changes in customer needs and demands, public policy, and technology in the industries in which AT&T has operated in the past. In AT&T's view, these changes are creating a new industry structure in which, increasingly, the advantages of vertical integration are outweighed by its costs and disadvantages. In particular, these changes have resulted in, among other things, a situation in which, to varying degrees, many of the actual and potential customers of Lucent and NCR are or will be competitors of AT&T's communications services businesses. NCR believes that its efforts to target the communications industry have been hindered by the reluctance of AT&T's communications services competitors to make purchases from an AT&T subsidiary, and that in some cases the unwillingness of these competitors to share proprietary information, such as customer data and marketing strategies, with NCR has made it more difficult for NCR to market information technology solutions to these companies. Finally, the demands created by this new industry structure have also heightened the need for focused management time and attention in each of the businesses previously conducted by AT&T, including the information technology business operated by NCR. For these reasons, AT&T determined to separate its businesses by means of its restructuring.

### MANNER OF EFFECTING THE DISTRIBUTION

It is expected that the Distribution Date will be December 31, 1996. At the time of the Distribution, share certificates for NCR Common Stock will be delivered to the Distribution Agent. Commencing on or about the date of the Distribution, the Distribution Agent will begin mailing account statements reflecting ownership of shares of NCR Common Stock to holders of AT&T Common Stock as of the close of business on the Record Date on the basis of one share of NCR Common Stock for every 16 shares of AT&T Common Stock held on the Record Date. All such shares of NCR Common Stock will be fully paid, nonassessable and free of preemptive rights. See "Description of NCR Capital Stock."

No certificates or scrip representing fractional interests in a share of NCR Common Stock will be issued to AT&T shareowners who receive certificates for NCR shares or who would be entitled to less than one whole share of NCR Common Stock as part of the Distribution. In lieu of receiving fractional interests in shares, each such holder of AT&T Common Stock who would otherwise be entitled to receive a fractional interest in a share of NCR Common Stock will receive cash for such fractional interest. The Distribution



Agent will, as soon as practicable after the Distribution Date, aggregate and sell all such fractional interests in shares at then prevailing prices and distribute the net proceeds to stockholders entitled thereto. See "-- Certain Federal Income Tax Consequences of the Distribution."

NO HOLDER OF AT&T COMMON STOCK WILL BE REQUIRED TO MAKE ANY PAYMENT FOR THE SHARES OF NCR COMMON STOCK TO BE RECEIVED IN THE DISTRIBUTION OR TO SURRENDER OR EXCHANGE SHARES OF AT&T COMMON STOCK OR TO TAKE ANY OTHER ACTION IN ORDER TO RECEIVE NCR COMMON STOCK TO WHICH THE HOLDER IS ENTITLED IN THE DISTRIBUTION.

#### CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE DISTRIBUTION

The Distribution is intended to qualify as a tax-free distribution under Section 355 of the Code. The Distribution is conditioned upon receipt of a ruling to that effect from the IRS. Accordingly, so long as the Distribution qualifies under Section 355 of the Code, neither AT&T nor NCR will recognize any income, gain or loss with respect to the Distribution, and AT&T shareowners will not recognize any income, gain or loss upon the receipt of NCR Common Stock except with respect to cash received in lieu of fractional shares. The IRS has issued a private letter ruling to the effect described above.

An AT&T shareowner's tax basis for the AT&T Common Stock with respect to which NCR Common Stock is received will be apportioned between such shares of AT&T Common Stock and such shares of NCR Common Stock (including any fractional shares) in proportion to the fair market value of each on the Distribution Date. Such allocation must be calculated separately for each block of shares of AT&T Common Stock with respect to which NCR Common Stock is received, that is, separately for each block of shares of AT&T Common Stock that was purchased at different times or at different costs. The holding period for such NCR Common Stock received will include the period during which such shares of AT&T Common Stock were held, provided that such shares of AT&T Common Stock are held as a capital asset.

Treasury regulations governing Section 355 of the Code require that each AT&T shareowner who receives NCR Common Stock pursuant to the Distribution attach a statement to his or her federal income tax return for the taxable year in which he or she receives such stock, which statement shows the applicability of Section 355 of the Code to the Distribution. AT&T will provide each AT&T shareowner with the information necessary to comply with this requirement.

The IRS ruling will be based on certain factual representations and assumptions by AT&T and NCR. Neither AT&T nor NCR is aware of any present facts or circumstances which should cause such representations and assumptions to be untrue. However, certain extraordinary purchases of AT&T Common Stock or NCR Common Stock, events which are not within the control of AT&T or NCR, could cause the Distribution not to qualify as tax-free. The NCR Distribution Agreement provides that, notwithstanding anything to the contrary in the Separation and Distribution Agreement or the Tax Sharing Agreement (as such terms are defined herein), if as a result of the acquisition of all or a portion of the capital stock or assets of NCR the Distribution fails to qualify as a tax-free distribution under Section 355 of the Code, then NCR will be liable for any and all increases in Tax (as defined in the Tax Sharing Agreement) attributable thereto. See "Arrangements Among AT&T, NCR and Lucent -- Tax Agreements."

Should the Distribution ultimately be determined not to qualify under Section 355 of the Code, AT&T shareowners would be required to recognize ordinary dividend income upon their receipt of NCR Common Stock (including fractional shares) in an amount equal to the fair market value of such NCR Common Stock on the date of the Distribution. AT&T shareowners would have a tax basis for such NCR Common Stock equal to such fair market value, and their tax basis for their AT&T Common Stock would not be affected. AT&T would recognize gain upon the Distribution equal to the excess, if any, of the fair market value of the NCR Common Stock distributed on the date of the Distribution over AT&T's tax basis for such NCR Common Stock.

THE FOREGOING SUMMARY OF THE FEDERAL INCOME TAX CONSEQUENCES OF THE DISTRIBUTION IS FOR GENERAL INFORMATION ONLY AND MAY NOT APPLY TO AT&T SHAREOWNERS WHO ACQUIRED THEIR SHARES IN CONNECTION WITH THE GRANT OF A SHARE OF RESTRICTED STOCK OR OTHERWISE AS COMPENSATION, WHO ARE NOT CITIZENS OR RESIDENTS OF THE

UNITED STATES, OR WHO ARE OTHERWISE SUBJECT TO SPECIAL TREATMENT UNDER THE CODE. ALL AT&T SHAREOWNERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE DISTRIBUTION TO THEM, INCLUDING THE APPLICATION OF STATE, LOCAL AND FOREIGN TAX LAWS.

#### LISTING AND TRADING OF NCR COMMON STOCK

There is currently no public market for NCR Common Stock. Although the NCR Common Stock has been approved for listing, subject to official notice of issuance, on the NYSE, there can be no assurance as to the prices at which trading in NCR Common Stock will occur after the Distribution. Until NCR Common Stock is fully distributed and an orderly trading market develops, the prices at which trading in such stock occurs may fluctuate significantly. There can be no assurance that an active trading market in NCR Common Stock will develop or be sustained in the future.

The prices at which NCR Common Stock trades will be determined by the marketplace and may be influenced by many factors, including, among others, NCR's performance and prospects, the depth and liquidity of the market for NCR Common Stock, investor perception of NCR and of the information technology industry, NCR's dividend policy, general financial and other market conditions, and domestic and international economic conditions. In addition, financial markets, including the NYSE, have experienced extreme price and volume fluctuations that have affected the market price of many information technology industry stocks and that, at times, could be viewed as unrelated or disproportionate to the operating performance of such companies. Such fluctuations have also affected the share prices of many newly public issuers. Such volatility and other factors may materially adversely affect the market price of NCR Common Stock.

NCR initially will have approximately 1.6 million stockholders of record, based on the number of record holders of AT&T Common Stock on the Record Date. The Transfer Agent and Registrar for the NCR Common Stock will be The First National Bank of Boston. For certain information regarding options and other equity-based employee benefit awards involving NCR Common Stock that may become outstanding after the Distribution, see "Management" and "Arrangements Among AT&T, NCR and Lucent -- Employee Benefits Agreement."

Shares of NCR Common Stock distributed to AT&T shareowners in the Distribution will be freely transferable, except for securities received by persons who may be deemed to be "affiliates" of NCR under the Securities Act of 1933, as amended (the "Securities Act"). Persons who may be deemed to be affiliates of NCR after the Distribution generally include individuals or entities that control, are controlled by, or are under common control with, NCR and may include certain officers and directors of NCR as well as principal stockholders of NCR, if any. Persons who are affiliates of NCR will be permitted to sell their shares of NCR Common Stock only pursuant to an effective registration statement under the Securities Act or an exemption from the registration requirements of the Securities Act, such as the exemption afforded by Section 4(2) of the Securities Act (relating to private sales) or by Rule 144 under the Securities Act.

See "Risk Factors -- Absence of a Public Market for NCR Common Stock" and "-- Possibility of Substantial Sales of NCR Common Stock."

#### CONDITIONS; TERMINATION

The Distribution is conditioned upon, among other things: (a) the receipt of a ruling from the IRS to the effect that the Distribution qualifies as a tax-free distribution under Section 355 of the Code; (b) the receipt of any material governmental approvals and third party consents necessary to consummate the Distribution; (c) the absence of any order, injunction, decree or other legal restraint or prohibition preventing the consummation of the Distribution; (d) no other event occurring that prevents the consummation of the Distribution; (e) the acceptance for listing on a mutually agreed stock exchange or quotations system, which is expected to be the NYSE, subject to notice of issuance, of the NCR Common Stock (and related Rights); and (f) the formal approval by the AT&T Board of the Distribution. The IRS has issued a private letter ruling to the effect described in clause (a) above. The NCR Common Stock has been approved for listing, subject to official notice of issuance, on the NYSE. The AT&T Board may, but has no obligation to, waive any of these

conditions. In addition, regardless of whether these conditions are satisfied, the AT&T Board has reserved the right to abandon, defer or modify the Distribution and the related transactions described herein at any time prior to the Distribution Date. See "Arrangements Among AT&T, NCR and Lucent -- NCR Distribution Agreement."

#### DIVIDEND POLICY

NCR does not anticipate the payment of any cash dividends on NCR Common Stock in the foreseeable future. Payment of dividends on NCR Common Stock will also be subject to such limitations as may be imposed by NCR's credit facilities from time to time. The declaration of dividends will be subject to the discretion of the Board of Directors of NCR.

#### FINANCING

In order to meet its working capital needs, NCR entered into a five-year, unsecured revolving Credit Facility with a syndicate of commercial banks and financial institutions. The Credit Facility provides that NCR may borrow from time to time on a revolving credit basis an aggregate principal amount of up to \$600 million, subject to the terms and conditions thereof. NCR expects to be able to use the available funds at any time for capital expenditure needs, repayment of existing debt obligations, working capital, and general corporate purposes. The Credit Facility will initially mature within five years from the date of closing and contains certain representations and warranties, conditions, affirmative, negative and financial covenants, and events of default customary for such facilities. Interest rates charged on borrowings outstanding under the Credit Facility are based on market rates which can vary over time. In addition, subject to the terms and conditions thereof, a portion of the Credit Facility will be available for the issuance of letters of credit as required by NCR. See "Risk Factors -- Future Capital Requirements; Absence of AT&T Funding" and "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Financial Condition, Liquidity and Capital Resources."

#### BUSINESS

##### OVERVIEW

NCR designs, develops, markets, and services information technology products, services, systems, and solutions worldwide. The Company's goal is to be a world-class provider of commercial, open computing systems for High Availability Transaction Processing and Scalable Data Warehousing solutions to customers in all industries. NCR also seeks to take advantage of its expertise and market presence in the retail, financial, and communications industries to provide specific information technology solutions to customers in these targeted industries. NCR's systems and solutions are supported by its Customer Support Services and Professional Services offerings, and its Systemedia business, which develops, produces, and markets a complete line of consumable and media products. These products, services, systems, and solutions are described in greater detail in the product group descriptions below.

NCR's offerings cover a broad range of its customers' information technology needs: from consumers' interaction and data collection, with products including point of sale workstations, barcode scanning equipment, and self-service devices such as ATMs; through data processing, with NCR's High Availability Transaction Processing solutions; to data storage, manipulation, and usage, with NCR's Teradata relational database management system and Scalable Data Warehousing offerings. The Company's computing platforms and associated products span midrange servers, massively parallel processing computer systems, computer network servers and software systems, imaging and payment systems, workstations and peripherals, business forms, ink ribbons, customized paper rolls, and other consumable supplies and processing media.

NCR also provides Worldwide Customer Support Services and Professional Services that include hardware maintenance, software maintenance, data warehousing service offerings, end-to-end networking service and design, and the implementation, integration, and support of complex solutions.

## RESTRUCTURING AND TURNAROUND

## BACKGROUND EVENTS -- SEPTEMBER 1991 TO JUNE 1995

NCR was merged with a wholly owned subsidiary of AT&T in September 1991. In connection with the merger, NCR assumed operation of portions of AT&T's Computer Systems division. A key strategic objective behind the merger was to combine NCR's strengths in the computer business with AT&T's communications expertise, with the goal of taking advantage of a merging of computing and communications.

In February 1992, Teradata Corporation ("Teradata"), a provider of massively parallel computers and related proprietary database software, was merged with a subsidiary of NCR in exchange for AT&T Common Stock in a transaction accounted for under the pooling method of accounting. Prior to this merger, NCR had been involved in a joint research and development project with Teradata which focused on the application of parallel processing hardware and software technology to the commercial computing marketplace. After the merger, the Teradata operations were combined with the activities of NCR's Computer Systems Group and became the core of the Company's focus in these markets. See "-- Strategy" and "-- Computer Systems Group."

In 1993, a series of changes to the Company's business strategy and management model were initiated. The primary goal of these changes was to improve NCR's profitability by increasing the rate of revenue growth. NCR's revenues had not increased materially from 1991 to 1993. These changes included developing programs designed to increase the breadth and competitiveness of the Company's offerings, and implementing a revised business management model and decision-making approach.

In addition to its historical strength in the retail and financial industries, NCR targeted four additional industries where NCR did not have significant prior presence. The Company also began to develop plans to become a leading PC vendor, targeting a top five worldwide market share by 1997. A new centrally located worldwide marketing organization was created with the goal of strengthening NCR's marketing activities. As part of the new business management model, the worldwide marketing organization was given responsibility for making decisions regarding the Company's overall business direction. It was also responsible for identifying customer requirements, working with the development groups to provide industry solutions deployable to the worldwide salesforce, and determining resource allocations in both the sales and the development organizations.

A new matrix management organization approach was implemented, through which industry marketing, product marketing and development, and the geographic sales organizations collaborated on key business decisions. In addition, in an effort to expedite decision making, employees at all levels within the Company were given expanded decision making authority. NCR also took several actions to balance its business portfolio, selling several non-strategic businesses -- including the Microelectronics components business and Applied Digital Data Systems, Inc. ("ADDS").

These changes did not work as planned. As a result of targeting additional industries, resources dedicated to the financial and retail industries were diluted and NCR's market position in these two industries declined. Further, NCR was not successful in meeting its objectives in the other targeted industries. Revenues in the product businesses other than PCs did not materially increase, and Computer Products revenue declined 12% from 1993 to 1994, and another 12% from 1994 to 1995.

In the PC business, the level of competition intensified significantly, as did the margin pressure faced by PC vendors. Given these margin pressures, PC vendors needed to be low cost producers in order to be economically viable, and needed particular competence in their supply line management and logistics processes. NCR was not among the low cost producers and, while the Company was successful in increasing the PC business revenues, the PC business was not profitable for the Company.

The new matrix management organization approach also did not produce the desired accountability. In addition, the interaction of the new matrix management organization and the AT&T geographic management organization led to internal conflicts that began to inhibit decision making.

During this period, the Company experienced substantial operating losses, including an operating loss of \$390 million for the first six months of 1995.

#### TURNAROUND PLAN -- JUNE 1995 TO SEPTEMBER 1996

In June 1995, Lars Nyberg was hired as Chief Executive Officer to assess the NCR business, to prepare a turnaround plan, and to restore the Company to competitive levels of profitability. In September of that year, a restructuring of the Company was announced. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Restructuring." As discussed below, the plan and related restructuring activities were based on five key initiatives: focus, accountability, expense level reduction, process improvements, and a sense of urgency.

NCR believes that this restructuring has significantly improved its results of operations. Although NCR reported an operating loss of \$1,981 million (\$332 million before giving effect to restructuring and other charges) for the last half of 1995, the beneficial impact of the restructuring plan has begun to be reflected in operating results in the first nine months of 1996. NCR had operating income for the first nine months of 1996 of \$3 million, compared to an operating loss of \$2,184 million (\$587 million before giving effect to restructuring and other charges) for the first nine months of 1995. Selling, general and administrative expenses have declined by \$995 million (\$405 million before giving effect to restructuring and other charges), and gross margins have improved by 6.5 percentage points (before giving effect to restructuring and other charges). The planned headcount reduction of 8,500 will be substantially completed in the fourth quarter of 1996. See "Risk Factors -- Risks Relating to Implementation of New Business Strategy." NCR believes that the combined impact of the five initiatives described below was the primary factor behind these year-to-year improvements.

**Focus.** A key component of the recovery strategy was to focus the Company on its areas of strength. Consequently, NCR decided to reduce its focus from six industries to three (retail, financial, and communications). With efforts targeted at these three industries, greater attention was placed on NCR's Retail Products and Financial Products businesses.

NCR decided to exit the PC manufacturing business and to eliminate sales of PCs through high volume indirect channels. Instead, the Company put in place an original equipment manufacturer ("OEM") arrangement to source a significantly reduced volume of PCs, which would primarily be sold by NCR when required as part of a solution in areas such as financial branch automation or point of sale systems.

In the computer business, the Company targeted its efforts at midrange to large systems, specifically focusing on solutions such as Scalable Data Warehousing and High Availability Transaction Processing that have applicability across a number of industries. Strategies were developed to take advantage of the potential for synergies between the Systemedia and Data Services businesses and the other NCR businesses. See "-- Systemedia Group." Finally, the Customer Support Services and Professional Services businesses were targeted as areas of further investment, and strategies were identified to incorporate these resources in the offerings of the other business units. See "-- Worldwide Services."

**Accountability.** As part of NCR's recovery plan, a revised business management model was implemented. The five business units (Retail Systems Group, Financial Systems Group, Computer Systems Group, Worldwide Services, and Systemedia Group) were put in place and given full accountability to determine the strategy for their offerings and industries, develop the marketing and product programs required by NCR customers and the Company's salesforce, and determine overall resource allocations. The three geographic sales regions (Americas, Europe/Middle East/Africa, and Asia/Pacific) were given responsibility for executing the strategies developed by the business units, and managing the sales and service activities in their respective territories. In addition, the pending separation of NCR from AT&T is expected to help eliminate the conflicts that resulted from attempting to balance broader AT&T priorities with NCR priorities. Clear financial and operational objectives were established for all organizations, and a consistent monthly and quarterly business review process was implemented.

**Expense Level Reduction.** In order to reduce expenses, a plan for a significantly reduced expense structure was designed and implemented. As part of this plan, NCR is consolidating facilities globally and is reducing the Company's employment (including contractors) by approximately 8,500. NCR has also

significantly reduced selling, general and administrative expenses. The decision to exit both PC manufacturing and the high volume indirect channel PC business led to significant expense reductions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Restructuring."

**Process Improvements.** Process improvement initiatives were implemented to address structural issues within the Company, including extensive use of operational, customer satisfaction, employee satisfaction, and financial metrics. Processes were implemented to drive towards best-in-class quality, and product cost reductions were targeted through continued supply line management improvements. The sales process has been revised and is being implemented, with the goal of improving the suitability of solutions proposed to customer requirements, increasing sales productivity and improving the focus on customers. Support services processes have also been revised and are being implemented. Pricing processes and compensation plans were modified, and product development processes were standardized to help ensure that new offerings effectively meet customer requirements and cost targets.

**Sense of Urgency.** As part of the business turnaround plan, NCR set an objective of break-even operating results in 1996, as compared to the operating loss (excluding restructuring and other charges) of \$722 million in 1995. While this presented a significant challenge, it also helped focus the entire organization on the magnitude of improvement that was required. In order to make this plan, the entire Company needed clarity on what needed to be done, and a sense of urgency to execute the business turnaround plan.

Significant effort was spent communicating the business turnaround plan to the organization, so that all NCR employees would understand the strategy behind the plan to restore the Company to profitability, the expected contribution of their organization in the turnaround, and what specific role they needed to play in their organization. In particular, NCR communicated to employees the need for the operational and structural changes described above. In addition, AT&T's announcement on September 20, 1995 that it intended to spin off NCR by the end of 1996 added to the Company's sense of urgency.

In addition, in order to develop a broader sense of ownership and participation in the economic results of executing this plan, the Company implemented the WorldShares Plan, through which substantially all employees will receive options for NCR Common Stock, based on certain NCR performance criteria. See "Management -- NCR Stock Incentive Plans."

#### STRATEGY

NCR believes that the actions taken from September 1995 through September 1996 were the first steps in NCR's business turnaround plan. However, NCR does not view these actions in and of themselves as sufficient to bring the Company back to competitive levels of profitability.

Much of the reduction in the operating loss that was realized in the first nine months of 1996 versus the first nine months of 1995 was attributable to two changes: gross margin improvements and the large year-over-year reductions in expense levels. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further details. NCR expects future profit improvements to come primarily from revenue growth and continued improvements in sales and services and rentals gross margins and not from additional expense reductions. NCR believes this revenue growth will depend on the success of NCR's business strategy and conditions in the information technology industry and the markets NCR serves. See "Risk Factors."

There are three basic components to NCR's business plan: the level of resources to be deployed, the processes through which the Company manages the business, and the market opportunities to be pursued. From a resource standpoint, NCR expects to target relatively flat headcount levels and modest expense growth over the next few years. Within this overall headcount level, the Company's objective is generally to reduce the headcount dedicated to overhead functions, and increase headcount in those functions that directly support the development, sale, and delivery of products, services, systems, and solutions to NCR's customers.

Ongoing investment in research and development is a key requirement for NCR's future success, and the Company will seek to make investments in research and development in product and service offerings that will

allow the Company to remain competitive. As such, the Company expects that research and development spending will grow at a faster rate than selling, general and administrative spending.

NCR intends to continue to invest in improving the core operational processes that support the business. Specific activities have been underway and are in the deployment phase to improve two fundamental company processes -- the worldwide sales process and the support services process. These activities are intended to help the Company's efforts to drive continued productivity improvements over the next several years.

From a market standpoint, NCR is focusing on increasing revenue by taking advantage of the opportunities created by three interweaving trends: rising consumer prominence, business globalization, and continuing advances in information technology.

NCR expects that increasing demands by individuals for information will require an expanding supply of relevant data for those businesses that serve and transact with consumers. NCR believes that the retail, financial, and communications industries are facing unprecedented challenges -- in terms of new competitors, market convergence, and consolidation. In NCR's view, advances in information technology are adding to this volatility; however, if this technology is properly leveraged, it can produce new offers, new means of servicing consumers, and new points of differentiation in these industries. NCR believes that, for the foreseeable future, these factors will sustain customer demand for information technology offerings in these industries.

NCR believes that globalization presents another opportunity to take advantage of NCR's strengths. While many businesses have begun the process of globalization in the past decade, NCR has been a global company for much of its history. The Company believes that its collective experience and presence in all regions of the world provides a broad reaching network that gives it market understanding and organizational knowledge which can be used by customers as they expand into new geographic areas. NCR believes it can either understand and address specific customer requirements on an individual, country by country basis, or provide one common solution that can be replicated on a worldwide basis.

Finally, NCR is focused on helping its customers apply information technology to address their critical business issues. The Company's offerings are targeted both at the point of transaction (such as point of sale, point of financial exchange, or point of access) and at the point of storage and retrieval of large volumes of data from transaction systems or other operational systems.

In NCR's view, product lifecycles in the information technology industry continue to shorten, and hardware products are becoming increasingly commoditized. As a result of these changes, NCR believes the computing hardware offered by a vendor is becoming less important as a basis of competitive differentiation. In response to these changes, NCR expects to shift its primary focus from delivering hardware products towards providing solutions, including systems, software, services, and supplies. The Company believes that focusing on providing systems and solutions, versus simply providing hardware, will better meet the information technology demands of its customers, and will help these customers improve the efficiency and profitability of their operations. This focus is intended to help the Company protect and improve the gross margins on its offerings in the future.

NCR does not intend to become a general purpose computing company in all industry segments or to become a mainframe provider. Similarly, NCR does not expect to shift to a proprietary platform or to become a broad-based general information technology consulting firm. Rather, NCR believes that significant opportunities exist to increase revenues in all its businesses at competitive rates over the next few years in the three key industry segments targeted, and in the Company's Scalable Data Warehousing and High Availability Transaction Processing solutions offered to all industries.

The following NCR business unit descriptions discuss how NCR intends to implement this strategy in the various NCR businesses.

#### BUSINESS UNIT OVERVIEW

NCR operates in one industry segment, the information technology industry, which includes designing, developing, marketing, and servicing information technology products, services, systems, and solutions

worldwide. NCR addresses the information technology industry through five business units: the Computer Systems Group, focusing on computing systems and the communications industry; the Retail Systems Group, focusing on the retail industry; the Financial Systems Group, focusing on the financial industry; Worldwide Services, focusing on Customer Support Services and Professional Services; and the Systemedia Group, focusing on consumable and media products for information systems. Each business unit works closely with the Company's three regional sales groups -- Americas, Europe/Middle East/Africa, and Asia/Pacific.

NCR principally sells through the direct sales channel, although the indirect channel is used for some specific offerings. In addition, NCR has a contractual arrangement with AT&T Capital through which a broad range of financing alternatives can be offered to NCR's customers in the United States, Canada, the United Kingdom, France, and Germany. See "Arrangement Among AT&T, NCR and Lucent -- Other Agreements."

The business units work with one another in a matrix environment that balances product and industry responsibilities. Each business unit has direct responsibility for developing certain products, services, and systems: the Retail Systems Group develops Retail Products such as point of sale terminals and barcode scanners; the Financial Systems Group develops Financial Products such as ATMs and item processing equipment; the Computer Systems Group develops Client/Entry Level Server Products and Computer Products, which include the WorldMark family of computers, NCR's Teradata relational database management systems, as well as supporting software such as LifeKeeper(@) and Top End(@); the Worldwide Services organization develops and delivers a variety of Support Services and Professional Services offerings; and the Systemedia Group develops and delivers a broad range of consumable supplies.

In addition to this direct product responsibility, three business units have responsibility for coordinating all of NCR's offerings into a particular industry, where these offerings could include products, services, and systems provided by other business units. The Retail Systems Group is responsible for developing the strategies for all NCR products, services, systems and solutions for the retail industry, including the Retail Products that this Group develops and manufactures, as well as Computer Products and Client/Entry Level Server Products from the Computer Systems Group, Support Services and Professional Services offerings from Worldwide Services, Financial Products from the Financial Systems Group, and Systemedia Products from the Systemedia Group. Similarly, the Financial Systems Group has responsibility for coordinating the strategies behind all of the offerings from the other business units for the financial industry. The Computer Systems Group has responsibility for coordinating NCR's strategy for the communications industry.

NCR faces significant competition in all business units and in all geographic areas where it operates. The primary methods of competition vary, however, by product group. For a discussion of such primary methods of competition, see "Competition" in each of the following descriptions of NCR's five Groups. See also "Risk Factors -- Competition."



The following table sets forth, for the periods indicated, the Company's revenues (in millions) by business unit. The Other category includes businesses sold and items not directly associated with an individual business unit. The decrease in revenues for the Computer Systems Group for the first nine months of 1996 compared to 1995 reflects the impact of NCR's decision to exit the PC manufacturing business and to eliminate sales of PCs through high volume indirect channels.

	NINE MONTHS ENDED SEPTEMBER 30			YEARS ENDED DECEMBER 31				
	1996	% INCREASE/ (DECREASE)	1995	1995	% INCREASE/ (DECREASE)	1994	% INCREASE/ (DECREASE)	1993
Retail Systems Group... \$	300	1	\$ 297	\$ 424	--	\$ 422	(12)	\$ 481
% of total.....	6		5	5		5		7
Financial Systems								
Group.....	666	(8)	721	1,026	(1)	1,037	7	972
% of total.....	14		12	13		12		13
Computer Systems								
Group.....	1,322	(35)	2,024	2,802	(2)	2,868	19	2,412
% of total.....	27		35	34		34		33
Worldwide Services.....	2,156	1	2,144	2,979	4	2,858	16	2,457
% of total.....	44		36	37		34		34
Systemedia Group.....	405	(3)	419	577	4	553	14	486
% of total.....	8		7	7		6		7
Other.....	74	(74)	288	354	(51)	723	58	457
% of total.....	1		5	4		9		6
Total.....	\$4,923	(16)	\$ 5,893	\$ 8,162	(4)	\$ 8,461	16	\$ 7,265
	=====		=====	=====		=====		=====

See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

#### RETAIL SYSTEMS GROUP

##### OFFERINGS

The Retail Systems Group (in conjunction with other NCR business units) designs, develops, markets, and services a full line of products, services, systems, and solutions for the retail industry. These offerings include point of sale terminals, barcode scanners and scanner-scales, networking and computer server technology to link these terminals and scanners on both a local and wide area basis, and in-store and enterprise-level decision support systems.

NCR point of sale terminals are found in the merchandise checkout area of supermarkets, department stores, specialty stores, convenience stores, fast food counters, and at hotel registration desks and restaurants. The sales price for a typical point of sale system installation would range from as little as \$2,500 for a single terminal to around \$60,000 for an eight lane networked system in a supermarket.

NCR barcode scanners complement the point of sale terminal as part of the merchandise checkout process, and use low-power lasers to capture product and price information from the Universal Product Code ("UPC") barcode information printed on product labels. Scanner-scales combine in one product the ability to weigh produce as well as scan barcodes. A typical barcode scanner installation would range in price from \$3,000 for a single scanner at a drug store to \$100,000 for a networked system in a large mass merchandiser.

These point of sale terminals and barcode scanners are typically linked via an in-store network, which provides for an interconnection between these devices as well as other in-store devices such as PCs. NCR provides the networking technology to link these products to NCR servers within the store, and provides the capability for further linking to enterprise-wide networks outside the individual store. NCR has alliance relationships with applications developers who provide specialized retail store and enterprise solutions as part of NCR's offerings to the retail industry.

The Retail Systems Group also provides in-store and enterprise-level decision support solutions (such as Scalable Data Warehousing) based on products and systems developed by NCR's Computer Systems Group. These solutions allow a retailer to consolidate and analyze the individual transaction data generated by the

point of sale systems in order to determine trends in buyer preferences and product sales. Analysis of this detailed data allows the retailer to make better decisions about inventory, purchases, and distribution, which in turn should help the retailer more accurately meet the needs of its customers.

The Retail Systems Group uses the Professional Services organization to develop solutions to meet the needs of a variety of retail customers. Professional Services provides consulting services to help customers design, integrate, install and support in-store networks of scanners, point of sale terminals, network servers, in-store and enterprise-level decision support, and data warehousing systems. Professional Services incorporates third party products and software as required to create individualized solutions for specific customer needs.

Within the Retail Systems Group, NCR has two research organizations focused on human-to-machine interface technology. These groups work closely with customers to develop solutions designed to enhance customer service and employee productivity, based on their research on how information technology systems can be made easier to use. Their services include transaction performance modeling, ergonomic assessments, checkstand design, training design and evaluation, user interface design and technology assessment.

#### TARGET MARKET

The major segments of the retail industry market served by NCR are general merchandise, food, and hospitality. The general merchandise segment includes department stores, specialty retailers, mass merchandisers, and catalog stores; the food segment includes supermarkets, hypermarkets, grocery, drug, wholesalers, and convenience stores; and the hospitality segment includes lodging (hotel/motel), fast food/quick service, and restaurants.

NCR believes that retail industry customers base their buying decisions on a number of criteria including the quality of the solution or product, total cost of ownership, industry knowledge of the vendor, and the quality of the vendor's support and professional services.

#### BUSINESS STRATEGY

NCR believes that, over the past several years, a number of significant trends have been reshaping the retail industry: major consolidations of retailers, continuing cost and profit pressure, the increase in price/value conscious and "time poor" consumers, growth in demand for offerings tailored for and targeted at individual consumers, and a corresponding growth in the need for superior customer service. NCR also believes that retailers must focus on four key success factors: merchandising, brands offered, store location, and customer intimacy. In NCR's view, the combined implication of these changes and success factors for information technology providers is that retailers are searching for products and services that will help them better understand and retain their customers, reduce costs, increase productivity, and drive revenue growth.

NCR's product, services, systems, and solutions are targeted at addressing these concerns. NCR believes its customers can improve customer retention and increase productivity with the capture and analysis of detailed transaction data using NCR's Scalable Data Warehousing solutions. Through use of Scalable Data Warehousing technology, retailers can correlate customer purchase trends with geographic information, time of year/time of day, or other data parameters. NCR believes that this will allow the retailer to provide improved levels of service by having the right inventory on hand at the right place, the right time, and the right price.

In addition, NCR believes that this technology will facilitate retailers implementing a "neighborhood retailing" approach, where retailers can manage every location as if it were their only location, each product as if it were their only product, and each customer as if it were their only customer. The decisions supporting this approach are based on an analysis of the detailed activity in each location, using the information collected at point of purchase and provided by the retailer's data warehouse. NCR's Scalable Data Warehousing solutions allow a retailer to choose the size of a system based on current requirements, yet readily expand the system as the retailer's business and information needs grow.

NCR believes retailers are realizing productivity improvements through use of NCR's point of sale/point of service terminals that are easy to use, readily reconfigurable through software, and are networked to in-store

or enterprise-level servers for timely data capture and analysis and scanner-based price verifiers that allow customers to check for themselves prices on individual products.

NCR believes it is among a small group of vendors who are able to incorporate all of these components of an information technology solution for their worldwide retail customers, and that customers look for this ability in their vendors. NCR also believes that the Company's broad range of offerings and in-depth experience in the retailing industry will create opportunities for it in the emerging countries in Eastern Europe, Latin America, and the Pacific Rim to take advantage of the growing level of consumerism in those regions.

#### DISTRIBUTION CHANNELS

NCR's Retail Products are marketed through a combination of direct and indirect channels. The majority of the networked solutions and Scalable Data Warehousing solutions sold into the retail industry are sold through the direct sales force. In recent years, over 70% of the retail-specific product sales (primarily barcode scanners and point of sale terminals) are sold by the direct sales force; the remainder are sold through indirect channels.

In addition to being sold by NCR's direct sales force, NCR Retail Products are sold to some 20,000 or more retailers through worldwide alliances with over 300 value-added resellers, distributors and dealers. NCR provides supporting services, including collateral sales materials, sales leads, porting facilities, and marketing programs, to this sales channel.

#### MANUFACTURING

The Retail Systems Group designs, develops and manufactures barcode scanners and point of sale terminals at its headquarters facility in Atlanta, Georgia. In addition, point of sale terminals are assembled at the NCR facility in Dublin, Ireland. Receipt printers and low-end point of sale terminals are sourced via OEM arrangements. Network servers and Scalable Data Warehousing solutions are supplied by NCR's Computer System Group.

#### COMPETITION

NCR faces significant competition in the retail industry in all geographic areas where it operates. The bases of competition can vary by geographic area but typically include the quality, total cost of ownership, industry knowledge of the vendor, and quality of the vendor's support and professional services. Competitors also vary by product line and geographic area. See "Risk Factors -- Competition."

At the store level, principal competitors include: Siemens Nixdorf International ("SNI"), Fujitsu Ltd. ("Fujitsu"), ICL plc ("ICL"), and International Business Machines Corporation ("IBM") for point of sale terminals and peripherals; Spectra-Physics, Inc., Symbol Technologies, Inc., and Metrologic Instruments, Inc. for barcode scanners; and IBM and Hewlett-Packard Company ("Hewlett-Packard") for in-store networking and decision support. At the enterprise level, scalable decision support and Scalable Data Warehousing solutions can range from \$300,000 for 10 gigabytes of data to over \$10 million for terabytes of data (over 1,000 gigabytes). Principal competitors for decision support and Scalable Data Warehousing systems include IBM, Hewlett-Packard, and Tandem Computers Incorporated ("Tandem").

#### FINANCIAL SYSTEMS GROUP

##### OFFERINGS

The Financial Systems Group (in conjunction with other NCR business units) designs, develops, markets, and services a broad line of products, services, systems and solutions for the financial industry, with particular focus on retail banking. These offerings include self-service devices, image and payment systems, retail bank branch automation (in "virtual" as well as real bank branches), and Relationship Management Solutions designed to enable financial institutions to manage better their interaction with their customers.

NCR's self-service terminals include both traditional ATMs as well as customer-operated information terminals. NCR offers a broad product family which is feature rich, modular, and reliable, with ATMs ranging in price from \$6,000 to \$40,000. NCR believes that the combination of open systems architecture, strong system management tools, and flexible application development tools should allow customers to implement proactively new products and services -- such as check cashing, bill payments, and smart cards -- quickly and easily. NCR believes that its ATM product line reflects advanced functionality, reliability, and industry focus, which has helped NCR to maintain its world leadership position in ATM shipments. For 1995, based on number of units shipped, NCR was ranked first in worldwide ATM shipments, according to The Nilson Report published by HSN Consultants Inc., a financial research company.

NCR provides a full line of item/image processing products, services, systems, and solutions which are designed to allow financial institutions to provide better service while lowering their costs of processing paper, image, and electronic transactions. NCR offers a complete set of imaging-based item processing solutions designed to replace less efficient legacy check processing systems. These imaging systems electronically capture a "picture" of the item and, through handwriting recognition software algorithms, captures the amounts written on the item for use in the settlement process. This offering is intended to help banks reduce processing costs, while at the same time enhancing the value of the information captured by the financial institution during the item processing process.

NCR's Relationship Management Solutions are based on the Company's Scalable Data Warehousing offerings, combined with the skills and knowledge of NCR's Professional Services organization. The Relationship Management Solution includes capabilities that address issues such as Customer Retention Analysis, Transaction Analysis, and Campaign Management. These solutions help financial institutions manage their interactions with individual customers, with the goal of optimizing the level of service provided and increasing the profit contribution of each customer. The decision support capabilities provided as part of these solutions are designed to allow banks to transition from having limited insight into detailed customer data, to being able to use detailed information to support the management of their business. The benefits of this transition can include improving risk management processes, implementing marketing programs tailored for specific customer profiles, or allowing the pricing of services based on the customer's transaction and balance history.

#### TARGET MARKET

The financial industry includes commercial banks, retail banks, credit unions and thrifts, security and brokerage firms, credit card issuers, insurance providers, and capital providers.

NCR serves a number of segments of the financial industry. These segments include retail banking, which covers both traditional and new providers of consumer banking services, financial services, such as the insurance and card payment industries, and also the non-traditional financial services segment, covering companies that have diversified into the financial services arena to complement their core business. NCR's financial customers are located throughout the world in both established and emerging markets. They range from very large to very small financial service providers, reflecting, in NCR's view, its ability to develop solutions suited to the broad spectrum of companies that make up the world's financial services industry.

NCR believes that financial industry customers base their buying decisions on a number of criteria, including the industry knowledge of the vendor, the economic justification behind implementing the solution, the vendor's ability to provide and support a total end-to-end solution, the vendor's ability to integrate new and existing systems, and the fit of the vendor's strategic vision with the customer's strategic direction.

#### BUSINESS STRATEGY

Over the past few years, NCR believes that the financial industry has experienced significant changes including the following. Consumers of financial services are demanding better service and more choices, all at a lower cost. They are much less loyal to their financial service providers, but expect a more personalized approach to service delivery. In addition, the bank branch is no longer the most important point of consumer access, as consumers increasingly demand anytime, anywhere convenience, encouraging the growth of off-

premises service provision. The marketplace is also expanding with the entry of non-bank providers of financial services, including major retailers and mutual fund companies.

NCR believes that these changing consumer expectations and increased levels of competition have led the providers of financial services to seek technology that will reduce their operating costs, while at the same time increase their levels of service. In NCR's view, many parallels can be drawn with the experiences of the retail industry -- the information technology that helps financial service providers offer more tailored services at lower cost is seen to be the key to success in this changing and highly competitive industry, just as it is with retailers.

Information technology provides solutions to many of the challenges faced by the financial industry. Improvements in operational efficiency can be achieved through the development of the automated bank branch. Information technology also supports alternative delivery channels, such as self-service, telephone, and Internet banking. NCR believes that Scalable Data Warehousing technology will allow the intelligent and profitable use of customer information during any financial transaction. Such activities can include marketing related products and services during an ATM transaction, or providing a personalized telephone banking service where a customer's financial history is instantly available to the bank representative that has taken the call. ATM transactions are becoming more sophisticated with on-line assistance provided from remote banking representatives linked to the customer by video-conferencing technology.

NCR's strategy in the financial industry is focused on two key opportunities. First, the Company believes that its range of information technology offerings can help the world's financial institutions improve their profits and competitive advantage by helping them better understand and serve their customers. By continuing to build on NCR's self-service products, item/image processing solutions, and Relationship Management Solutions, NCR seeks to help the financial service provider capture and convert a mass of customer data into a revenue generating asset.

Second, specific focus is being placed on the world's emerging markets such as Central and Eastern Europe, China, India, and Indonesia, where the provision of financial services is less developed, particularly in light of the growing consumerism in these countries. New market opportunities are also being explored in partnership with NCR's Retail Systems Group as non-financial customers, such as retail chains, are purchasing ATMs for their stores and renting them to banks and other financial services providers.

#### DISTRIBUTION CHANNELS

NCR has historically distributed most of its financial products, services, systems, and solutions through a direct sales channel which is targeted at larger customers, although some revenues are generated through distributors. The Financial Systems Group expects to increase the level of business transacted through indirect channels and partners, where appropriate, in current and emerging markets.

#### MANUFACTURING

The Financial Systems Group designs, develops, and manufactures self service terminals and image/item processing products in Dundee, Scotland and Waterloo, Canada. Networked servers, Scalable Data Warehousing solutions, and peripherals are supplied by NCR's Computer Systems Group. Specialized ATMs marketed in Japan are sourced through an OEM arrangement.

#### COMPETITION

NCR faces significant competition in the financial industry in all geographic areas where it operates. The bases of competition can vary but typically include the industry knowledge of the vendor, the economic justification behind implementing the solution, the vendor's ability to provide and support a total end-to-end solution, the vendor's ability to integrate new and existing systems, and the fit of the vendor's strategic vision with the customer's strategic direction. Competitors also vary by product line and geographic area. NCR's primary competitors include Diebold, Incorporated, Fujitsu, SNI, and Omron Electronics Inc. in ATMs, IBM

and BancTec, Inc. in image/item processing, and SNI, Hewlett-Packard, and Unisys Corporation ("Unisys") in data warehousing. See "Risk Factors -- Competition."

## COMPUTER SYSTEMS GROUP

### OFFERINGS

The Computer Systems Group (in conjunction with other NCR business units) designs, develops, markets, and services computing products, services, systems, and solutions which integrate hardware, operating software, middleware, professional services, and support services. These solutions include products and services from NCR as well as from other leading technology vendors. The Computer Systems Group is also responsible for coordinating the development of the strategies behind NCR's offerings to the communications industry.

As a part of these computing solutions, the Computer Systems Group designs, develops, and markets a line of open scalable computers, under the WorldMark brand, which range from midrange computer systems to very large massively parallel enterprise-wide systems. These open products are based on non-proprietary, industry standard components such as Intel microprocessors, Microsoft Windows NT, and UNIX. The WorldMark servers are the foundation of NCR's Scalable Data Warehousing and High Availability Transaction Processing solutions. The Computer Systems Group also offers PCs, disk arrays, and networking products sourced from other vendors in order to provide fully integrated solutions to NCR's customers.

NCR's Scalable Data Warehousing solutions are intended to offer businesses the ability to capture information about their customers, markets, and products from a myriad of operational systems, and to give decision makers the ability to access and analyze that information. These solutions incorporate NCR WorldMark servers as well as NCR's Teradata relational database management system, other commercial databases such as Oracle or Informix, software tools, and services. The underlying technology provides customers with the ability to scale broadly these systems -- from entry level 10 gigabyte systems to large data warehouses containing terabytes of information -- all within the same hardware and software platform. The Scalable Data Warehousing solutions also serve as the foundation for a number of NCR's offerings to the communications industry.

NCR's High Availability Transaction Processing solutions are designed to maximize computer uptime for critical business environments. These solutions are based on the WorldMark server platform, combined with software and services designed to ensure high system availability. NCR LifeKeeper software minimizes downtime by recognizing and recovering hardware component or application faults before a total system failure occurs. NCR Top End middleware software reroutes transactions during a system failure, working in conjunction with LifeKeeper for additional system protection.

In addition to developing the strategies behind NCR's offerings to the communications industry, the Computer Systems Group works with the Retail Systems Group, the Financial Systems Group, and Worldwide Services to bring industry specific Scalable Data Warehousing and High Availability Transaction Processing solutions to the retail and financial industries.

### TARGET MARKET

The customers of NCR's Computer Systems Group are in a number of industries. While a primary focus is in the retail, financial, and communications industries, NCR also markets Scalable Data Warehousing and High Availability Transaction Processing solutions to a number of other industries. A number of companies in the communications industry are competitors of AT&T's communications services business and have been reluctant to make purchases from an AT&T subsidiary. NCR expects that its separation from AT&T will assist its efforts to market to these companies.

### BUSINESS STRATEGY

The majority of the Computer Systems Group's customers provide products and services to individual consumers. NCR believes these consumers are becoming more educated, are placing less focus on brand

loyalty, and are expecting service to be provided anytime, anywhere. NCR believes that information technology advancements are helping fuel this change in consumer behavior and that, as information technology becomes more broadly available and affordable, it will further enable consumers to connect to each other and to the information and services they want and need. Taken together, these changing consumer demographics and technology advancements are in turn placing demands on information technology infrastructures to extend their reach and connect directly to end consumers.

The end consumer is expected to drive new priorities among the Computer Systems Group's customers, such as requiring around the clock service to a global customer base, increasing focus on customer retention, and analyzing business information at a highly detailed level. As a result, information technology priorities are expected to be delivery of systems designed for high application availability, with greater flexibility; technology linkages between customers, partners, and suppliers; access to decision support through data warehousing systems; and integrated informational and transactional systems.

NCR's strategy in the Computer Systems business is focused on providing commercial, open systems for data warehousing and transaction processing to companies worldwide. The Computer Systems Group expects to address specific opportunities in emerging markets as they are identified, particularly for its solutions in the retail, financial, and communications industries. However, the primary markets for the Computer System Group's offerings are in the more developed countries.

NCR's Scalable Data Warehousing solutions are intended to allow companies to capture the most critical information about their customers, markets, and products from a myriad of operational systems, and to give decision makers the ability to analyze and manage their business at a new level of detail.

According to International Data Corporation ("IDC"), a computer industry research company, NCR has the highest market share in the strategic business analysis market segment, which consists of data warehousing. NCR believes it has more experience in data warehousing (12 years) than any firm in the industry. NCR has over 500 installed Scalable Data Warehousing customers worldwide, ranging in size from small data warehouses to the world's largest commercial enterprise data warehouse. Through its Computer Systems Group, NCR offers scalable computers, the powerful Teradata relational database, software and service partnerships, and programs to assist customers in the many aspects of building a data warehouse. In addition, NCR's Professional Services organization provides business and technical services needed to implement these solutions.

NCR's High Availability Transaction Processing solutions are designed to give companies the ability to maximize computer uptime for those critical business environments where downtime can mean significant loss of revenue and customers. The rising costs of computer downtime (costing businesses almost \$4 billion annually according to Network Computing, a computer industry publication), combined with today's global business environment, have made maximizing system uptime a primary concern, especially as businesses continue to migrate to open systems. NCR is a leader in delivering highly available open computing solutions, and offers customers in many industries the following strategic investment in High Availability Transaction Processing: an integrated hardware platform, commercial database and several business applications, a comprehensive services portfolio, and partnerships with companies including Microsoft and Intel.

The Computer Systems Group also develops strategies for using these offerings in the communications industry. NCR has significant experience marketing systems and solutions to both AT&T and Lucent. NCR provides solutions in three areas. Utilizing NCR's Scalable Data Warehousing solutions, NCR provides its telecommunications customers with solutions targeted at addressing the areas of customer acquisition and customer retention. In partnership with Lucent, NCR provides a suite of Operations and Support Systems offerings. NCR also works with a number of third parties to provide solutions in the areas of call center, billing, and collection. Based on this experience and experience with other telecommunications companies, NCR expects to continue to provide Scalable Data Warehousing and High Availability Transaction Processing solutions to the communications industry.

## DISTRIBUTION CHANNELS

The Computer Systems Group's products and solutions are marketed through a combination of direct and indirect channels. The direct sales force targets major accounts, and approximately 85% of NCR's revenue for the Computer System Group's offerings has historically come from the direct sales force. The remaining revenues have been generated through the indirect channel, through alliances with value-added resellers, distributors, and OEMs.

## MANUFACTURING

The Computer Systems Group develops and manufactures computers in Columbia, South Carolina, and Dublin, Ireland. The Company also maintains research and development facilities in Rancho Bernardo and El Segundo, California. Selected systems and components are sourced through various OEM arrangements.

## COMPETITION

The Computer Systems Group faces significant competition in all geographic areas where it operates. NCR believes that key competitive factors in this market are experience, customer referrals, database sophistication, support and professional service capabilities, quality of the solution or product, total cost of ownership, industry knowledge of the vendor, and platform scalability. Also the movement towards common industry standards (such as Intel processors and UNIX and Microsoft operating systems) has accelerated product development, but has also made differentiation more difficult. Commoditization has extended beyond PCs into the server business. See "Risk Factors -- Competition."

NCR's competitors include traditional system vendors such as IBM, Hewlett-Packard, Digital Equipment Corporation ("Digital"), Sun Microsystems, Inc. ("Sun Microsystems"), Tandem, Sequent Computer Systems, Inc. ("Sequent"), SNI, Pyramid Technology Corporation ("Pyramid"), Fujitsu, NEC Corporation, Hitachi Ltd., Groupe Bull, Olivetti SpA, ICL, and Unisys. NCR also competes with companies such as Compaq Computer Corporation and Dell Computer Corporation, who have expanded their product lines to include servers. In the data warehousing market, NCR competes primarily with IBM, Digital, Tandem, Sequent, Pyramid, Hewlett-Packard, and Sun Microsystems.

In the transaction processing market, customers require robust software, reliable hardware, and systems integration skills. Many competitors offer one or two of these components, but NCR believes it is one of few companies that can provide a complete, open solution. The primary competitors in this market are Hewlett-Packard, IBM, Tandem, and Sun Microsystems.

## WORLDWIDE SERVICES

### OFFERINGS

NCR's Worldwide Services organization delivers a wide range of Professional Services and Customer Support Services to customers in over 130 countries. The Professional Services business delivers technology services intended to help customers fully realize the benefits of their information technology solutions, including consulting, integration, and education services. The Customer Support Services business provides services required to implement and maintain a customer's technology environment and provide high system availability, including implementation services, multivendor services, system support services, network maintenance and operations, and industry-specific support services.

Worldwide Services plays a key role in NCR's business, and provides a core skill set required in order to deliver complete products, services, systems, and solutions to all of NCR's customers. The value delivered by Worldwide Services is a key point of differentiation for many of NCR's offerings. The solutions offered by each of NCR's business units involve the implementation of complex technology in divergent customer environments and require an effective services organization -- both Professional and Support Services -- to take this core technology and implement it within the individual customer situation.



The Worldwide Services organization is comprised of approximately 20,000 service professionals. This organization provides services to customers both in the Company's target industries and in other industries. Worldwide Services aims to use its global infrastructure and comprehensive service portfolio to strengthen NCR's service position in the three targeted industries. The Data Services business focuses on providing a variety of data processing and outsourcing solutions, primarily to the financial industry.

NCR has announced its intention to divide the current Worldwide Services organization into two business units, and to combine NCR's internal information systems organization with the Professional Services business. This will create a sixth business unit, Professional Services and Information Systems. The plans for this business unit are currently being developed, with the goal of establishing this new business unit in early 1997. For the purposes of this Information Statement, Professional Services will be considered to be part of the Worldwide Services organization, as the planned change in organization structure is not expected to have a significant impact on the core strategic focus of the business.

#### TARGET MARKET

The markets for NCR's Worldwide Services offerings are principally in the industries which are targeted by the other NCR business units. As a result, Worldwide Service's primary focus is delivering professional and support services worldwide in the retail, financial, and communications industries. Worldwide Services also supports NCR's Scalable Data Warehousing and High Availability Transaction Processing activities in all industries. In addition, Worldwide Services provides services in geographic areas, outside the targeted industries, where it can effectively leverage its current resources and capabilities.

#### BUSINESS STRATEGY

Companies within NCR's targeted industries are implementing information technology to address their business problems and become more competitive within their markets. With the increasing pace of technology change, customers often do not have sufficient internal resources and skills to implement information technology solutions by themselves. Instead, they are increasingly relying on information technology service vendors to provide assistance with the implementations.

Customer Support Services provides installation and ongoing maintenance services for both NCR and non-NCR systems. The Company believes that significant opportunities for growth exist in the areas of network operations, help desk services, and multivendor service management. NCR is also seeking to expand its information technology implementation services business (system staging and installation), while at the same time seeking to minimize declines in the hardware maintenance business. NCR will continue to work to capitalize on the remote monitoring and diagnostic capabilities of many of its products in order to reduce costs and enhance the Company's ability to provide proactive support to customers.

Key growth opportunities in Professional Services are expected to include customer information consulting, data warehousing consulting, information technology architecture consulting, network planning and design, and project management. NCR believes that each of these services plays a major role in allowing a customer to analyze its customer information and to link its information technology architecture with its business strategies. Project management services are offered to help customers implement solutions on time and within budget.

Worldwide Services intends to continue to develop integrated service solutions for key customer segments, such as the ATM business. Worldwide Services intends to provide a support offering to ATM customers called Managed Solutions for Self-Service. This offering will provide customers with a single source approach to managing and maintaining their ATM network, and includes support services such as first and second line maintenance, cash replenishment, overall ATM performance management, and consumables management and replenishment.

The value and quality of the offerings from Worldwide Services depend on the strength of its people and the service delivery business processes. Accordingly, Worldwide Services targets continued investment in the training and development of its people and the systems and processes supporting their activities.

These services are an essential component of NCR's solution offerings. The services organization works with NCR customers to identify their specific information management needs and then designs individualized NCR technology solution and implementation plans for their businesses.

#### COMPETITION

NCR's Worldwide Services' businesses faces significant competition in all geographic areas where it operates. NCR believes a key competitive factor in these businesses is the ability of the service providers to deliver high quality services, reflecting strong business and technical knowledge, within an agreed upon cost and time commitment. Worldwide Services' major competitors in its two main businesses include IBM, Digital, Hewlett-Packard, and Unisys in the Customer Support Services business, and IBM, Electronic Data Systems Corporation ("EDS"), Andersen Consulting LLP, Hewlett-Packard, Unisys, and Cap Gemini Sogeti S.A. in the Professional Services business. See "Risk Factors -- Competition."

#### SYSTEMEDIA GROUP

##### PRODUCTS

The Systemedia Group develops, produces, and markets a complete line of consumable and media products for information systems, including transaction processing media, business forms, and a full line of integrated equipment solutions. Specific products offered include stock and custom paper rolls, pressure sensitive labels, label/form combinations, thermal transfer ribbons, impact inking media, high speed laser forms, encoding products, mailers, and ink jet media.

Many of these products are offered as complementary parts of broader NCR systems and solutions, including point of sale systems, ATMs, and item processing systems. Systemedia products are also integral parts of NCR's overall support service offerings to customers, such as the Managed Solutions for Self-Service to be provided to NCR's ATM customers.

The Systemedia Group works closely with its customers to develop specific solutions in areas such as inking, printer cassette design and manufacture, thin film coating for thermal transfer ribbons, and labels and label/form combinations.

##### TARGET MARKET

The major industry segments targeted by the Systemedia Group include general merchandise, food and drug, hospitality, financial, and consumer goods manufacturing.

##### BUSINESS STRATEGY

In NCR's view, a number of important changes have affected the consumable products industry, including the growth in technologies such as electronic and laser printed forms; the demand for high-speed laser printer consumables; the growth in barcode printing applications (creating additional demand for thermal transfer ribbons utilizing thin film coating technologies); and continued recycling pressures driving demand for remanufactured inkjet and laser printer cartridges.

NCR believes that each of these industry changes presents opportunities for NCR, given its knowledge of label/form design, high-speed laser printer forms, the life cycle of printer technology, thin film coating, paper roll manufacturing, and printer cassette design and manufacture. Other industry changes, including electronic data interchange, e-mail, and the decrease in impact printer usage, present challenges for the Company.

Consumable media can have a significant impact on the overall cost of ownership of many of the systems NCR offers to its customers, including point of sale systems, ATMs, item processing systems, and high volume printer applications. As such, a key business strategy is to integrate Systemedia Group offerings with NCR systems. NCR believes that effective supply line management and alliance relationships are key points of differentiation.

NCR believes that when consumables are integrated into NCR's Customer Support Services offerings, these offerings are strengthened by providing customers one seamless solution and point of accountability. In addition, NCR also believes that system reliability is increased and the customer's total cost of ownership is reduced by providing high quality media as part of the Customer Support Services offering.

#### DISTRIBUTION CHANNELS

The Systemedia Group has a direct sales force in 19 countries focusing on providing consumable products to major accounts. In addition, Systemedia Group products are sold through office products resellers, value added resellers, and an inbound and outbound telemarketing organization.

#### MANUFACTURING

The Systemedia Group's global manufacturing organization spans six continents with 19 manufacturing plants, including six in the United States.

#### COMPETITION

Competition in the consumable products business is significant and varies by geographic area and by product group. The primary areas of competitive differentiation are typically product quality, logistics and supply chain management expertise, and total cost of ownership. While price is always a factor, Systemedia Group focuses on total cost of ownership for all its products and services. Total cost of ownership takes into account not only the per unit cost of the media, but also service, usage, and support costs over the life of the system. Key competitors include The Standard Register Company, The Reynolds and Reynolds Company, Wallace Computer Services, Inc., Sony Corporation, Moore Corporation Limited, International Imaging Materials, Inc., Nu-Kote Holding, Inc., Rittenhouse Paper Co., Sopano S.A., Rolltech Ltd., Katsumata, K.K., and Paper Manufacturers Inc. See "Risk Factors -- Competition."

#### RESEARCH AND DEVELOPMENT

In the fiscal years ended December 31, 1995, 1994 and 1993, research and development expenditures were \$585 million, \$500 million and \$571 million, respectively, which were, as a percent of sales, 7.2%, 5.9% and 7.9%, respectively. Ongoing investment in research and development is a key requirement for NCR's future success, and the Company will seek to make investments in research and development in product and service offerings that will allow the Company to remain competitive. As such, the Company expects that research and development spending will grow at a faster rate than selling, general and administrative spending. See "-- Strategy" and "Risk Factors-- Dependence on New Product Development."

In connection with the formation of Lucent, NCR entered into an agreement with Lucent (the "Technology Access and Development Project Agreement") governing the future commercial relationship between NCR and Lucent's Bell Laboratories ("Bell Labs"). Pursuant to the Technology Access and Development Project Agreement, NCR will have access to the results of certain Bell Labs research and development activities, and Bell Labs will perform specific research and development projects on a contract basis for NCR. NCR will pay a periodic retainer fee for such access and an additional fee for each research and development project. Such agreement will terminate on December 31, 1999, but is subject to renewal by mutual consent. See "Arrangements Among AT&T, NCR and Lucent -- Other Agreements."

#### BACKLOG

NCR's operating results and the amount and timing of revenue are affected by numerous factors, including the volume, mix, and timing of orders received during a period and conditions in the information technology industry and in the general economy. The Company believes that backlog is not a meaningful indicator of future business prospects due to the shortening of product delivery schedules, and the significant portion of revenue related to its Customer Support Services business, for which order information is not recorded. Therefore, the Company believes that backlog information is not material to an understanding of its business.

## SOURCES AND AVAILABILITY OF RAW MATERIALS

NCR uses many standard parts and components in its products and believes there are a number of competent vendors for most parts and components. However, a number of important components are developed by and purchased from single sources due to price, quality, technology or other considerations. In some cases, those components are available only from single sources. In order to secure components for production and introduction of new products, NCR may make advance payments to certain suppliers and may enter into noncancelable purchase commitments with vendors with respect to the purchase of components. See "Risk Factors -- Reliance on Suppliers and Partners."

## PATENTS AND TRADEMARKS

NCR owns approximately 1,150 patents in the United States and 1,250 in foreign countries. These foreign patents are counterparts of NCR's United States patents. Many of the patents owned by the NCR are licensed to others and NCR is licensed to use certain patents owned by others. In connection with the Distribution, NCR has entered into an extensive cross-licensing agreement with AT&T and Lucent. See "Arrangements Among AT&T, NCR and Lucent -- Patent Licenses and Related Matters." While NCR's portfolio of patents and patent applications is of significant value to NCR, NCR does not believe that any particular individual patent is itself of material importance to NCR's business as a whole.

NCR has registered certain trademarks in the United States and in a number of foreign countries. NCR considers the trademark "NCR" and many other of its trademarks to be valuable assets. NCR is currently involved in a trademark dispute with Gartner Group, Inc. pursuant to which NCR is seeking a declaratory judgment that its corporate logo is valid and does not infringe the corporate logo of Gartner Group, Inc.

## EMPLOYEES

At September 30, 1996, NCR had approximately 38,900 employees and contractors including approximately 36,000 employees. Approximately 19,000 of NCR's employees were located in the United States. Of these domestic employees, approximately 3% are represented by unions. There have been no significant labor disputes or work stoppages in the past five years. As part of its restructuring plan, NCR's employment (including contractors) is being reduced by approximately 8,500. This reduction in headcount will be substantially completed in the fourth quarter of 1996. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Restructuring."

## LEGAL PROCEEDINGS AND ENVIRONMENTAL MATTERS

In the normal course of business, NCR is subject to regulations, proceedings, lawsuits, claims and other matters, including actions under laws and regulations related to the environment, health, and safety, among others. Such matters are subject to the resolution of many uncertainties, and accordingly, outcomes are not predictable with assurance. Although NCR believes that amounts provided in its financial statements are currently adequate in light of the probable and estimable liabilities, there can be no assurances that the amounts required to discharge alleged liabilities from lawsuits, claims, and other legal proceedings and environmental matters, and to comply with applicable environmental laws, will not exceed the amounts reflected in NCR's financial statements or will not have a material adverse effect on the Company's consolidated financial condition, results of operations, or cash flows. Any amounts of costs that may be incurred in excess of those amounts provided as of September 30, 1996 cannot be determined.

Among the lawsuits and claims pending against NCR as of September 30, 1996, there were approximately 80 individual product liability claims alleging that the Company's products, including PCs, supermarket barcode scanners, cash registers, and check encoders, caused so-called "repetitive strain injuries" or "cumulative trauma disorders," such as carpal tunnel syndrome. In such lawsuits, the plaintiff typically alleges that he or she suffers from injuries caused by the design of the product at issue or a failure to warn of alleged hazards. These plaintiffs seek compensatory damages and, in many cases, punitive damages. Most other manufacturers of these products have also been sued by plaintiffs on similar theories. Ultimate resolution of the litigation against the Company may substantially depend on the outcome of similar matters of this type

pending in various state and federal courts. The Company has denied the merits and basis for the pending claims against it and intends to continue to contest these cases vigorously.

NCR's facilities and operations are subject to a wide range of environmental protection laws in the United States and other countries related to solid and hazardous waste disposal, the control of air emissions and water discharges, and the mitigation of impacts to the environment from past operations and practices. NCR has investigatory and remedial activities, including characterization and cleanup actions, underway at a number of currently and formerly owned or operated facilities to comply, or to determine compliance, with applicable environmental protection laws. NCR has been identified, either by a governmental agency or by a private party seeking contribution to site cleanup costs, as a PRP at a number of sites pursuant to a variety of statutory schemes, both state and federal, including the FWPCA and comparable state statutes, and CERCLA, and comparable state statutes.

In February 1996, NCR received notice from the USF&WS that it considers NCR a PRP under the FWPCA and CERCLA with respect to alleged natural resource restoration and damages to the Fox River System due to, among other things, sediment contamination in the Fox River System allegedly resulting from liability arising out of NCR's former carbonless paper manufacturing operations at Appleton and Combined Locks, Wisconsin. USF&WS has also notified a number of other manufacturing companies of their status as PRPs under the FWPCA and CERCLA for natural resource restoration and damages in the Fox River System resulting from their ongoing or former paper manufacturing operations in the Fox River Valley. USF&WS and two Indian Tribes have stated their intention to conduct a Natural Resource Damage Assessment to determine and quantify the nature and extent of alleged injury to natural resources. In addition, NCR has been identified, along with a number of other companies, by the WDNR with respect to alleged liability arising out of alleged past discharges that have contaminated sediments in the Fox River System. NCR is also actively pursuing discussions with the WDNR regarding the Company's alleged liability. NCR's share, if any, of such cleanup costs or natural resource restoration and damages liability cannot be predicted with certainty at this time due to (i) the unknown magnitude, scope, and source of any alleged contamination, (ii) the absence of identified remedial objectives and methods, and (iii) the uncertainty of the amount and scope of any alleged natural resource restoration and damages. At this point, NCR believes that there are additional PRPs who may be liable for such natural resource damages and remediation costs. Further, in 1978, NCR sold the business to which the claims apply and believes the claims described above are the responsibility of the buyer and its former parent company pursuant to the terms of the sales agreement. In this connection, the Company has commenced litigation against the buyer to enforce its position.

It is difficult to estimate the future financial impact of environmental laws, including potential liabilities. NCR accrues environmental provisions when it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. Management expects that the amounts provided as of December 31, 1995 and September 30, 1996 will be paid out over the period of investigation, negotiation, remediation, and restoration for the applicable sites, which may be 30 years or more. Provisions for estimated losses from environmental remediation are, depending on the site, based primarily on internal and third-party environmental studies, estimates as to the number and participation level of any other PRPs, the extent of the contamination, and the nature of required remedial and restoration actions. Accruals are adjusted as further information develops or circumstances change. The amounts provided for environmental matters in NCR's consolidated financial statements are the estimated gross undiscounted amount of such liabilities, without deductions for insurance or third-party indemnity claims. In those cases where insurance carriers or third-party indemnitors have agreed to pay any amounts and management believes that collectibility of such amounts is probable, the amounts are reflected as receivables in the consolidated financial statements.

NCR has received notice of a purported class action suit filed on or about November 8, 1996, in the Circuit Court for Pinellas County, Florida (Case No. 96-7077-CI-8), in which NCR is named as one of the defendants. The complaint seeks, among other things, damages from the defendants in the aggregate amount of \$200 million, trebled, plus attorneys fees, based on state antitrust and common law claims of unlawful restraints of trade, monopolization, and unfair business practices. The portions of the complaint pertinent to NCR, among other things, assert a purported agreement between Siemens and NCR regarding the servicing of certain "ultra-high speed printers" manufactured by Siemens and the agreement's impact upon indepen-

dent service organizations, brokers, and end-users of such printers. The amount of any liabilities or other costs that may be incurred in connection with this matter cannot currently be determined.

#### PROPERTIES

NCR operates 1,074 offices and 55 development and manufacturing facilities in more than 81 countries around the world.

The Asia/Pacific Region is headquartered in Tokyo, Japan; the Europe/Middle East/Africa Region in London, United Kingdom, and the Americas Region in Dayton, Ohio. The sales regions are further divided into 17 international areas, including the United States.

The five business units have their headquarters in: Dayton, Ohio (Computer Systems Group, Worldwide Services and Systemedia Group); London, United Kingdom (Financial Systems Group); and Atlanta, Georgia (Retail Systems Group).

At October 31, 1996, NCR operated 33 manufacturing sites, of which 11 were located in the United States, occupying in excess of 4.2 million square feet, of which approximately .6 million square feet were leased. The 22 manufacturing sites outside of the United States were located in 16 countries, occupying approximately 2.3 million square feet, of which approximately .4 million square feet were leased.

At October 31, 1996, NCR operated 10 research and development sites, of which nine were located in the United States, occupying in excess of 1.1 million square feet, of which approximately .6 million square feet were leased. The one research and development site outside of the United States was located in Copenhagen, Denmark, occupying in excess of 28,000 square feet, all of which was leased.

At October 31, 1996, NCR operated 99 warehouse sites, of which 41 were located in the United States, occupying approximately 2.0 million square feet, of which approximately .9 million square feet were leased. The 58 warehouse sites outside of the United States were located in 30 countries, occupying in excess of .7 million square feet, of which approximately .5 million square feet were leased.

At October 31, 1996, NCR operated 390 Service Center sites, of which 97 were located in the United States, occupying in excess of 1.6 million square feet, of which approximately 1.1 million square feet were leased. The 293 Service Center sites outside of the United States were located in 31 countries, occupying in excess of 1.0 million square feet, of which approximately .8 million square feet were leased.

At October 31, 1996, NCR operated 27 Rework and Repair sites, of which 3 were located in the United States, occupying in excess of .2 million square feet, of which .1 million square feet were leased. The 24 Rework and Repair sites outside the United States were located in 8 countries, occupying in excess of 92,000 square feet, of which approximately 89,000 square feet were leased.

At October 31, 1996, NCR operated 356 office sites, of which 100 were located in the United States, occupying in excess of 9.2 million square feet, of which approximately 3.6 million square feet were leased. The 256 office sites outside of the United States were located in 76 countries, occupying in excess of 5.3 million square feet, of which approximately 2.2 million square feet were leased.

At October 31, 1996, NCR operated 150 other miscellaneous sites, such as Education Centers, Data Centers, and residences, of which 58 were located in the United States, occupying in excess of 2.0 million square feet, of which approximately .6 million square feet were leased. The 92 other sites outside of the United States were located in 24 countries, occupying in excess of .7 million square feet, of which approximately .2 million square feet were leased.

In addition, NCR has plans to sell or discontinue the lease of certain facilities. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Restructuring."

For a summary of certain leases and subleases entered into in connection with the Separation, see "Arrangements Among AT&T, NCR and Lucent -- Real Estate Agreements."

NCR believes its plants and facilities are suitable and adequate, and have sufficient productive capacity, to meet its current needs.

## CAPITALIZATION

Set forth below is the historical capitalization of NCR as of September 30, 1996 and on an As Adjusted basis to give effect to the Distribution and certain anticipated capital contributions as if the Distribution and such capital contributions had occurred on September 30, 1996. The balance sheet data and the As Adjusted balance sheet data set forth below should be read in conjunction with the historical consolidated financial statements set forth elsewhere herein.

The As Adjusted capitalization presented herein does not purport to represent the Company's consolidated financial position had the Distribution and such capital contributions occurred on September 30, 1996 or to project the Company's consolidated financial position for any future period. The As Adjusted data is based upon currently available information and certain assumptions that the Company believes are reasonable.

	AT SEPTEMBER 30, 1996 (UNAUDITED)	
	HISTORICAL	AS ADJUSTED
	-----	
	(DOLLARS IN MILLIONS)	
DEBT OBLIGATIONS.....	\$132	\$ 89(1)
SHAREHOLDER'S EQUITY		
Preferred stock (authorized, not issued).....	--	--
Common stock.....	--	--
Additional paid-in capital.....	--	--
Shareholder's net investment.....	832	1,206(2)
Foreign currency translation.....	41	41
Other.....	(37)	(37)
	----	----
Total shareholder's equity.....	836	1,210
	----	----
TOTAL CAPITALIZATION.....	\$968	\$ 1,299
	=====	=====

## NOTES:

- (1) Reflects retirement or defeasance of a total of \$68 of NCR debt anticipated to occur on or before the Distribution Date. Also reflects the incurrence of approximately \$25 of debt by a subsidiary of NCR in the fourth quarter of 1996. The effect on reported interest expense included in the accompanying statements of operations for the year ended December 31, 1995 and the nine months ended September 30, 1996 resulting from the retirement or defeasance of such debt and the incurrence of such new debt is not material.
- (2) Reflects expected capital contributions from AT&T of \$306 in cash (a portion of which will be available to NCR prior to the Distribution Date), and additional contributions of cash sufficient to retire or defease a total of \$68 of NCR debt (including payment of related expenses), anticipated to occur on or before the Distribution Date. See "Arrangements Among AT&T, NCR and Lucent -- NCR Distribution Agreement -- Additional Capital Contributions." During the third quarter of 1996, AT&T made capital contributions of \$113, which are reflected in shareholder's net investment at September 30, 1996.

## SELECTED FINANCIAL DATA

The following table presents selected historical financial data of NCR. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the historical consolidated financial statements and notes thereto included elsewhere in this Information Statement. The consolidated statement of operations data set forth below for each of the years ended December 31, 1995, 1994, and 1993 and the consolidated balance sheet data at December 31, 1995 and 1994 are derived from, and are qualified by reference to, the audited consolidated financial statements included elsewhere in this Information Statement, and should be read in conjunction with those financial statements and notes thereto. The consolidated balance sheet data at December 31, 1993 are derived from the audited consolidated balance sheet of NCR at December 31, 1993, which is not included in this Information Statement. The consolidated statement of operations data for each of the years ended December 31, 1992 and 1991 and the consolidated balance sheet data at December 31, 1992 and 1991 are derived from unaudited consolidated financial statements not included in this Information Statement. The consolidated statement of operations data for each of the nine-month periods ended September 30, 1996 and 1995, and the consolidated balance sheet data as of September 30, 1996 and 1995 are derived from, and are qualified by reference to, the unaudited interim financial statements included elsewhere herein, and should be read in conjunction with those financial statements and notes thereto. See "Index to Financial Statements."

The historical financial information may not be indicative of NCR's future performance and does not necessarily reflect the financial position and results of operations of NCR had NCR operated as a separate, stand-alone entity during the periods covered. See "Risk Factors -- Limited Relevance of Historical Financial Information." For a discussion of certain factors that could materially adversely affect NCR's future financial condition or results of operations, see "Risk Factors" and "Business -- Restructuring and Turnaround" and "-- Strategy."

	NINE MONTHS ENDED SEPTEMBER 30		YEARS ENDED DECEMBER 31				
	1996	1995	1995	1994	1993	1992	1991
	(UNAUDITED)		(DOLLARS IN MILLIONS)			(UNAUDITED)	
<b>STATEMENT OF OPERATIONS DATA</b>							
Revenues(3)(5).....	\$4,923	\$ 5,893	\$ 8,162	\$ 8,461	\$ 7,265	\$ 7,139	\$ 7,246
Operating expenses(1)(6)							
Cost of revenues.....	3,572	5,566	7,316	5,894	4,839	4,378	4,322
Selling, general and administrative expenses.....	1,075	2,070	2,632	2,169	2,136	1,938	2,113
Research and development expenses.....	273	441	585	500	571	568	709
Income (loss) from operations.....	3	(2,184)	(2,371)	(102)	(281)	255	102
Interest expense.....	40	66	90	44	41	77	85
Other income, net(2)(4).....	(17)	(86)	(45)	(130)	(42)	(77)	(87)
Income (loss) before income taxes and cumulative effects of accounting changes.....	(20)	(2,164)	(2,416)	(16)	(280)	255	104
Income tax expense (benefit).....	96	(189)	(136)	187	138	157	387
Income (loss) before cumulative effects of accounting changes.....	(116)	(1,975)	(2,280)	(203)	(418)	98	(283)
Cumulative effects of accounting changes(7).....	--	--	--	--	(869)	--	--
Net income (loss).....	\$ (116)	\$(1,975)	\$(2,280)	\$ (203)	\$(1,287)	\$ 98	\$ (283)
Pro forma net loss per common share (Unaudited)(8).....	\$(1.15)		\$(22.57)				
<b>FINANCIAL POSITION AND OTHER DATA</b>							
Cash and short-term investments.....	\$ 767	\$ 239	\$ 338	\$ 661	\$ 343	\$ 436	\$ 391
Accounts receivable, net.....	1,376	1,747	1,908	1,860	1,288	1,228	1,305
Inventories.....	559	814	621	952	781	620	504
Property, plant and equipment, net.....	922	986	957	1,234	1,143	1,026	1,067
Total assets.....	4,940	5,288	5,256	5,836	4,664	4,565	4,448
Short-term borrowings.....	42	68	45	73	40	118	105
Long-term debt.....	90	333	330	642	115	142	229
Shareholder's equity.....	836	180	358	1,690	1,032	1,831	1,628
Headcount (employees and contractors).....	38,900	45,400	41,100	50,000	52,500	53,800	54,000

(1) 1995 operating expenses include restructuring and other charges of \$1,649, including \$1,597 in the nine months ended September 1995. (See Note 5 of Notes to Consolidated Financial Statements.)

(2) 1995 other income, net includes a gain on sale of the Microelectronics components business of \$51.

(3) The decrease in revenues beginning in the fourth quarter of 1995 and through the nine months ended September 30, 1996 is due largely to the Company's decision in September 1995 to discontinue selling PCs through high volume indirect channels.



- (4) 1994 other income, net includes a gain on sale of certain assets of \$110.
- (5) The fiscal year-end for locations outside the U.S. was changed from November to December in 1994 to conform the domestic and international reporting periods. This change increased reported revenues in 1994 by \$223, however the effect on loss from operations was not significant.
- (6) 1993 operating expenses include restructuring and other charges of \$219. (See Note 5 of Notes to Consolidated Financial Statements.)
- (7) NCR changed its methods of accounting for postretirement benefits, postemployment benefits, and income taxes effective in 1993. (See Note 3 of Notes to Consolidated Financial Statements.)
- (8) Assumes 101 million shares of NCR Common Stock outstanding. (See "Summary of Significant Accounting Policies -- Pro forma Loss per Common Share" -- Note 2 of Notes to Consolidated Financial Statements.)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION  
AND RESULTS OF OPERATIONS

## OVERVIEW

NCR designs, develops, markets, and services information technology products, services, systems, and solutions worldwide. The Company's goal is to be a world-class provider of commercial, open computing systems for High Availability Transaction Processing and Scalable Data Warehousing solutions to customers in all industries. NCR also seeks to take advantage of its expertise and market presence in the retail, financial, and communications industries to provide specific information technology solutions to customers in these targeted industries. NCR's systems and solutions are supported by its Customer Support Services and Professional Services offerings, and its Systemedia business, which develops, produces, and markets a complete line of consumable and media products.

NCR's offerings cover a broad range of its customers' information technology needs: from consumers' interaction and data collection, with products including point of sale workstations, barcode scanning equipment, and self-service devices such as ATMs; through data processing, with NCR's High Availability Transaction Processing solutions; to data storage, manipulation, and usage, with NCR's Teradata relational database management system and Scalable Data Warehousing offerings. The Company's computing platforms and associated products span midrange servers, massively parallel processing computer systems, computer network servers and software systems, imaging and payment systems, workstations and peripherals, business forms, ink ribbons, customized paper rolls, and other consumable supplies and processing media.

NCR also provides Worldwide Customer Support Services and Professional Services that include hardware maintenance, software maintenance, data warehousing service offerings, end-to-end networking service and design, and the implementation, integration, and support of complex solutions.

NCR is a wholly owned subsidiary of AT&T. The Company was merged with a wholly owned subsidiary of AT&T effective September 19, 1991. On September 20, 1995, AT&T announced its intention to separate into three independent public companies: NCR, the continuing AT&T, and Lucent. AT&T also announced its intention to distribute all of its interest in NCR to its shareowners by December 31, 1996, subject to certain conditions.

NCR and AT&T and, in certain cases, Lucent and AT&T Capital, have entered into or will enter into, on or prior to the Distribution Date, certain agreements providing for the separation of the companies into independent corporations and governing various interim and ongoing relationships between and among the four companies, including an agreement between the Company and AT&T providing for the purchase of products and services from the Company. See "Arrangements Among AT&T, NCR and Lucent."

The consolidated financial statements of NCR have been carved out from the financial statements of AT&T using the historical results of operations and historical basis of the assets and liabilities of the businesses operated by NCR. Additionally, the consolidated financial statements of the Company include certain assets, liabilities, revenues and expenses that were not historically recorded at the level of, but are primarily associated with, such businesses. Management believes the assumptions underlying the Company's financial statements are reasonable.

The financial information included herein, however, may not necessarily reflect the results of operations, financial position and cash flows of NCR in the future or the results of operations, financial position, and cash flows of the Company had NCR operated as a separate, stand-alone entity during the periods presented. This is due in part to the historical operation of the Company as part of the larger AT&T enterprise. The financial information included herein does not reflect any changes that may occur in the funding and operations of NCR as a result of the Distribution.

The accompanying consolidated financial statements reflect AT&T's net investment in NCR. Such investment represents capital contributions and interest-bearing cash advances made by AT&T to NCR, net income (loss) of NCR, and cost allocations from AT&T. NCR's financial requirements are primarily provided through capital contributions and interest-bearing cash advances from AT&T. The Company's historical

consolidated statements of operations include interest expense relating to such interest-bearing cash advances, which were contributed to the Company by AT&T and included in shareholder's net investment. General corporate overhead costs related to AT&T's corporate headquarters and certain common support functions were allocated to NCR to the extent such amounts were applicable to the Company based on the ratio of the Company's external costs and expenses to AT&T's external costs and expenses. Those allocations of AT&T's general corporate overhead expense may not reflect NCR's actual general corporate overhead expense as a separate entity. In addition, certain expenses incurred by the Company were for services received from AT&T under direct contracting arrangements.

Although management believes the allocations and the charges for such services to be reasonable, the costs of these services charged to the Company are not necessarily indicative of the costs that would have been incurred if the Company had been an independent entity and had otherwise contracted for or managed these functions. Subsequent to the Distribution, the Company will be required to manage these functions using its own resources or contract with third parties to perform these services and, in addition, will be responsible for the costs and expenses associated with the management of a public corporation. For the years ended December 31, 1995, 1994, and 1993, AT&T allocated general corporate overhead expenses of \$96 million, \$66 million and \$46 million to NCR, respectively. For the nine months ended September 30, 1996, the amount of general corporate overhead costs allocated to the Company by AT&T decreased approximately \$60 million from the corresponding period in 1995. This decrease was due to several factors, including that NCR began to manage certain additional corporate and administrative functions in 1996 which were previously provided substantially by AT&T, including corporate public relations activities, certain human resources functions, financial systems architecture, and brand advertising, among others, and a general reduction in AT&T general corporate overhead costs due to its restructuring. In addition, income taxes were calculated as if the Company filed separate income tax returns. However, AT&T's tax strategies are not necessarily reflective of the tax strategies that the Company would have followed or will follow as a stand-alone entity.

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 revenues and expenses during the period reported. Actual results could differ from those estimates. Estimates are used for allowances for uncollectible accounts receivable, inventory obsolescence, product warranties, asset depreciation and amortization, employee benefit plan amounts, income taxes, restructuring charges, and environmental and other contingencies among others. In addition, there are certain risks and uncertainties inherent in operating the business, including the matters discussed below under "-- Results of Operations -- Seasonality" and "-- Legal Proceedings and Environmental Matters." Other areas where estimates and judgments are required are discussed in Notes to Consolidated Financial Statements included elsewhere in this Information Statement.

In addition, since 1991, NCR's working capital, research and development, capital expenditures, and other financing requirements have been met by AT&T's corporate-wide cash management and funding policies. Net cash transfers from AT&T were \$1,034 million, \$770 million, and \$425 million for the years ended December 31, 1995, 1994, and 1993, respectively, and \$638 million for the nine months ended September 30, 1996. After the Distribution, AT&T will no longer provide such funds to finance NCR's operations or for any other purpose.

In order to meet its working capital needs after the Distribution, NCR entered into the Credit Facility with a syndicate of commercial banks and financial institutions. The Credit Facility provides that NCR may borrow from time to time on a revolving credit basis an aggregate principal amount of up to \$600 million, subject to the terms and conditions thereof. See "Financing" and "-- Financial Condition, Liquidity and Capital Resources." NCR believes that cash flows from operations, availability under the Credit Facility and other short and long-term debt financings, if any, will be sufficient to satisfy its future working capital, research and development, capital expenditure, and other financing requirements for the foreseeable future.

However, NCR does not expect to be able to obtain financing with interest rates or other terms as favorable as those historically experienced by AT&T, with the result that its cost of capital will likely be higher than that reflected in NCR's historical financial statements. NCR will also likely be subject to financial, operating and other covenants restricting its operations, although historically, as a wholly owned subsidiary of AT&T, it has not been subject to any such restrictive covenants. See "Risk Factors -- Future Capital Requirements; Absence of AT&T Funding."

The consolidated financial statements do not include any debt amounts relating to domestic working capital requirements since such operations were historically funded through AT&T's contributions and advances which are classified as part of its net investment. The total outstanding debt at September 30, 1996 was approximately \$132 million. This includes short-term debt of approximately \$42 million, which is used primarily to fund the working capital needs of operations outside of the United States, and long-term external debt, including \$75 million of medium term notes which NCR issued prior to its merger with a subsidiary of AT&T in 1991. The medium term notes have scheduled maturity dates ranging from 1999 to 2020 and carry interest rates ranging from 8.95% to 9.49% per annum. See "-- Financial Condition, Liquidity and Capital Resources." A subsidiary of the Company incurred \$25 million of new debt in the fourth quarter of 1996. See "Capitalization."

#### RESTRUCTURING

In 1993, a number of changes were implemented with the intent of strengthening NCR's marketing function, increasing NCR's revenues, and improving NCR's profitability. As part of these changes, a broader range of industries (six as compared to two) was targeted, significant growth objectives were established for the PC business, and a new marketing function and management model was implemented.

These changes did not work as planned, and NCR was unsuccessful in meeting its objectives in the targeted industries. NCR was able to increase PC revenue, but due to margin pressure and cost structure, the PC business was not profitable for NCR. In addition, the new management model did not produce the desired accountability.

Lars Nyberg, NCR's Chief Executive Officer, began to implement a restructuring plan in September 1995. This plan was based on five key principles: focus, accountability, expense level reductions, process improvements, and a sense of urgency. A key component of the recovery strategy was to focus the Company on its areas of strength. Consequently, NCR decided to reduce its focus from six industries to three (retail, financial, and communications). With efforts targeted at these three industries, greater attention was placed on NCR's Retail Products and Financial Products businesses.

The Company's approach to the PC business was also changed. As part of the restructuring, NCR decided to exit the PC manufacturing business and to eliminate sales of PCs through high volume indirect channels. Instead, the Company put in place an OEM arrangement to source a significantly reduced volume of PCs, which would primarily be sold by NCR when required as part of a solution in areas such as financial branch automation or retail point of sale systems.

In the computer business, the Company targeted its efforts at midrange to large systems, specifically focusing on solutions such as Scalable Data Warehousing and High Availability Transaction Processing that have applicability across a number of industries.

NCR also implemented a revised business management model, under which business units and geographic sales regions were given specific responsibilities and accountabilities. Significant expense reductions were implemented, including plans to separate approximately 8,500 employees and contractors. Of the 8,500 employees and contractors, approximately 4,500 were classified under cost of revenue, 3,100 in selling, general and administrative, and 900 in research and development. The breakout by business unit and geographic sales region was approximately as follows: 2,300 in the Americas sales region, 1,700 in the Europe/Middle East/Africa sales region, 400 in the Asia/Pacific sales region, 200 in the Financial Systems Group, 200 in the Retail Systems Group, 600 in the Computer Systems Group, 1,800 in the PC business unit, 100 in the Systemedia Group, 400 in Worldwide Services, and 800 in corporate departments. Additional focus

was placed on process improvements, and efforts were put in place to ensure all employees understood the restructuring plan and were actively working to execute the plan.

The total restructuring and other charges of \$1,649 million for 1995 were reflected in the consolidated statement of operations as \$636 million of cost of sales, \$294 million of cost of services, \$616 million of selling, general and administrative expenses, and \$103 million of research and development expenses. These charges included \$676 million for employee separation and other related items, \$549 million for asset write-downs, \$147 million for closing, selling and consolidating facilities, \$227 million for contract settlements and related charges, and \$50 million for other items. The \$549 million of asset write-downs include \$417 million of inventory write-downs, \$106 million of property, plant and equipment write-downs, and \$26 million of other asset write-downs. Of the total charges, \$145 million represented cash payments in 1995, \$401 million represented cash payments in the first nine months of 1996, and \$417 million are expected to result in future cash payments.

The Company expects to substantially complete its restructuring plan in 1996. The Company's policy is to assess the adequacy of its reserves and to make adjustments to such reserves when events effecting these reserves occur or can be reasonably estimated.

## RESULTS OF OPERATIONS

## GENERAL

The following table sets forth, for the periods indicated, the Company's revenues (in millions) by product line. The Other product line includes businesses sold and other items not directly associated with an individual business unit.

	NINE MONTHS ENDED SEPTEMBER 30			YEARS ENDED DECEMBER 31				
	1996	% INCREASE/ DECREASE	1995	1995	% INCREASE/ DECREASE	1994	% INCREASE/ DECREASE	1993
Retail Systems Group								
Retail Products.....	\$ 300	1	\$ 297	\$ 424	--	\$ 422	(12)	\$ 481
Financial Systems Group								
Financial Products.....	666	(8)	721	1,026	(1)	1,037	7	972
Computer Systems Group								
Computer Products.....	945	32	715	1,078	(12)	1,219	(12)	1,392
Client/Entry Level Server Products.....	377	(71)	1,309	1,724	5	1,649	62	1,020
Worldwide Services								
Customer Support								
Services.....	1,645	3	1,591	2,174	5	2,074	15	1,808
Professional Services.....	417	(2)	426	638	10	578	33	435
Data Services.....	94	(26)	127	167	(19)	206	(4)	214
Systemedia Group								
Systemedia Products.....	405	(3)	419	577	4	553	14	486
Other.....	74	(74)	288	354	(51)	723	58	457
Total.....	\$4,923	(16)	\$5,893	\$8,162	(4)	\$8,461	16	\$7,265

The following table sets forth, for the periods indicated, the percentage relationship to revenue of certain items in the Company's consolidated statements of operations. The nine months ended September 30, 1995 and the years ended 1995 and 1993, as adjusted, exclude restructuring and other charges:

	NINE MONTHS ENDED SEPTEMBER 30			YEARS ENDED DECEMBER 31			
	1996	1995	1995	1995	1994	1993	1993
		(AS ADJUSTED)	(AS ADJUSTED)	(AS ADJUSTED)	(AS ADJUSTED)	(AS ADJUSTED)	(AS ADJUSTED)
Sales revenue.....	55.6%	63.0%	63.0%	63.0%	63.0%	65.3%	61.4%
Services and rentals revenue...	44.4	37.0	37.0	37.0	37.0	34.7	38.6
Total revenue.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Sales gross margin.....	30.0%	19.7%	2.6%	20.9%	8.5%	32.4%	37.7%
Services and rentals gross margin.....	24.2	23.0	10.6	23.2	13.5	26.5	30.3
Total gross margin.....	27.4	20.9	5.6	21.8	10.4	30.3	34.8
Selling, general and administrative expenses.....	21.8	25.1	35.1	24.7	32.2	25.6	28.1
Research and development expenses.....	5.5	5.7	7.5	5.9	7.2	5.9	7.6
Operating income (loss).....	0.1%	(9.9)%	(37.0)%	(8.8)%	(29.0)%	(1.2)%	(0.9)%

## SEASONALITY

NCR's sales are historically seasonal, with revenue higher in the fourth quarter of each year. Consequently, during the three quarters ending in March, June, and September, NCR has historically experienced less favorable results than in the quarter ending in December. Such seasonality also causes NCR's working capital cash flow requirements to vary from quarter to quarter depending on, among other things, the variability in the volume, timing, and mix of product sales. In addition, in many quarters, a large

portion of NCR's revenue is realized in the third month of the quarter. Operating expenses are relatively fixed in the short term and often cannot be materially reduced in a particular quarter if revenue falls below anticipated levels for such quarter. As a result, even a relatively small revenue shortfall may cause a period's results to be materially below expectations. See "Risk Factors -- Seasonality."

The following table sets forth the unaudited total revenues, gross margin, and operating income (loss) of NCR on a quarterly basis for each of the years ended December 31, 1995 and 1994 and for each of the quarterly periods in the nine months ended September 30, 1996. The increase in fourth quarter revenues from third quarter revenues in 1995 is not as pronounced as in 1994 due to the Company's decision in September 1995 to discontinue selling PCs through high volume indirect channels.

	FIRST QUARTER -----	SECOND QUARTER -----	THIRD QUARTER (1) -----	FOURTH QUARTER (2)(3) -----	NINE MONTHS ENDED SEPT. 30 -----
	(DOLLARS IN MILLIONS)				
1996					
Total revenues.....	\$ 1,586	\$ 1,679	1,658		\$ 4,923
Gross margin.....	405	464	482		1,351
Operating income (loss).....	(37)	11	29		3
1995					
Total revenues.....	\$ 1,818	\$ 2,042	\$ 2,033	\$2,269	\$ 8,162
Gross margin.....	420	416	(509)	519	846
Operating income (loss).....	(172)	(218)	(1,794)	(187)	(2,371)
1994					
Total revenues.....	\$ 1,527	\$ 2,011	\$ 1,979	\$2,944	\$ 8,461
Gross margin.....	479	610	580	898	2,567
Operating income (loss).....	(84)	(12)	(26)	20	(102)

YEARS ENDED  
DECEMBER 31  
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(1) The third quarter of 1995 includes restructuring and other charges of \$1,597 (see Note 5 of Notes to Consolidated Financial Statements).

(2) The fourth quarter of 1995 includes restructuring and other charges of \$52 (see Note 5 of Notes to Consolidated Financial Statements).

(3) The fourth quarter of 1994 includes revenue of \$223 which represents an additional month of international sales revenues, resulting from the change to conform international and domestic reporting periods; the effect on operating income was not significant.

NINE MONTHS ENDED SEPTEMBER 30, 1996 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1995

Reported revenues in all geographic regions declined from the prior period by \$970 million or 16%. An overall weakening of foreign currencies, particularly the Japanese yen, against the U.S. dollar unfavorably affected this year-to-year change. Adjusting for the year-to-year movement in foreign currency exchange rates, reported revenues declined by 13%.

A key component of the Company's restructuring was to reduce its focus on the PC business and concentrate on a core set of businesses. As a result of this decision, PC revenues (which are included as a part of the Client/Entry Level Server Product line) declined significantly. When Client/Entry Level Server Products and businesses sold are excluded from both periods, revenues in the remaining core set of businesses were basically unchanged. Adjusting for the year-to-year changes in foreign currency exchange rates, these core revenues increased by 3%.

Revenues from Retail Products were \$300 million, an increase of \$3 million, or 1% in 1996, compared with the 1995 period. Gains in revenues from retail scanner products more than offset a decline in revenue from retail terminals.

Revenues from Financial Products were \$666 million, a decrease of \$55 million or 8% in 1996 compared with the 1995 period. Increases in ATM demand in the United States were offset by declines in the Europe/Middle East/Africa geographic region. These declines were primarily due to general softness in the European banking and financial services markets.

Revenues from Computer Products were \$945 million, an increase of \$230 million or 32%, in 1996 compared with the 1995 period. Revenues from WorldMark enterprise servers were the primary cause of the sales volume growth. All geographic regions reported growth in the year-to-year comparisons as the Company continues to focus on opportunities for high-end computer systems for Scalable Data Warehousing and High Availability Transaction Processing.

Revenues from Client/Entry Level Server Products were \$377 million, a decrease of \$932 million or 71%, in 1996 compared with the 1995 period, primarily due to the Company's decision to exit the manufacturing of PCs and their sale through high volume indirect channels. The Company plans to continue to offer its customers Client/Entry Level Server Products sourced from third parties primarily as part of overall solution sales.

Revenues from the services businesses were basically flat year to year. Growth in revenues from Customer Support Services of 3%, primarily due to new service offerings for enterprise system support servers, managed self-service financial solutions, and technology services plus continued expansion of multivendor services, were offset by a decline of 26% in data services revenue due to the Company's sale of its Data Services business in Switzerland at the beginning of 1996. Revenues from Professional Services of \$417 million decreased 2% compared with same period in 1995.

Sales of Systemedia products of \$405 million decreased \$14 million or 3% in 1996 compared with the 1995 period. The decrease was principally attributable to the unfavorable impact of the strengthening of the U.S. dollar, as sales to customers on a local currency basis worldwide were basically flat.

Gross margin as a percentage of revenue increased by 21.8 points from 5.6% in 1995 to 27.4% in 1996. Excluding restructuring and other charges, gross margins increased 6.5 percentage points from 20.9% in 1995 to 27.4% in 1996; excluding Client/Entry Level Server Products, gross margin as a percentage of revenue increased 5.2 percentage points. The gross margin improvement, excluding restructuring and other charges, consisted of a 10.3 percentage point improvement in sales gross margin and a 1.2 percentage point improvement in services and rentals gross margin. The increase in sales gross margin reflects a change in product mix, as Client/Entry Level Server Products have historically lower margins than other products offered by the Company, and improved margins in Retail Products, Financial Products, and Computer Products resulting from product cost reductions. Gross margins on all categories of services revenue improved in 1996.

Selling, general and administrative expenses of \$1,075 million decreased by \$995 million or 48% compared with 1995. Excluding restructuring and other charges, selling, general and administrative expenses of \$1,075 million decreased \$405 million or 27%, and declined by 3.3 percentage points of revenue. This decrease was primarily attributable to the Company's business restructuring to focus on industry solutions for the retail, financial, and communications industries, general cost reductions, and from its exit from the sale of PCs through high volume indirect channels. In addition, the amount of general corporate overhead costs allocated to the Company by AT&T decreased approximately \$60 million from the corresponding period in 1995. This decrease was due to several factors, including that NCR began to manage certain additional corporate and administrative functions in 1996 which were previously provided substantially by AT&T, including corporate public relations activities, certain human resource functions, financial systems architecture, and brand advertising, among others, and a general reduction in AT&T general corporate overhead costs due to its restructuring.

Research and development expenses of \$273 million decreased by \$168 million, or 38%, compared with 1995. Excluding restructuring and other charges, research and development expenses of \$273 million decreased \$65 million (excluding 1995 restructuring charges) or 19%, and declined by 0.2 percentage points of revenue. This decrease was primarily attributable to the Company's exit from the PC manufacturing business and sale of its Microelectronics components business, as well as from consolidation and elimination of redundant engineering activities and from a refocusing of research and development efforts on specific targeted industries using common platforms and technologies. The Company plans to continue to invest in research and



development at levels that are consistent with its business strategies, taking into account assessments of the levels of investment into new technologies and markets being made by competitors throughout the industries in which the Company competes. Further, the Company believes that a continued commitment to research and development is required to remain competitive.

Other income -- net decreased \$69 million, primarily due to the gain on sale of the Company's Microelectronic components business in the prior period.

The provision for income taxes of \$96 million increased \$285 million. The fluctuation in the Company's tax provision between years results from a normal provision for income taxes in those foreign tax jurisdictions where the Company's subsidiaries are profitable, and an inability on a stand-alone basis to reflect tax benefits from net operating losses and tax credits in the United States.

AT&T has been able to utilize substantially all of the United States tax benefits generated by NCR through the inclusion of the Company in its consolidated tax returns. In accordance with existing tax allocation agreements, AT&T has reimbursed the Company for such losses utilized. The reimbursements have been reflected as contributions to the Company's capital and recorded in shareholder's net investment.

The net loss for the nine months ended September 30, 1996 was \$116 million. This represented an improvement of \$489 million from the 1995 loss of \$605 million (before adjusting for after-tax restructuring and other charges of \$1,370 million).

#### YEAR ENDED DECEMBER 31, 1995 COMPARED TO YEAR ENDED DECEMBER 31, 1994

Reported revenues declined from the prior year by 4%, or \$299 million. An overall strengthening of foreign currencies against the U.S. dollar has slightly mitigated the decline. Adjusting for the year to year changes in foreign currency exchange rates, revenues declined by 5%.

In the fourth quarter of 1994, the Company elected to change the fiscal year end of its international organizations from November 30 to December 31, in order to align the international organizations with the United States fiscal calendar. This change resulted in an additional month of international revenues being included in the 1994 results, in the amount of \$223 million. Adjusting for this extra month of results in 1994, reported revenues in 1995 declined by 1%. In addition, there was a significant negative impact on growth rates resulting from the sale of the Microelectronics components business in the first quarter of 1995, which is included in Other in the above table. When these revenues are removed from both periods, the 4% decline in revenue in 1995 results in a 3% increase.

Revenues from Retail Products were \$424 million in 1995 which were basically flat compared with 1994. Increased revenues from retail barcode scanner products to customers in the Europe/Middle East/Africa and Asia/Pacific geographic regions offset a decline in the United States.

Revenues from Financial Products were \$1,026 million in 1995 which were basically flat compared with 1994. Declines in ATMs revenues principally in the United States were offset by increases in sales to customers in international geographic regions.

Revenues from Computer Products were \$1,078 million, a decrease of \$141 million or 12% in 1995 compared with 1994. The decrease in revenue was primarily attributable to a decline in large server revenues in the United States resulting from a delay in transitioning customers from the 3600 product family to the new WorldMark product family.

Revenues from Client/Entry Level Server Products were \$1,724 million, an increase of \$75 million or 5% in 1995 compared with 1994. This growth rate was significantly below the prior year as a result of the implementation of the September 1995 decision to phase out of the sales of these products through high volume indirect channels.

Revenues from the services businesses grew 4% year to year. This growth was driven by the 10% increase in Professional Services revenues primarily due to new service offerings, including information technology consulting, networking, scalable data warehousing, and project management. Prior to 1995, Professional

Services offerings were focused more intensively on software implementation and support, while in 1995 the focus shifted to information technology consulting services. Customer Support Services growth of 5% also contributed to the revenue increase. This growth was primarily due to increased focus on non-traditional hardware maintenance services including multivendor services, implementation and installation services, software services, and parts and cabling. These increases were partially offset by a decline in Data Services revenues principally due to a shrinking customer base for these offerings.

Sales of Systemedia Products of \$577 million increased \$24 million or 4% in 1995 compared with 1994 primarily attributable to increases in sales of custom paper rolls in markets outside of the United States and in stock and fax paper products and thermal transfer ribbons in the United States.

Gross margin as a percentage of revenue declined 19.9 percentage points from 30.3% in 1994 to 10.4% in 1995. Business restructuring and other charges accounted for over half of the reduction or a total of 11.4 points of revenue. Excluding restructuring and other charges, both sales gross margins and services and rentals gross margins declined. The reduction in sales gross margins resulted from a higher mix of Client/Entry Level Server Products which historically carry lower gross margins than other products offered by the Company. These lower gross margins are due to competitive pricing pressures and price erosion in excess of cost reductions. Services gross margins declined primarily due to required utilization of higher cost external contractors to assist in the delivery of new service offerings.

Selling, general and administrative expenses of \$2,632 million increased \$463 million, or 21% in 1995 compared with 1994. This increase was due to \$616 million in business restructuring and other charges principally to realign the Company's cost structure and to exit certain businesses. Selling, general and administrative expenses were 32.2% of revenues in 1995, an increase from 25.6% of revenues in 1994, reflecting the restructuring and other charges. Excluding the charges, selling, general and administrative expenses were 24.7% of revenues in 1995. This reflects reduced selling expenses due to the reduction of expenses from the sales of the Microelectronics components business in 1995, the sale of the ADDS terminal business during 1994, and the benefits realized in the fourth quarter of 1995 from the Company's restructuring plans.

Research and development expenses of \$585 million increased \$85 million, or 17% in 1995 compared with 1994. This increase was due to business restructuring and other charges of \$103 million. Excluding the charges, research and development expenses decreased \$18 million and represented 5.9% of revenues in both years. This decrease in spending was primarily attributable to the sale of the Microelectronics components and ADDS terminal businesses which more than offset the increase in research and development for Computer Products and the services offerings.

Other income, net decreased \$85 million as the 1994 results included gains on sale of real estate, principally in Hong Kong and Tokyo.

The income tax benefit of \$136 million in 1995 reflects a \$323 million decrease from the \$187 million expense in 1994. The benefit of \$136 million was primarily attributable to foreign operating losses largely resulting from the 1995 restructuring charges incurred in those foreign subsidiaries that have been historically profitable, and an inability on a stand-alone basis to reflect tax benefits from net operating losses and tax credits in the United States. See Note 6 of Notes to Consolidated Financial Statements included elsewhere herein.

AT&T has been able to utilize substantially all of the United States tax benefits generated by NCR through the inclusion of the Company in AT&T's consolidated tax returns. In accordance with existing tax allocation agreements, AT&T has reimbursed the Company for such utilized losses. The reimbursements have been reflected as contributions to the Company's capital and recorded in shareholder's net investment.

For 1995, the Company had a net loss of \$2,280 million, reflecting \$1,415 million of restructuring and other charges after tax (\$1,649 million pre-tax restructuring and other charges). Excluding the charges, the net loss was \$865 million, an increased loss of \$662 million compared to 1994.

## YEAR ENDED DECEMBER 31, 1994 COMPARED TO YEAR ENDED DECEMBER 31, 1993

Reported revenues increased from the prior year by 16%, or \$1,196 million. The net effect of the movement of foreign currencies against the U.S. dollar had no material impact to this growth rate. When adjusted for the extra month of international revenue in the fourth quarter of 1994, the growth rate from 1993 was 13%, or \$973 million.

Revenues from Retail Products were \$422 million, a decrease of \$59 million or 12% in 1994 compared with 1993. Most of this decrease resulted from a reduction in sales to customers in the United States.

Revenues from Financial Products were \$1,037 million, an increase of \$65 million or 7% in 1994 compared with 1993, due mostly to higher demand for ATMs primarily in the United States.

Revenues from Computer Products were \$1,219 million, a decrease of \$173 million or 12% in 1994 compared with 1993. The decrease was primarily attributable to a decline in midrange servers revenues.

Revenues from Client/Entry Level Server Products were \$1,649 million, an increase of \$629 million or 62% in 1994 compared with 1993 primarily due to the increased focus being placed on growing this business.

Revenues from the services businesses grew 16% year to year. This growth was driven by double digit gains in both Professional Services and Customer Support Services revenues primarily due to increases in consulting services, multivendor services, implementation and installation services, and software services revenues. These increases were partially offset by a decline in Data Services revenue principally due to a shrinking customer base for these products.

Sales of Systemedia Products of \$553 million increased \$67 million or 14% in 1994 compared with 1993 primarily attributable to increases in sales of business forms and supplies outside the United States.

Gross margin as a percentage of revenue declined 3.1 percentage points from 33.4% in 1993 to 30.3% in 1994. After excluding the impact of restructuring charges, the decline in gross margin was 4.5 percentage points. The reduction in sales gross margins resulted primarily from a higher mix of lower margin Client/Entry Level Server Products and a lower percentage mix of midrange and large servers. Services gross margins declined primarily due to competitive pricing pressures on maintenance support services.

Selling, general and administrative expenses of \$2,169 million increased \$33 million or 2% but declined by 3.8 percentage points of revenue. Excluding the impact of \$95 million of business restructuring charges in 1993, selling, general and administrative expenses increased \$128 million or 6%. This increase was primarily attributable to higher marketing expenses associated with the expanded marketing organization focusing on a broader range of targeted industries.

Research and development expenses of \$500 million decreased \$71 million or 12% and declined by 2.0 percentage points of revenue. Excluding the impact of \$19 million of business restructuring charges in 1993, research and development expenses decreased \$52 million or 9%. This decrease was primarily attributable to a reduction in research and development for Computer Products.

Other income, net increased \$88 million primarily due to the 1994 gains on the sale of real estate, mainly in Hong Kong and Tokyo.

The provision for income taxes of \$187 million increased \$49 million. The fluctuation in the Company's tax provision between years results from a normal provision for income taxes in those foreign tax jurisdictions where the Company's subsidiaries are profitable, and an inability on a stand-alone basis to reflect tax benefits from net operating losses and tax credits in the United States. See Note 6 of Notes to Consolidated Financial Statements included elsewhere herein.

AT&T has been able to utilize substantially all of the United States tax benefits generated by NCR through the inclusion of the Company in AT&T's consolidated tax returns. In accordance with existing tax allocation agreements, AT&T has reimbursed the Company for such utilized losses. The reimbursements have been reflected as contributions to the Company's capital and recorded in shareholder's net investment.

The adoption of Statement of Financial Accounting Standards ("SFAS") No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," SFAS No. 112, "Employers' Accounting for Postretirement Benefits," and SFAS No. 109, "Accounting for Income Taxes," effective January 1, 1993, resulted in an after-tax charge of \$869 million in 1993, representing the cumulative effect of these accounting changes.

SFAS No. 106 requires accrual of estimated future retiree benefits, other than pensions, during the years in which employees are working and accumulating these benefits. Previously, health care benefits were expensed as claims were incurred and life insurance benefits were expensed as plans were funded. A one-time after-tax charge for these liabilities of \$220 million was recorded in 1993 as a cumulative effect of accounting change upon adoption of this standard.

SFAS No. 112 requires the Company to accrue for estimated future postemployment benefits, including separation and related payments, during the years in which employees are working and accumulating these benefits, and for disability payments when the disabilities occur. Previously, costs for separations were recognized when approved and disability benefits were recognized when paid. The Company recognized a \$306 million after-tax charge upon adoption of this standard.

SFAS No. 109 requires, among other provisions, the computation of deferred tax amounts arising from temporary differences using the enacted jurisdictional corporate income tax rates for the years in which the taxes will be paid or refunds received. A cumulative effect of the accounting change results in a one-time charge of \$343 million which was recognized in 1993 related to adopting this standard.

The reported net loss decreased to \$203 million, an improvement of \$1,084 million from the \$1,287 million loss in 1993. Excluding the cumulative effect of accounting changes in 1993, net loss in 1994 was \$215 million less than in 1993.

#### FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

NCR's cash, cash equivalents, and short-term investments totaled \$767 million at September 30, 1996 compared with \$338 million at December 31, 1995 and \$661 million at December 31, 1994.

NCR used cash flows from operations of \$824 million and \$613 million during the years ended 1995 and 1994, respectively, and generated cash flows from operations of \$42 million during the year ended December 31, 1993. The \$824 million of cash flows used in operations in 1995 was due principally to the net loss in 1995 and \$171 million of cash payments relating to restructuring. The inventory decrease from \$952 million at December 31, 1994 to \$621 million at December 31, 1995 was primarily due to \$417 million of inventory write-downs relating to the third quarter restructuring in 1995. Other current liabilities increased from \$640 million at year-end 1994 to \$1,532 million at December 31, 1995 primarily due to restructuring liabilities of \$820 million payable during 1996. The \$613 million of cash flows used in operations in 1994 was due in large part to increases in receivable and inventory balances driven by increased demand for Client/Entry Level Server Products. Receivables increased \$572 million from \$1,288 million at December 31, 1993 to \$1,860 million at December 31, 1994. Inventories totaled \$952 million at December 31, 1994, an increase of \$171 million compared with December 31, 1993. The \$42 million of cash flows generated from operations in 1993 was due to cash generation from results of operations, after adding back the non-cash impact of the cumulative accounting changes of \$1,171 million. Inventory balances increased \$161 million from December 31, 1992 to December 31, 1993. Other current liabilities increased \$279 million, from \$576 million at December 31, 1992 to \$855 million at December 31, 1993, primarily due to the current restructuring liabilities incurred in 1993.

For the nine-month period ended September 30, 1996, NCR generated cash flows from operations of \$304 million. For the nine-month period ended September 30, 1995, NCR used cash flows from operations of \$503 million. This improvement of \$807 million was primarily due to cash generation from results of operations and a significant decline in accounts receivable offset by cash payments for restructuring of \$401 million. Receivable balances decreased \$371 million from September 30, 1995 to September 30, 1996 due to lower revenues associated with the Company's decision to no longer sell PCs through high volume

indirect channels and a reduction in receivable balances due to the sale of the Switzerland Data Services business. Inventory balances decreased \$255 million from \$814 million at September 30, 1995 to \$559 million at September 30, 1996 as a result of exiting the PC manufacturing business and overall improved supply line management. Other current liabilities were \$540 million lower at September 30, 1996 than at September 30, 1995 primarily as a result of the decrease in restructuring liabilities.

Cash flows used in investing activities were \$11 million, \$477 million and \$426 million in 1995, 1994 and 1993, respectively. The \$11 million of net investing activities in 1995 included proceeds of \$338 million from the sale of the Microelectronics components business. The \$477 million of net investing activities in 1994 included proceeds of \$260 million from real estate sales in Tokyo and Hong Kong and the sale of various non-core businesses, principally ADDS. Capital expenditures, the largest component of investing activities, were \$498 million, \$624 million and \$596 million for the years ended 1995, 1994, and 1993, respectively. Capital expenditures generally relate to expenditures for equipment and facilities used in manufacturing and research and development, including expansion of manufacturing capacity, and expenditures for cost reduction efforts and international growth.

For the nine-month period ended September 30, 1996, NCR used cash flows from investing activities of \$317 million. For the nine-month period ended September 30, 1995, NCR generated \$107 million from investing activities. This change of \$424 million was primarily due to the proceeds collected in 1995 from the sale of the Microelectronics components business.

Net cash provided by financing activities was \$696 million, \$1,330 million, and \$320 million for the years ended 1995, 1994, and 1993, respectively. The Company historically has relied on AT&T to provide financing for its operations. The cash flows reflected as transfers from AT&T in the consolidated statements of cash flows represent capital infusions that were used to fund the ongoing operations and have been recorded in the consolidated financial statements as an adjustment to shareholder's net investment. These cash flows are not necessarily indicative of the cash flows that would have resulted if the Company was a stand-alone entity. Net cash transfers from AT&T were \$1,034 million, \$770 million, and \$425 million in 1995, 1994 and 1993, respectively. In addition, \$537 million of third-party debt was issued in 1994, of which \$312 million was repaid in 1995 and the remainder was assumed by AT&T in 1996 and is included in shareholder's net investment.

For the nine-month period ended September 30, NCR generated cash flow from financing activities of \$395 million and \$147 million in 1996 and 1995, respectively. Cash flows generated were a result of transfers from AT&T offset by repayments of long-term debt.

The Company leases land, buildings and equipment through long-term lease contracts that expire in various years. Rental expense under operating leases was \$96 million in 1995, \$81 million in 1994 and \$109 million in 1993. Future minimum lease payments due under noncancelable operating leases at December 31, 1995 total \$265 million. The Company expects to fund such commitments through its working capital and funds generated from operations.

The Company operates in various markets, including international and domestic locations. The most significant of the international operations of the Company include France, Germany, Japan, Switzerland, and the United Kingdom. Given that international transactions in these markets are customarily denominated in the respective countries' currencies, the Company is subject to foreign currency risk and other risks associated with foreign operations such as the risks relating to foreign economic and political conditions, the potential for restrictive actions by foreign governments, and risks relating to repatriation of funds from non-U.S. subsidiaries. The Company uses foreign exchange contracts to manage its exposures to changes in currency exchange rates. The use of foreign exchange contracts allows NCR to reduce its exposures to the risk that the ultimate net cash inflows and outflows will be adversely affected by changes in currency exchange rates.

In the normal course of business the Company uses various financial instruments, including derivative financial instruments, for purposes other than trading. The Company does not use derivative financial instruments for speculative purposes. In addition to foreign currency exchange contracts, these instruments include letters of credit and guarantees of debt.

By their nature all such instruments involve risk including the credit risk of nonperformance by counterparties, and the Company's maximum potential loss may exceed the amount recognized in the

Company's balance sheet. However, as of September 30, 1996 and December 31, 1995, in management's opinion, there was no significant risk of loss in the event of nonperformance of the counterparties to these financial instruments. The Company controls its exposure to credit risk through credit approvals, credit limits, and monitoring procedures. There were no past due amounts related to the Company's outstanding derivative contracts at December 31, 1995, nor have there been any charge-offs during the three years ended December 31, 1995. The Company does not have any significant exposure to any individual customer or counterparty nor any major concentration of credit risk related to any financial instruments.

The Company has entered into an agreement with the Pension Benefit Guaranty Corporation ("PBGC") concerning the provision by the Company of additional support for its domestic defined benefit pension plans. Under such agreement, among other terms and conditions, the Company has agreed to provide security interests in support of such plans in collateral with an aggregate collateral value (calculated by applying specified discounts to market value) of \$80 million. Such collateral is initially expected to be comprised of certain domestic real estate. The Company does not believe that its agreement with the PBGC would have a material effect on its financial condition, results of operations or cash flows.

For the reasons described under "-- Results of Operations -- Seasonality," the Company's working capital requirements and cash flows provided by operating activities can vary greatly from quarter to quarter, depending on the volume of production, the timing of deliveries, and the payment terms offered to customers.

The Company estimates that the cash expenditures necessary after December 31, 1995 to implement the restructuring programs will be \$818 million, including \$417 million after September 30, 1996. Such expenditures in 1996 are expected to be funded through cash flows generated from operations, working capital improvements and through capital contributions provided by AT&T.

In order to meet its working capital needs, the Company entered into the five-year, unsecured revolving Credit Facility with a syndicate of commercial banks and financial institutions. The Credit Facility provides that the Company may borrow from time to time on a revolving credit basis an aggregate principal amount of up to \$600 million, subject to the terms and conditions thereof. The Company expects to be able to use the available funds at any time for capital expenditure needs, repayment of existing debt obligations, working capital, and general corporate purposes. The Credit Facility will initially mature within five years from the date of closing and contain certain representations and warranties, conditions, affirmative, negative and financial covenants, and events of default customary for such facilities. Interest rates charged on borrowings outstanding under the Credit Facility are based on market rates which can vary over time. In addition, subject to the terms and conditions thereof, a portion of the Credit Facility will be available for the issuance of letters of credit as required by the Company.

Historically, the Company's working capital and cash flow requirements have been substantial. The net cash contributions from AT&T reflected in the accompanying statements of cash flows was \$2,867 million from January 1, 1993 through September 30, 1996. After the Distribution, AT&T will no longer provide such funds to NCR. See "Risk Factors -- Future Capital Requirements; Absence of AT&T Funding." However, it is expected that, pursuant to the NCR Distribution Agreement, AT&T will (i) make additional contributions of capital to NCR after September 30, 1996 and prior to the Distribution Date and (ii) contribute intercompany advances outstanding from AT&T to NCR as of September 30, 1996. The consolidated financial statements included elsewhere herein reflect these advances in shareholder's equity as having been contributed. The additional capital contributions are expected to consist of \$306 million in cash and the contribution of additional cash in an amount sufficient to retire or defease a total of \$68 million of NCR debt (including payment of related expenses). A portion of the \$306 million in cash may be provided by means of additional intercompany advances from AT&T to NCR after September 30, 1996 that will be contributed at the Distribution Date. See "Capitalization."

NCR believes that cash flows from operations, availability under the Credit Facility and other short and long-term debt financings, if any, will be sufficient to satisfy its future working capital, capital expenditure, research and development, and other financing requirements for the foreseeable future. However, NCR does not expect to be able to obtain financing with interest rates or terms as favorable as those historically experienced by AT&T, with the result that its cost of capital will likely be higher than that reflected in NCR's

historical financial statements. NCR will also likely be subject to financial, operating, and other covenants restricting its operations, although historically, as a wholly owned subsidiary of AT&T, it has not been subject to any such restrictive covenants. The Company further believes that it will be able to access capital markets on terms and in amounts that will be satisfactory to it, although there can be no assurance that will be the case. The Company believes that it will be able to obtain bid and performance bonds, to arrange or provide customer financing as necessary, and to engage in hedging transactions on commercially acceptable terms.

The Company believes that the business restructuring and turnaround strategy implemented in 1995 has significantly contributed to more favorable results in the first nine months of 1996. Operating results have improved from a loss from operations of \$587 million (before giving effect to restructuring and other charges of \$1,597 million) in the first nine months of 1995 to income from operations of \$3 million in the first nine months of 1996. Selling, general and administrative expenses have declined \$405 million (before giving effect to restructuring and other charges), and gross margins have improved by 6.5 percentage points (before giving effect to restructuring and other charges). The planned headcount reduction of 8,500 will be substantially completed in the fourth quarter of 1996. The strategy to focus the Company on its core areas of strength, implement a revised business management model, and initiate several key business process improvements has resulted in, among other things, significant expense level reductions and improvements in working capital management. This in turn has caused significant improvement in the Company's reported results of operations and increases in cash flows from operations, as evidenced by the change from net cash used in operating activities of \$503 million in the first nine months of 1995 compared to net cash provided by operating activities of \$304 million in the same period of 1996. The Company believes these strategic initiatives will continue to favorably impact operating results and cash flows, and does not foresee at this time a need to initiate additional business restructurings.

#### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

##### IMPAIRMENT OF LONG-LIVED ASSETS

Effective October 1, 1995, NCR adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." This standard requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The adoption of the standard did not materially impact NCR's consolidated results of operations, financial condition or cash flows because this was essentially the method NCR used in the past to measure and record asset impairments.

##### STOCK-BASED COMPENSATION

In its Consolidated Financial Statements for the year ending December 31, 1996, NCR is required to adopt SFAS No. 123, "Accounting for Stock-Based Compensation." This standard establishes a fair value method of accounting for, or disclosing, stock-based compensation plans. NCR intends to adopt the disclosure provisions of this standard which require disclosing the pro forma consolidated net income and earnings per share amounts assuming the fair value method was effective on January 1, 1995. The adoption of the disclosure provisions will not affect consolidated financial condition, results of operations, or cash flows.

#### PRODUCTS AND TECHNOLOGY

The markets for many of NCR's products are characterized by rapidly changing technology, evolving industry standards, and frequent new product introductions. Shortening product life cycles in the information technology industry pose a challenge for the effective management of the transition from existing products to new products. The transition to new products can also result in inventories of old or obsolete products and components.

NCR uses many standard parts and components in its products and believes there are a number of competent vendors for most parts and components. However, a number of important components are developed by and purchased from single sources due to price, quality, technology or other considerations. In some cases, those components are available only from single sources. In order to secure components for production and introduction of new products, NCR may make advance payments to certain suppliers and may

enter into noncancelable purchase commitments with vendors with respect to the purchase of components. See "Risk Factors -- Reliance on Suppliers and Partners."

#### LEGAL PROCEEDINGS AND ENVIRONMENTAL MATTERS

In the normal course of business, NCR is subject to regulations, proceedings, lawsuits, claims, and other matters, including actions under laws and regulations related to the environment, health, and safety, among others. Such matters are subject to the resolution of many uncertainties, and accordingly, outcomes are not predictable with assurance. Although NCR believes that amounts provided in its financial statements are currently adequate in light of the probable and estimable liabilities, there can be no assurances that the amounts required to discharge alleged liabilities from lawsuits, claims, and other legal proceedings and environmental matters, and to comply with applicable environmental laws, will not exceed the amounts reflected in NCR's financial statements or will not have a material adverse effect on the Company's consolidated financial condition, results of operations, or cash flows. Any amounts of costs that may be incurred in excess of those amounts provided as of September 30, 1996 cannot be determined.

Among the lawsuits and claims pending against NCR as of September 30, 1996, there were approximately 80 individual product liability claims alleging that the Company's products, including PCs, supermarket barcode scanners, cash registers, and check encoders, caused so-called "repetitive strain injuries" or "cumulative trauma disorders," such as carpal tunnel syndrome. In such lawsuits, the plaintiff typically alleges that he or she suffers from injuries caused by the design of the product at issue or a failure to warn of alleged hazards. These plaintiffs seek compensatory damages and, in many cases, punitive damages. Most other manufacturers of these products have also been sued by plaintiffs on similar theories. Ultimate resolution of the litigation against the Company may substantially depend on the outcome of similar matters of this type pending in various state and federal courts. The Company has denied the merits and basis for the pending claims against it and intends to continue to contest these cases vigorously.

NCR's facilities and operations are subject to a wide range of environmental protection laws in the United States and other countries related to solid and hazardous waste disposal, the control of air emissions and water discharges, and the mitigation of impacts to the environment from past operations and practices. NCR has investigatory and remedial activities, including characterization and cleanup actions, underway at a number of currently and formerly owned or operated facilities to comply, or to determine compliance, with applicable environmental protection laws. NCR has been identified, either by a governmental agency or by a private party seeking contribution to site cleanup costs, as a PRP at a number of sites pursuant to a variety of statutory schemes, both state and federal, including the FWPCA and comparable state statutes, and CERCLA, and comparable state statutes.

In February 1996, NCR received notice from the USF&WS that it considers NCR a PRP under the FWPCA and CERCLA with respect to alleged natural resource restoration and damages to the Fox River System due to, among other things, sediment contamination in the Fox River System allegedly resulting from liability arising out of NCR's former carbonless paper manufacturing operations at Appleton and Combined Locks, Wisconsin. USF&WS has also notified a number of other manufacturing companies of their status as PRPs under the FWPCA and CERCLA for natural resource restoration and damages in the Fox River System resulting from their ongoing or former paper manufacturing operations in the Fox River Valley. USF&WS and two Indian Tribes have stated their intention to conduct a Natural Resource Damage Assessment to determine and quantify the nature and extent of alleged injury to natural resources. In addition, NCR has been identified, along with a number of other companies, by the WDNR with respect to alleged liability arising out of alleged past discharges that have contaminated sediments in the Fox River System. NCR is also actively pursuing discussions with the WDNR regarding the Company's alleged liability. NCR's share, if any, of such cleanup costs or natural resource restoration and damages liability cannot be predicted with certainty at this time due to (i) the unknown magnitude, scope, and source of any alleged contamination, (ii) the absence of identified remedial objectives and methods, and (iii) the uncertainty of the amount and scope of any alleged natural resource restoration and damages. At this point, NCR believes that there are additional PRPs who may be liable for such natural resource damages and remediation costs. Further, in 1978, NCR sold the business to which the claims apply and believes the claims described above are the



responsibility of the buyer and its former parent company pursuant to the terms of the sales agreement. In this connection, the Company has commenced litigation against the buyer to enforce its position.

It is difficult to estimate the future financial impact of environmental laws, including potential liabilities. NCR accrues environmental provisions when it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. Management expects that the amounts provided as of December 31, 1995 and September 30, 1996 will be paid out over the period of investigation, negotiation, remediation, and restoration for the applicable sites, which may be 30 years or more. Provisions for estimated losses from environmental remediation are, depending on the site, based primarily on internal and third-party environmental studies, estimates as to the number, and participation level of any other PRPs, the extent of the contamination, and the nature of required remedial and restoration actions. Accruals are adjusted as further information develops or circumstances change. The amounts provided for environmental matters in NCR's consolidated financial statements are the estimated gross undiscounted amount of such liabilities, without deductions for insurance or third-party indemnity claims. In those cases where insurance carriers or third-party indemnitors have agreed to pay any amounts and management believes that collectibility of such amounts is probable, the amounts are reflected as receivables in the consolidated financial statements.

NCR has received notice of a purported class action suit filed on or about November 8, 1996, in the Circuit Court for Pinellas County, Florida (Case No. 96-7077-CI-8), in which NCR is named as one of the defendants. The complaint seeks, among other things, damages from the defendants in the aggregate amount of \$200 million, trebled, plus attorneys fees, based on state antitrust and common law claims of unlawful restraints of trade, monopolization, and unfair business practices. The portions of the complaint pertinent to NCR, among other things, assert a purported agreement between Siemens and NCR regarding the servicing of certain "ultra-high speed printers" manufactured by Siemens and the agreement's impact upon independent service organizations, brokers, and end-users of such printers. The amount of any liabilities or other costs that may be incurred in connection with this matter cannot currently be determined.

#### FORWARD LOOKING STATEMENTS

Management's Discussion and Analysis of Financial Condition and Results of Operations contains information regarding management's planned revenue growth and expenditure levels, its financing plans, and plans for information technology development. These statements are forward looking statements that involve a number of risks and uncertainties. The following is a list of factors, among others, that could cause actual results to differ materially from the forward looking statements: business conditions and growth in certain market segments and industries and the general economy; competitive factors including increased competition and price pressures; availability of third party component products at reasonable prices; technological obsolescence; foreign currency exposure; financial condition of business partners; changes in product mix between and among product lines; lower than expected customer orders and quarterly seasonal fluctuation of those orders; and product shipment interruptions. See "Risk Factors."

## MANAGEMENT

## DIRECTORS AND EXECUTIVE OFFICERS OF NCR

Set forth below is certain information concerning the directors, director nominees and executive officers of NCR. The NCR Board is currently comprised of three directors as indicated in the table below. Of the current directors, only Mr. Nyberg will continue to serve as a director after the Distribution. In addition to Mr. Nyberg, NCR's new board is expected to consist of six or seven directors, who are not officers or employees of NCR. Information regarding five such persons is set forth below. One or two additional board members are expected to be named later. NCR's Board of Directors is divided into three classes. Commencing with the annual meeting of stockholders to be held in 1997, directors for each class will be elected at the annual meeting of stockholders held in the year in which the term for such class expires and will serve thereafter for three years. See "Certain Antitakeover Effects -- Board of Directors." It is expected that the executive officers of NCR following the Distribution Date will be the persons who currently serve as executive officers of NCR.

NAME	AGE	POSITION AND OFFICES HELD
Lars Nyberg.....	45	Chairman of the Board, Chief Executive Officer and President
Duane L. Burnham.....	54	Director Nominee
Linda Fayne Levinson.....	54	Director Nominee
Ronald A. Mitsch.....	62	Director Nominee
C.K. Prahald.....	55	Director Nominee
William S. Stavropoulos.....	57	Director Nominee
Raymond G. Carlin.....	41	Senior Vice President, Americas Region
Robert R. Carpenter.....	41	Senior Vice President, Worldwide Customer Support Services
Robert A. Davis.....	46	Senior Vice President and Chief Quality Officer
William J. Eisenman.....	50	Senior Vice President, Computer Systems Group
Daniel J. Enneking.....	49	Senior Vice President, Systemedia Group
Richard H. Evans.....	50	Senior Vice President, Global Human Resources and Chief Strategy Officer
Anthony Fano.....	53	Senior Vice President, Retail Systems Group
John L. Giering.....	52	Senior Vice President and Chief Financial Officer, and a Director
Jonathan S. Hoak.....	47	Senior Vice President and General Counsel, and a Director
Per-Olof Loof.....	46	Senior Vice President, Financial Systems Group
Alice H. Lusk.....	48	Senior Vice President, Worldwide Professional Services and Information Systems Operations
Dennis Roberson.....	47	Senior Vice President and Chief Technical Officer
Jose Luis Solla.....	48	Senior Vice President, Europe/Middle East/Africa Region
Hideaki Takahashi.....	48	Senior Vice President, Asia/Pacific Region
Michael P. Tarpey.....	51	Senior Vice President, Public Relations

Lars Nyberg. Mr. Nyberg was named Chairman of the Board, Chief Executive Officer and President of NCR effective June 1, 1995. From June 1995 to December 1995, Mr. Nyberg also served as Executive Vice President, AT&T. From 1993 to 1995, Mr. Nyberg held the position of Chairman and Chief Executive Officer of the Communication Division of Philips Electronics NV ("Philips"), an electronics and electrical products company. At that time, Mr. Nyberg was a member of the Philips Group Management Committee. In 1992, Mr. Nyberg was appointed Managing Director, Philips Consumer Electronics Division. From 1990 to 1992, he

was the Chairman and Chief Executive Officer of Philips Computer Division. Mr. Nyberg's initial term as a director will expire at the Annual Meeting of stockholders held in 1997.

Duane L. Burnham. Mr. Burnham is Chairman and Chief Executive Officer of Abbott Laboratories, a global provider of pharmaceutical, nutritional, hospital and laboratory products and services. He has been the Chief Executive Officer since 1989 and Chairman since 1990. Mr. Burnham is also a director of Sara Lee Corporation. Mr. Burnham's initial term as a director will expire at the Annual Meeting of stockholders held in 1998.

Linda Fayne Levinson. Ms. Levinson has been President of Fayne Levinson Associates, an independent consulting firm advising both major corporations and start-up entrepreneurial ventures in the areas of strategy, market and corporate development. Ms. Levinson founded Fayne Levinson Associates in 1994. In 1993, she was an executive of Creative Artists Agency, Inc. From 1989 through 1992, she was a partner in the merchant banking operations of Alfred Checchi Associates, Inc. She is also a director of Genentech, Inc., Egghead, Inc., Administaff Inc. and Jacobs Engineering Group Inc. Ms. Levinson's initial term as a director will expire at the Annual Meeting of stockholders held in 1998.

Ronald A. Mitsch. Dr. Mitsch is Vice Chairman and Executive Vice President of Minnesota Mining and Manufacturing Company, a global, diversified manufacturing company. He has been the Executive Vice President, Industrial and Consumer Sector and Corporate Services, since 1991 and Vice Chairman since 1996. Dr. Mitsch is also a director of Lubrizol Corporation. Dr. Mitsch's initial term as a director will expire at the Annual Meeting of stockholders held in 1999.

C.K. Prahalad. Mr. Prahalad is a Professor of Business Administration at the University of Michigan. He is also a director of OIS Optical Imaging Systems, Inc. Mr. Prahalad's initial term as a director will expire at the Annual Meeting of stockholders held in 1999.

William S. Stavropoulos. Since 1995, William S. Stavropoulos has been President and Chief Executive Officer of The Dow Chemical Company, a producer of basic chemicals and plastics, industrial specialties and agricultural and household products. Mr. Stavropoulos became President in 1993 and was Chief Operating Officer from 1993 to 1995. He was a Senior Vice President from 1991 to 1993 and the President of Dow U.S.A. from 1990 to 1993. Mr. Stavropoulos is also a director of Dow Corning Corporation. Mr. Stavropoulos's initial term as a director will expire at the Annual Meeting of stockholders held in 1999.

Raymond G. Carlin. Mr. Carlin became Senior Vice President of NCR in January 1995, responsible for all sales and services activities in the Americas Region. From 1994 to 1995, Mr. Carlin was Vice President, U.S. Area, and from 1993 to 1994, Mr. Carlin was Vice President, NCR Worldwide Industry Marketing. In 1992, Mr. Carlin was appointed an officer by the Board of Directors of NCR and served as Vice President, U.S. Retail Systems Division. Prior to that, he was Vice President of the Northeast Division, NCR U.S. Group.

Robert R. Carpenter. Mr. Carpenter became Senior Vice President, Worldwide Customer Support Services for NCR in September 1996. From 1994 to 1996, he was Senior Vice President, Worldwide Services for NCR. Mr. Carpenter joined AT&T in 1992 as Vice President, Marketing and Sales Operations for AT&T Network Systems. From 1988 to 1992, Mr. Carpenter held the position of Corporate Vice President, Support Operations, for Square D Corporation, a maker of electrical distribution, automation and industrial control products, systems and services.

Robert A. Davis. Mr. Davis became Senior Vice President and Chief Quality Officer in 1995. From 1994 to 1995, Mr. Davis was with Ideon Group, Inc., a provider of credit card registry services, as Senior Vice President and Chief Quality Officer. From 1990 to 1994, Mr. Davis was Vice President and Chief Quality Officer with AT&T Universal Card Services Corp.

William J. Eisenman. Mr. Eisenman became Senior Vice President, Computer Systems Group in 1995. In 1994, he was appointed Vice President, NCR Worldwide Services, Global Remote Services. From 1991 to 1994, he was Vice President, NCR Large Computer Products Division.

Daniel J. Enneking. Mr. Enneking became Senior Vice President, Systemedia Group in 1993. Mr. Enneking was appointed an officer by the Board of Directors of NCR in 1991, and from 1991 to 1993, Mr. Enneking held the position of Vice President, Finance & Administration, NCR U.S. Group.

Richard H. Evans. Mr. Evans became Senior Vice President, Global Human Resources and Chief Strategy Officer for NCR in November 1995. Prior to his appointment with NCR, Mr. Evans was Global Human Resources Vice President for AT&T. From 1991 to 1993, Mr. Evans was President and Regional Managing Director for AT&T's International Operations Division Asia/Pacific in Hong Kong.

Anthony Fano. Mr. Fano became Senior Vice President, Retail Systems Group in 1995. From 1994 to 1995, Mr. Fano was Senior Vice President, NCR Europe and Middle East/Africa, responsible for all NCR sales and services activity in that geographic region. From 1993 to 1994, he was Senior Vice President, Quality and Re-engineering. From 1991 to 1993, he was Vice President, NCR Latin America/Middle East/Africa Group.

John L. Giering. Mr. Giering has held the position of Senior Vice President and Chief Financial Officer of NCR since 1990. He has been a director of the Company since January 1994.

Jonathan S. Hoak. Mr. Hoak became Senior Vice President and General Counsel in December 1993 and a director of the Company effective September 3, 1996. From 1990 to 1993, Mr. Hoak was with AT&T Federal Systems as a General Attorney.

Per-Olof Loof. Mr. Loof became Senior Vice President, Financial Systems Group in November 1995. From 1994 to 1995, Mr. Loof was President and Chief Executive Officer, AT&T Istel Co. Mr. Loof served as Vice President, Sales and Marketing for Europe with Digital, a computer and related equipment and software company, in 1994, and from 1990 to 1993 was Vice President, Financial Industry, with Digital Europe.

Alice H. Lusk. Ms. Lusk became Senior Vice President, Worldwide Professional Services and Information Systems Operations effective September 23, 1996. From 1992 to 1995, she was Corporate Vice President and Group Executive for Healthcare and Life, Property, Casualty and Workers Compensation Insurance Business Units at EDS, an information technology services company. Ms. Lusk served as President, Healthcare Strategic Business Unit at EDS from 1991 to 1992. Ms. Lusk is a director of Access Health, Inc.

Dennis Roberson. Mr. Roberson became Senior Vice President and Chief Technical Officer in September 1995. Mr. Roberson joined NCR as Vice President, NCR Computer Products and Systems in May 1994. From 1988 to 1994, Mr. Roberson was Vice President, Software, with Digital.

Jose Luis Solla. Mr. Solla became Senior Vice President in November 1995, responsible for all sales and services activities in the Europe/Middle East/Africa Region. Mr. Solla joined AT&T Iberia as a Country Leader in 1995. During 1995, Mr. Solla also held the position of Area Manager, Iberia with Olivetti, an office and computer equipment company. Mr. Solla joined Olivetti Spain in 1992 and held the position of Managing Director until 1995. Prior to 1992, Mr. Solla was Area Director, ICL Spain, a computer and telecommunications systems company.

Hideaki Takahashi. Mr. Takahashi became Senior Vice President in January 1996, responsible for all sales and services activities in the Asia/Pacific Region. In July 1994, Mr. Takahashi was appointed Vice President Asia/Pacific Region. From 1992 to 1994, Mr. Takahashi was Vice President, Operations, Japan. In 1992 he became Director, NCR Japan, Ltd. From 1987 to 1992, he was General Manager of NCR's engineering and manufacturing facility in Oiso, Japan.

Michael P. Tarpey. Mr. Tarpey was appointed Senior Vice President of Public Relations in January 1996. From 1994 to 1995, Mr. Tarpey was Public Relations Vice President for AT&T's Consumer Communications Services business. From 1990 to 1993, he was Vice President, Public Relations for AT&T's Business Long Distance Unit.

#### COMMITTEES OF THE NCR BOARD OF DIRECTORS

Shortly after the Distribution Date, the NCR Board of Directors is expected to establish the following committees: the Audit and Finance Committee, the Compensation Committee, and the Committee on Directors. The NCR Board of Directors may also establish other committees to facilitate its work.

The Audit and Finance Committee, which is expected to be comprised of at least three non-employee directors, will be primarily responsible for providing a means of direct contact and communication between NCR's independent accountants and the NCR Board of Directors. The Audit and Finance Committee will review (a) NCR's accounting principles and policies; (b) NCR's internal and independent auditors' reports; (c) the adequacy of NCR's internal controls; (d) NCR's annual audited financial statements; and (e) compliance with NCR's Code of Conduct and key regulatory issues. The Audit and Finance Committee will also be responsible for recommending to the Board of Directors the appointment of NCR's independent accountants, reviewing, approving and recommending to the Board of Directors NCR's financial policies and strategies, and reviewing significant capital or other expenditures.

The Compensation Committee will consist of at least three non-employee directors. Its primary functions will be to review the performance of NCR's executive officers and make recommendations to the Board of Directors with respect to the compensation of NCR's directors and executive officers. In addition, the Compensation Committee will review NCR's executive compensation plans in relation to its corporate strategies, NCR's stock option and other incentive plans, and NCR's plans for management succession and development.

The Committee on Directors will establish procedures for the selection and retention of directors, review the composition of the NCR Board of Directors and the qualifications of persons identified as prospective directors, and recommend for approval by the Board of Directors the candidates to be nominated for election as directors. The Committee on Directors will consist of Mr. Nyberg and at least two non-employee directors.

#### COMPENSATION OF DIRECTORS

NCR expects that each non-employee director will receive an annual retainer of approximately \$30,000, consisting of cash, deferred equity compensation, or a combination thereof. The equity portion of the retainer is expected to be granted on the date of each annual stockholders meeting and to vest pro rata over the year that service is rendered. Cash payments would be made pro rata on a quarterly basis.

The deferred equity component of the retainer will be in the form of deferred shares credited to an NCR Common Stock equivalent account. Dividend payments on NCR Common Stock, if any, will be reinvested in additional deferred shares. It is further contemplated that, at the time of the grant, NCR's non-employee directors will be entitled to elect either (a) to defer until retirement the receipt of shares of NCR Common Stock with a value equivalent to that of their respective vested deferred shares, or (b) to receive such shares annually over a predetermined period of time.

NCR also plans to offer its new non-employee directors a one-time stock option or deferred share grant upon their election to the Board of Directors. It is contemplated that the amount of this grant will be one to two times the annual retainer.

In addition to an annual retainer, NCR's non-employee directors will receive stock option grants at each annual stockholders meeting with a value, based on a specified formula, of approximately \$30,000. Such stock option grants will vest pro rata during the subsequent year of service and will be fully exercisable one year from the date of the grant. The options will have an exercise price equal to the fair market value of the underlying shares of NCR Common Stock on the date of the grant.

#### ANNUAL MEETING

The NCR Bylaws provide that the Company's annual meetings of stockholders will be held during the 31 day period commencing the third Wednesday of April of each year at NCR's principal office or on such other date and at such other place and time as may be fixed by resolution of the NCR Board of Directors. The first annual meeting for which proxies will be solicited from stockholders will be held in 1997.

#### STOCK OWNERSHIP OF EXECUTIVE OFFICERS AND DIRECTORS

No present or future executive officer or director currently owns any shares of NCR Common Stock, all of which are currently owned by AT&T. Such executive officers and directors will receive shares of NCR Common Stock in the Distribution in respect of shares of AT&T Common Stock held by them on the Record Date. In addition, with certain exceptions, existing incentive plan awards under NCR and AT&T incentive

plans based on AT&T Common Stock will be converted into comparable awards based on NCR Common Stock under the NCR Management Stock Plan (the "NCR Stock Plan") as described below. See "-- NCR Stock Incentive Plans" and "Arrangements Among AT&T, NCR and Lucent -- Employee Benefits Agreement." The following table sets forth the number of shares of AT&T Common Stock beneficially owned on November 1, 1996 by each of NCR's directors, the persons expected to serve as directors after the Distribution, the executive officers named in the Summary Compensation Table below, and all directors, director nominees and executive officers of NCR as a group. Except as otherwise noted, the individual director, director nominee or executive officer or his or her family members had sole voting and investment power with respect to such securities.

NAME	BENEFICIALLY OWNED(1)(2)
Lars Nyberg.....	17,289
Duane L. Burnham.....	0
Linda Fayne Levinson.....	200
Ronald A. Mitsch.....	0
C.K. Prahalad.....	0
William S. Stavropoulos.....	0
Raymond G. Carlin.....	19,059
Robert R. Carpenter(3).....	26,022
Anthony Fano.....	35,682
John L. Giering.....	47,324
Directors, Director Nominees and Executive Officers as a Group (21 persons)...	312,212

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- (1) No individual director, director nominee or named executive officer beneficially owns 1% or more of the outstanding AT&T Common Stock, nor do the directors, director nominees and executive officers as a group.
- (2) Includes beneficial ownership of the following number of shares of AT&T Common Stock which may be acquired within 60 days of November 1, 1996 pursuant to stock options awarded under employee incentive compensation plans of AT&T. Mr. Nyberg - 17,289; Mr. Carlin - 16,736; Mr. Carpenter - 24,731; Mr. Fano - 35,511; Mr. Giering - 41,368; and all other directors and executive officers as a group - 148,034. One executive officer owns 1,000 shares of NCR Japan Ltd., a subsidiary of NCR.
- (3) Does not include share units representing 1,792 shares of AT&T Common Stock held in elective deferred compensation accounts.

To the knowledge of AT&T and NCR, no person or entity beneficially owns more than 5% of the outstanding AT&T Common Stock. Options to purchase NCR Common Stock and other awards based on NCR Common Stock are expected to be granted in the future to NCR directors, officers and employees under NCR's benefit plans. See "-- NCR Stock Incentive Plans" and "Arrangements Among AT&T, NCR and Lucent -- Employee Benefits Agreement."

#### EXECUTIVE COMPENSATION

The following table sets forth certain compensation information for Lars Nyberg, the Chairman of the Board, Chief Executive Officer and President of NCR, and the four other executive officers of NCR as of December 31, 1995 who, based on employment with NCR, AT&T or their respective subsidiaries, were the most highly compensated executive officers for the year ended December 31, 1995. Information set forth in the table reflects compensation earned by such individuals for services with NCR, AT&T or their respective subsidiaries.

## SUMMARY COMPENSATION TABLE

NAME AND POSITION(1)	YEAR	ANNUAL COMPENSATION(2)			LONG TERM COMPENSATION(2)				
		SALARY (\$)	BONUS (\$)	OTHER ANNUAL COMPENSA- TION(\$)(3)	AWARDS		PAYOUTS		ALL OTHER COMPENSA- TION(\$)(6)
					AT&T RESTRICTED STOCK AWARD(\$)(4E)	AT&T OPTIONS (#)	AT&T LTIP PAYOUTS (\$)(5)		
Lars Nyberg(7)..... Chairman of the Board, Chief Executive Officer and President	1995	295,384	760,506	122,198	990,942(4a) 45,036(4b) 2,222,500(4c)	438,484	0	0	
	1994	0	0	0		0	0	0	
	1993	0	0	0		0	0	0	
Raymond G. Carlin..... Senior Vice President Americas Region	1995	265,000	64,382	9,080	178,054(4a) 39,774(4b) 27,049(4b)	13,200	50,000	5,625	
	1994	215,771	115,700	9,859	23,520(4b)	8,760	49,140	5,625	
	1993	156,780	58,821	11,481	171,806(4a)	4,500	63,000	5,635	
Robert R. Carpenter..... Senior Vice President Worldwide Customer Support Services	1995	305,000	167,900	62,451	171,806(4a)	6,219	92,598	25,904	
	1994	283,333	220,400	39,671	0	5,278	88,856	20,374	
	1993	235,000	110,900	29,261	0	5,278	51,549	21,371	
Anthony Fano..... Senior Vice President Retail Systems Group	1995	286,000	45,383	94,772	204,452(4a)	15,380	80,900	5,625	
	1994	225,000	120,998	9,785	501,165(4d)	9,220	79,560	5,625	
	1993	196,000	93,379	9,510	0	9,140	102,000	11,230	
John L. Giering..... Senior Vice President & Chief Financial Officer	1995	310,000	84,476	15,523	303,832(4a)	21,280	144,000	399,149	
	1994	297,570	167,364	14,143	0	20,120	141,570	281,495	
	1993	273,000	122,276	25,808	0	20,420	181,500	252,784	

(1) Includes the Chief Executive Officer and the four other most highly compensated executive officers as measured by salary and bonus.

(2) Compensation deferred at the election of named executive officers is included in the category (e.g., salary, bonus, long term incentive plan payouts, etc.) and year it would have otherwise been reported had it not been deferred.

(3) Includes (a) dividend equivalents paid with respect to long-term performance shares prior to the end of the three-year performance period, (b) tax payment reimbursements, (c) the value of certain personal benefits and perquisites, (d) relocation reimbursements, and (e) payments of above-market interest on deferred compensation.

(4) (a) During 1995, awards classified as performance share awards were granted to Messrs. Nyberg, Carlin, Carpenter, Fano, and Giering. At the time of such grant, the payout of such awards was tied to achieving specified levels of performance, customer satisfaction, or employee satisfaction. The target amount would have been earned if 100% of each participant's specific objectives was achieved over a three-year period. Awards are distributed as common stock, or as cash equal to the value of these shares, or partly in common stock and partly in cash. At its December 1995 meeting, the Compensation Committee of the AT&T Board recommended and approved that the performance amounts for the 1995-1997 performance cycle be deemed to have been met at the target level. This action was taken in acknowledgment that AT&T's restructuring had rendered the original performance criteria inapplicable and of the difficulty of establishing revised criteria while the restructuring was in process. As a result of such action, this award will vest in one installment and be payable in the first quarter of 1998 if the participant remains in the employ of NCR for the three full years ending December 31, 1997, with certain exceptions in the case of death, disability, or retirement. Dividend equivalents on such awards are paid in cash. The number of shares of AT&T Common Stock represented by the awards made for the 1995-1997 performance cycle for Messrs. Nyberg, Carlin, Carpenter, Fano, and Giering, respectively, were 10,555, 2,123, 1,798, 2,291, and 3,104. The value of such awards at the date of grant is reflected in the table above.

A similar determination was made by such Compensation Committee with respect to the 1994-1996 cycle for similar awards. Accordingly, such awards will vest in one installment and be payable in the first quarter of 1997 if the participant remains in the employ of NCR through December 31, 1996, subject to the same exceptions described above. The number of shares of AT&T Common Stock represented by the

1994-96 awards for Messrs. Nyberg, Carlin, Carpenter, Fano, and Giering, respectively, were 8,783, 1,364, 1,553, 1,705, and 2,818. The value of such awards at the date of grant is reflected in the table above.

(b) Messrs. Nyberg and Carlin received 834 and 754 restricted shares of AT&T Common Stock, respectively, in 1995, and Mr. Carlin received 514 and 448 restricted shares of AT&T Common Stock in 1994 and 1993, respectively, in each case pursuant to the Officer Plan (as defined below). Dividends on these shares are reinvested in additional shares of restricted stock. The value of such awards at the date of grant is reflected in the table above.

(c) During 1995, Mr. Nyberg received a special restricted stock unit grant of 35,000 shares of AT&T Common Stock. The grant to Mr. Nyberg is part of an AT&T special equity incentive/retention program. The grant vests four years after the date of grant and carries stringent penalties for competition and other specified adverse activities. Dividends on such units are paid in cash. The grant to Mr. Nyberg will not be converted into awards based on NCR Common Stock on the Distribution Date but will remain restricted stock units based on AT&T Common Stock. The value of this award at the date of grant is reflected in the table above.

(d) In March 1994, Mr. Fano received a phantom stock grant equivalent to 9,546 shares of AT&T Common Stock. The phantom stock vests after four years, except in the event of death or disability, in which event the grant vests ratably over the four-year period. The phantom stock is payable in cash, and dividends are reinvested in additional shares of phantom stock. The value of this award at the date of grant is reflected in the table above.

(e) The aggregate value at December 31, 1995 (based on an AT&T Common Stock price of \$64 1/2 per share) for the 1995-1997 and 1994-1996 performance share awards for Messrs. Nyberg, Carlin, Carpenter, Fano, and Giering, respectively, was \$1,252,135, \$225,783, \$216,977, \$258,741, and \$383,450. The aggregate value at December 31, 1995 (based on an AT&T Common Stock price of \$64 1/2 per share) for awards of restricted shares of AT&T Common Stock, restricted stock units, or phantom share units for Messrs. Nyberg, Carlin, and Fano, respectively, was \$2,311,293, \$110,682, and \$615,717.

- (5) Includes distribution in 1995 to Messrs. Carlin, Carpenter, Fano, and Giering of performance units for the three-year performance period ended December 31, 1994.
- (6) Includes in 1995 for Mr. Carpenter, AT&T contributions to the AT&T Savings Plan of \$6,000, AT&T contributions under a non-qualified savings plan of \$5,201, and premiums for split-dollar life insurance policies of \$14,885. Also, includes in 1995 for each of Mr. Fano and Mr. Carlin, NCR contributions to the Savings Plan of \$5,625. For Mr. Giering, includes in 1995, NCR contributions to the Savings Plan of \$5,625 and accrued interest of \$393,524 on a lump-sum amount payable in 1997 pursuant to an employment agreement. See "-- Employment Agreements."
- (7) Mr. Nyberg became Chairman of the Board, Chief Executive Officer and President of NCR effective June 1995. For a summary of his employment agreements, see "-- Employment Agreements" below.



## OPTION AND SAR GRANTS OF AT&amp;T COMMON STOCK TO EXECUTIVE OFFICERS

The following tables disclose information regarding stock options and stock appreciation rights granted to the executive officers named in the Summary Compensation Table above in respect of shares of AT&T Common Stock under the AT&T 1987 Long Term Incentive Plan (the "AT&T Stock Plan").

## OPTION GRANTS IN LAST FISCAL YEAR

NAME(1)	INDIVIDUAL GRANTS				GRANT DATE PRESENT VALUE (\$)(4)
	NUMBER OF SHARES UNDERLYING OPTIONS GRANTED(2)	PERCENT OF TOTAL OPTIONS GRANTED TO EMPLOYEES(3)	EXERCISE PRICE (\$/SH)	EXPIRATION DATE	
Lars Nyberg.....	38,484D		54.0000	7/5/05	451,032
	400,000C	3.29%	63.5000	9/25/05	5,384,000
Raymond G. Carlin.....	13,200	0.10%	49.9375	1/3/05	175,428
Robert R. Carpenter.....	6,219	0.05%	49.9375	1/3/05	83,894
Anthony Fano.....	15,380	0.12%	49.9375	1/3/05	204,400
John L. Giering.....	21,280	0.16%	49.9375	1/3/05	282,811

(1) Includes the Chief Executive Officer and the four other most highly compensated executive officers as measured by salary and bonus.

(2) Includes the regular annual January 1995 grant of options to Messrs. Carlin, Carpenter, Fano, and Giering. For Mr. Nyberg, includes a July 1995 grant in connection with his initial employment and a special AT&T September 1995 equity incentive/retention grant following the announcement of AT&T's restructuring. The options granted in January 1995 to Messrs. Fano, and Giering vest in equal annual installments over four years. Grants to Messrs. Carlin and Carpenter, and to Mr. Nyberg in January and July, respectively, vest in equal annual installments over three years. Options granted in September 1995 to Mr. Nyberg become exercisable four years after the date of grant provided that applicable price performance criteria have been satisfied. Regardless of price performance, all options granted in September 1995 will vest six years after the date of grant. All options expire on the tenth anniversary of the date of grant.

(3) Percent of total options granted based on total options granted to AT&T employees.

(4) In accordance with Commission rules, the Black-Scholes option pricing model was chosen to estimate the grant date present value of the options set forth in this table. NCR's use of this model should not be construed as an endorsement of its accuracy at valuing options. All stock option valuation models, including the Black-Scholes model, require certain assumptions to be made. The following assumptions were made for purposes of calculating the Grant Date Present Value: for the January grant, an option term of 7 years, a standard deviation of 17.69%, a dividend yield of 2.77%, an interest rate of 7.83%, and a 3% per year discount for each year in the vesting period for risk of forfeiture over the three or four-year vesting schedule, as appropriate; for the July grant, an option term of 7 years, a standard deviation of 15.72%, a dividend yield of 2.66%, an interest rate of 6.10%, and a 3% per year discount for each year in the vesting period for risk of forfeiture over a three-year vesting schedule; and for the September grant, an option term of 7 years, a standard deviation of 15.72%, a dividend yield of 2.66%, an interest rate of 6.40%, and a 3% per year discount for each year in the vesting period for risk of forfeiture over the four-year cliff vesting period. The real value of the options in this table depends upon the actual performance of the stock underlying the options during the applicable period.

AGGREGATED OPTION/STOCK APPRECIATION RIGHTS  
EXERCISES IN 1995 AND YEAR-END VALUES

NAME(1)	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED(\$)	UNEXERCISED	VALUE OF
			OPTIONS/SARS AT YEAR END(2)	IN-THE-MONEY OPTIONS/SARS AT YEAR END(2)
			----- EXERCISABLE/ UNEXERCISABLE	----- EXERCISABLE/ UNEXERCISABLE
Lars Nyberg.....	0	0	0	0
Raymond G. Carlin.....	8,095	205,458	438,484	913,703
Robert R. Carpenter.....	5,278	156,031	4,440	57,503
Anthony Fano.....	7,974	228,758	23,385	340,804
John L. Giering.....	0	0	21,556	425,318
			6,219	92,119
			15,155	306,490
			29,625	445,818
			34,050	691,408
			52,850	800,669

(1) Includes the Chief Executive Officer and the four other most highly compensated executive officers as measured by salary and bonus. Sets forth information regarding options regardless of year of grant.

(2) None of the individuals set forth in the table above have stock appreciation rights.

EMPLOYMENT AGREEMENTS

AT&T entered into letter employment agreements with Lars Nyberg on April 18, 1995 (the "1995 Agreement") and June 7, 1996 (the "1996 Agreement") providing for Mr. Nyberg's employment with NCR. The 1995 Agreement provides for an initial base salary of \$600,000 per year, a guaranteed 1995 annual incentive award of \$590,000, and awards under the AT&T Stock Plan of 10,555 performance units and options to purchase 38,484 shares of AT&T Common Stock. The 1995 Agreement also provides for an award to Mr. Nyberg of 7,397 performance units that were payable in the first quarter of 1996 and 8,783 performance units that are payable in the first quarter of 1997. At the time of the Distribution, such performance units will be converted into comparable awards based on NCR Common Stock under the NCR Stock Plan, as more fully set forth below under "Arrangements Among AT&T, NCR and Lucent -- Employee Benefits Agreement." Mr. Nyberg also received additional equity-based awards in 1995, which are reflected in the tables set forth above under "-- Executive Compensation."

The 1996 Agreement supplements the 1995 Agreement and provides for an annual bonus of \$375,000, payable by NCR to Mr. Nyberg on June 1 of each of the years 1996 through 1998, and a bonus of \$3,875,000, payable by NCR to Mr. Nyberg on June 1, 1999, provided in each case that Mr. Nyberg is employed by NCR on such dates. In the event his employment is terminated as a result of death, Disability, involuntary termination other than for Cause, or Termination for Good Reason (as such terms are defined in the 1996 Agreement), Mr. Nyberg (or his estate) will receive a one-time payment of \$5,000,000, less any bonus payments already received. The 1996 Agreement also provides for a bonus of \$2,000,000 to be paid to Mr. Nyberg on or after June 1, 1999 upon execution of an employment contract with NCR for an additional two-year period beyond June 1, 1999.

The 1996 Agreement provides that, after the Distribution, 400,000 stock options for AT&T Common Stock and 35,000 AT&T restricted stock units that were granted to Mr. Nyberg in September 1995 will continue to become exercisable or vest, as applicable, in accordance with the terms under which such awards were granted, and that such restricted stock units will not be converted into comparable awards based on NCR Common Stock but will remain outstanding. The 1996 Agreement also provides that, after the Distribution, NCR will provide Mr. Nyberg with (i) a grant of options to purchase a number of shares of NCR Common Stock such that the market price per share of NCR Common Stock at the date of grant multiplied by such number of shares equals \$5,000,000, and (ii) a grant of a number of restricted shares of NCR Common Stock

such that the market price per share of NCR Common Stock at the date of grant multiplied by such number of restricted shares equals \$5,000,000. Such options and restricted shares will become exercisable or vest, as applicable, in September 1999. Finally, the 1996 Agreement also provides for a lump-sum cash payment by AT&T to Mr. Nyberg of \$1,900,000 upon consummation of the Distribution in lieu of benefits and entitlements that would have become payable to Mr. Nyberg under a special pension arrangement established for him by AT&T, had he remained employed by AT&T.

AT&T and NCR entered into an employment agreement with John L. Giering on September 23, 1991, which provides for Mr. Giering's employment as Senior Vice President, Finance and Administration of NCR, commencing on the date of the agreement and ending on December 31, 1996. Thereafter, Mr. Giering's employment with NCR will be "at will" and upon such terms and conditions as NCR and Mr. Giering may agree. Pursuant to the terms of the employment agreement, Mr. Giering received a lump sum payment of \$2,275,000 plus interest.

AT&T entered into an employment agreement with Robert R. Carpenter on March 2, 1992, which provides for Mr. Carpenter's employment with AT&T through March 2, 1997. Pursuant to the terms of the employment agreement, if Mr. Carpenter is terminated by AT&T other than for cause (as defined in the agreement) during the term of the agreement, Mr. Carpenter will be entitled to the greater of \$225,000 or 100% of his annual base salary in effect on the date of termination. NCR entered into a letter agreement with Mr. Carpenter on February 18, 1994, which provides for Mr. Carpenter's assignment to NCR as Senior Vice President -- Worldwide Services, but which does not negate any rights under the 1992 agreement.

NCR is evaluating entering into severance agreements, or adopting similar arrangements, to provide specified employees with certain benefits in the event of a change of control of NCR.

#### SAVINGS PLAN

All eligible NCR employees in the United States may elect to participate in the NCR Savings Plan (the "Savings Plan"). The Savings Plan is a qualified plan under the Code. A participant in the Savings Plan may elect to contribute, on a "pre-tax" basis, up to a fixed percentage (ranging from 7% to 16% depending on a participant's pay) of his or her pay, collected through payroll deductions. A participant also can contribute, on an "after-tax" basis, provided, however, that a participant's total contribution (both pre-tax and after-tax) cannot exceed a fixed percentage (ranging from 11% to 20% depending on a participant's pay) of his or her pay. By law, no participant can contribute more than \$9,500 on a pre-tax basis in 1996. NCR makes matching contributions equal to 75% of the amount contributed by the participating employee up to 3% of pay and matching contributions equal to 50% of the amount contributed by the participating employee from 4% to 6% of pay.

Participants may invest both their own contributions and NCR's matching contributions to the Savings Plan in one or more of several funds, including a company stock fund consisting of shares of AT&T Common Stock. At the Distribution Date, an investment fund consisting solely of shares of NCR Common Stock will be added to the Savings Plan. During the one-year period following the Distribution Date, participants will not be able to direct investments into the AT&T Common Stock fund, but will be able to transfer investments out of such fund. At the end of such one-year period, all remaining investments in the AT&T Common Stock fund will be automatically transferred to the Saving Plan's money market fund and the AT&T Common Stock fund will be terminated.

A participant's contributions to the Savings Plan are always fully vested; matching contributions by NCR vest in one-fifth increments over a five-year period which begins on the first day of the employee's employment and vest no later than the employee's attainment of age 65. Also, in the event of death, disability or termination of employment due to a reduction-in-force, a participant becomes fully vested in all matching contributions made by NCR and is entitled to full distribution of all amounts held for his or her account under the Savings Plan. If a participant's employment is terminated for any other reason, all non-vested NCR matching contributions will be forfeited. Subject to a tax penalty, withdrawals may be made from the Savings Plan during a participant's employment in the case of a "hardship" (as defined in the Savings Plan). A

participant may receive a loan from his or her vested account balances of up to the lesser of \$50,000 or 50% of the vested account balances.

#### RETIREMENT BENEFITS

Employees of NCR are covered by the NCR Pension Plan and a separate pension plan for certain employees represented by a collective bargaining unit (the "Pension Plans"). Each of the Pension Plans is a qualified, non-contributory defined benefit plan which provides retirement benefits to employees based in the United States (including executive officers of NCR), who have completed one year of service and meet certain age requirements. Benefits payable under the Pension Plan are funded solely by contributions made by NCR on an actuarial basis to a trust. Generally, benefits for non-collectively bargained exempt employees are based on a participant's years of credited service with NCR and its subsidiaries and the participant's Modified Average Pay (as defined in the Pension Plan). For each year of credited service, such a participant receives between 1.3% and 1.7% of his or her Modified Average Pay and such benefits vest after a participant has completed five years of service with NCR or its subsidiaries, as well as at age 65. An additional benefit (the "PensionPlus benefits") equivalent to 1.5% of such a participant's Compensation (as defined in the Pension Plan) paid in each month since January 1, 1992 and 2% of Compensation paid in 1991 is also provided.

Benefits for non-exempt and collectively bargained employees are generally based upon a specific dollar amount and years of service.

The NCR Nonqualified Excess Plan (the "Excess Plan") provides supplemental retirement benefits to the employees of NCR whose retirement benefits under the Pension Plan are affected by Code limits. The supplemental pension benefits provided by the Excess Plan equal the difference between the benefits under the Pension Plan without regard to Code limits and the actual pension benefits payable under the Pension Plan. The supplemental benefits under the Excess Plan will be paid at the same time and in the same form as the benefits under the Pension Plan. The Excess Plan is a nonqualified plan, funded from general corporate assets.

NCR also maintains two nonqualified, unfunded supplemental retirement plans for executive officers designated as participants thereunder by NCR's Board of Directors (the "Plan Committee"). The NCR Senior Executive Retirement, Death & Disability Plan (the "Senior Plan") covers three active executive officers. The Retirement Plan for Officers of NCR (the "Officer Plan") is generally designed to replace the Senior Plan for executive officers appointed after November 30, 1988 and covers 12 active executive officers.

The Senior Plan provides monthly benefits upon termination of employment based upon 4% of a final average monthly pay per year of service. Final average monthly pay is determined by taking into account the participant's highest consecutive 36 months of compensation (i.e., salary, any Management Incentive Plan (the "MIP") award and 50% of certain long-term incentive plan awards) during the last 6 years of employment. The benefit is actuarially reduced to the extent that the participant is under age 62 at the time of termination. The benefit is offset by the participant's Social Security primary insurance amount, by the benefit under the Pension Plan, the Excess Plan or under any other pension, profit sharing, savings or other retirement plan of NCR, an NCR affiliate or a prior employer, and any disability income benefits received pursuant to a disability income plan sponsored by NCR. The Senior Plan also provides for disability benefits in the event that a participant's employment is terminated due to total disability and for death benefits in a reduced amount. No benefits are payable under the Senior Plan if a participant voluntarily terminates employment with NCR before attaining age 55, or is involuntarily terminated by the Company before attaining age 52. The Plan Committee has discretion to disallow benefits in the event that a participant engages in certain competition with NCR during the three-year period following termination of employment with NCR.

The Senior Plan contains a change in control provision that, upon the occurrence of any of certain enumerated events, enhances the benefits of an officer who has been a participant for at least one year prior to a change in control. Upon termination of employment for any reason, certain executive officers identified by NCR's Board of Directors ("Designated Officer") are entitled to an additional five years of service and a guaranteed minimum compensation amount for purposes of calculating the pension benefit under the Senior Plan, and may commence receiving benefits at any time after attaining age 50, subject to more favorable early retirement reduction factors. Other NCR officers who are not Designated Officers become entitled to these

enhanced benefits if involuntarily terminated within three years after a change in control, or if terminated for any reason thereafter. The change in control provision was triggered when NCR's stockholders approved the merger of NCR with a wholly owned subsidiary of AT&T.

Messrs. Giering and Fano are entitled to benefits under the Senior Plan that are enhanced by the change in control provision.

The Officer Plan provides for monthly benefits upon termination of employment based upon 2.5% of career average monthly salary for service as an executive officer, including salary, the MIP award and certain long-term incentive plan awards. The monthly benefit is actuarially reduced to the extent that the participant is under age 62 at the time of termination. The monthly benefit is offset by the participant's benefit under the Pension Plan (other than the PensionPlus benefits) and any employer-provided benefit under any other retirement plan of NCR, an NCR affiliate or a prior employer, and any disability income benefits received pursuant to a disability income plan sponsored by NCR. The Officer Plan permits participants to elect a joint and survivor form of annuity providing for reduced lifetime benefits and an annuity for the life of the participant's surviving spouse. Under the Officer Plan, no benefit is payable if the officer terminates employment prior to one year from the effective date of participation in the plan. In addition, a participant whose employment is terminated prior to age 55 for any reason other than death receives no benefits, unless he or she has been employed by NCR for at least ten years prior to termination of employment. The Officer Plan also provides death benefits in reduced amount. The Plan Committee has discretion to disallow benefits in the event that a participant engages in certain competition with NCR during the three-year period following termination of employment with NCR. Officers participating in the Officer Plan also have received annual grants of restricted AT&T Common Stock ("Restricted Stock") equal to 15% of annual base pay. The Restricted Stock vests when the officer reaches age 55 while still employed by AT&T, or upon death, retirement or total and permanent disability, and the restrictions on transferability lapse at age 62. After the Distribution, this program will be discontinued and outstanding awards will be converted into awards based on NCR Common Stock.

The Officer Plan contained a change of control provision that became effective when NCR's stockholders approved the merger of NCR with a wholly owned subsidiary of AT&T. Officers who had been participants in the Officer Plan for at least one year prior to the effective date of the merger became eligible for certain enhanced pension benefits. Upon termination of employment for any reason, executive officers were entitled to an additional five years of service and a guaranteed minimum compensation amount for purposes of calculating the pension benefit under the Officer Plan, and could commence receiving benefits at any time after attaining age 50, subject to more favorable early retirement reduction factors. Officers who were not executive officers became entitled to these enhanced benefits if involuntarily terminated within three years after the merger, or if terminated for any reason thereafter.

In 1995, Mr. Nyberg entered into an individual pension arrangement with AT&T that required certain minimum service requirements. Since this arrangement terminates upon the Distribution, pursuant to the 1996 Agreement, Mr. Nyberg will not attain the minimum service requirements. Upon the Distribution, AT&T has agreed to pay \$1.9 million to Mr. Nyberg in lieu of all potential benefits and entitlements under his individual pension arrangements.

NCR also maintains two nonqualified, unfunded supplemental retirement plans for officers meeting specified requirements. The Supplemental Pension Plan for Transfers Between AT&T and NCR (the "Transfer Plan") pays a benefit to an individual who transfers employment directly from AT&T to NCR at a level of "D-Band" (middle management) or above, who serves a total of at least five years at the "E-Band" level or above at NCR (officer/key employee), and who is eligible for an immediate pension from both AT&T and NCR at the time of termination of employment with NCR. The benefit equals the difference, if any, between the total retirement benefits that the participant would have received if he or she had remained with AT&T, and the total retirement benefits actually received from AT&T and NCR. NCR intends to amend the Transfer Plan effective as of the Distribution Date to allow no further participants in the plan. Current participants as of the Distribution Date will continue to be entitled to a benefit, provided the eligibility

requirements are satisfied at termination of employment. The Transfer Plan covers three active executive officers.

The NCR Mid-Career Hire Supplemental Pension Plan (the "Mid-Career Plan") pays a benefit to an employee hired by NCR for the first time at age 35 or over, at a level of D-Band or higher, who is working at a level of E-Band or higher at termination of employment from NCR, and whose total service with NCR and its affiliates at the E-Band level is five or more years. An employee is also eligible if he or she transfers to NCR from AT&T and was covered by the AT&T Mid-Career Pension Plan. The benefit equals 1% of annual pay for each "Pension Credit Year," which is each year worked for NCR, up to a maximum equal to the number of years between age 30 and the age on the date of hire with NCR. NCR intends to amend the Mid-Career Plan effective as of the Distribution Date to cease recognition of service with AT&T after the Distribution Date. The Mid-Career Plan covers five active executive officers.

Certain of NCR's non-qualified executive pension plan benefits are supported by a benefits trust, the assets of which are subject to the claims of NCR's creditors.

If Messrs. Nyberg, Carlin, Fano, and Giering continue in their current positions, at current salaries and at target bonus levels and retire at age 62 from NCR, the estimated annual pension amounts payable from NCR's qualified and non-qualified defined benefit pension plans, including supplemental pension plans, would be \$823,685, \$423,512, \$301,880, and \$391,200, respectively. For Mr. Carpenter, the estimated annual pension amount so payable under AT&T's qualified and non-qualified defined benefit pension plans, including supplemental pension plans, would be \$219,682.

#### NCR STOCK INCENTIVE PLANS

Substitute Awards. Prior to the Distribution, eligible employees of NCR participated in the AT&T Stock Plan under which they were granted stock option awards and other equity-based awards. In addition, employees of NCR hold stock option awards and other equity-based awards originally granted under plans of NCR and Teradata, which were subsequently assumed by AT&T and converted into awards based on AT&T Common Stock. On the Distribution Date, with certain exceptions, such awards will be converted into comparable awards based on NCR Common Stock (the "Substitute Awards") under the NCR Stock Plan as described under "Arrangements Among AT&T, NCR and Lucent -- Employee Benefits Agreement."

NCR Stock Plan. NCR intends to adopt, with the approval of AT&T in its capacity as the sole stockholder of NCR, the NCR Stock Plan. The NCR Stock Plan will be administered by the Compensation Committee of the NCR Board of Directors. In order to assure that compensation paid pursuant to the NCR Stock Plan can qualify as "performance-based compensation" not subject to the limitations on deductibility of certain executive compensation in excess of \$1 million, NCR intends to seek stockholder approval of the material terms of the performance goals under the NCR Stock Plan at either its 1997 or 1998 annual meeting of stockholders. Such stockholder approval is not required for any other purpose.

The NCR Stock Plan provides for the grant of incentive stock options that qualify under Section 422 of the Code ("ISOs"), nonstatutory stock options, stock appreciation rights, restricted stock awards, performance awards, other stock unit awards and other rights, interests or options relating to shares of NCR Common Stock or other securities of NCR (collectively, "Awards") to employees and non-employee directors (except that non-employee directors may not receive ISOs). No determination has been made as to the number of employees of NCR who will participate in the NCR Stock Plan. However, as described under "Arrangements Among AT&T, NCR and Lucent -- Employee Benefits Agreement," employees of NCR who hold awards under the AT&T Stock Plan ("AT&T Stock Awards") (approximately 850 individuals as of August 31, 1996) are expected to receive Substitute Awards under the NCR Stock Plan in substitution therefor, following the consummation of the Distribution. NCR expects that additional awards under the NCR Stock Plan will be made.

The NCR Stock Plan contains a formula for establishing an annual limit on the number of shares of NCR Common Stock that may be awarded (or with respect to which non-stock Awards may be made) in any given year, except that Substitute Awards will not be counted against such limit. Subject to customary anti-

dilution adjustments, the total number of shares of NCR Common Stock available for grant under the NCR Stock Plan is 5.6% for 1997 and 4% in each calendar year thereafter of the total outstanding shares of NCR Common Stock as of the first day of each such year for which the NCR Stock Plan is in effect; provided that such number will be increased in any year by the number of shares of NCR Common Stock available for grant under the NCR Stock Plan in previous years but not covered by Awards granted thereunder in such years; provided, further, that, subject to certain conditions, if any shares of NCR Common Stock subject to an Award (including a Substitute Award) are forfeited or if any Award (including a Substitute Award) based on shares of NCR Common Stock is otherwise terminated without issuance of such shares or other consideration in lieu of such shares, the shares of NCR Common Stock subject to such Award will, to the extent of such forfeiture or termination, again be available for Awards; provided, further, that no more than one million shares of NCR Common Stock will be cumulatively available for the grant of ISOs. Any shares of NCR Common Stock issued by NCR throughout the assumption or substitution of outstanding grants from an acquired company ("Rollover Awards") will not reduce the number of shares of NCR Common Stock available for grants thereunder. In addition, no one individual may be granted Awards with respect to more than one million shares of NCR Common Stock in any one year (not including Substitute Awards or Rollover Awards). See "Arrangements Among AT&T, NCR and Lucent -- Employee Benefits Agreement" for certain information concerning Substitute Awards.

The Compensation Committee, which will be comprised of at least three non-employee directors, none of whom may receive any Awards under the NCR Stock Plan, will administer the NCR Stock Plan after the Distribution. Except in the case of Substitute Awards and Rollover Awards, the purchase price per share of NCR Common Stock purchasable under stock options granted pursuant to the NCR Stock Plan will be determined by the Compensation Committee, in its sole discretion, provided that such purchase price will not be less than the Fair Market Value (as defined in the NCR Stock Plan) of a share of NCR Common Stock on the date of grant of the stock options. The NCR Stock Plan also provides that, unless the Compensation Committee determines otherwise at the time of grant with respect to a particular award, in the event of a Change in Control (as defined in the NCR Stock Plan), with certain exceptions, Awards will, among other things, become fully exercisable and vested, earned and payable in full, or otherwise free of all restrictions, limitations and other conditions, as applicable to the particular type of Award.

NCR intends to adopt a new NCR Long Term Incentive Program, offered under the NCR Stock Plan, after the Distribution Date. Awards for the 1996-1998 performance cycle will be offered under the NCR Stock Plan, with performance targets to be established by NCR's Compensation Committee.

NCR also expects to grant certain executive officers and key employees (62 individuals) options to acquire shares of NCR Common Stock, which shares have an aggregate fair market value at time of grant of \$27 million, including grants for shares of NCR Common Stock, which shares have a fair market value of \$1 million to each of Messrs. Carlin, Carpenter, Fano, and Giering. Such options will have an exercise price equal to the fair market value of the NCR Common Stock on the Distribution Date, will vest at the end of two years, and will expire five years after the date of grant. See "-- Employment Agreements."

NCR WorldShares Plan. NCR intends to adopt, with the approval of AT&T in its capacity as the sole stockholder of NCR, the NCR WorldShares Plan ("WorldShares Plan") effective as of the Distribution Date.

The WorldShares Plan provides for the grant of nonstatutory stock options to substantially all NCR's employees in the United States and abroad. The WorldShares Plan will be administered by the Compensation Committee of the NCR Board of Directors (the "Administrator"). The Administrator will have the discretion to modify the terms and conditions of the options, substitute alternative benefits (including phantom stock grants), or establish subplans, for foreign jurisdictions where it deems necessary to accomplish the purposes of the WorldShares Plan.

NCR intends to grant nonstatutory stock options, or substitute benefits where deemed necessary by the Administrator in foreign jurisdictions, to substantially all NCR's employees following the Distribution Date for a number of shares of NCR Common Stock with a value as of the Distribution Date of \$3,000, or of \$4,500 if certain performance goals for NCR are met in 1996. Such options will have an exercise price of the market value of the NCR Common Stock on the Distribution Date and will have a five-year term. Subject to certain

conditions, participants will be fully vested and able to exercise their options one year after the date of grant. Subject to certain conditions, awards under the WorldShares Plan will vest and become exercisable upon a Change in Control (as defined in the WorldShares Plan). The number of shares of NCR Common Stock available for grant under the WorldShares Plan is expected to be approximately 6.6% of the shares of NCR Common Stock outstanding as of the Distribution Date.

Copies of the NCR Stock Plan and the WorldShares Plan have been filed as Exhibits to the Registration Statement, and the foregoing summaries are qualified in their entirety by reference thereto. See "Available Information."

#### OTHER BENEFIT PLANS

Prior to the Distribution Date, eligible employees of NCR participated in the 1994 Employee Stock Purchase Plan for NCR (the "1994 Stock Purchase Plan"), which provided full-time employees of NCR and of designated participating subsidiaries who completed six months of eligible service with an opportunity to purchase AT&T Common Stock through payroll deductions. Effective at the Distribution Date, the 1994 Stock Purchase Plan will terminate. NCR intends to adopt, with the approval of AT&T in its capacity as the sole shareholder of NCR, the 1997 NCR Employee Stock Purchase Plan (the "New Stock Purchase Plan"), which will provide eligible employees with an opportunity to purchase NCR Common Stock through payroll deductions. The New Stock Purchase Plan will allow participants to purchase NCR Common Stock through payroll deductions during monthly purchase periods. Eligible employees on each offering date will each be allowed to purchase shares of NCR Common Stock through payroll deductions of up to 10% of compensation. The purchase price will be 85% of the fair market value of a share of NCR Common Stock on the last day of the applicable purchase period. The New Stock Purchase Plan is expected to remain in effect until December 31, 2006, unless terminated prior thereto in accordance with its terms.

Prior to the Distribution Date, eligible management and key employees participated in the NCR MIP, which paid an annual cash bonus if certain specified objectives were met. In 1996, the objectives were based on NCR's worldwide profits and asset turnover, levels of customer satisfaction and employee satisfaction, and discretionary objectives that varied by work groups. MIP bonuses for a particular year are paid in the first quarter of the following year. To receive a MIP bonus, an employee must be employed throughout the applicable year, or terminate employment during the year on account of retirement, death, disability or transfer of employment, in which cases a prorated bonus is awarded. NCR intends to continue the MIP after the Distribution Date.

NCR also maintains a number of benefit plans that provide certain welfare benefits to both active and retired employees of NCR, including medical, dental, vision, prescription drug, short- and long-term disability, life insurance, severance and other benefits.



## ARRANGEMENTS AMONG AT&amp;T, NCR AND LUCENT

For the purposes of governing certain of the relationships among AT&T, Lucent and NCR following the Distribution, AT&T, NCR and, in certain cases, Lucent have entered into, or expect to enter into, a series of agreements. These agreements include (a) the Separation and Distribution Agreement, dated as of February 1, 1996, as amended and restated as of March 29, 1996, by and among AT&T, Lucent and NCR (the "Separation and Distribution Agreement") and certain ancillary agreements related thereto (collectively, the "Ancillary Agreements," and, collectively with the Separation and Distribution Agreement, the "Initial Transaction Agreements") executed prior to the initial public offering of Lucent Common Stock and (b) the Distribution Agreement, dated as of November 20, 1996, by and between AT&T and NCR (the "NCR Distribution Agreement") and certain ancillary agreements related thereto (collectively, the "NCR Ancillary Agreements," and, collectively with the NCR Distribution Agreement, the "NCR Transaction Agreements," and, collectively with the NCR Distribution Agreement and the Initial Transaction Agreements, the "Transaction Agreements"). The Initial Transaction Agreements include the Interim Services and Systems Replication Agreement; the Patent License Agreement and other patent-related agreements; the Technology License Agreement and other technology-related agreements; the Tax Sharing Agreement (as such terms are defined in the Initial Transaction Agreements) and other tax-related agreements; certain agreements providing for the assignment of, and the establishment of transitional arrangements with respect to, real property; the Technology Access and Development Project Agreement governing the future commercial relationship between NCR and Bell Labs; and agreements pursuant to which NCR will sell certain products to Lucent. The NCR Transaction Agreements include the NCR Employee Benefits Agreement and the AT&T Volume Purchase Agreement (as such terms are defined in the NCR Distribution Agreement.)

Certain of the Transaction Agreements summarized below have been filed (or incorporated by reference) as exhibits to the Registration Statement and the summaries of such agreements are qualified in their entirety by reference to the full text of such agreements. See "Available Information." Certain capitalized terms used in this Section without definition have the respective meanings assigned to them in the Transaction Agreements.

## NCR DISTRIBUTION AGREEMENT

The NCR Distribution Agreement provides that, subject to the terms and conditions thereof, AT&T will effect the Distribution.

## CONDITIONS; TERMINATION

Pursuant to the NCR Distribution Agreement, the AT&T Board has the sole discretion to determine the Record Date and the Distribution Date and all appropriate procedures in connection with the Distribution, provided that the Distribution will not occur prior to such time as each of the following conditions have been satisfied or waived by the AT&T Board in its sole discretion:

(i) a private letter ruling from the IRS shall have been obtained, and shall continue in effect, to the effect that, among other things, the Distribution will qualify as a tax-free distribution for federal income tax purposes under Section 355 of the Code, and such ruling shall be in form and substance satisfactory to AT&T in its sole discretion;

(ii) any material Governmental Approvals and Consents necessary to consummate the Distribution shall have been obtained and be in full force and effect;

(iii) no order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Distribution shall be in effect and no other event shall have occurred or failed to occur that prevents the consummation of the Distribution;

(iv) the Registration Statement on Form 10 of which this Information Statement forms a part shall have been declared effective by the Commission;

(v) AT&T shall have received a favorable response from the Staff of the Commission to a request for a no-action letter concerning, among other matters, whether the Distribution and related transactions may be effected without registration of the NCR Common Stock (and related Preferred Share Purchase Rights) under the Securities Act;

(vi) the NCR Common Stock (and related Preferred Share Purchase Rights) shall have been accepted for listing on a mutually agreed stock exchange or quotations system, which is expected to be the NYSE; and

(vii) the AT&T Board shall have formally approved the Distribution;

provided that the satisfaction of such conditions will not create any obligation on the part of AT&T, NCR or any other Person to effect or to seek to effect the Distribution or in any way limit AT&T's right to terminate the NCR Distribution Agreement or alter the consequences of any such termination from those specified therein. The IRS has issued a private letter ruling to the effect set forth in clause (i) above. The NCR Common Stock has been approved for listing, subject to official notice of issuance, on the NYSE.

The NCR Distribution Agreement may be terminated at any time prior to the Distribution Date by AT&T. In the event of any such termination, no party thereto (or any of its directors or officers) will have any Liability or further obligation to any other party.

#### RELEASES AND INDEMNIFICATION

The NCR Distribution Agreement provides for a full and complete discharge effective as of the Distribution Date of all Liabilities whatsoever existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed on or before the Distribution Date, between or among NCR or any member of the NCR Group, on the one hand, and AT&T or any member of the AT&T Services Group, on the other hand (including any contractual agreements or arrangements existing or alleged to exist between or among any such members on or before the Distribution Date), except as expressly set forth in the NCR Distribution Agreement.

Pursuant to the NCR Distribution Agreement, NCR has agreed to indemnify, defend and hold harmless AT&T and each other AT&T Indemnitee from and against any and all Liabilities of the AT&T Indemnitees relating to, arising out of or resulting from any of the following, in each case whether arising before, on or after the Distribution Date: (i) the failure of NCR or any other member of the NCR Group or any other Person to pay, perform or otherwise promptly discharge any Liabilities of any member of the NCR Group in accordance with their respective terms, whether prior to or after the Distribution Date or the date thereof; (ii) the NCR Business, any Liability of any member of the NCR Group or any NCR Covered Liability; (iii) any Asset (including contracts, agreements, real property and leasehold interests) of any member of the NCR Group at any time (other than Assets transferred to any member of the AT&T Services Group prior to the Distribution Date), and contracts, agreements, letters of credit or other commitments or obligations for which NCR has primary responsibility; (iv) the operation of the NCR Business, as conducted at any time prior to, on or after the Distribution Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person's authority)); (v) any guarantee, indemnity, representation, warranty or other Liability of or made by any member of the AT&T Services Group in respect of any Liability or alleged Liability of any member of the NCR Group; (vi) any breach by NCR or any member of the NCR Group of the NCR Distribution Agreement, the Separation and Distribution Agreement, any Ancillary Agreement, any of the NCR Ancillary Agreements or any other agreement or contract that survives the Distribution Date; (vii) any Liabilities relating to, arising out of or resulting from the NCR Business (including any NCR Covered Liabilities) for which AT&T has agreed to indemnify and hold harmless the Lucent Indemnitees pursuant to the Separation and Distribution Agreement; (viii) actions taken by any member of the AT&T Group on behalf of any member of the NCR Group pursuant to the Separation and Distribution Agreement or any Ancillary Agreement; (ix) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in this Information Statement or the Form

10; (x) any Liability relating to, arising out of or resulting from any actual or threatened Action or other claim alleging that any Liability was improperly allocated to the NCR Group or that any Asset was improperly withheld from the NCR Group, in each case pursuant to any of the Transaction Agreements; and (xi) any Liability relating to, arising out of or resulting from certain specified actions or other claims filed against any member of the NCR Group.

Pursuant to the NCR Distribution Agreement, AT&T has agreed to indemnify, defend and hold harmless NCR and each other NCR Indemnitee from and against any and all Liabilities of the NCR Indemnitees relating to, arising out of or resulting from any of the following, in each case whether arising before, on or after the Distribution Date: (i) the failure of AT&T or any other member of the AT&T Group or any other Person to pay, perform or otherwise promptly discharge any Liabilities of the AT&T Services Group whether prior to or after the Distribution Date or the date thereof; (ii) the AT&T Services Business or any Liability of the AT&T Services Group; and (iii) any breach by AT&T or any member of the AT&T Services Group of any Transaction Agreement or any other agreement or contract that survives the Distribution Date; provided however that such provision will not apply to any Liability relating to the NCR Business.

The NCR Distribution Agreement also specifies certain procedures with respect to claims subject to indemnification and related matters. The dispute resolution procedures (including the arbitration provisions) of the Separation and Distribution Agreement apply to disputes under the NCR Transaction Agreements, unless otherwise expressly provided therein. See "--Separation and Distribution Agreement -- Dispute Resolution" below.

#### NO REPRESENTATIONS OR WARRANTIES

Except as expressly set forth in any Transaction Agreement, no party to any Transaction Agreement or any other agreement or document contemplated by any Transaction Agreement either has or is representing or warranting in any way as to the Assets, businesses or Liabilities retained, transferred or assumed as contemplated thereby, as to any consents or approvals required in connection therewith, as to the value or freedom from any Security Interests of, or any other matter concerning, any Assets of such party, or as to the absence of any defenses or right of setoff or freedom from counterclaim with respect to any claim or other Asset, including any accounts receivable, of any party, or as to the legal sufficiency of any assignment, document or instrument delivered thereunder to convey title to any Asset or thing of value upon the execution, delivery and filing thereof. Except as may expressly be set forth in any Transaction Agreement, all such Assets were, or are being, transferred, or are being retained, on an "as is," "where is" basis (and, in the case of any real property, by means of a quitclaim or similar form deed or conveyance) and the respective transferees will bear the economic and legal risks that any conveyance will prove to be insufficient to vest in the transferee good and marketable title, free and clear of any Security Interest.

#### QUALIFICATION AS TAX-FREE DISTRIBUTION

Pursuant to the NCR Distribution Agreement, each of AT&T and NCR has agreed that it will not take, or permit any member of its respective Group to take, any action after the Distribution Date which could reasonably be expected to prevent the Distribution from qualifying as a tax-free distribution within the meaning of Section 355 of the Code or any other transaction contemplated by the NCR Distribution Agreement or any other Transaction Agreement which is intended by the parties to be tax-free from failing so to qualify. In addition, each of AT&T and NCR has agreed that it will not take, or permit any member of its respective group to take, any action after the Distribution Date which could reasonably be expected to have a material adverse impact on the known tax consequences to the other party (except that each party may take any actions in the ordinary course or in connection with any tax audit or filing).

The NCR Distribution Agreement provides that, notwithstanding anything to the contrary in any Transaction Agreement, if as a result of the acquisition of all or a portion of the capital stock or assets of NCR, the Distribution fails to qualify as a tax-free distribution under Section 355 of the Code, then NCR will be liable for any and all increases in Tax attributable thereto.

#### AMENDMENTS; FURTHER ASSURANCES

No provision of the NCR Distribution Agreement or any NCR Ancillary Agreement will be deemed waived, amended, supplemented or modified by any party, unless such waiver, amendment, supplement or

modification is in writing and signed by the authorized representative of the party against whom it is sought to enforce such waiver, amendment, supplement or modification.

In addition to the actions specifically provided for elsewhere in the NCR Distribution Agreement, each of the parties thereto has agreed to use its reasonable best efforts, prior to, on and after the Distribution Date, to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective the transactions contemplated by the NCR Distribution Agreement and the NCR Ancillary Agreements.

#### FRACTIONAL SHARES

The NCR Distribution Agreement provides that as soon as practicable after the Distribution Date, AT&T will direct the Distribution Agent to determine the number of fractional shares of NCR Common Stock allocable to each holder of record or beneficial owner of AT&T Common Stock as of the Record Date who receives certificates for shares of NCR Common Stock or who would be entitled to less than one whole share of NCR Common Stock, to aggregate all such fractional shares and sell the whole shares obtained by aggregating such fractional shares either in open market transactions or otherwise, in each case at then prevailing trading prices, and to cause to be distributed to each such holder or for the benefit of each such beneficial owner, in lieu of a fractional share, such holder's or owner's ratable share of the proceeds of such sale, after making appropriate deductions of the amount required to be withheld for federal income tax purposes and after deducting an amount equal to all brokerage charges, commissions and transfer taxes attributed to such sale.

#### ADDITIONAL CAPITAL CONTRIBUTIONS

It is expected that, pursuant to the NCR Distribution Agreement, AT&T will (i) make additional contributions of capital to NCR after September 30, 1996 and prior to the Distribution Date and (ii) contribute intercompany advances outstanding from AT&T to NCR as of September 30, 1996. The consolidated financial statements included elsewhere herein reflect these advances in shareholder's equity as having been contributed. The additional capital contributions are expected to consist of \$306 million in cash and the contribution of additional cash in an amount sufficient to retire or defease a total of \$68 million of NCR debt (including payment of related expenses). A portion of the \$306 million in cash may be provided by means of additional intercompany advances from AT&T to NCR after September 30, 1996 that will be contributed at the Distribution Date. See "Capitalization."

#### SEPARATION AND DISTRIBUTION AGREEMENT

The Separation and Distribution Agreement sets forth the agreements among AT&T, NCR and Lucent with respect to the principal corporate transactions required to effect the separation of the Lucent business from AT&T and NCR and to effect the transactions relating to the Lucent initial public offering and distribution of shares of Lucent Common Stock. In addition, the Separation and Distribution Agreement sets forth certain on-going agreements governing the relationship among AT&T, NCR and Lucent.

#### RELEASES AND INDEMNIFICATION

The Separation and Distribution Agreement provides for a full and complete release and discharge as of the closing date of the Lucent initial public offering (April 10, 1996) (the "Closing Date") of all Liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed on or before the Closing Date, between or among Lucent or any member of the Lucent Group, on the one hand, and AT&T, NCR or any member of the AT&T Services Group or the NCR Group, on the other hand (including any contractual agreements or arrangements existing or alleged to exist between or among any such members on or before the Closing Date), except as expressly set forth in the Separation and Distribution Agreement.

Except as provided in the Separation and Distribution Agreement, Lucent has agreed to indemnify, defend and hold harmless each of AT&T and NCR, each member of the AT&T Group and the NCR Group,

and each of their respective directors, officers and employees, from and against all Liabilities relating to, arising out of or resulting from (i) the failure of Lucent or any member of the Lucent Group or any other Person to pay, perform or otherwise promptly discharge any Lucent Liabilities, any Environmental Liabilities of a Subsidiary of Lucent not directly assumed by Lucent, or any Lucent Contract, in accordance with their respective terms, (ii) the Lucent Business, any Lucent Liability, the Environmental Liabilities referred to above or any Lucent Contract, (iii) any breach by Lucent or any member of the Lucent Group of the Separation and Distribution Agreement or any of the Ancillary Agreements, and (iv) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in the Prospectus or the registration statement of which it forms a part relating to the initial public offering of the Lucent Common Stock. Also, in the Separation and Distribution Agreement, Lucent has indemnified the members of the AT&T Group, subject to limited exceptions, against any claims of patent, copyright or trademark infringement or trade secret misappropriation with respect to any product, software or other material provided by or ordered from Lucent Business (whether alone or in combination with other items provided by Lucent Business or third parties) prior to the Closing Date.

AT&T has agreed to indemnify, defend and hold harmless Lucent, each member of the Lucent Group and each of their respective directors, officers and employees from and against all Liabilities relating to, arising out of or resulting from (i) the failure of AT&T or any member of the AT&T Group or any other Person to pay, perform or otherwise promptly discharge any Liabilities of the AT&T Group other than Lucent Liabilities or the NCR Covered Liabilities, (ii) the AT&T Services Business or any Liability of the AT&T Group other than Lucent Liabilities and the NCR Covered Liabilities, and (iii) any breach by AT&T or any member of the AT&T Services Group of the Separation and Distribution Agreement or any of the Ancillary Agreements.

NCR has agreed to indemnify, defend and hold harmless Lucent, each member of the Lucent Group and each of their respective directors, officers and employees from and against all liabilities relating to, arising out of or resulting from (i) the failure of NCR or any member of the NCR Group or any other Person to pay, perform or otherwise promptly discharge any Exclusive NCR Contingent Liability or any Shared NCR Percentage of any Shared Contingent Liability, and (ii) any breach by NCR or any member of the NCR Group of the Separation and Distribution Agreement or any of the Ancillary Agreements, or any other agreement that is not contemplated to be terminated as of the Closing Date pursuant to the Separation and Distribution Agreement. NCR has also agreed to indemnify, defend and hold harmless each AT&T Indemnitee from and against any and all Liabilities of the AT&T Indemnitees relating to, arising out of or resulting from any NCR Covered Liability.

The Separation and Distribution Agreement also specifies certain procedures with respect to claims subject to indemnification and related matters.

#### CONTINGENT LIABILITIES AND CONTINGENT GAINS

The Separation and Distribution Agreement provides for indemnification by Lucent, AT&T and NCR with respect to Contingent Liabilities primarily relating to their respective businesses or otherwise assigned to them ("Exclusive Contingent Liabilities"), subject to the sharing provisions described below. In the event the aggregate Value (as defined herein) of all amounts paid by Lucent, AT&T or NCR (in each case, together with any members of its respective Group) in respect of any single Exclusive Contingent Liability of such Group or any set or group of Related Exclusive Contingent Liabilities of such Group is in excess of \$100 million, NCR, AT&T and Lucent will share such portion in excess of \$100 million (the "Excess Portion") in accordance with the following percentages:

- (i) if the Exclusive Contingent Liability primarily relates to the business of AT&T, AT&T will bear 75% of such Excess Portion, Lucent will bear 22% of such Excess Portion, and NCR will bear 3% of such Excess Portion;

(ii) if the Exclusive Contingent Liability primarily relates to the business of Lucent, Lucent will bear 50% of such Excess Portion, AT&T will bear 47% of such Excess Portion, and NCR will bear 3% of such Excess Portion; and

(iii) if the Exclusive Contingent Liability primarily relates to the business of NCR, NCR will bear 50% of such Excess Portion, AT&T will bear 37% of such Excess Portion, and Lucent will bear 13% of such Excess Portion.

For purposes of the foregoing, the term "Value" is defined as the aggregate amount of all cash payments, the fair market value of all non-cash payments and the incremental cost of providing any goods or services made or provided in respect of any Exclusive Contingent Liability or Related Exclusive Contingent Liabilities, net of: (a) any Insurance Proceeds received or realized in respect of the applicable Exclusive Contingent Liability or Related Exclusive Contingent Liabilities, (b) any Tax benefits associated with such payments or the provision of such goods or services (calculated in the manner specified in the Separation and Distribution Agreement), (c) any amounts received pursuant to certain specified third party agreements in respect of the Exclusive Contingent Liability or Related Exclusive Contingent Liabilities, (d) any other amounts recovered (including by way of set off) from a third party in connection with any such Action or threatened Action and (e) the amount of any reserve, account payable or similar accrual in respect of the Exclusive Contingent Liability or Related Exclusive Contingent Liabilities (net of any offsetting receivables in respect of such Exclusive Contingent Liability or Related Exclusive Contingent Liabilities), in each case as reflected on the Lucent Balance Sheet or the audited consolidated balance sheet of AT&T, including the notes thereto, as of December 31, 1995 (and without giving effect to any subsequent adjustment of any such reserve, account payable, accrual or offsetting receivable).

As a result of the foregoing provisions, if the Value of amounts paid in respect of any Exclusive Contingent Liability or Related Exclusive Contingent Liabilities of AT&T or Lucent exceeds \$100 million, NCR will be required to pay 3% of the Excess Portion, notwithstanding the fact that the Exclusive Contingent Liability or Related Exclusive Contingent Liabilities do not relate to the business and operations of NCR or any other member of the NCR Group. Conversely, if the Value of amounts paid in respect of any NCR Exclusive Contingent Liability or Related Exclusive Contingent Liabilities exceeds \$100 million, NCR will be entitled to reimbursement from AT&T and Lucent of 50%, in the aggregate, of the Excess Portion, notwithstanding the fact that the Exclusive Contingent Liability or Related Exclusive Contingent Liabilities do not relate to the business and operations of AT&T or Lucent or the members of their Groups.

The Separation and Distribution Agreement also provides for the sharing of Shared Contingent Liabilities, which are defined as (a) any Contingent Liabilities that are not Exclusive AT&T Contingent Liabilities, Exclusive Lucent Contingent Liabilities or Exclusive NCR Contingent Liabilities, (b) any RBOC Liability, and (c) certain specifically identified Liabilities, including certain Liabilities relating to terminated, divested or discontinued businesses or operations of AT&T or its current or former Affiliates. With respect to any Shared Contingent Liability, the parties have agreed that AT&T will be responsible for 75%, Lucent for 22% and NCR for 3% of such Shared Contingent Liability. AT&T will assume the defense of, and may seek to settle or compromise, any Third Party Claim that is a Shared Contingent Liability, and the costs and expenses thereof will be included in the amount to be shared by the parties.

The Separation and Distribution Agreement provides that Lucent, AT&T and NCR will have the exclusive right to any benefit received with respect to any Contingent Gain that primarily relates to the business of, or that is expressly assigned to, Lucent, AT&T or NCR, respectively (an "Exclusive Contingent Gain"). Each of Lucent, AT&T and NCR will have sole and exclusive authority to manage, control and otherwise determine all matters whatsoever with respect to an Exclusive Contingent Gain that primarily relates to its respective business. The parties have agreed to share any benefit that may be received from any Contingent Gain that is not an Exclusive Contingent Gain (a "Shared Contingent Gain"), with AT&T receiving 75%, Lucent receiving 22% and NCR receiving 3% of any such benefit. The parties have agreed that AT&T will have the sole and exclusive authority to manage, control and otherwise determine all matters whatsoever with respect to any Shared Contingent Gain. Pursuant to the Separation and Distribution Agreement, each of Lucent and NCR acknowledges that AT&T may elect not to pursue any Shared

Contingent Gain for any reason whatsoever (including a different assessment of the merits of any Action, claim or right than Lucent or NCR or any business reasons that are in the best interests of AT&T or a member of the AT&T Services Group, without regard to the best interests of any member of Lucent Group or the NCR Group) and that no member of the AT&T Group will have any liability to any Person (including any member of Lucent Group or the NCR Group) as a result of any such determination.

The Separation and Distribution Agreement provides for the establishment of a Contingent Claims Committee comprised of one representative designated from time to time by each of AT&T, Lucent and NCR and sets forth procedures for the purpose of resolving disagreements among the parties as to Contingent Gains and Contingent Liabilities.

#### DISPUTE RESOLUTION

The Separation and Distribution Agreement contains provisions that govern, except as otherwise provided in any Ancillary Agreement, the resolution of disputes, controversies or claims ("disputes") that may arise between or among the parties. These provisions contemplate that efforts will be made to resolve disputes by escalation of the matter to senior management (or other mutually agreed) representatives of the parties. If such efforts are not successful, any party may submit the dispute to mandatory, binding arbitration, subject to the provisions of the Separation and Distribution Agreement. The Separation and Distribution Agreement contains procedures for the selection of a sole arbitrator of the dispute and for the conduct of the arbitration hearing, including certain limitations on discovery rights of the parties. These procedures are intended to produce an expeditious resolution of any such dispute.

In the event that any dispute is, or is reasonably likely to be, in excess of \$100 million, or in the event that an arbitration award in excess of \$100 million is issued in any arbitration proceeding commenced under the Separation and Distribution Agreement, subject to certain conditions, any party may submit such dispute to a court of competent jurisdiction and the arbitration provisions contained in the Separation and Distribution Agreement will not apply. In the event that the parties do not agree that the amount in controversy is in excess of \$100 million, the Separation and Distribution Agreement provides for arbitration of such disagreement.

#### CERTAIN BUSINESS TRANSACTIONS

The Separation and Distribution Agreement states that, subject to the terms and conditions thereof, no member of any Group will have any duty to refrain from engaging in the same or similar activities or lines of business as any member of any other Group, or from doing business with any potential or actual supplier or customer of any member of any other Group.

#### EMPLOYEE BENEFITS AGREEMENT

AT&T and NCR have entered into the NCR Employee Benefits Agreement pursuant to which NCR will assume or retain, as applicable, and agree to pay, perform, fulfill and discharge, in accordance with their respective terms, and to indemnify AT&T against, with certain exceptions: (i) all Liabilities to or relating to persons who are, as of the Distribution Date, NCR employees and former employees ("NCR Individuals") relating to, arising out of or resulting from employment by AT&T or any AT&T Controlled Person, before the Close of the Distribution Date (including Liabilities under NCR Plans); (ii) all Liabilities to or relating to NCR Individuals and other employees or former employees of NCR or an NCR Entity, and their dependents and beneficiaries, relating to, arising out of or resulting from employment with NCR or an NCR Controlled Person before, at or after the Close of the Distribution Date (including Liabilities under NCR Plans); (iii) all Liabilities relating to, arising out of or resulting from any other actual or alleged employment relationship with NCR or an NCR Entity; (iv) all other Liabilities relating to, arising out of or resulting from obligations, liabilities and responsibilities expressly assumed or retained by NCR, an NCR Entity, or an NCR Plan pursuant to the NCR Employee Benefits Agreement; and (v) all Liabilities relating to, arising out of or resulting from NCR Plans (other than Liabilities to AT&T employees under certain executive benefit plans).

The NCR Employee Benefits Agreement also provides that NCR will use its reasonable best efforts to take all actions necessary or appropriate so that, with certain exceptions, each outstanding Award based on AT&T Common Stock granted under any AT&T Long Term Incentive Plan held by any NCR employee as of the Close of the Distribution Date will be replaced, effective immediately after the Distribution Date, with an

Award based on NCR Common Stock, as described below. Pursuant to the NCR Employee Benefits Agreement, each such Award consisting of an AT&T Option will be replaced, effective immediately after the Distribution Date, with an NCR Option. Such NCR Option will provide for the purchase of a number of shares of NCR Common Stock equal to the number of shares of AT&T Common Stock subject to such AT&T Option as of the Close of the Distribution Date, multiplied by the Ratio, (as defined below) and then rounded down to the nearest whole share. The per-share exercise price of such NCR Option will equal the per-share exercise price of such AT&T Option as of the Close of the Distribution Date divided by the Ratio. Each such Award consisting of AT&T performance shares or AT&T stock units will be replaced with a new performance share award or a new stock unit award, as the case may be, consisting of a number of NCR performance shares or NCR stock units, as the case may be, equal to the number of AT&T performance shares or AT&T stock units, as the case may be, constituting such Award as of the Close of the Distribution Date, multiplied by the Ratio, and then rounded down to the nearest whole share.

Each such Award consisting of non-vested restricted shares of AT&T Common Stock or restricted stock units relating to shares of AT&T Common Stock, with certain exceptions, will be replaced with either a replacement Award or such other form of compensation not based on NCR Common Stock as NCR may determine. Any such replacement Award will be a new Award consisting of a number of non-vested restricted shares of NCR Common Stock and/or restricted stock units relating to shares of NCR Common Stock equal to the number of non-vested restricted shares or restricted stock units of AT&T Common Stock constituting such Award as of the Close of the Distribution Date multiplied by the Ratio, and then rounded down to the nearest whole share.

Each replacement Award described above will otherwise have the same terms and conditions as were applicable to the corresponding AT&T Award as of the Close of the Distribution Date, except that references to AT&T and its Affiliates will be amended to refer to NCR and its Affiliates and dividend equivalent payments, if any, with respect to dividends, the record date for which is payable after the Distribution Date will be paid with reference to dividends, if any, on NCR Common Stock. For purposes of the replacements described above, the "Ratio" means the amount obtained by dividing (a) the average of the daily high and low per-share prices of the AT&T Common Stock during each of the five trading days immediately preceding the Distribution Date by (b) the average of the daily high and low per-share prices of the NCR Common Stock on a when-issued basis during each of the five trading days immediately preceding the Distribution Date.

As of September 30, 1996, NCR employees held stock options representing approximately six million shares of AT&T Common Stock, at exercise prices ranging from \$15 to \$50 per share of AT&T Common Stock. These stock options are expected to be converted into NCR stock options immediately after the Distribution Date on the terms set forth above. Of such stock options, Awards for approximately three million shares of AT&T Common Stock are currently exercisable at prices ranging from approximately \$15 to \$39 per share of AT&T Common Stock. As of November , 1996, the per share price of the AT&T Common Stock was \$ .

If, at any time after the Close of the Distribution Date, AT&T is required to deliver shares of AT&T Common Stock, or shares of AT&T Common Stock vest, pursuant to an Award that NCR does not replace as summarized above NCR will pay AT&T the following amounts: (i) with respect to each such Award that is an AT&T Option, the Spread on such Option; (ii) with respect to the vesting or delivery of shares of AT&T Common Stock pursuant to such an Award (other than an AT&T Option), the Value of such AT&T Common Stock on the date of such vesting or delivery; and (iii) with respect to each such Award, the amount of any withholding taxes with respect thereto which are not paid or reimbursed to AT&T by the holder of such Award. The "Spread" on an Option means the excess, if any, of the Value of the purchased shares on the date of exercise of such Option over the price paid for such shares. The "Value" of a share of AT&T Common Stock on a given date means the average of the high and the low per-share prices of the AT&T Common Stock as listed on the NYSE on such date, or if there is no trading on the NYSE on such date, on the most recent previous date on which such trading takes place. NCR will also pay cash in lieu of fractional shares or other interests in the case of all of the foregoing replacements and substitutions.



## PURCHASE AGREEMENTS

NCR and AT&T have entered into the AT&T Volume Purchase Agreement and certain related agreements, including a General Procedures Agreement (the "AT&T Procedures Agreement"), pursuant to which NCR will provide products and services to AT&T and certain affiliates of AT&T (other than Lucent). The AT&T Volume Purchase Agreement provides that payments through the three-year period ending December 31, 1999 made to NCR for purchases of products and services by AT&T and such affiliates will total at least \$350 million cumulatively, subject to certain conditions.

The AT&T Procedures Agreement sets forth certain terms, conditions and procedures with respect to transactions between NCR and AT&T, including provisions governing (i) ordering and delivery, (ii) payment terms, (iii) certain intellectual property matters, (iv) warranties and indemnities, (v) product support and documentation, (vi) site preparation, installation, maintenance and other services, and (vii) dispute resolution. NCR and AT&T also expect to enter into an agreement setting forth the specific terms and conditions applicable to the provision by NCR to AT&T of certain product support and maintenance services.

NCR and Lucent have entered into a Volume Purchase Agreement (the "Lucent Volume Purchase Agreement") under which Lucent has committed to purchase at least \$150 million of products and services from NCR during the three-year period ending December 31, 1998. As of September 30, 1996, approximately \$106 million of such commitment had been purchased by Lucent.

## INTERIM SERVICES AND SYSTEMS REPLICATION AGREEMENT

NCR, AT&T and Lucent have entered into the Interim Services and Systems Replication Agreement, governing the provision by each to one or more of the others, on an interim basis, of certain data processing and telecommunications services (including voice telecommunications and data transmission), and certain corporate support services (including accounting, financial management, tax, payroll, stockholder and public relations, legal, human resources administration, procurement, real estate management and other administrative functions), each as specified and on the terms set forth therein and in the schedules thereto. Specified charges for such services are generally intended to allow the providing company to recover the fully allocated direct costs of providing the services, plus all out-of-pocket costs and expenses, but without any profit. The Interim Services and System Replication Agreement also provides for the provision of certain additional services identified from time to time after the Closing Date that a party reasonably believes were inadvertently or unintentionally omitted from the specified services, or that are essential to effectuate an orderly transition under the Separation and Distribution Agreement (so long as the provision of such services would not significantly disrupt the providing party's operations).

In addition, the Interim Services and Systems Replication Agreement provides for the replication and transfer, from each party to one or more of the others, of certain computer systems, including hardware, software, data storage or maintenance and support components, specified therein and in the schedules thereto. Except where otherwise specified, the costs and expenses of separating or replicating a system are intended to be borne by the parties in proportion to their prior usage of the system. Costs and expenses of purchasing new hardware or obtaining new software licenses will be borne by the party purchasing the new hardware or licensing the new software.

With limited exceptions, these interim services are not expected to extend beyond January 1, 1998 and many are expected to terminate at or prior to the Distribution.

## PATENT LICENSES AND RELATED MATTERS

Lucent, AT&T and NCR have executed and delivered assignments and other agreements, including a patent license agreement, related to patents owned or controlled by AT&T and its subsidiaries. The patent assignments divide ownership of patents, patent applications and foreign counterparts among Lucent, AT&T and NCR, with the substantial portion of those previously owned or controlled by AT&T and its subsidiaries (other than NCR) being assigned to Lucent and the substantial portion of those previously owned or controlled by NCR and its subsidiaries being retained by NCR. Certain patents and patent applications previously owned or controlled by AT&T and its subsidiaries were assigned to NCR. A small number of the patents assigned to Lucent are jointly owned with NCR. The patents that Lucent jointly owns with NCR are subject to a defensive protection agreement under which Lucent holds most ownership rights in the patents exclusively. Under this defensive protection agreement, NCR has the ability, subject to specified restrictions, to assert infringement claims under the patents against companies that assert patent infringement claims

against NCR, and has consent rights in the event Lucent wishes to license the patents to certain third parties. The defensive protection agreement also provided for a one-time payment from NCR to Lucent, which has been paid.

The patent license agreement entered into by Lucent, AT&T and NCR provides for cross-licenses to each company, under each of the other company's patents that are covered by the licenses, to use, lease, sell and import any and all products and services of the businesses in which the licensed company (including specified related companies) is now or hereafter engaged. Except for the payment of specified up-front amounts, such cross-licenses are royalty-free. The cross-licenses also permit each company, subject to specified limitations, to have third parties make items under the other companies' patents, as well as to pass through to customers certain rights under the other companies' patents with respect to products and services furnished to customers by the licensed company. In addition, the rights granted to Lucent and AT&T include the right to license third parties under each of the other company's patents to the extent necessary to meet existing patent licensing obligations.

The cross-licenses between AT&T and NCR cover all of each company's patents, including patents issued on patent applications filed on or before December 31, 1999, except for certain patents and patents on filed applications owned or controlled by AT&T Wireless. The cross-licenses between Lucent and NCR cover all of each company's patents, including patents issued on patent applications filed on or before December 31, 1999. In the event of a change in control of NCR or certain acquisitions by NCR, the licenses granted to NCR under the patent license agreement will extend only to a specific annual volume of products and services of a kind offered by NCR prior to the change in control or specified acquisition.

#### TECHNOLOGY LICENSES AND RELATED MATTERS

Lucent, AT&T and NCR have executed and delivered assignments and other agreements, including the Technology License Agreement, related to technology previously owned or controlled by AT&T and its subsidiaries. Technology includes copyrights, mask works and other intellectual property other than trademarks, trade names, trade dress, service marks and patent rights. The technology assignments divide ownership of technology among Lucent, AT&T and NCR, with Lucent and AT&T owning technology that was developed by or for, or purchased by, Lucent's business or AT&T's services business, respectively, and NCR owning technology that was developed by or for, or purchased by, NCR. Technology that is not covered by any of these categories is owned jointly by Lucent and AT&T or, in the case of certain specified technology, owned jointly by Lucent, AT&T and NCR.

The Technology License Agreement entered into by Lucent, AT&T and NCR provides for royalty-free cross-licenses to each company to use the other companies' technology existing as of the Closing Date, except for specified portions of each company's technology as to which use by the other companies is restricted or prohibited.

#### TAX AGREEMENTS

##### TAX ALLOCATION AGREEMENTS

The parties have entered into agreements to govern the allocation of consolidated or combined federal and state and local income tax liabilities (the "Tax Allocation Agreements") among AT&T, Lucent, NCR and all other domestic subsidiaries of AT&T for the period before the Distribution Date. The Tax Allocation Agreement applies to Lucent in respect of the period prior to the date of the Lucent Distribution. No party will pay an amount of income tax greater than the income tax it would have paid had it filed its income tax return as a separate entity (prior to credits), except in cases in which the consolidated or combined group as a whole realizes a detriment from consolidation or combination. The Tax Allocation Agreements also provide that profitable entities will compensate loss entities to the extent that the losses are utilized in the consolidated tax return. No loss entity, however, will be compensated for an amount of losses in excess of the amount of losses that it would have shown had it filed its income tax return separately. Consolidated or combined credits allowed against tax on a consolidated or combined income tax return will be allocated to each entity in proportion to the creditable expenditures by such entity (or, in the case of credits not based on expenditures, in proportion to its contribution to such credits). To the extent that the consolidated or combined group is subject to alternative minimum tax ("AMT"), such AMT will be allocated proportionately among those members of the group that would have owed AMT had they filed their income tax return separately.

## TAX SHARING AGREEMENT

The Tax Sharing Agreement, by and among Lucent, AT&T and NCR (the "Tax Sharing Agreement"), governs contingent tax liabilities and benefits, tax contests and other tax matters with respect to tax returns filed with respect to tax periods ending or deemed to end on or before the Distribution Date. The Tax Sharing Agreement applies to Lucent in respect of the period prior to the date of the Lucent Distribution. Under the Tax Sharing Agreement, Adjustments (as defined in the Tax Sharing Agreement) to Taxes (other than state, local, or municipal income or franchise taxes) that are clearly attributable to the business of one party will be borne solely by that party. Under the Tax Sharing Agreement, Adjustments to state, local, or municipal income or franchise taxes will be borne by each party in accordance with a specified formula. Adjustments to all other Tax liabilities will be borne 75% by AT&T, 22% by Lucent and 3% by NCR.

## REAL ESTATE AGREEMENTS

AT&T, Lucent and NCR have executed a series of instruments that assign AT&T's worldwide real estate portfolio, consisting of both owned and leased property, among the parties. Generally, such real estate was assigned by reference to which party was the dominant tenant in the applicable facility. The parties also have agreed to share, pursuant to intercompany leases, subleases and sub-subleases, certain facilities, consisting predominantly of office space and laboratory sites.

With certain exceptions the terms of such leases, subleases and sub-subleases are substantially the same regardless of which company is tenant or landlord. In the case of owned real estate to be leased, the lease terms will be either two or three years, except that a limited number of leases for smaller premises may be terminated on 90 days' notice by the tenant. In the case of subleases or sub-subleases of property, the lease term will generally coincide with the remaining term of the primary lease or sublease, respectively. In the case of owned property, rent payments are generally determined by reference to prevailing market rents or previously specified internal budget levels. In the case of subleases of third-party leases, or sub-subleases, rent payments are generally determined by reference to the rent specified in the underlying lease or sublease, plus an administrative fee. The leases, subleases and sub-subleases provide generally that the owner, landlord or sub-landlord will provide property services for specified fees. In the case of owned property, furniture becomes the property of the owner, but may be used by the tenant. In the case of leased property, the furniture becomes the property of the occupant.

## OTHER AGREEMENTS

Pursuant to the Technology Access and Development Project Agreement, NCR will have access to the results of certain Bell Labs research and development activities, and Bell Labs will perform specific research and development projects on a contract basis for NCR. NCR will pay a periodic retainer fee for such access and an additional fee for each research and development project. Such agreement will terminate on December 31, 1999, but is subject to renewal by mutual consent.

Prior to October 1, 1996, AT&T owned approximately 86% of the common stock of AT&T Capital. In 1993, in connection with the initial public offering of a minority interest in AT&T Capital, AT&T and AT&T Capital entered into an operating agreement (the "Operating Agreement") pursuant to which AT&T provides AT&T Capital with the right to be the preferred provider of leasing and financing services for AT&T's products. The Operating Agreement expires in August 2000. NCR, as a subsidiary of AT&T, has operated under the Operating Agreement and, pursuant to the terms thereof, has entered into a comparable operating agreement with AT&T Capital having the same term. In connection therewith, NCR has also agreed that AT&T Capital and certain subsidiaries will be entitled to use certain of NCR's marks for use in connection with the provision of financing services under the operating agreement in accordance with the existing license agreement between AT&T and AT&T Capital. NCR has further agreed that it will continue to be bound by the provisions of an intercompany agreement between AT&T and AT&T Capital to the extent NCR is currently bound thereby under which NCR will continue to give AT&T Capital the right to bid for the provision of leasing and financing services in connection with NCR's internal equipment purchasing and leasing in the United States, Canada, the United Kingdom, France, and Germany.

AT&T and NCR have also entered into a trademark licensing agreement pursuant to which NCR will be entitled to use the "AT&T" name and related logo for a specified royalty in connection with the sale of certain of its products to a specified customer for up to two years.

## DESCRIPTION OF NCR CAPITAL STOCK

## AUTHORIZED CAPITAL STOCK

Immediately after the Distribution, NCR's authorized capital stock will consist of 100 million shares of preferred stock, par value \$0.01 per share (the "Preferred Stock"), and 500 million shares of NCR Common Stock. Immediately following the Distribution, approximately 101 million shares of NCR Common Stock are expected to be outstanding. All of the shares of NCR Common Stock that will be outstanding immediately following the Distribution will be validly issued, fully paid and nonassessable, free of preemptive rights. The following summarizes certain Charter provisions as they are expected to be in effect after the Distribution.

## COMMON STOCK

The holders of NCR Common Stock will be entitled to one vote for each share on all matters voted on by stockholders, including elections of directors, and, except as otherwise required by law or provided in any resolution adopted by the NCR Board of Directors with respect to any series of Preferred Stock, the holders of such shares will possess all voting power. There is no cumulative voting in the election of directors. Subject to any preferential rights of any outstanding series of Preferred Stock created by the NCR Board of Directors from time to time, the holders of NCR Common Stock will be entitled to such dividends as may be declared from time to time by the NCR Board of Directors from funds available therefor, and upon liquidation will be entitled to receive pro rata all assets of NCR available for distribution to such holders. See "Dividend Policy." Any such series of preferred stock may be created by the NCR Board of Directors from time to time without the consent of the holders of the NCR Common Stock. In any such event, the rights of the holders of the NCR Common Stock will be subject to the preferential rights of the holders of the preferred stock. See "-- Preferred Stock."

## PREFERRED STOCK

The Charter authorizes the NCR Board of Directors to establish one or more series or classes of Preferred Stock and to determine, with respect to any series of Preferred Stock, the terms and rights of such series.

NCR believes that the ability of the NCR Board of Directors to issue one or more series of Preferred Stock will provide NCR with flexibility in structuring possible future financings and acquisitions, and in meeting other corporate needs which might arise. The authorized shares of Preferred Stock, as well as shares of NCR Common Stock, will be available for issuance without further action by NCR's stockholders, unless such action is required by applicable law or the rules of any stock exchange or automated quotation system on which NCR's securities may be listed or traded. The NYSE currently requires stockholder approval as a prerequisite to listing shares in several instances, including where the present or potential issuance of shares could result in an increase in the number of shares of common stock, or in the amount of voting securities, outstanding of at least 20%. If the approval of NCR's stockholders is not required for the issuance of shares of Preferred Stock or NCR Common Stock, the NCR Board of Directors may determine not to seek stockholder approval.

Although the NCR Board of Directors has no intention at the present time of doing so, it could issue a series of Preferred Stock that could, depending on the terms of such series, impede the completion of a merger, tender offer or other takeover attempt. The NCR Board of Directors will make any determination to issue such shares based on its judgment as to the best interests of NCR and its stockholders. The NCR Board of Directors, in so acting, could issue Preferred Stock having terms that could discourage an acquisition attempt through which an acquiror may be able to change the composition of the NCR Board of Directors, including a tender offer or other transaction that some, or a majority, of NCR's stockholders might believe to be in their best interests or in which stockholders might receive a premium for their stock over the then current market price of such stock.

As of the Distribution Date, 1,500,000 Junior Preferred Shares (as defined herein) will be reserved for issuance upon exercise of the Rights. See "Certain Antitakeover Effects -- Rights Plan."

Copies of the Charter, Bylaws and Rights Plan are filed as Exhibits to the Registration Statement and the summaries thereof in this Information Statement are qualified in their entirety by reference thereto. See "Available Information."

## CERTAIN ANTITAKEOVER EFFECTS

## BOARD OF DIRECTORS

The Charter provides that the directors, other than those who may be elected in accordance with the terms of any Articles Supplementary relating to any series of Preferred Stock created from time to time, will be divided into three classes. Each such class will consist, as nearly as may be possible, of one-third of the total number of directors. The Charter also provides that except as otherwise fixed by or pursuant to the provisions of any Articles Supplementary, NCR will have three directors, which number may be increased or decreased from time to time in such lawful manner as the Bylaws provide. The Bylaws provide that the number of directors may be increased to not more than 20 or decreased to not less than three from time to time by a majority of the total number of directors which NCR would have if there were no vacancies (the "Whole Board"). Except as provided by law with respect to directors elected by stockholders of a class or series, any director or the entire Board of Directors may be removed for cause, by the affirmative vote of the holders of not less than 80% of the voting power of all Voting Stock then outstanding, voting together as a single class.

Except as provided by law with respect to directors elected by stockholders of a class or series, a vacancy on the Board of Directors which results from the removal of a director may be filled by the affirmative vote of the holders of not less than 80% of the voting power of the then outstanding Voting Stock, voting together as a single class, and a vacancy which results from any such removal or from any other cause may be filled by a majority of the remaining directors, whether or not sufficient to constitute a quorum.

These provisions would preclude a third party from removing incumbent directors and simultaneously gaining control of the NCR Board of Directors by filling the vacancies created by removal with its own nominees. Under the classified board provisions described above, it would take at least two elections of directors for any individual or group to gain control of the NCR Board of Directors. Accordingly, these provisions could discourage a third party from initiating a proxy contest, making a tender offer or otherwise attempting to gain control of NCR.

## STOCKHOLDER ACTION BY UNANIMOUS WRITTEN CONSENT; LIMITATIONS ON CALL OF SPECIAL MEETINGS

The Charter provides that except as may be provided in any Articles Supplementary, any corporate action upon which a vote of stockholders is required or permitted may be taken without a meeting or vote of stockholders only with the unanimous written consent of stockholders entitled to vote thereon. As a practical matter, this provision will make action by written consent impossible in a public corporation such as NCR after the Distribution Date.

The Charter further provides that except as otherwise required by the GCL or as provided in any Articles Supplementary, special meetings of stockholders of NCR for any purpose or purposes may be called only by the Board of Directors or by the President of NCR. No business other than that stated in the notice will be transacted at any such special meeting. Each of the Board of Directors, the President and Secretary of NCR will have the maximum power and authority permitted by the GCL with respect to the establishment of the date of any special meeting of stockholders, the establishment of the record date for stockholders entitled to vote thereat, the imposition of conditions on the conduct of any special meeting of stockholders and all other matters relating to the call, conduct, adjournment or postponement of any such special meeting, regardless of whether the meeting was convened by the Board of the Directors, the President, the stockholders of NCR or otherwise. Under current provisions of the GCL and the Bylaws, the holders of a majority of the outstanding shares of NCR Common Stock may require the Secretary of NCR to call a special meeting of stockholders of NCR.

These provisions may have the effect of delaying consideration of a stockholder proposal until the next annual meeting unless a special meeting is called by the NCR Board of Directors, the President or a majority of the holders of the shares of NCR Common Stock.

## ADVANCE NOTICE PROCEDURES

The Bylaws establish an advance notice procedure for stockholders to make nominations of candidates for election as directors or to bring other business before an annual meeting of stockholders of NCR (the "Stockholder Notice Procedure"). The Stockholder Notice Procedure provides that only persons who are nominated by, or at the direction of, the Board of Directors, or by a stockholder who has given timely written notice to the Secretary of NCR prior to the meeting at which directors are to be elected, will be eligible for election as directors of NCR. The Stockholder Notice Procedure also provides that at an annual meeting only such business may be conducted as has been brought before the meeting by, or at the direction of, the NCR Board of Directors, or by a stockholder who has given timely written notice to the Secretary of NCR of such stockholder's intention to bring such business before such meeting. Under the Stockholder Notice Procedure, for notice of stockholder nominations to be made at an annual meeting to be timely, such notice must be received by NCR not later than the close of business on the 90th calendar day nor earlier than the close of business on the 120th calendar day prior to the first anniversary of the preceding year's annual meeting (except that, in the event that the date of the annual meeting is more than 30 calendar days before or more than 60 calendar days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th calendar day prior to such annual meeting and not later than the close of business on the later of the 90th calendar day prior to such annual meeting or the 10th calendar day following the day on which public announcement of a meeting date is first made by NCR). For purposes of the Stockholder Notice Procedure, the first anniversary of the 1996 annual meeting will be deemed to be April 16, 1997.

Notwithstanding the foregoing, in the event that the number of directors to be elected to the NCR Board of Directors is increased and there is no public announcement by NCR naming all of the nominees for director or specifying the size of the increased NCR Board of Directors at least 100 calendar days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice also will be considered timely, but only with respect to nominees for any new positions created by such increase, if it is delivered not later than the close of business on the 10th calendar day following the day on which such public announcement is first made by NCR. Under the Stockholder Notice Procedure, for notice of a stockholder nomination to be made at a special meeting at which directors are to be elected to be timely, such notice must be received by NCR not earlier than the close of business on the 120th calendar day prior to such special meeting and not later than the close of business on the later of the 90th calendar day prior to such special meeting or the 10th calendar day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the NCR Board of Directors to be elected at such meeting.

In addition, under the Stockholder Notice Procedure, a stockholder's notice to NCR proposing to nominate a person for election as a director or relating to the conduct of business other than the nomination of directors must contain certain specified information. If the chairman of a meeting determines that an individual was not nominated, or other business was not brought before the meeting, in accordance with the Stockholder Notice Procedure, such individual will not be eligible for election as a director, or such business will not be conducted at such meeting, as the case may be.

Although the Stockholder Notice Procedures do not give the NCR Board of Directors any power to approve or disapprove stockholder nominations for the election of directors or proposals for action, they may have the effect of precluding a contest for the election of directors or the consideration of stockholder proposals if the proper procedures are not followed and of discouraging or deterring a third party from conducting a solicitation of proxies to elect its own slate of directors or to approve its own proposal, without regard to whether consideration of such nominees or proposals might be harmful or beneficial to NCR and its stockholders.

## AMENDMENT

The Charter provides that the affirmative vote of the holders of at least 80% of the Voting Stock, voting together as a single class, is required to amend provisions of the Charter relating to stockholder action without a meeting; the calling of special meetings; the number, election and term of NCR's directors; the filling of

vacancies; and the removal of directors. The Charter further provides that the related Bylaws described above (including the Stockholder Notice Procedure) may be amended only by the NCR Board of Directors or by the affirmative vote of the holders of at least 80% of the voting power of the outstanding shares of Voting Stock, voting together as a single class. Other amendments to the Charter require the affirmative vote of the holders of at least a majority of the Voting Stock, voting together as a single class. In all cases, amendments to the Charter require that the Board of Directors of NCR determine that the proposed amendment is advisable.

#### RIGHTS PLAN

The NCR Board of Directors currently expects to adopt the Rights Plan on or prior to the Distribution Date. Pursuant to the Rights Plan, the NCR Board of Directors will cause to be issued one Right for each outstanding share of NCR Common Stock. The Rights have certain antitakeover effects. The Rights will cause substantial dilution to a person or group of persons that attempts to acquire NCR on terms not approved by the NCR Board of Directors. The Rights should not interfere with any merger or other business combination approved by the NCR Board of Directors prior to the time that a person or group has acquired beneficial ownership of 15% percent or more of the NCR Common Stock since the Rights may be redeemed by NCR until such time.

Each Right will entitle the registered holder to purchase from NCR one one-hundredth of a share of a new series of Series A Junior Participating Preferred Stock, par value \$.01 per share (the "Junior Preferred Shares"), of NCR at a price of \$150 per share (the "Purchase Price"), subject to adjustment. The description and terms of the Rights will be set forth in a Rights Agreement (the "Rights Agreement"), between NCR and the designated Rights Agent (the "Rights Agent"). The description set forth below is intended as a summary only and is qualified in its entirety by reference to the form of the Rights Agreement, which will be filed as an exhibit to the Registration Statement. See "Available Information."

Until the earlier to occur of (i) 10 days following a public announcement that a person or group of affiliated or associated persons (an "Acquiring Person") have acquired beneficial ownership of 15% or more of the outstanding shares of NCR Common Stock or (ii) 10 business days (or such later date as may be determined by action of the NCR Board of Directors prior to such time as any person becomes an Acquiring Person) following the commencement of, or announcement of an intention to make, a tender offer or exchange offer the consummation of which would result in the beneficial ownership by a person or group of 15% or more of such outstanding shares of NCR Common Stock (the earlier of such dates being called the "Rights Distribution Date"), the Rights will be evidenced by the certificates representing the NCR Common Stock.

The Rights Agreement will provide that, until the Rights Distribution Date (or earlier redemption or expiration of the Rights), the Rights will be transferred with and only with the NCR Common Stock. Until the Rights Distribution Date (or earlier redemption or expiration of the Rights), the NCR Common Stock certificates will contain a notation incorporating the Rights Agreement by reference. As soon as practicable following the Rights Distribution Date, separate certificates evidencing the Rights (the "Right Certificates") will be mailed to holders of record of the NCR Common Stock as of the close of business on the Rights Distribution Date and such separate Right Certificates alone will evidence the Rights.

The Rights will not be exercisable until the Rights Distribution Date. The Rights will expire on December 31, 2006 (the "Final Expiration Date"), unless the Final Expiration Date is extended or unless the Rights are earlier redeemed or exchanged by NCR, in each case, as summarized below.

In the event that any person or group of affiliated or associated persons become an Acquiring Person, proper provision will be made so that each holder of a Right, other than Rights beneficially owned by the Acquiring Person (which will thereafter be void), will thereafter have the right to receive upon exercise that number of shares of NCR Common Stock having a market value of two times the exercise price of the Right. In the event that NCR is acquired in a merger or other business combination transaction or 50% or more of its consolidated assets or earning power are sold after a person or group of affiliated or associated persons becomes an Acquiring Person, proper provision will be made so that each holder of a Right will thereafter have the right to receive, upon the exercise thereof at the then-current exercise price of the Right, that number

of shares of common stock of the acquiring company which at the time of such transaction will have a market value of two times the exercise price of the Right.

At any time after the acquisition by a person or group of affiliated or associated persons of beneficial ownership of 15% or more of the then outstanding NCR Common Stock and prior to the acquisition by such person or group of 50% or more of the outstanding NCR Common Stock, the NCR Board of Directors may exchange the Rights (other than Rights owned by such person or group which have become void), in whole or in part, at an exchange ratio of one share of NCR Common Stock, or one one-hundredth of a Junior Preferred Share, per Right (subject to adjustment).

At any time prior to the acquisition by a person or group of affiliated or associated persons of beneficial ownership of 15% or more of the then outstanding NCR Common Stock, the NCR Board of Directors may redeem the Rights in whole, but not in part, at a price of \$.01 per Right (the "Redemption Price"). The redemption of the Rights may be made effective at such time on such basis and with such conditions as the NCR Board of Directors, in its sole discretion, may establish. Immediately upon any redemption of the Rights, the right to exercise the rights will terminate and the only right of the holders of the Rights will be eligible to receive the Redemption Price.

The terms of the Rights may be amended by the NCR Board of Directors without the consent of the holders of the Rights; provided, however, that, from and after such time as any person or group of affiliated or associated persons becomes an Acquiring Person, no such amendment may adversely affect the interests of the holders of the Rights. Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of NCR, including, without limitation, the right to vote or to receive dividends.

The number of outstanding Rights and the number of one one-hundredths of a Junior Preferred Share issuable upon exercise of each Right also will be subject to adjustment in the event of a stock split of the NCR Common Stock or a stock dividend on the NCR Common Stock payable in NCR Common Stock or subdivisions, consolidations or combinations of the NCR Common Stock occurring, in any such case, prior to the Rights Distribution Date. The Purchase Price payable, and the number of Junior Preferred Shares or other securities or property issuable, upon exercise of the Rights will be subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a subdivision, combination or reclassification of, the Junior Preferred Shares, (ii) upon the grant to holders of the Junior Preferred Shares of certain rights or warrants to subscribe for or purchase Junior Preferred Shares at a price, or securities convertible into Junior Preferred Shares with a conversion price, less than the then-current market price of the Junior Preferred Shares or (iii) upon the distribution to holders of the Junior Preferred Shares of evidences of indebtedness or assets (excluding regular periodic cash dividends paid out of earnings or retained earnings or dividends payable in Junior Preferred Shares) or of subscription rights or warrants (other than those referred to above).

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least one percent in such Purchase Price. No fractional Junior Preferred Shares will be issued (other than fractions which are integral multiples of one one-hundredth of a Junior Preferred Share, which may, at the election of NCR, be evidenced by depositary receipts) and in lieu thereof, an adjustment in cash will be made based on the market price of the Junior Preferred Shares on the last trading day prior to the date of exercise.

Junior Preferred Shares purchasable upon exercise of the Rights will not be redeemable. Each Junior Preferred Share will be entitled to a minimum preferential quarterly dividend payment of \$1.00 per share but will be entitled to an aggregate dividend of 100 times the dividend declared per share of NCR Common Stock. In the event of liquidation, the holders of the Junior Preferred Shares will be entitled to a minimum preferential liquidation payment of \$100 per share but will be entitled to an aggregate payment of 100 times the payment made per share of NCR Common Stock. Each Junior Preferred Share will have 100 votes voting together with the NCR Common Stock. Finally, in the event of any merger, consolidation or other transaction in which shares of NCR Common Stock are exchanged, each Junior Preferred Share will be entitled to receive 100 times the amount received per NCR Common Stock. These rights are protected by customary antidilution provisions.



Due to the nature of the Junior Preferred Shares' dividend, liquidation and voting rights, the value of the one one-hundredth interest in a Junior Preferred Share purchasable upon exercise of each Right should approximate the value of one share of NCR Common Stock.

#### MARYLAND BUSINESS COMBINATION STATUTE

Section 3-602 of the GCL provides that, subject to certain exceptions specified therein, any holder of 10% of the voting stock of a Maryland corporation (an "interested stockholder") may not engage in any merger or other business combination with the corporation for a five-year period following the date that such stockholder becomes an interested stockholder unless prior to such date, the board of directors of the corporation approved the 10% acquisition. After such five-year period, any such business combination must be recommended by the board of directors of the corporation and approved by the affirmative vote of at least 80% of the outstanding Voting Stock and 66 2/3% of the outstanding Voting Stock which is not owned by the interested stockholder, unless certain fair price and other conditions are met.

The provisions of Section 3-602 will apply to NCR. Under certain circumstances, Section 3-602 makes it more difficult for a person who would be an interested stockholder to effect various business combinations with a corporation for a five-year period. Such provisions could make it more difficult to accomplish transactions which NCR's stockholders may otherwise deem to be in their best interests. Such provision may also have the effect of preventing changes in the management of NCR.

#### GCL BUSINESS COMBINATION VOTE REQUIREMENTS

Pursuant to the GCL, with certain exceptions, the affirmative vote of the holders of at least two-thirds of all votes entitled to be cast on the matter is required to approve any merger, consolidation, share exchange, or transfer of assets outside the ordinary course of business.

#### CONTROL SHARE ACQUISITION STATUTE

NCR has elected not to be covered by the "Control Share Acquisition Statute" of the GCL.

Copies of the Charter, Bylaws and Rights Plan are filed as Exhibits to the Registration Statement and the summaries thereof in this Information Statement are qualified in their entirety by reference thereto. See "Available Information."

#### LIABILITY OF DIRECTORS AND OFFICERS; INDEMNIFICATION

NCR's Charter limits the personal liability of its directors and officers to NCR and its stockholders for money damages to the maximum extent permitted by Maryland law. The Charter provides that, to the fullest extent permitted by Maryland statutory or decisional law, as amended or interpreted, no director or officer of NCR will be personally liable to NCR or its stockholders for money damages. No amendment of the Charter or repeal of any of its provisions will limit or eliminate the benefits provided to directors and officers thereunder with respect to any act or omission which occurred prior to such amendment or repeal or with respect to any cause of action, suit or claim that, but for such provision would accrue or arise, prior to such amendment or repeal.

As a result, neither NCR nor any NCR stockholder can hold the directors or officers personally liable for monetary damages, if they acted in good faith, with a reasonable belief that they were acting in the best interests of NCR, and with the care that an ordinarily prudent person in a like position would use under similar circumstances. Under current law, however, such limitation does not apply (a) to the extent that a director or officer received an improper benefit; or (b) to the extent an award was based on a finding that the director or officer was actively and deliberately dishonest and such finding was material to the cause of action.

The NCR Charter provides that NCR will indemnify (a) its directors and officers, whether serving NCR or, at its request, any other entity, to the fullest extent required or permitted by the General Laws of the State of Maryland now or hereafter in force, including the advance of expenses under the procedures and to the

fullest extent permitted by law and (b) other employees and agents to such extent as shall be authorized by the Board of Directors or the Bylaws and be permitted by law. The foregoing rights of indemnification are not exclusive of any other rights to which those seeking indemnification may be entitled. The Board of Directors may take such action as is necessary to carry out such indemnification provisions and is expressly empowered to adopt, approve and amend from time to time such bylaws, resolutions or contracts implementing such provisions or such further indemnification arrangements as may be permitted by law. No amendment of the NCR Charter, or of any such bylaw, resolution or contract, or repeal of any of their provisions will limit or eliminate the right to indemnification provided thereunder with respect to acts or omissions occurring prior to such amendment or repeal. The NCR Bylaws currently contain provisions implementing the foregoing.

Under current law, directors and officers will be indemnified when serving in their capacity as directors or officers, unless it is established that (a) the act or omission of the director or officer was material to the matter giving rise to the proceeding brought against him or her and was either committed in bad faith or was the result of active and deliberate dishonesty; (b) the director or officer actually received an improper personal benefit; or (c) in the case of a criminal proceeding, the director or officer had reasonable cause to believe that the act or omission was unlawful.

NCR also expects to purchase insurance for the benefit of its directors and officers in order to protect them against liability, including with respect to the matters covered by the foregoing indemnities.

## NCR CORPORATION

## INDEX TO FINANCIAL STATEMENTS

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## REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholder of NCR Corporation:

We have audited the consolidated balance sheets of NCR Corporation and subsidiaries (NCR) at December 31, 1995 and 1994 and the related consolidated statements of operations, changes in shareholder's equity, and cash flows for the three years ended December 31, 1995. We have also audited the financial statement schedule of NCR appearing on page S-1 of this Form 10. These financial statements and financial statement schedule are the responsibility of management. Our responsibility is to express an opinion on these 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of NCR at December 31, 1995 and 1994, and the consolidated results of their operations, changes in their shareholder's equity, and their cash flows for the three years ended December 31, 1995, in conformity with generally accepted accounting principles. In addition, in our opinion the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

As discussed in Note 3 to the consolidated financial statements, in 1993 NCR changed its methods of accounting for postretirement benefits, postemployment benefits and income taxes.

Coopers & Lybrand L.L.P.  
Dayton, Ohio  
January 25, 1996

## NCR CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS  
(DOLLARS IN MILLIONS)

	NINE MONTHS ENDED SEPTEMBER 30		YEARS ENDED DECEMBER 31		
	1996	1995	1995	1994	1993
	(UNAUDITED)				
REVENUES					
Sales.....	\$2,738	\$ 3,713	\$ 5,138	\$5,524	\$ 4,460
Services and rentals.....	2,185	2,180	3,024	2,937	2,805
TOTAL REVENUES.....	4,923	5,893	8,162	8,461	7,265
OPERATING EXPENSES					
Cost of sales.....	1,916	3,618	4,699	3,736	2,795
Cost of services and rentals.....	1,656	1,948	2,617	2,158	2,044
Selling, general and administrative expenses.....	1,075	2,070	2,632	2,169	2,136
Research and development expenses.....	273	441	585	500	571
TOTAL OPERATING EXPENSES.....	4,920	8,077	10,533	8,563	7,546
INCOME (LOSS) FROM OPERATIONS.....	3	(2,184)	(2,371)	(102)	(281)
Interest expense.....	40	66	90	44	41
Other (income), net.....	(17)	(86)	(45)	(130)	(42)
LOSS BEFORE INCOME TAXES AND CUMULATIVE EFFECTS OF ACCOUNTING CHANGES.....	(20)	(2,164)	(2,416)	(16)	(280)
Income tax expense (benefit).....	96	(189)	(136)	187	138
LOSS BEFORE CUMULATIVE EFFECTS OF ACCOUNTING CHANGES.....	(116)	(1,975)	(2,280)	(203)	(418)
Cumulative effects of accounting changes, net of taxes.....	--	--	--	--	(869)
NET LOSS.....	\$ (116)	\$ (1,975)	\$ (2,280)	\$ (203)	\$ (1,287)
Pro Forma Net Loss Per Common Share (Unaudited).....	\$(1.15)		\$(22.57)		

The notes on pages F-7 through F-29 are an integral part of the consolidated financial statements

NCR CORPORATION  
 CONSOLIDATED BALANCE SHEETS  
 (DOLLARS IN MILLIONS)

	AT SEPTEMBER 30 ----- 1996 ----- (UNAUDITED)	AT DECEMBER 31 -----	
		1995 -----	1994 -----
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents.....	\$ 695	\$ 314	\$ 463
Short-term investments.....	72	24	198
Accounts receivable, net.....	1,376	1,908	1,860
Inventories.....	559	621	952
Deferred income taxes.....	172	320	98
Other current assets.....	100	131	121
	-----	-----	-----
<b>TOTAL CURRENT ASSETS.....</b>	<b>2,974</b>	<b>3,318</b>	<b>3,692</b>
Rental equipment and service parts, net.....	301	258	228
Property, plant and equipment, net.....	922	957	1,234
Other assets.....	743	723	682
	-----	-----	-----
<b>TOTAL ASSETS.....</b>	<b>\$ 4,940</b>	<b>\$5,256</b>	<b>\$5,836</b>
	=====	=====	=====
<b>LIABILITIES AND SHAREHOLDER'S EQUITY</b>			
Current liabilities			
Short-term borrowings.....	\$ 42	\$ 45	\$ 73
Accounts payable.....	360	478	493
Taxes payable.....	22	118	47
Payroll and benefits liabilities.....	424	367	392
Customers' deposits and deferred service revenue.....	353	381	353
Other current liabilities.....	1,003	1,532	640
	-----	-----	-----
<b>TOTAL CURRENT LIABILITIES.....</b>	<b>2,204</b>	<b>2,921</b>	<b>1,998</b>
Long-term debt.....	90	330	642
Pension and indemnity liabilities.....	323	329	264
Postretirement and postemployment benefit liabilities.....	754	718	637
Other liabilities.....	424	276	271
Minority interests.....	309	324	334
	-----	-----	-----
<b>TOTAL LIABILITIES.....</b>	<b>4,104</b>	<b>4,898</b>	<b>4,146</b>
Commitments and contingencies			
Shareholder's equity			
Shareholder's net investment.....	832	310	1,556
Foreign currency translation.....	41	85	149
Other.....	(37)	(37)	(15)
	-----	-----	-----
<b>TOTAL SHAREHOLDER'S EQUITY.....</b>	<b>836</b>	<b>358</b>	<b>1,690</b>
	-----	-----	-----
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY.....</b>	<b>\$ 4,940</b>	<b>\$5,256</b>	<b>\$5,836</b>
	=====	=====	=====

The notes on pages F-7 through F-29 are an integral part of the consolidated financial statements

## NCR CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS  
(DOLLARS IN MILLIONS)

	NINE MONTHS ENDED SEPTEMBER 30		YEARS ENDED DECEMBER 31		
	1996	1995	1995	1994	1993
	(UNAUDITED)				
<b>OPERATING ACTIVITIES</b>					
Net loss.....	\$(116)	\$(1,975)	\$(2,280)	\$ (203)	\$(1,287)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities					
Restructuring and other charges.....	--	1,597	1,649	--	219
Cumulative effects of accounting changes.....	--	--	--	--	1,171
Depreciation and amortization.....	275	268	350	415	457
Deferred income taxes.....	109	(252)	(236)	73	(271)
Net (gain) loss on sale of assets.....	6	(62)	(1)	(110)	--
Changes in operating assets and liabilities					
Receivables.....	532	60	(102)	(572)	(60)
Inventories.....	62	(265)	(72)	(171)	(161)
Payables and other current liabilities.....	(714)	124	31	(202)	125
Other operating assets and liabilities.....	150	2	(163)	157	(151)
<b>NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES.....</b>	<b>304</b>	<b>(503)</b>	<b>(824)</b>	<b>(613)</b>	<b>42</b>
<b>INVESTING ACTIVITIES</b>					
Purchases of short-term investments.....	(208)	(469)	(493)	(875)	(892)
Sales of short-term investments.....	159	635	667	820	927
Expenditures for rental equipment & service parts.....	(177)	(124)	(172)	(253)	(216)
Expenditures for property, plant & equipment....	(133)	(257)	(326)	(371)	(380)
Proceeds from sale of assets.....	69	404	415	260	85
Other investing activities.....	(27)	(82)	(102)	(58)	50
<b>NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES.....</b>	<b>(317)</b>	<b>107</b>	<b>(11)</b>	<b>(477)</b>	<b>(426)</b>
<b>FINANCING ACTIVITIES</b>					
Short-term borrowings, net.....	(3)	(4)	(35)	33	(78)
Proceeds from issuance of long-term debt.....	--	--	9	537	--
Repayments of long-term debt.....	(240)	(308)	(312)	(10)	(27)
Transfers from AT&T, net.....	638	459	1,034	770	425
<b>NET CASH PROVIDED BY FINANCING ACTIVITIES.....</b>	<b>395</b>	<b>147</b>	<b>696</b>	<b>1,330</b>	<b>320</b>
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS.....</b>	<b>(1)</b>	<b>(7)</b>	<b>(10)</b>	<b>23</b>	<b>6</b>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....</b>	<b>381</b>	<b>(256)</b>	<b>(149)</b>	<b>263</b>	<b>(58)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD.....</b>	<b>314</b>	<b>463</b>	<b>463</b>	<b>200</b>	<b>258</b>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD.....</b>	<b>\$ 695</b>	<b>\$ 207</b>	<b>\$ 314</b>	<b>\$ 463</b>	<b>\$ 200</b>
	=====	=====	=====	=====	=====

The notes on pages F-7 through F-29 are an integral part of the consolidated financial statements

## NCR CORPORATION

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY  
(DOLLARS IN MILLIONS)

	SHAREHOLDER'S NET INVESTMENT	FOREIGN CURRENCY TRANSLATION	OTHER	TOTAL
	-----	-----	-----	-----
January 1, 1993.....	\$ 1,851	\$ (6)	\$ (14)	\$ 1,831
Net loss.....	(1,287)	--	--	(1,287)
Foreign currency translation.....	--	69	--	69
Other, principally additional minimum pension liability.....	--	--	(6)	(6)
Transfers from AT&T, net.....	425	--	--	425
	-----	-----	-----	-----
December 31, 1993.....	989	63	(20)	1,032
Net loss.....	(203)	--	--	(203)
Foreign currency translation.....	--	86	--	86
Other, principally additional minimum pension liability.....	--	--	5	5
Transfers from AT&T, net.....	770	--	--	770
	-----	-----	-----	-----
December 31, 1994.....	1,556	149	(15)	1,690
Net loss.....	(2,280)	--	--	(2,280)
Foreign currency translation.....	--	(64)	--	(64)
Other, principally additional minimum pension liability.....	--	--	(22)	(22)
Transfers from AT&T, net.....	1,034	--	--	1,034
	-----	-----	-----	-----
December 31, 1995.....	\$ 310	\$ 85	\$ (37)	\$ 358
	=====	=====	=====	=====

The notes on pages F-7 through F-29 are an integral part of the consolidated financial statements



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(DOLLARS IN MILLIONS)

## 1. COMPANY OPERATIONS AND BASIS OF PRESENTATION

## Company Operations

NCR Corporation ("NCR" or the "Company") designs, develops, markets, and services information technology products, services, systems, and solutions worldwide. The Company's goal is to be a world-class provider of commercial, open computing systems for High Availability Transaction Processing and Scalable Data Warehousing solutions to customers in all industries. NCR also seeks to take advantage of its expertise and market presence in the retail, financial, and communications industries to provide specific information technology solutions to customers in these targeted industries. NCR's systems and solutions are supported by its Customer Support Services and Professional Services offerings, and its Systemedia business, which develops, produces and markets a complete line of consumable and media products.

NCR's offerings cover a broad range of its customers information technology needs: from consumers' interaction and data collection, with products including point of sale workstations, barcode scanning equipment, and self-service devices such as automated teller machines ("ATMs"); through data processing, with NCR's High Availability Transaction Processing solutions; to data storage, manipulation, and usage, with NCR's Teradata relational database management system and Scalable Data Warehousing offerings. The Company's computing platforms and associated products span midrange servers, massively parallel processing computer systems, computer network servers and software systems, imaging and payment systems, workstations and peripherals, business forms, ink ribbons, customized paper rolls, and other consumable supplies and processing media.

NCR also provides Worldwide Customer Support Services and Professional Services that include hardware maintenance, software maintenance, data warehousing service offerings, end-to-end networking service and design, and the implementation, integration, and support of complex solutions.

NCR is a wholly owned subsidiary of AT&T Corp. ("AT&T"). The Company was merged with a wholly owned subsidiary of AT&T effective September 19, 1991. On September 20, 1995, AT&T announced its intention to separate into three independent public companies: NCR, the continuing AT&T and Lucent Technologies Inc. ("Lucent"). AT&T also announced its intention to distribute all of its interest in NCR (the "Distribution") to its shareholders by December 31, 1996, subject to certain conditions.

## Basis of Presentation

The consolidated financial statements reflect the results of operations, financial position, changes in shareholder's equity and cash flows of NCR, as if NCR were a separate entity for all periods presented. The consolidated financial statements have been prepared using the historical basis in the assets and liabilities and historical results of operations related to NCR.

Changes in shareholder's net investment represent capital contributions and interest bearing cash advances made by AT&T to NCR, net income (loss) of NCR and cost allocations from AT&T. NCR's financial requirements are primarily provided through capital contributions and interest bearing cash advances from AT&T. The Company's historical consolidated statements of operations include interest expense relating to such interest bearing cash advances, which were contributed to the Company by AT&T and included in shareholder's net investment. NCR will begin accumulating its retained earnings effective immediately following the date of the Distribution.

General corporate overhead related to AT&T's corporate headquarters and common support functions has been allocated to NCR, to the extent such amounts are applicable to NCR, based on the ratio of NCR's external costs and expenses to AT&T's external costs and expenses. Management believes these allocations are reasonable. However, the costs of these services charged to NCR are not necessarily indicative of the costs that would have been incurred if NCR had performed these functions as a stand-alone entity. As a result of the Distribution, NCR will be required to perform these functions using its own resources or purchased

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

services and will be responsible for the costs and expenses associated with the management of a public corporation.

The financial information included herein may not necessarily reflect the consolidated results of operations, financial position, changes in shareholder's equity and cash flows of NCR in the future or amounts that would have been reported had it been a separate, stand-alone entity during the periods presented.

## Interim Information (Unaudited)

The consolidated interim financial statements as of and for the nine months ended September 30, 1996 and 1995 included herein are unaudited. Such information reflects all adjustments, consisting solely of normal recurring adjustments, which are in the opinion of management necessary for a fair presentation of the consolidated balance sheet as of September 30, 1996 and the consolidated results of operations and cash flows for the nine months ended September 30, 1996 and 1995. The reported results are not necessarily indicative of those expected for the entire year. Certain information and disclosures normally included in annual financial statements in accordance with generally accepted accounting principles have been excluded or omitted in presentation of the consolidated interim financial statements.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

## Basis of Consolidation

The consolidated financial statements include the accounts of NCR and its branches and majority-owned subsidiaries. Long-term investments in affiliated companies representing ownership interests of 20% to 50% are accounted for under the equity method. All significant intercompany transactions and accounts have been eliminated. Investments in which NCR has less than a 20% ownership interest are accounted for under the cost method of accounting. NCR changed the fiscal year for locations outside the U.S. to December from November in 1994 to align the reporting of all operations. This change added \$223 in revenues to 1994; the effect on the reported loss from operations was not significant.

## 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 revenue and expenses during the period reported. Actual results could differ from those estimates. Estimates are used when accounting for allowance for uncollectible accounts receivable, inventory obsolescence, product warranty, depreciation and amortization, employee benefit plans, taxes, restructuring charges, and environmental and other contingencies, among others.

## Foreign Currency Translation

For most international operations, assets and liabilities are translated into U.S. dollars at year-end exchange rates and revenues and expenses are translated at average exchange rates prevailing during the year. Translation adjustments, resulting from fluctuations in exchange rates, are recorded as a separate component of shareholder's equity.

## Derivative Financial Instruments

In the normal course of business, NCR has entered into various financial instruments, including derivative financial instruments, for purposes other than trading. Derivative financial instruments are not entered into for speculative purposes. Derivatives, used as part of NCR's risk management strategy, must be designated at inception as a hedge, and measured for effectiveness both at inception and on an ongoing basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

For qualifying foreign currency hedges, the gains and losses are deferred and recognized as adjustments of carrying amounts when the underlying hedged transaction is recorded. Gains and losses that do not qualify as hedges are recognized in other income or expense.

## Revenue Recognition

Revenue from product sales is generally recognized upon performance of contractual obligations, such as shipment, installation or customer acceptance. To the extent significant obligations remain or significant uncertainties exist about customer acceptance of Company products at the time of sale, product sales revenue is not recognized until the obligations are satisfied or the uncertainties are resolved. Services and rental revenue is recognized proportionately over the contract period or as services are performed.

## Research and Development Expenses

Research and development expenses are charged to operations as incurred. Costs incurred for the development of computer software that will be sold, leased or otherwise marketed are capitalized when technological feasibility has been established. These costs are recorded as capitalized software and amortized over no more than three years. Capitalized software is subject to an ongoing assessment of recoverability based upon anticipated future revenues and changes in hardware and software technologies. Costs capitalized include direct labor and related overhead. Amortization of software development costs was \$57, \$34, and \$35 in 1995, 1994, and 1993, respectively.

## Income Taxes

NCR's operations have been included in the income tax returns filed by AT&T since the merger with a subsidiary of AT&T on September 19, 1991. Income tax expense (benefit) in NCR's consolidated financial statements has been calculated as if NCR had filed separate tax returns for all periods presented.

## Cash and Cash Equivalents

All short-term, highly liquid investments purchased with an original maturity of three months or less are considered to be cash equivalents.

## Inventories

Inventories are stated at the lower of average cost or market.

## Property, Plant and Equipment and Service Parts

Property, plant and equipment and rental equipment and service parts are stated at cost less accumulated depreciation. Reworkable service parts and rental equipment are comprised of service parts that can be reconditioned and equipment rented to customers under operating leases. Depreciation is computed over estimated useful lives primarily on the straight line basis. Buildings are depreciated over 25 to 45 years, machinery and equipment over three to ten years and reworkable service parts and rental equipment over three to five years.

## Pro forma Loss Per Common Share (Unaudited)

The Company has approximately 72,000,000 shares of common stock outstanding, all of which are held by AT&T. In connection with the Distribution, AT&T will effect a distribution of all of its interest in NCR, on the basis of one share of NCR common stock for each 16 shares of AT&T common stock, resulting in approximately 101,000,000 shares of NCR common stock outstanding. The pro forma net loss per common share was calculated by dividing the net loss for the year ended December 31, 1995 and the nine months ended

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

September 30, 1996, respectively, by the 101,000,000 shares of common stock, as if such shares were outstanding for all periods. Replacement stock options and awards have not been considered in calculating the pro forma net loss per common share since their effect would be antidilutive.

### 3. CHANGES IN ACCOUNTING PRINCIPLES

#### Postretirement Benefits Other Than Pensions

NCR adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," effective January 1, 1993. This standard requires accrual of estimated future retiree benefits other than pensions during the years employees are working and accumulating these benefits. Previously, health care benefits were expensed as claims were incurred and life insurance benefits were expensed as plans were funded. NCR recorded a one-time pre-tax charge for the estimated liability of \$351 (\$220 after taxes) at the beginning of 1993. This change in accounting did not affect cash flows.

#### Postemployment Benefits

NCR adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits," effective January 1, 1993. This standard requires the accrual of estimated future postemployment benefits, including separation and related payments, during the years employees are working and accumulating these benefits, and for disability payments when the disabilities occur. Before this change in accounting, costs for separations were recognized when approved and disability benefits were recognized when paid. NCR recorded a one-time pre-tax charge for the unprovided portion of this liability of \$477 (\$306 after taxes) at the beginning of 1993. This change in accounting did not affect cash flows.

#### Income Taxes

NCR adopted SFAS No. 109, "Accounting for Income Taxes," effective January 1, 1993. Among other provisions, this standard requires the computation of deferred tax amounts arising from temporary differences using the enacted jurisdictional corporate income tax rates for the years in which the taxes are expected to be paid or refunds received. Before this change in accounting, deferred tax accounts reflected rates in effect when the deferrals were made. The change in calculating deferred tax amounts required by this standard resulted in a one-time charge of \$343 at the beginning of 1993. This change in accounting did not affect cash flows.

#### Impairment of Long-Lived Assets

Effective October 1, 1995, NCR adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." This standard requires that long-lived assets and certain identifiable intangibles held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The adoption of the standard did not materially impact NCR's consolidated results of operations, financial condition or cash flows because this was essentially the method NCR used in the past to measure and record asset impairments.

#### Stock-Based Compensation

In its consolidated financial statements for the year ending December 31, 1996, NCR is required to adopt SFAS No. 123, "Accounting for Stock-Based Compensation." This standard establishes a fair value method of accounting for or disclosing stock-based compensation plans. NCR intends to adopt the disclosure provisions of this standard which requires disclosing the pro forma consolidated net income and earnings per share amounts assuming the fair value method was effective on January 1, 1995. The adoption of the disclosure provisions will not affect consolidated results of operations, financial position, or cash flows.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

## 4. SUPPLEMENTARY BALANCE SHEET INFORMATION

	AT DECEMBER 31	
	1995	1994
	-----	-----
ACCOUNTS RECEIVABLE		
Trade.....	\$ 1,592	\$ 1,605
Other.....	384	296
	-----	-----
	1,976	1,901
Allowance for doubtful accounts.....	(68)	(41)
	-----	-----
Accounts receivable.....	\$ 1,908	\$ 1,860
	=====	=====
INVENTORIES		
Finished goods.....	\$ 401	\$ 580
Work in process and raw materials.....	220	372
	-----	-----
Inventories.....	\$ 621	\$ 952
	=====	=====
RENTAL EQUIPMENT AND SERVICE PARTS		
Rental equipment and service parts.....	\$ 737	\$ 762
Less: accumulated depreciation.....	(479)	(534)
	-----	-----
Rental equipment and service parts.....	\$ 258	\$ 228
	=====	=====
PROPERTY, PLANT AND EQUIPMENT		
Land and improvements.....	\$ 80	\$ 85
Buildings and improvements.....	822	801
Machinery and other equipment.....	1,573	1,892
	-----	-----
	2,475	2,778
Less: accumulated depreciation.....	(1,518)	(1,544)
	-----	-----
Property, plant and equipment.....	\$ 957	\$ 1,234
	=====	=====
OTHER ASSETS		
Prepaid pension expense.....	\$ 367	\$ 379
Other.....	356	303
	-----	-----
Other assets.....	\$ 723	\$ 682
	=====	=====
OTHER CURRENT LIABILITIES		
Business restructuring.....	\$ 820	\$ 71
Other.....	712	569
	-----	-----
Other current liabilities.....	\$ 1,532	\$ 640
	=====	=====

## 5. BUSINESS RESTRUCTURINGS

In 1995 a pre-tax charge of \$1,649 was recorded to provide for restructuring and other charges. NCR's restructuring plans included discontinuing the manufacture of personal computers, consolidating facilities globally, and reducing industry markets served, as well as separating approximately 8,500 employees and contractors, including 3,500 in foreign locations. As of December 31, 1995 approximately 5,600 employees and contractors had separated and the remaining separations were expected to be effected during 1996. The restructuring charges also included costs associated with early termination of building leases and asset write-downs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

The pre-tax total of \$1,649 for 1995 was recorded as \$636 cost of sales, \$294 cost of services, \$616 selling, general and administrative expenses, and \$103 research and development expenses. The charges include \$676 for employee separations and related charges; \$549 for asset write-downs; \$147 for closing, selling and consolidating facilities; \$146 for settling contractual commitments with customers and related charges primarily associated with the Company's decision to discontinue certain software products in non-targeted industries; \$81 for contract settlements and related charges associated with the Company's decision to discontinue selling personal computers through high volume indirect channels; and \$50 for other items.

In 1993 a pre-tax charge of \$219 was recorded to provide for restructuring costs. NCR's restructuring plans for 1993 included offering an early retirement program and a separation program to its U.S. based employees in order to better align its cost structure with business strategies. This charge was recorded as \$15 cost of sales, \$90 cost of services, \$95 selling, general and administrative expenses, and \$19 research and development cost. The charges include \$155 for employee separations and other related costs; \$43 for closing, selling and consolidating facilities; and \$21 for other items.

The following table displays a rollforward of the liabilities incurred for business restructurings from December 31, 1993 to December 31, 1995:

TYPE OF COST	DECEMBER 31, 1993	1994			DECEMBER 31, 1994
	BALANCE	ADDITIONS	OTHER	PAYMENTS	BALANCE
Employee separations.....	\$119	\$ --	\$ 3	\$ (81)	\$ 41
Facility closings.....	47	--	2	(25)	24
Other.....	30	--	(19)	(5)	6
Total.....	\$196	\$ --	\$ (14)	\$ (111)	\$ 71
	====	====	====	=====	====

TYPE OF COST	DECEMBER 31, 1994	1995			DECEMBER 31, 1995
	BALANCE	ADDITIONS	OTHER	PAYMENTS	BALANCE
Employee separations.....	\$ 41	\$ 589	\$ (6)	\$ (112)	\$512
Facility closings.....	24	147	2	(17)	156
Other.....	6	227	(1)	(42)	190
Total.....	\$ 71	\$ 963	\$ (5)	\$ (171)	\$858
	====	====	====	=====	====

The "Other" column primarily represents releases of prior year reserves.

Management believes that the liabilities for business restructuring of \$858 at December 31, 1995 are adequate to complete its plans.

In 1995, in addition to restructuring liabilities of \$963, asset impairments of \$549 (which reduced related asset balances), \$87 of benefit plan losses, and \$50 of other charges were included in the total restructuring and other charges of \$1,649. Benefit plan losses relate to pension and other employee benefit plans and primarily represent losses in the current year for actuarial changes that otherwise would have been amortized over future periods.

Of the total charges of \$1,649 in 1995, \$818 is expected to result in cash payments subsequent to December 31, 1995.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

## 6. INCOME TAXES

The following table presents the principal reasons for the difference between the effective tax rate and the United States federal statutory income tax rate for the years ended December 31:

	1995	1994	1993
	-----	-----	-----
Federal income tax expense (benefit) at the statutory tax rate of 35%.....	\$(846)	\$ (6)	\$(98)
Taxes on foreign income.....	62	10	21
Net domestic tax losses and credits.....	664	181	228
Other differences, net.....	(16)	2	(13)
	-----	-----	-----
Income tax expense (benefit).....	\$(136)	\$187	\$138
	=====	=====	=====

The Company's tax provisions result primarily from a provision for income taxes in those foreign tax jurisdictions where the Company's subsidiaries are profitable, and an inability on a stand-alone basis to reflect the tax benefits of the Company's net domestic tax losses and credits. The Company received payments of \$438, \$417 and \$151 under its tax allocation agreement with AT&T for the net domestic tax losses and credits it generated during the years ended December 31, 1995, 1994 and 1993, respectively. These payments were recorded in shareholder's net investment.

NCR paid income taxes of \$73, \$92, and \$58 for the years ended 1995, 1994, and 1993, respectively.

The following table presents the U.S. and foreign components of income before income taxes and cumulative effects of accounting changes and income tax expense (benefit) for the years ended December 31:

	1995	1994	1993
	-----	-----	-----
INCOME (LOSS) BEFORE INCOME TAXES AND CUMULATIVE EFFECTS OF ACCOUNTING CHANGES			
United States.....	\$(1,727)	\$(353)	\$(470)
Foreign.....	(689)	337	190
	-----	-----	-----
	\$(2,416)	\$ (16)	\$(280)
	=====	=====	=====
INCOME TAX EXPENSE (BENEFIT)			
CURRENT			
Federal.....	\$ --	\$ --	\$ --
State and local.....	18	(4)	9
Foreign.....	82	118	98
DEFERRED			
Federal.....	13	(11)	72
State and local.....	--	(2)	4
Foreign.....	(249)	86	(45)
	-----	-----	-----
Income tax expense (benefit).....	\$ (136)	\$ 187	\$ 138
	=====	=====	=====

Deferred income tax liabilities are taxes NCR expects to pay in future periods. Conversely, deferred income tax assets are taxes recognized for expected reductions in future taxes payable. Deferred income taxes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

arise because of differences in the book and tax bases of certain assets and liabilities. Deferred income tax assets and liabilities included in the balance sheet at December 31 were as follows:

	1995	1994
	-----	-----
DEFERRED INCOME TAX ASSETS:		
Employee pensions and other benefits.....	\$ 326	\$ 285
Business restructuring.....	372	--
Balance sheet reserves and allowances.....	470	330
Net operating losses/credit carryforwards.....	199	63
Other.....	109	75
	-----	-----
Total deferred income tax assets.....	1,476	753
Valuation allowance.....	(472)	(405)
	-----	-----
Net deferred income tax assets.....	1,004	348
	-----	-----
DEFERRED INCOME TAX LIABILITIES:		
Property, plant and equipment.....	53	62
Employee pensions and other benefits.....	124	119
Taxes on undistributed earnings of foreign subsidiaries.....	244	30
Other.....	282	59
	-----	-----
Total deferred income tax liabilities.....	703	270
	-----	-----
Total net deferred income tax assets.....	\$ 301	\$ 78
	=====	=====

A valuation allowance was recorded as a reduction to the Company's estimate of the amount of deferred income tax assets due to the uncertainty of the ultimate realization of future benefits from such assets.

The Company has foreign net operating loss carryforwards of approximately \$430. The net operating loss carryforwards subject to expiration, expire in the years 1997 through 2002.

The Company has not provided for federal income taxes or foreign withholding taxes on approximately \$540 of undistributed earnings of a foreign subsidiary as of December 31, 1995 and December 31, 1994, because such earnings are intended to be reinvested indefinitely. It is not practicable to determine the amount of applicable taxes.

#### 7. DEBT OBLIGATIONS

Debt with scheduled maturities within one year consisted of the following at December 31:

	1995	1994
	-----	-----
Bank debt, foreign.....	\$ 37	\$ 73
Current portion of long-term debt.....	8	--
	-----	-----
Total debt maturing within one year.....	\$ 45	\$ 73
	=====	=====
Weighted average interest rate for short-term bank debt.....	12.11%	12.55%



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

Long-term debt consisted of the following at December 31:

	SCHEDULED MATURITY DATE	1995	1994
	-----	----	----
Long-term bank debt 4.86-8.50%.....	1999-2000	\$246	\$546
Medium-term notes 8.95-9.49%.....	1999-2020	80	80
Industrial Revenue Bonds 7.40%.....	2001	3	3
Lease obligations.....		9	13
		----	----
		338	642
Less current portion of long-term debt.....		(8)	--
		----	----
Long-term debt.....		\$330	\$642
		=====	=====

The amount of long-term debt with scheduled maturities during the next five years is \$246 in 1999, \$25 in 2000, and the remainder thereafter.

Interest paid was approximately \$94, \$75, and \$32 in 1995, 1994 and 1993, respectively.

#### 8. EMPLOYEE BENEFIT PLANS

NCR sponsors both defined benefit and defined contribution plans for almost all United States employees and the majority of international employees. For salaried employees, the defined benefit plans are based primarily upon compensation and years of service. For certain hourly employees in the U.S., the benefits are based on a fixed dollar amount per year of service. The assets of the defined benefit plans are included with those of AT&T and Lucent and held as part of a Master Trust managed by AT&T. Assets of the Master Trust are primarily invested in publicly traded common stocks (of which, less than 1% of the Plan Assets are AT&T Stock), corporate and government debt securities, real estate investments, and cash or cash equivalents. NCR's funding policy is generally to contribute annually not less than the minimum required by applicable laws and regulations. The funded status for the defined benefit plans at December 31 was as follows:

PLANS WITH ASSETS IN EXCESS OF THE  
ACCUMULATED BENEFIT OBLIGATION

	U.S. PLANS		INTERNATIONAL PLANS	
	1995	1994	1995	1994
	-----	-----	-----	-----
Actuarial present value of plan obligations:				
Vested benefit obligation.....	\$(1,637)	\$(1,362)	\$ (555)	\$ (700)
	=====	=====	=====	=====
Accumulated benefit obligation.....	\$(1,668)	\$(1,375)	\$ (597)	\$ (738)
	=====	=====	=====	=====
Projected benefit obligation.....	\$(1,760)	\$(1,398)	\$ (655)	\$ (935)
Plan assets at fair value.....	1,993	1,716	1,059	1,240
	-----	-----	-----	-----
Plan assets greater than projected benefit obligation.....	233	318	404	305
Unrecognized net gain.....	(128)	(222)	(89)	(30)
Unrecognized net prior service cost.....	78	115	37	42
Unrecognized net asset at transition.....	(78)	(93)	(57)	(60)
	-----	-----	-----	-----
Prepaid pension cost.....	\$ 105	\$ 118	\$ 295	\$ 257
	=====	=====	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

PLANS WITH ASSETS LESS THAN THE  
ACCUMULATED BENEFIT OBLIGATION

	U.S. PLANS		INTERNATIONAL PLANS	
	1995	1994	1995	1994
	-----	-----	-----	-----
Actuarial present value of plan obligations:				
Vested benefit obligation.....	\$(80)	\$(59)	\$(358)	\$(144)
	=====	=====	=====	=====
Accumulated benefit obligation.....	\$(81)	\$(65)	\$(384)	\$(159)
	=====	=====	=====	=====
Projected benefit obligation.....	\$(85)	\$(72)	\$(498)	\$(174)
Plan assets at fair value.....	--	--	160	2
	-----	-----	-----	-----
Plan assets less than projected benefit obligation.....	(85)	(72)	(338)	(172)
Unrecognized net (gain) loss.....	17	20	101	(20)
Unrecognized net prior service cost.....	--	7	10	3
Unrecognized net liability at transition.....	--	3	9	7
Additional minimum liability.....	(13)	(23)	(35)	(5)
	-----	-----	-----	-----
Accrued pension liability.....	\$(81)	\$(65)	\$(253)	\$(187)
	=====	=====	=====	=====

The pension cost for the defined benefit plans for the years ended December 31 included the following components:

	1995	1994	1993
	-----	-----	-----
Service costs -- benefits earned during the period.....	\$ 67	\$ 86	\$ 73
Interest cost on the projected benefit obligation.....	209	194	169
Net amortizations and deferrals.....	165	(120)	83
Actual return on assets.....	(430)	(137)	(349)
Charges for special programs.....	80	--	68
	-----	-----	-----
Net pension cost (credit).....	\$ 91	\$ 23	\$ 44
	=====	=====	=====

The weighted average rates and assumptions utilized in the calculation of pension cost for these plans were as follows:

	U.S. PLANS			INTERNATIONAL PLANS		
	1995	1994	1993	1995	1994	1993
	-----	-----	-----	-----	-----	-----
Discount rate.....	7.0 %	8.7 %	7.5%	7.3 %	7.5 %	7.7 %
Rate of increase in future compensation levels.....	4.5 %	4.5 %	4.5%	4.0 %	4.2 %	4.4 %
Long-term rate of return on plan assets.....	9.0 %	9.0 %	10.0%	9.5 %	9.5 %	9.3 %

#### SAVINGS PLANS

All U.S. employees and many international employees participate in defined contribution savings plans. These plans generally provide either a specified percent of pay or a matching contribution on participating employees' voluntary elections. The company matching contributions typically are subject to a maximum percentage or level of compensation. Employee contributions can be either pre-tax, post-tax or a combination thereof. The expense under these plans for 1995, 1994 and 1993 was \$36, \$33, and \$35, respectively.

#### 9. POSTRETIREMENT BENEFITS

Substantially all U.S. employees that reach retirement age while working for the company are eligible to participate in a postretirement benefit plan. The plan provides medical care and life insurance to retirees and their eligible dependents. Non-U.S. employees are typically covered under government sponsored programs,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

and NCR does not provide postretirement benefits other than pensions to non-U.S. retirees. The company generally funds these benefits on a pay-as-you-go basis out of operations. The funded status of the postretirement benefit plans and the accrued liability at December 31 was as follows:

	1995	1994
	-----	-----
Accumulated postretirement benefit obligation		
Retirees.....	\$(358)	\$(295)
Fully eligible active participants.....	(18)	(20)
Other active participants.....	(62)	(56)
	-----	-----
Unfunded accumulated postretirement benefit obligation.....	(438)	(371)
Unrecognized prior service costs.....	35	45
Unrecognized net (gain) loss.....	(36)	(94)
	-----	-----
Accrued postretirement benefit obligation.....	\$(439)	\$(420)
	=====	=====

The postretirement benefit cost included the following components;

	1995	1994	1993
	----	----	----
Service costs -- benefits earned during the period.....	\$ 4	\$ 6	\$11
Interest cost on the projected benefit obligation.....	32	31	28
Net amortizations and deferrals.....	--	3	--
Charges for special programs.....	7	--	29
	---	---	---
Net postretirement benefit cost.....	\$43	\$40	\$68
	===	===	===

The discount rate utilized in determining the expense and liabilities of the postretirement plans was 7.0%, 8.7%, and 7.5% for the years ended December 31, 1995, 1994, and 1993, respectively. NCR also assumed that the growth in the per capita cost of covered health care benefits (the health care cost trend rate) would gradually decline from 9.6% in 1996 to 5.5% by the year 2005 and then remain level. Increasing the assumed trend rate by 1% in each year would raise NCR's accumulated postretirement benefit obligation at December 31, 1995 by approximately \$35 and NCR's 1995 postretirement benefit costs by approximately \$3.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

## 10. SEGMENT INFORMATION

## Industry Segment

NCR operates in one industry segment, the information technology industry, which includes designing, developing, marketing, and servicing information technology products, services, systems and solutions worldwide.

## Concentrations

No single customer accounts for more than 10% of revenue. As of December 31, 1995, NCR is not aware of any significant concentration of business transacted with a particular customer that could, if suddenly eliminated, have a material adverse impact on NCR's operations. NCR also does not have a concentration of available sources of labor, services, licenses, or other rights that could, if suddenly eliminated, have a material adverse impact on NCR's operations.

A number of NCR's products, systems, and solutions, rely primarily on specific suppliers for microprocessors, operating systems, commercial databases and other central components. There can be no assurances that any sudden impact to the availability or cost of these technologies would not have a material adverse impact on NCR's operations.

## Geographic Segments

Transfers between geographic areas are principally made at market-based prices. The methods followed in developing the geographic area data require the use of estimation techniques and do not take into account the extent to which NCR's product development, manufacturing, and marketing depend upon each other. Thus, the information may not be indicative of results if the geographic areas were independent organizations.

There are various differences between income before income taxes for the United States and foreign operations as shown in Note 6 and operating income shown on the following page. In the following geographic information, interest income, interest expense and non-allocable general, corporate expenses are not included in operating income, while certain corporate operating expenses incurred for the benefit of the geographic areas are included on an allocated basis.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

	1995	1994	1993
	-----	-----	-----
REVENUE FOR THE YEAR ENDED DECEMBER 31			
United States			
Customer.....	\$ 3,577	\$ 4,214	\$ 3,645
Intercompany.....	697	821	710
	-----	-----	-----
	4,274	5,035	4,355
Europe/Middle East/Africa			
Customer.....	2,551	2,375	2,055
Intercompany.....	239	222	192
	-----	-----	-----
	2,790	2,597	2,247
Japan			
Customer.....	1,008	905	737
Intercompany.....	66	75	64
	-----	-----	-----
	1,074	980	801
Asia/Pacific (excluding Japan)			
Customer.....	533	478	361
Intercompany.....	109	82	60
	-----	-----	-----
	642	560	421
Americas (excluding United States)			
Customer.....	493	489	467
Intercompany.....	6	6	6
	-----	-----	-----
	499	495	473
Intercompany eliminations.....	(1,117)	(1,206)	(1,032)
	-----	-----	-----
Consolidated revenue.....	\$ 8,162	\$ 8,461	\$ 7,265
	=====	=====	=====
OPERATING INCOME (LOSS) FOR THE YEAR ENDED DECEMBER 31			
United States.....	\$(1,502)	\$ (232)	\$ (511)
Europe/Middle East/Africa.....	(397)	208	207
Japan.....	(189)	63	48
Asia/Pacific (excluding Japan).....	12	24	50
Americas (excluding United States).....	(64)	(10)	36
	-----	-----	-----
Operating income (loss) before non allocable expenses.....	(2,140)	53	(170)
General corporate expenses, interest, and other income.....	(276)	(69)	(110)
	-----	-----	-----
Consolidated loss before income taxes and cumulative effect of accounting change.....	\$(2,416)	\$ (16)	\$ (280)
	=====	=====	=====
IDENTIFIABLE ASSETS AS OF DECEMBER 31			
United States.....	\$ 1,596	\$ 2,447	\$ 1,737
Europe/Middle East/Africa.....	2,246	1,698	1,311
Japan.....	849	1,100	1,258
Asia/Pacific (excluding Japan).....	344	319	178
Americas (excluding United States).....	221	272	180
	-----	-----	-----
Consolidated total assets.....	\$ 5,256	\$ 5,836	\$ 4,664
	=====	=====	=====

Excluding restructuring and other charges, operating income (loss) before non-allocable expenses for the year ended December 31, 1995 was \$(747), \$161, \$43, \$53 and \$(1) for the United States, Europe/Middle East/Africa, Japan, Asia/Pacific (excluding Japan) and Americas (excluding United States), respectively. The 1993 restructuring charge of \$219 impacted the United States only.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

## 11. FINANCIAL INSTRUMENTS

In the normal course of business, NCR has entered into various financial instruments, including derivative financial instruments, for purposes other than trading. Derivative financial instruments are not entered into for speculative purposes. These instruments primarily include letters of credit, guarantees of debt, and foreign currency exchange contracts.

## Concentration of Credit Risk

Financial instruments which potentially subject NCR to concentrations of credit risk consist primarily of cash, investments, trade receivables, and certain other off-balance sheet instruments. By their nature, all such financial instruments involve risk, including the credit risk of nonperformance by counterparties, and the maximum potential loss may exceed the amount recognized in the balance sheet. At December 31, 1995 and 1994, in management's opinion, there was no significant risk of loss in the event of nonperformance of the counterparties to these financial instruments. Exposure to credit risk is controlled through credit approvals, credit limits and monitoring procedures and management believes that the reserves for losses are adequate. NCR had no significant exposure to any individual customer or counterparty at December 31, 1995 and December 31, 1994, nor does NCR have any major concentration of credit risk related to any financial instruments.

## Letters of Credit

Letters of credit are purchased guarantees that ensure NCR's performance or payment to third parties in accordance with specified terms and conditions. Letters of credit may expire without being drawn upon. Therefore, the total notional or contract amounts do not necessarily represent future cash flows.

## Foreign Currency Exchange Contracts

Foreign exchange contracts are used to manage exposure to changes in currency exchange rates. The use of foreign exchange contracts allows NCR to reduce its exposure to the risk that the eventual dollar net cash inflows and outflows resulting from the sale of products to foreign customers and purchases from foreign suppliers will be adversely affected by changes in exchange rates. The foreign exchange contracts are designated for firmly committed or forecasted purchases and sales. These transactions are generally expected to occur in less than one year. For firmly committed sales and purchases, gains and losses are deferred in other current assets and liabilities. These deferred gains and losses are recognized as adjustments to the underlying hedged transactions when the future sales or purchases are recognized, or immediately if the commitment is canceled. Gains or losses on foreign exchange contracts that are designated for forecasted transactions are recognized in other income as the exchange rates change. At December 31, 1995 and 1994, deferred unrealized gains were \$3 and \$4 and deferred unrealized losses were \$2 and \$8, respectively.

## Fair Value of Financial Instruments Including Derivative Financial Instruments

The tables below present the valuation methods and the carrying or notional amounts and estimated fair values of material financial instruments. The notional amounts represent agreed upon amounts on which calculations of dollars to be exchanged are based and are an indication of the extent of NCR's involvement in

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

such instruments. They do not represent amounts exchanged by the parties and, therefore, are not a measure of the instruments.

FINANCIAL INSTRUMENT	VALUATION METHOD
Cash and cash equivalents.....	The carrying amount is a reasonable estimate of fair value
Investments.....	Market quotes of similar investments
Short-term debt.....	The carrying amount is a reasonable estimate of fair value
Long-term debt.....	Market quotes of similar debt with similar remaining maturities
Letters of credit.....	Fees paid to obtain the obligations
Foreign currency exchange contracts.....	Market quotes

ON BALANCE SHEET	1995		1994	
	CARRYING AMOUNT	FAIR VALUE	CARRYING AMOUNT	FAIR VALUE
Assets:				
Cash and cash equivalents.....	\$314	\$ 314	\$463	\$ 463
Short-term investments.....	24	24	198	198
Long-term investments.....	42	42	26	26
Liabilities:				
Debt.....	375	389	715	719

DERIVATIVE AND OFF BALANCE SHEET INSTRUMENTS	CONTRACT/ NOTIONAL AMOUNT	CARRYING AMOUNT		FAIR VALUE	
		ASSET	LIABILITY	ASSET	LIABILITY
1995					
Foreign exchange forward contracts....	\$ 890	\$ 8	\$ 5	\$ 7	\$ 6
Foreign exchange swap contracts.....	491	1	8	--	58
Letters of credit.....	82	--	--	--	--
1994					
Foreign exchange forward contracts....	\$ 1,317	\$12	\$15	\$11	\$14
Letters of credit.....	78	--	--	--	--

ADDITIONAL FORWARD CONTRACT INFORMATION	1995	1994
	CONTRACT/ NOTIONAL AMOUNT	CONTRACT/ NOTIONAL AMOUNT
Forward contracts		
British Pounds.....	\$ 285	\$ 558
German Marks.....	118	150
Canadian Dollars.....	109	325
Swiss Francs.....	92	38
Spanish Pesetas.....	75	37
French Francs.....	47	40
Dutch Guilders.....	36	50
Other.....	128	119
	-----	-----
	\$ 890	\$ 1,317
	=====	=====

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

12. TRANSACTIONS WITH AT&T AND AFFILIATES (INCLUDING LUCENT AND AT&T CAPITAL)

For the years ended 1995, 1994 and 1993, NCR had the following revenues from AT&T and affiliates:

	YEARS ENDED DECEMBER 31		
	1995	1994	1993
Sales.....	\$415	\$404	\$226
Services and rentals.....	215	118	159
	----	----	----
Total.....	\$630	\$522	\$385
	====	====	====

At December 31, 1995 and 1994, the related receivables amounted to \$30 and \$119, respectively.

AT&T allocated general corporate overhead expenses amounting to \$96, \$66, and \$46 in 1995, 1994 and 1993, respectively. Interest expense charged by AT&T on certain cash advances was \$29, \$20 and \$16 for the years ended, 1995, 1994, 1993, respectively. The historical financial statements reflect these interest-bearing cash advances in shareholder's net investment.

Additionally, NCR purchased products and services from AT&T and affiliates primarily for long distance, Bell Labs services, PBX systems, and miscellaneous inventory of \$157, \$166, and \$140 for the years ended December 31, 1995, 1994 and 1993, respectively. Amounts payable to AT&T were \$11 and \$25 at December 31, 1995 and 1994.

AT&T's finance subsidiary, AT&T Capital Corporation, provides NCR's customers with financing and ancillary services arising from the sale of NCR products. Sales to AT&T Capital Corporation were \$182, \$290 and \$212 for 1995, 1994, and 1993, respectively.

13. CONTINGENCIES

In the normal course of business, NCR is subject to regulations, proceedings, lawsuits, claims, and other matters, including actions under laws and regulations related to the environment, health and safety, among others. Such matters are subject to the resolution of many uncertainties, and accordingly, outcomes are not predictable with assurance. Although NCR believes that amounts provided in its financial statements are currently adequate in light of the probable and estimable liabilities, there can be no assurances that the amounts required to discharge alleged liabilities from lawsuits, claims, and other legal proceedings and environmental matters, and to comply with applicable environmental laws, will not exceed the amounts reflected in NCR's financial statements or will not have a material adverse effect on the Company's consolidated financial condition, results of operations, or cash flows. Any amounts of costs that may be incurred in excess of those amounts provided as of December 31, 1995 and September 30, 1996 cannot be determined.

Legal Proceedings

Among the lawsuits and claims pending against NCR as of December 31, 1995 and September 30, 1996, there were a number of individual product liability claims alleging that the Company's products, including personal computers, supermarket barcode scanners, cash registers and check encoders, caused so-called "repetitive strain injuries" or "cumulative trauma disorders," such as carpal tunnel syndrome. As of September 30, 1996, approximately 80 such claims were pending against NCR. In such lawsuits, the plaintiff typically alleges that he or she suffers from injuries caused by the design of the product at issue or a failure to warn of alleged hazards. These plaintiffs seek compensatory damages and, in many cases, punitive damages. Most other manufacturers of these products have also been sued by plaintiffs on similar theories. Ultimate resolution of the litigation against the Company may substantially depend on the outcome of similar matters of this type pending in various state and federal courts. The Company has denied the merits and basis for the pending claims against it and intends to continue to contest these cases vigorously.



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

## Environmental Matters

NCR's facilities and operations are subject to a wide range of environmental protection laws in the United States and other countries related to solid and hazardous waste disposal, the control of air emissions and water discharges, and the mitigation of impacts to the environment from past operations and practices. NCR has investigatory and remedial activities, including characterization and cleanup actions, underway at a number of currently and formerly owned or operated facilities to comply, or to determine compliance, with applicable environmental protection laws. NCR has been identified, either by a governmental agency or by a private party seeking contribution to site cleanup costs, as a potentially responsible party ("PRP") at a number of sites pursuant to a variety of statutory schemes, both state and federal, including the Federal Water Pollution Control Act ("FWPCA") and comparable state statutes, and the Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended ("CERCLA"), and comparable state statutes.

In February 1996, NCR received notice from the United States Department of the Interior, Fish & Wildlife Service ("USF&WS") that USF&WS considers NCR a PRP under the FWPCA and CERCLA with respect to alleged natural resource restoration and damages to the Fox River and related Green Bay environment ("Fox River System") due to, among other things, sediment contamination in the Fox River System allegedly resulting from liability arising out of NCR's former carbonless paper manufacturing operations at Appleton and Combined Locks, Wisconsin. USF&WS has also notified a number of other manufacturing companies of their status as PRPs under the FWPCA and CERCLA for natural resource restoration and damages in the Fox River System resulting from their ongoing or former paper manufacturing operations in the Fox River Valley. USF&WS and two Indian Tribes have stated their intention to conduct a Natural Resource Damage Assessment to determine and quantify the nature and extent of alleged injury to natural resources. In addition, NCR has been identified, along with a number of other companies, by the Wisconsin Department of Natural Resources ("WDNR") with respect to alleged liability arising out of alleged past discharges that have contaminated sediments in the Fox River System. NCR is also actively pursuing discussions with the WDNR regarding the Company's alleged liability. NCR's share, if any, of such cleanup costs or natural resource restoration and damages liability cannot be predicted with certainty at this time due to (i) the unknown magnitude, scope, and source of any alleged contamination, (ii) the absence of identified remedial objectives and methods, and (iii) the uncertainty of the amount and scope of any alleged natural resource restoration and damages. At this point, NCR believes that there are additional PRPs who may be liable for such natural resource damages and remediation costs. Further, in 1978, NCR sold the business to which the claims apply and believes the claims described above are the responsibility of the buyer and its former parent company pursuant to the terms of the sales agreement. In this connection, the Company has commenced litigation against the buyer to enforce its position.

It is difficult to estimate the future financial impact of environmental laws, including potential liabilities. NCR accrues environmental provisions when it is probable that a liability has been incurred and the amount of the liability is reasonably estimable. Management expects that the amounts provided as of December 31, 1995 and September 30, 1996 will be paid out over the period of investigation, negotiation, remediation, and restoration for the applicable sites, which may be 30 years or more. Provisions for estimated losses from environmental remediation are, depending on the site, based primarily on internal and third-party environmental studies, estimates as to the number, and participation level of any other PRPs, the extent of the contamination, and the nature of required remedial and restoration actions. Accruals are adjusted as further information develops or circumstances change. The amounts provided for environmental matters in NCR's consolidated financial statements are the estimated gross undiscounted amount of such liabilities, without deductions for insurance or third-party indemnity claims. In those cases where insurance carriers or third-party indemnitors have agreed to pay any amounts and management believes that collectibility of such amounts is probable, the amounts are reflected as receivables in the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

## 14. LEASES

NCR conducts certain of its sales and manufacturing operations using leased facilities, the initial lease terms of which vary in length. Many of the leases contain renewal options and escalation clauses. Future minimum lease payments under noncancelable leases as of December 31, 1995, follow:

	1996	1997	1998	1999	2000	LATER YEARS	TOTAL
	----	----	----	----	----	-----	-----
Operating Leases.....	\$54	\$43	\$37	\$33	\$22	\$76	\$ 265

Total rental expense for all operating leases amounted to \$96 in 1995, \$81 in 1994, and \$109 in 1993.

## 15. SUBSEQUENT EVENTS (UNAUDITED)

For the purposes of governing certain of the relationships among AT&T, Lucent and NCR following the Distribution, AT&T, NCR and, in certain cases, Lucent have entered, or expect to enter, into a series of agreements. These agreements include (a) the Separation and Distribution Agreement, dated as of February 1, 1996, as amended and restated as of March 29, 1996, by and among AT&T, Lucent and NCR (the "Separation and Distribution Agreement") and certain ancillary agreements related thereto executed prior to the initial public offering of Lucent Common Stock and (b) the Distribution Agreement, by and between AT&T and NCR (the "NCR Distribution Agreement") and certain ancillary agreements related thereto. This summary is qualified in all respects by the terms of the Separation and Distribution Agreement, the NCR Distribution Agreement and the other agreements referred to below, copies of which are filed as exhibits to the Registration Statement on Form 10.

## Separation and Distribution Agreement

The Separation and Distribution Agreement, among other things, provides that NCR will indemnify AT&T and Lucent for all contingent liabilities relating to NCR's present and former business and operations or otherwise assigned to NCR. In addition, the Separation and Distribution Agreement provides for the sharing of contingent liabilities not allocated to one of the parties, in the following proportions: AT&T: 75%, Lucent: 22%, and NCR: 3%. The Separation and Distribution Agreement also provides that each party will share specified portions of contingent liabilities related to the business of any of the other parties that exceed specified levels.

## NCR Distribution Agreement

The NCR Distribution Agreement provides that, subject to the terms and conditions thereof, AT&T will effect the Distribution. The NCR Distribution Agreement, among other things, contains certain mutual release and indemnification provisions and specifies the procedures necessary to effect the Distribution. It is expected that, pursuant to the NCR Distribution Agreement, AT&T will (i) make additional contributions of capital to NCR after September 30, 1996 and prior to the Distribution Date and (ii) contribute intercompany advances outstanding from AT&T to NCR as of September 30, 1996. The consolidated financial statements included elsewhere herein reflect these advances in shareholder's equity as having been contributed. The additional capital contributions are expected to consist of \$306 in cash and the contribution of additional cash in an amount sufficient to retire or defease a total of \$68 of NCR debt (including payment of related expenses). A portion of the \$306 in cash may be provided by means of additional intercompany advances from AT&T to NCR after September 30, 1996 that will be contributed at the Distribution Date. See "Capitalization."

## Federal, State and Local Tax Allocation Agreements

NCR has entered into agreements with AT&T, Lucent and AT&T's other domestic subsidiaries that apply to income taxes attributable to the period before the Distribution Date. The agreements set forth

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

principles to be applied in allocating tax liabilities among those entities filing income tax returns on a consolidated or combined basis.

#### Tax Sharing Agreement

NCR has entered into an agreement with AT&T and Lucent that governs contingent tax liabilities and benefits, tax contests and other tax matters with respect to tax periods ending or deemed to end on the date of the distribution of the common stock of NCR. Under such agreement, adjustments to taxes that are clearly attributable to the business of one party will be borne solely by that party. Adjustments to all other tax liabilities generally will be borne 75% by AT&T, 22% by Lucent and 3% by NCR. The Tax Sharing Agreement applies to Lucent in respect of the period prior to the date of the Lucent spin-off.

#### Purchase Agreements

NCR and AT&T have entered into a Volume Purchase Agreement (the "AT&T Volume Purchase Agreement") and certain related agreements, including a General Procedures Agreement (the "AT&T Procedures Agreement"), pursuant to which NCR will provide products and services to AT&T and certain affiliates of AT&T (other than Lucent). The AT&T Volume Purchase Agreement provides that payments through the three-year period ending December 31, 1999 made to NCR for purchases of products and services by AT&T and certain of its affiliates will total at least \$350 cumulatively, subject to certain conditions. The AT&T Procedures Agreement sets forth certain terms, conditions and procedures with respect to transactions between NCR and AT&T, including provisions governing (i) ordering and delivery, (ii) payment terms, (iii) certain intellectual property matters, (iv) warranties and indemnities, (v) product support and documentation, (vi) site preparation, installation, maintenance and other services, and (vii) dispute resolution. NCR and AT&T also expect to enter into an agreement setting forth the specific terms and conditions applicable to the provision by NCR to AT&T of certain product support and maintenance services.

NCR and Lucent have entered into a Volume Purchase Agreement under which Lucent committed to purchase at least \$150 of products and services from NCR during the three-year period ending December 31, 1998. As of September 30, 1996, approximately \$106 of such commitment has been purchased by Lucent.

#### Interim Services and Systems Replication Agreement; Real Estate Sharing

NCR, AT&T and Lucent have entered into an agreement governing the provision by each to one or more of the others on an interim basis of certain data processing and telecommunications services and certain corporate support services on specified terms. Specified charges are generally intended to allow the providing company to recover the fully allocated direct costs of providing the services, plus all out-of-pocket costs and expenses, but without any profit. This agreement also provides for the provision of certain additional services identified from time to time that a party reasonably believes were inadvertently or unintentionally omitted from the specified services or that are essential to effectuate an orderly transition of the separation of AT&T, Lucent and NCR. This agreement also provides for the replication and transfer of certain computer systems on specified terms. With limited exceptions, these interim services are not expected to extend beyond January 1, 1998 and many are expected to terminate at or prior to year-end 1997.

AT&T, NCR and Lucent also have entered into various leases and sublease arrangements for the sharing of certain facilities for a transitional period on commercial terms. In the case of owned real estate to be leased, the lease terms will be either two or three years, except that a limited number of leases may be terminated on 90 days' notice by the tenant. In the case of subleases or sub-subleases of property, the lease term will generally coincide with the remaining term of the primary lease or sublease, respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

## Technology Access and Development Project Agreement

Pursuant to the Technology Access and Development Project Agreement dated as of February 1, 1996 between Lucent and NCR, NCR will have access to the results of certain Bell Labs research and development activities, and Bell Labs will perform specific research and development projects on a contract basis for NCR. NCR will pay a periodic retainer fee for such access and an additional fee for each research and development project. Such agreement will terminate on December 31, 1999, but is subject to renewal by mutual consent.

## Patent Licenses and Related Agreements

NCR, Lucent and AT&T have executed and delivered assignments and other agreements, including a patent license agreement, related to patents owned or controlled by AT&T and its subsidiaries. The patent assignments divide ownership of patents, patent applications and foreign counterparts among NCR, Lucent and AT&T, with the substantial portion of those previously owned or controlled by AT&T and its subsidiaries (other than NCR) being assigned to Lucent and the substantial portion of those previously owned or controlled by NCR and its subsidiaries being retained by NCR. Certain patents and patent applications previously owned or controlled by AT&T and its subsidiaries were assigned to NCR. A small number of the patents assigned to Lucent are jointly owned with NCR. The patents that Lucent jointly owns with NCR are subject to a defensive protection agreement under which Lucent holds most ownership rights in the patents exclusively. Under this defensive protection agreement, NCR has the ability, subject to specified restrictions, to assert infringement claims under the patents against companies that assert patent infringement claims against NCR, and has consent rights in the event Lucent wishes to license the patents to certain third parties. The defensive protection agreement also provided for a one-time payment from NCR to Lucent, which has been paid.

The patent license agreement entered into by Lucent, AT&T and NCR provides for cross-licenses to each company, under each of the other company's patents that are covered by the licenses, to use, lease, sell and import any and all products and services of the businesses in which the licensed company (including specified related companies) is now or hereafter engaged. Except for the payment of specified up-front amounts, such cross-licenses are royalty-free. The cross-licenses also permit each company, subject to specified limitations, to have third parties make items under the other companies' patents, as well as to pass through to customers certain rights under the other companies' patents with respect to products and services furnished to customers by the licensed company. In addition, the rights granted to Lucent and AT&T include the right to license third parties under each of the other company's patents to the extent necessary to meet existing patent licensing obligations.

The cross-licenses between AT&T and NCR cover all of each company's patents, including patents issued on patent applications filed on or before December 31, 1999, except for certain patents and patents on filed applications owned or controlled by AT&T Wireless. The cross-licenses between Lucent and NCR cover all of each company's patents, including patents issued on patent applications filed on or before December 31, 1999. In the event of a change in control of NCR or certain acquisitions by NCR, the licenses granted to NCR under the patent license agreement will extend only to a specific annual volume of products and services of a kind offered by NCR prior to the change in control or specified acquisition.

## Technology Licenses and Related Agreements

NCR, Lucent and AT&T have executed and delivered assignments and other agreements, including the Technology License Agreement, related to technology previously owned or controlled by AT&T and its subsidiaries, including copyrights, mask works and other intellectual property other than trademarks, trade names, trade dress, service marks and patent rights. The technology assignments divide ownership of technology among NCR, Lucent and AT&T, with NCR owning technology that was developed by or for, or purchased by, NCR. The Technology License Agreement provides for royalty-free cross-licenses to each company to use certain of the other companies' technology.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

## AT&amp;T Capital Corporation Agreement

In 1993, in connection with the initial public offering of a minority interest in AT&T Capital, AT&T and AT&T Capital entered into an operating agreement (the "Operating Agreement") pursuant to which AT&T provides AT&T Capital with the right to be the preferred provider of leasing and financing services for AT&T's products. The Operating Agreement expires in August 2000. NCR, as a subsidiary of AT&T, has operated under the Operating Agreement and, pursuant to the terms thereof, has entered into a comparable operating agreement with AT&T Capital having the same term. In connection therewith, NCR has also agreed that AT&T Capital and certain subsidiaries will be entitled to use certain of NCR's marks for use in connection with the provision of financing services under the Operating Agreement in accordance with the existing license agreement between AT&T and AT&T Capital. NCR has further agreed that it will continue to be bound by the provisions of an intercompany agreement between AT&T and AT&T Capital to the extent NCR is currently bound thereby, under which NCR will continue to give AT&T Capital the right to bid for the provision of leasing and financing services in connection with NCR's internal equipment purchasing and leasing in the United States, Canada, United Kingdom, France, and Germany.

## Stock Based Plans

Prior to the Distribution, eligible employees of NCR and its subsidiaries participated in the AT&T equity-based plans, under which they received stock options and other equity-based awards. On the Distribution Date, with certain exceptions, such awards are expected to be converted into comparable awards based on NCR Common Stock (the "Substitute Awards") under NCR equity-based plans as summarized below. In addition, as of the Distribution, NCR intends to adopt the NCR Management Stock Plan (the "NCR Stock Plan").

The NCR Stock Plan will provide for the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, performance awards, other stock unit awards and other rights, interests or options relating to shares of NCR Common Stock or other securities of NCR. The total number of shares of NCR Common Stock available for grant under the NCR Stock Plan is 5.6% of the outstanding shares of NCR Common Stock in the 1997 calendar year and 4% of the outstanding shares of NCR Common Stock in each calendar year thereafter, with certain exceptions and subject to certain adjustments. Shares issuable pursuant to Substitute Awards are not included in the foregoing limits.

NCR also intends to adopt the NCR WorldShares Plan ("WorldShares Plan") effective as of the Distribution Date. The WorldShares Plan provides for the grant of nonstatutory stock options to substantially all NCR's employees in the United States and abroad. NCR intends to grant each participant an option to purchase a number of shares of NCR Common Stock with a value as of the Distribution Date of three thousand dollars or of four thousand five hundred dollars if certain performance goals for NCR are met in 1996. Such options will have an exercise price of the market value of the NCR Common Stock on the Distribution Date and will have a five year expiration period. Subject to certain conditions, participants will be fully vested and able to exercise their options one year after the date of grant. The number of shares of NCR Common Stock available for grant under the WorldShares Plan is expected to be approximately 6.6% of the shares of NCR Common Stock outstanding as of the Distribution Date.

## Employee Benefits Agreement

AT&T and NCR have entered into an Employee Benefits Agreement (the "Employee Benefits Agreement") pursuant to which NCR will assume or retain, and to indemnify AT&T against, with certain exceptions, all liabilities to or relating to past, current and future NCR employees and benefit plans. The Employee Benefits Agreement also provides that NCR will use its reasonable best efforts to take all actions necessary or appropriate so that, with certain exceptions, each outstanding Award granted under any AT&T Long Term Incentive Plan held by any NCR employee will be replaced with an Award based on NCR Common Stock otherwise containing the same terms. Pursuant to the Employee Benefits Agreement, each

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

Award consisting of an AT&T Option that is outstanding and held by an NCR employee as the close of the Distribution Date will be replaced, effective immediately after the Distribution Date, with an NCR option. Such NCR option will provide for the purchase of a number of shares of NCR Common Stock equal to the number of shares of AT&T Common Stock subject to such AT&T Option as of the close of the Distribution Date, multiplied by the Ratio (as defined below), and then rounded down to the nearest whole share. The per-share exercise price of such NCR option will equal the per-share exercise price of such AT&T Option as of the close of the Distribution Date divided by the Ratio.

Each Award consisting of AT&T performance shares or AT&T stock units that is outstanding and held by an NCR employee as of the close of the Distribution Date will be replaced, effective immediately after the Distribution Date, with a new performance share award or a new stock unit award, as the case may be, consisting of a number of NCR performance shares or NCR stock units, as the case may be, equal to the number of AT&T performance shares or AT&T stock units, as the case may be, constituting such Award as of the close of the Distribution Date, multiplied by the Ratio, and then rounded down to the nearest whole share.

Each Award that consists of non-vested restricted shares of AT&T Common Stock or restricted stock units relating to shares of AT&T Common Stock that is outstanding and held by an NCR employee, as of the close of the Distribution Date will be replaced, with certain exceptions, effective immediately after the Distribution Date, with either a replacement Award or such other form of compensation not based on NCR Common Stock as NCR may determine. Any such replacement Award will be a new Award consisting of a number of non-vested restricted shares of NCR Common Stock and/or restricted stock units relating to shares of NCR Common Stock equal to the number of non-vested restricted shares or restricted stock units of AT&T Common Stock constituting such Award as of the close of the Distribution Date multiplied by the Ratio, and then rounded down to the nearest whole share.

As of September 30, 1996, NCR employees held stock options representing approximately six million shares of AT&T Common Stock, at exercise prices ranging from \$15 to \$50 per share of AT&T Common Stock. These stock options are expected to be converted into NCR stock options immediately after the Distribution Date on the terms set forth above. Of such stock options, Awards for approximately three million shares of AT&T Common Stock are currently exercisable at prices ranging from approximately \$15 to \$39 per share of AT&T Common Stock. As of November 1996, the per share price of the AT&T Common Stock was \$

If, at any time after the close of the Distribution Date, AT&T is required to deliver shares of AT&T Common Stock, or shares of AT&T Common Stock vest, pursuant to an Award that NCR does not replace as summarized above NCR will be required to pay AT&T specified amounts determined pursuant to the Employee Benefits Agreement. For purposes of the replacements described above, the "Ratio" means the amount obtained by dividing (a) the average of the daily high and low per-share prices of the AT&T Common Stock during each of the five trading days immediately preceding the Distribution Date by (b) the average of the daily high and low per-share prices of the NCR Common Stock on a when-issued basis during each of the five trading days immediately preceding the Distribution Date.

Other

The Company has entered into an agreement with the Pension Benefit Guaranty Corporation ("PBGC") concerning the provision by the Company of additional support for its domestic defined benefit pension plans. Under such agreement, among other terms and conditions, the Company has agreed to provide security interests in support of such plans in collateral with an aggregate collateral value (calculated by applying specified discounts to market value) of \$80. Such collateral is initially expected to be comprised of certain domestic real estate. The Company does not believe that its agreement with the PBGC would have a material effect on its financial condition, results of operations or cash flow.

The Company entered into the five-year, unsecured revolving Credit Facility with a syndicate of commercial banks and financial institutions. The Credit Facility provides that the Company may borrow from

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)  
(DOLLARS IN MILLIONS)

time to time on a revolving credit basis an aggregate principal amount of up to \$600, subject to the terms and conditions thereof. The Company expects to be able to use the available funds at any time for capital expenditure needs, repayment of existing debt obligations, working capital, and general corporate purposes. The Credit Facility will initially mature within five years from the date of closing and contains certain representations and warranties, conditions, affirmative, negative and financial covenants, and events of default customary for such facilities. Interest rates charged on borrowings outstanding under the Credit Facility are based on market rates which can vary over time. In addition, subject to the terms and conditions thereof, a portion of the Credit Facility will be available for the issuance of letters of credit as required by the Company.

NCR has received notice of a purported class action suit filed on or about November 8, 1996, in the Circuit Court for Pinellas County, Florida (Case No. 96-7077-CI-8), in which NCR is named as one of the defendants. The complaint seeks, among other things, damages from the defendants in the aggregate amount of \$200, trebled, plus attorneys fees, based on state antitrust and common law claims of unlawful restraints of trade, monopolization, and unfair business practices. The portions of the complaint pertinent to NCR, among other things, assert a purported agreement between Siemens-Nixdorf entities ("Siemens") and NCR regarding the servicing of certain "ultra-high speed printers" manufactured by Siemens and the agreement's impact upon independent service organizations, brokers, and end-users of such printers. The amount of any liabilities or other costs that may be incurred in connection with this matter cannot currently be determined.

16. QUARTERLY INFORMATION (UNAUDITED)

	FIRST -----	SECOND -----	THIRD -----	FOURTH -----	TOTAL -----
1995					
Total revenues.....	\$1,818	\$2,042	\$ 2,033	\$2,269	\$ 8,162
Gross margin.....	420	416	(509)	519	846
Net income (loss).....	(146)	(243)	(1,586)	(305)	(2,280)
1994					
Total revenues.....	\$1,527	\$2,011	\$ 1,979	\$2,944	\$ 8,461
Gross margin.....	479	610	580	898	2,567
Net income (loss).....	(94)	(77)	(41)	9	(203)

- 
- (1) First quarter of 1995 includes a pre-tax gain on the sale of the Microelectronics components business of \$51
  - (2) Third quarter of 1995 includes a pre-tax charge of \$1,597 to cover restructuring and other costs (See Note 5 of Notes to Consolidated Financial Statements)
  - (3) Fourth quarter of 1995 includes a pre-tax charge of \$52 to cover restructuring and other costs (See Note 5 of Notes to Consolidated Financial Statements)
  - (4) Fourth quarter of 1994 includes revenue of \$223 for an additional month of international sales, resulting from the change to conform international and domestic reporting periods
  - (5) Fourth quarter of 1994 includes a pre-tax gain of \$110 for gain on sale of assets

## EXHIBIT INDEX

EXHIBIT NO.	DESCRIPTION
2	Form of Distribution Agreement, dated as of November 20, 1996, by and between AT&T Corp. and NCR Corporation
3.1	Form of Articles of Amendment and Restatement of NCR Corporation
3.2	Form of Bylaws of NCR Corporation
4.1	Form of Common Stock Certificate of NCR Corporation**
4.2	Form of Preferred Share Purchase Rights Plan of NCR Corporation**
10.1	Separation and Distribution Agreement, dated as of February 1, 1996 and amended and restated as of March 29, 1996 (incorporated by reference to Exhibit 10.1 to the Lucent Technologies Inc. Registration Statement on Form S-1 (No. 333-00703) dated April 3, 1996 (the "Lucent Registration Statement"))
10.2	Form of Employee Benefits Agreement, dated as of November 20, 1996, by and between AT&T Corp. and NCR Corporation
10.3	Form of Volume Purchase Agreement, dated as of November 20, 1996, by and between AT&T Corp. and NCR Corporation
10.4	Patent License Agreement, effective as of March 29, 1996, by and among AT&T Corp., NCR Corporation and Lucent Technologies Inc. (incorporated by reference to Exhibit 10.7 to the Lucent Registration Statement)
10.5	Amended and Restated Technology License Agreement, effective as of March 29, 1996, by and among AT&T Corp., NCR Corporation and Lucent Technologies Inc. (incorporated by reference to Exhibit 10.8 to the Lucent Registration Statement)
10.6	Tax Sharing Agreement, dated as of February 1, and amended and restated as of March 29, 1996, by and among AT&T Corp., NCR Corporation and Lucent Technologies Inc. (incorporated by reference to Exhibit 10.6 to the Lucent Registration Statement)
10.7	Interim Service and Systems Replication Agreement by and among AT&T Corp., Lucent Technologies Inc. and NCR Corporation, dated as of February 1, 1996 (incorporated by reference to Exhibit 10.4 to the Lucent Registration Statement)
10.8	Form of NCR Management Stock Plan
10.9	Form of NCR WorldShares Plan
10.10	NCR Senior Executive Retirement, Death & Disability Plan**
10.11	The Retirement Plan for Officers of NCR**
10.12	Employment Agreements with Lars Nyberg**
10.13	Employment Agreement with John L. Giering**
10.14	Employment Agreement with Robert R. Carpenter**
10.15	Credit Agreement, dated as of November 20, 1996, among NCR Corporation, The Lenders Party thereto, and The Chase Manhattan Bank, as Administrative Agent and Bank of America National Trust & Savings Association, as Documentation Agent
21	Subsidiaries of NCR Corporation**
27	Financial Data Schedule**
99	Certain Additional Information Provided to Shareowners of AT&T Corp.

- - - - -  
 \*\* Previously filed.



SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

NCR CORPORATION

By /s/ Lars Nyberg

-----  
Name: Lars Nyberg  
Title: Chairman of the Board,  
Chief Executive Officer  
and President

November 22, 1996

## NCR CORPORATION

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS  
(DOLLARS IN MILLIONS)

COLUMN A ----- DESCRIPTION -----	COLUMN B ----- BALANCE AT BEGINNING OF PERIOD -----	COLUMN C ----- ADDITIONS -----		COLUMN D ----- DEDUCTIONS -----	COLUMN E ----- BALANCE AT END OF PERIOD -----
		CHARGED TO COSTS & EXPENSES	CHARGED TO OTHER ACCOUNTS		
Year Ended December 31, 1995					
Allowance for doubtful accounts...	\$ 41	\$ 61	\$ --	\$ 34	\$ 68
Deferred tax asset valuation allowance.....	405	67	--	--	472
Inventory valuation reserves.....	64	514(a)	--	248	330
Reserves related to business restructuring.....	71	963	--	176	858
Year Ended December 31, 1994					
Allowance for doubtful accounts...	\$ 31	\$ 38	\$ --	\$ 28	\$ 41
Deferred tax asset valuation allowance.....	449	--	--	44	405
Inventory valuation reserves.....	54	59	--	49	64
Reserves related to business restructuring.....	196	--	--	125	71
Year Ended December 31, 1993					
Allowance for doubtful accounts...	\$ 39	\$ 27	\$ --	\$ 35	\$ 31
Deferred tax asset valuation allowance.....	304	145	--	--	449
Inventory valuation reserves.....	37	54	--	37	54
Reserves related to business restructuring.....	99	219	--	122	196

(a) Includes \$417 restructuring reserve in the third quarter of 1995.

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99	Certain Additional Information Provided to Shareowners of AT&T Corp.

\*\* Previously filed.

FORM OF  
DISTRIBUTION AGREEMENT  
BY AND BETWEEN  
AT&T CORP.  
AND  
NCR CORPORATION

DATED AS OF NOVEMBER 20, 1996

## DISTRIBUTION AGREEMENT

THIS DISTRIBUTION AGREEMENT, dated as of November 20, 1996, is by and between AT&T and NCR. Capitalized terms used herein and not otherwise defined shall have the respective meanings assigned to them in Article I hereof.

WHEREAS, the Board of Directors of AT&T has determined that it is in the best interests of AT&T and its shareholders to separate AT&T's existing businesses into three independent businesses;

WHEREAS, in furtherance of the foregoing, AT&T, NCR and Lucent have executed and delivered the Separation and Distribution Agreement providing for, among other things, the initial public offering of shares of Lucent Common Stock (which was consummated on April 10, 1996) and for the pro rata distribution by AT&T of all of its shares of Lucent Common Stock to the shareholders of AT&T;

WHEREAS, AT&T, NCR and Lucent have also executed and delivered the Ancillary Agreements (as such term is defined in the Separation and Distribution Agreement) governing certain additional matters relating to the Lucent Distribution;

WHEREAS, the Board of Directors of AT&T has also determined that AT&T will distribute to its shareholders all of the capital stock of NCR held directly or indirectly by AT&T, subject to the terms and conditions set forth herein;

WHEREAS, the NCR Distribution is intended to qualify as a tax-free spin-off under Section 355 of the Code;

WHEREAS, it is appropriate and desirable to set forth certain agreements that will govern certain matters relating to the NCR Distribution and the relationship of AT&T and NCR and their respective Subsidiaries following the NCR Distribution;

WHEREAS, in consideration of the transactions contemplated hereby and by the Transaction Agreements, AT&T has agreed to make certain specified capital contributions to NCR;

NOW, THEREFORE, the parties, intending to be legally bound, agree as follows:

ARTICLE I  
DEFINITIONS

For the purpose of this Agreement the following terms shall have the following meanings:

1.1. ACTION has the meaning set forth in the Separation and Distribution Agreement.

1.2. ADJUSTMENT has the meaning set forth in the Tax Sharing Agreement.

1.3. AFFILIATE has the meaning set forth in the Separation and Distribution Agreement.

1.4. AGENT means the distribution agent to be appointed by AT&T to distribute, or make book entry credits for, the shares of NCR Common Stock held by AT&T pursuant to the NCR Distribution.

1.5. AGREEMENT means this Distribution Agreement, including all of the Schedules hereto.

1.6. AMERICAN RIDGE has the meaning set forth in the Separation and Distribution Agreement.

1.7. ANCILLARY AGREEMENTS has the meaning set forth in the Separation and Distribution Agreement.

1.8. APPLICABLE DEADLINE has the meaning set forth in the Separation and Distribution Agreement.

1.9. ARBITRATION ACT has the meaning set forth in the Separation and Distribution Agreement.

1.10. ARBITRATION DEMAND NOTICE has the meaning set forth in the Separation and Distribution Agreement.

1.11. ASSETS has the meaning set forth in the Separation and Distribution Agreement.

1.12. AT&T means AT&T Corp., a New York corporation.

1.13. AT&T COMMON STOCK means the Common Stock, \$1.00 par value per share, of AT&T.

1.14. AT&T GROUP has the meaning set forth in the Separation and Distribution Agreement.

1.15. AT&T INDEMNITEES has the meaning set forth in Section 4.2 hereof.

1.16. AT&T SERVICES BUSINESS has the meaning set forth in the Separation and Distribution Agreement.

1.17. AT&T SERVICES GROUP means each member of the AT&T Group other than any member of the NCR Group.

1.18. AT&T VOLUME PURCHASE AGREEMENT means the Volume Purchase Agreement, dated as of the date hereof, as amended, by and between AT&T and NCR.

1.19. CLOSING DATE has the meaning set forth in the Separation and Distribution Agreement.

1.20. CODE means the Internal Revenue Code of 1986, as amended.

1.21. COMMISSION means the Securities and Exchange Commission.

1.22. CONSENTS means any consents, waivers or approvals from, or notification requirements to, any third parties.

1.23. DETERMINATION REQUEST has the meaning set forth in the Separation and Distribution Agreement.

1.24. EXCHANGE ACT means the Securities Exchange Act of 1934, as amended, together with the rules and regulations promulgated thereunder.

1.25. GOVERNMENTAL APPROVALS has the meaning set forth in the Separation and Distribution Agreement.

1.26. GOVERNMENTAL AUTHORITY has the meaning set forth in the Separation and Distribution Agreement.

1.27. GROUP means any of the AT&T Services Group, the Lucent Group or the NCR Group, as the context requires.

1.28. INDEMNIFYING PARTY has the meaning set forth in Section 4.4(a) hereof.

1.29. INDEMNITEE has the meaning set forth in Section 4.4(a) hereof.

1.30. INDEMNITY PAYMENT has the meaning set forth in Section 4.4(a) hereof.

1.31. INSURANCE PROCEEDS has the meaning set forth in the Separation and Distribution Agreement.

1.32. IPO has the meaning set forth in the Separation and Distribution Agreement.

1.33. LIABILITIES has the meaning set forth in the Separation and Distribution Agreement.

1.34. LUCENT means Lucent Technologies Inc., a Delaware corporation.

1.35. LUCENT COMMON STOCK means the Common Stock, \$.01 par value per share, of Lucent.

1.36. LUCENT DISTRIBUTION means the distribution by AT&T on a pro rata basis to holders of AT&T Common Stock of all of the outstanding shares of Lucent Common Stock owned by AT&T as set forth in Article IV of the Separation and Distribution Agreement.

1.37. LUCENT GROUP has the meaning set forth in the Separation and Distribution Agreement.

1.38. LUCENT INDEMNITEES has the meaning set forth in the Separation and Distribution Agreement.

1.39. NCR means NCR Corporation, a Maryland corporation.

1.40. NCR ANCILLARY AGREEMENTS means the AT&T Volume Purchase Agreement, the NCR Employee Benefits Agreement, the Procedures Agreement, the agreements listed on Schedule 1.40 hereto and the agreements related or supplemental to this Agreement or to any of the foregoing.

1.41. NCR BUSINESS means (a) the computer products, computer systems, data processing and information solutions business and operations as conducted by NCR and its Subsidiaries; (b) except as otherwise expressly provided herein or in the Separation and Distribution Agreement, any terminated, divested or discontinued businesses or operations (i) that at the time of termination, divestiture or discontinuation primarily related to the NCR Business as then conducted, or (ii) that were conducted by NCR, by any Person that at any time was an Affiliate of NCR prior to the acquisition of NCR by AT&T, or by any Person that at any time was controlled by NCR; (c) the terminated, divested or discontinued businesses and operations listed or described on Schedule 1.75 to the Separation and Distribution Agreement; and (d) any business or operation conducted by NCR or any Affiliate of NCR at any time on or after the NCR Distribution Date.

1.42. NCR COMMON STOCK means the Common Stock, par value \$.01 per share, of NCR.

1.43. NCR COVERED LIABILITIES has the meaning set forth in the Separation and Distribution Agreement.

1.44. NCR DISTRIBUTION means the distribution by AT&T on a pro rata basis to holders of AT&T Common Stock of all of the outstanding shares of NCR Common Stock owned by AT&T on the NCR Distribution Date as set forth in Article II of this Agreement.

1.45. NCR DISTRIBUTION DATE means the date determined pursuant to Section 2.3 of this Agreement on which the NCR Distribution occurs.

1.46. NCR EMPLOYEE BENEFITS AGREEMENT means the Employee Benefits Agreement, dated as of the date hereof, as amended, by and among AT&T, NCR and Lucent.

1.47. NCR FORM 10 means the Registration Statement on Form 10 to be filed by NCR with the Commission in connection with the NCR Distribution.

1.48. NCR GROUP means NCR, each Subsidiary of NCR and each other Person that is either controlled directly or indirectly by NCR immediately after the NCR Distribution Date or that is contemplated to be controlled by NCR pursuant to the Non-U.S. Plan (as supplemented from time to time).

1.49. NCR INDEMNITEES has the meaning set forth in Section 4.3(a) hereof.

1.50. NCR INFORMATION STATEMENT means the Information Statement constituting a part of the NCR Form 10, which will be mailed to AT&T shareholders in connection with the NCR Distribution.



1.51. NCR INSURANCE POLICIES means the insurance policies written by insurance carriers unaffiliated with AT&T pursuant to which NCR or one or more of its Subsidiaries (or their respective officers or directors) will be insured parties after the NCR Distribution Date.

1.52. NCR RECORD DATE means the time at which the transfer agent for the AT&T Common Stock closes its transfer records for AT&T Common Stock on the date to be determined by the AT&T Board of Directors as the record date for determining shareholders of AT&T entitled to receive the special dividend of shares of NCR Common Stock in the NCR Distribution.

1.53. NYSE means The New York Stock Exchange, Inc.

1.54. PERSON has the meaning set forth in the Separation and Distribution Agreement.

1.55. PREFERRED SHARE PURCHASE RIGHTS mean the Rights to be issued pursuant to a Rights Agreement substantially in the form of the Rights Agreement attached as an Exhibit to the NCR Form 10.

1.56. PROCEDURES AGREEMENT means the Procedures Agreement, dated as of the date hereof, as amended, by and between AT&T and NCR.

1.57. RESTRUCTURING ADJUSTMENT has the meaning set forth in the Tax Sharing Agreement.

1.58. RIDGE NCR POLICIES means any insurance policies written by American Ridge or any other captive insurance company of AT&T covering the NCR Business or any member of the NCR Group.

1.59. SECURITIES ACT means the Securities Act of 1933, as amended, together with the rules and regulations promulgated thereunder.

1.60. SECURITY INTEREST has the meaning set forth in the Separation and Distribution Agreement.

1.61. SEPARATION has the meaning set forth in the Separation and Distribution Agreement.

1.62. SEPARATION AND DISTRIBUTION AGREEMENT means the Separation and Distribution Agreement, dated as of February 1, 1996, as amended and restated as of March 29, 1996, by and among AT&T, Lucent and NCR, including the Schedules thereto.

1.63. SHARED AT&T PERCENTAGE, SHARED NCR PERCENTAGE, SHARED LUCENT PERCENTAGE, SHARED PERCENTAGE and SHARED CONTINGENT LIABILITY have the respective meanings set forth in Section 6.1 of the Separation and Distribution Agreement.

1.64. SUBSIDIARY has the meaning set forth in the Separation and Distribution Agreement.

1.65. TAX SHARING AGREEMENT has the meaning set forth in the Separation and Distribution Agreement.

1.66. TAXES has the meaning set forth in the Tax Sharing Agreement.

1.67. THIRD PARTY CLAIM has the meaning set forth in Section 4.5(a) hereof.

1.68. TRANSACTION AGREEMENTS means, collectively, this Agreement, the NCR Ancillary Agreements, the Separation and Distribution Agreement and the Ancillary Agreements.

## ARTICLE II THE DISTRIBUTION

2.1. THE DISTRIBUTION. (a) Subject to Section 2.3 hereof, on or prior to the NCR Distribution Date, AT&T will deliver to the Agent for the benefit of holders of record of AT&T Common Stock on the NCR Record Date, a single stock certificate representing all of the outstanding shares of NCR Common Stock then beneficially owned by AT&T or any of its wholly owned Subsidiaries, and shall cause the transfer agent for the shares of AT&T Common Stock to instruct the Agent on the NCR Distribution Date either to distribute, or make book-entry credits for, the appropriate number of such shares of NCR Common Stock to each such holder of AT&T Common Stock or designated transferee or transferees of such holder.

(b) Subject to Section 2.4, each holder of AT&T Common Stock on the NCR Record Date (or such holder's designated transferee or transferees) will be entitled to receive in the NCR Distribution a number of shares of NCR Common Stock equal to the number of shares of AT&T Common Stock held by such holder on the NCR Record Date multiplied by a fraction, the numerator of which is the number of shares of NCR Common Stock beneficially owned by AT&T or any of its wholly owned Subsidiaries on the NCR Record Date and the denominator of which is the number of shares of AT&T Common Stock outstanding on the NCR Record Date.

(c) Each of NCR and AT&T, as the case may be, will provide to the Agent all share certificates and any information required in order to complete the NCR Distribution on the terms contemplated hereby.

2.2. ACTIONS PRIOR TO THE NCR DISTRIBUTION. (a) AT&T and NCR shall prepare and mail, prior to the NCR Distribution Date, to the holders of AT&T Common Stock, the NCR Information Statement, which shall set forth appropriate disclosure concerning NCR, the NCR Distribution and such other matters as AT&T and NCR may determine. AT&T and NCR shall prepare, and NCR shall file with the Commission, the NCR Form 10, which shall include or incorporate by reference the NCR Information Statement. NCR shall use its reasonable best efforts to cause the NCR Form 10 to be declared effective under the Exchange Act as soon as practicable following the filing thereof.

(b) AT&T and NCR shall take all such action as may be necessary or appropriate under the securities or blue sky laws of the United States (and any comparable laws under any foreign jurisdiction) in connection with the NCR Distribution.

(c) NCR shall prepare and file, and shall use its reasonable best efforts to have approved, an application for the listing of the NCR Common Stock (and related Preferred Share Purchase Rights) to be distributed in the NCR Distribution on the NYSE or another mutually agreeable stock exchange or quotations system.

2.3. CONDITIONS TO THE NCR DISTRIBUTION. The AT&T Board shall have the sole discretion to determine the NCR Record Date and the NCR Distribution Date, and all appropriate procedures in connection with the NCR Distribution, provided that the NCR Distribution shall not occur prior to such time as each of the following conditions shall have been satisfied or shall have been waived by the AT&T Board in its sole discretion:

(a) a private letter ruling from the Internal Revenue Service shall have been obtained, and shall continue in effect, to the effect that, among other things, the NCR Distribution will qualify as a tax-free distribution for federal income tax purposes under Section 355 of the Code, and such ruling shall be in form and substance satisfactory to AT&T in its sole discretion;

(b) any material Governmental Approvals and Consents necessary to consummate the NCR Distribution shall have been obtained and be in full force and effect;

(c) no order, injunction or decree issued by any court or agency of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the NCR Distribution shall be in effect and no other event shall have occurred or failed to occur that prevents the consummation of the NCR Distribution;

(d) the NCR Form 10 shall have been declared effective by the Commission;

(e) AT&T shall have received a favorable response from the Staff of the Commission to a request for a no-action letter concerning, among other matters, whether the NCR Distribution and related transactions may be effected without registration of the NCR Common Stock (and related Preferred Share Purchase Rights) under the Securities Act;

(f) the NCR Common Stock (and related Preferred Share Purchase Rights) shall have been accepted for listing by the NYSE or another mutually agreeable stock exchange or quotations system; and

(g) the AT&T Board shall have formally approved the Distribution;

provided that the satisfaction of such conditions shall not create any obligation on the part of AT&T, NCR or any other Person to effect or to seek to effect the NCR Distribution or in any way limit AT&T's right to terminate this Agreement as set forth in Section 7.1 or alter the consequences of any such termination from those specified in Section 7.2.

2.4. FRACTIONAL SHARES. No certificates representing fractional shares of NCR Common Stock will be distributed to holders of AT&T Common Stock in the NCR Distribution. Holders that receive certificates in the NCR Distribution and holders that receive less than one whole share of NCR Common Stock in the NCR Distribution will receive cash in lieu of such fractional shares as contemplated hereby. As soon as practicable after the NCR Distribution Date, AT&T shall direct the Agent to determine the number of fractional shares of NCR Common Stock allocable to each holder of record or beneficial owner of AT&T Common Stock as of the Record Date that will receive cash in lieu of such fractional shares, to aggregate all such fractional shares and sell the whole shares obtained by aggregating such fractional shares either in open market transactions or otherwise, in each case at then prevailing trading prices, and to cause to be distributed to each such holder or for the benefit of each such beneficial owner, in lieu of any fractional share,

such holder's or owner's ratable share of the proceeds of such sale, after making appropriate deductions of the amount required to be withheld for federal income tax purposes and after deducting an amount equal to all brokerage charges, commissions and transfer taxes attributed to such sale. AT&T and the Agent shall use their reasonable best efforts to aggregate the shares of AT&T Common Stock that may be held by any beneficial owner thereof through more than one account in determining the fractional share allocable to such beneficial owner.

ARTICLE III  
CERTAIN AGREEMENTS RELATING TO THE NCR DISTRIBUTION

3.1. NCR ANCILLARY AGREEMENTS. Effective as of the date hereof, each of AT&T and NCR are executine and delivering each of the NCR Acillary Agreements.

3.2. THE NCR BOARD. NCR and AT&T shall take all actions which may be required to elect or otherwise appoint as directors of NCR, on or prior to the NCR Distribution Date, the persons named in the NCR Form 10 to constitute the Board of Directors of NCR on the NCR Distribution Date.

3.3. NCR CHARTER, BYLAWS AND RIGHTS. Prior to the NCR Distribution Date, (a) AT&T shall cause Articles of Amendment and Restatement of NCR, substantially in the form filed with the NCR Form 10, to be filed for record with the Maryland State Department of Assessments and Taxation and to be in effect on the NCR Distribution Date, and (b) the Board of Directors of NCR shall amend the Bylaws of NCR so that the NCR Bylaws are substantially in the form filed with the NCR Form 10. Prior to the NCR Record Date, the Board of Directors of NCR shall declare a dividend of the Preferred Share Purchase Rights so that each share of NCR Common Stock issued and outstanding on the NCR Distribution Date shall initially have one Preferred Share Purchase Right attached thereto.

3.4. TERMINATION OF INTERCOMPANY AGREEMENTS. (a) Except as set forth in Section 3.4(b) or Section 2.4(b) of the Separation and Distribution Agreement or Schedule 2.4(b)(ii) thereto, in furtherance of the releases and other provisions of Section 4.1 hereof, NCR and each member of the NCR Group, on the one hand, and AT&T and the respective members of the AT&T Services Group, on the other hand, hereby terminate any and all agreements, arrangements, commitments or understandings, whether or not in writing, between or among NCR and/or any member of the NCR Group, on the one hand, and AT&T and/or any member of the AT&T Services Group, on the other hand, effective as of the NCR Distribution Date. No such terminated agreement, arrangement, commitment or understanding (including any provision thereof which purports to survive termination) shall be of any further force or effect after the NCR Distribution Date. Each party shall, at the reasonable request of any other party, take, or cause to be taken, such other actions as may be necessary to effect the foregoing.

(b) The provisions of Section 3.4(a) shall not apply to any of the following agreements, arrangements, commitments or understandings (or to any of the provisions thereof): (i) the Transaction Agreements (and each other agreement or instrument expressly contemplated by any Transaction Agreement to be entered into by any of the parties hereto or any of the members of their respective Groups); (ii) any agreements, arrangements, commitments or understandings listed or described on Schedule 3.4(b)(ii); (iii) any agreements, arrangements, commitments or understandings to which any Person other than the

parties hereto and their respective Affiliates is a party; (iv) except as set forth in Schedule 3.4(b)(iv), any intercompany accounts payable or accounts receivable accrued as of the NCR Distribution Date that are reflected in the books and records of the parties or otherwise documented in writing in accordance with past practices; (v) any agreements, arrangements, commitments or understandings to which AT&T Capital Corporation, any member of the Lucent Group, or any other non-wholly owned Subsidiary of AT&T or NCR, as the case may be, is a party (it being understood that directors' qualifying shares or similar interests will be disregarded for purposes of determining whether a Subsidiary is wholly owned); (vi) any written Tax sharing or Tax allocation agreements to which any member of any Group is a party; and (vii) any other agreements, arrangements, commitments or understandings that any of the Transaction Agreements expressly contemplates will survive the NCR Distribution Date.

3.5. **DISCLAIMER OF REPRESENTATIONS AND WARRANTIES.** Each of AT&T (on behalf of itself and each member of the AT&T Services Group) and NCR (on behalf of itself and each member of the NCR Group) understands and agrees that, except as expressly set forth in any Transaction Agreement, no party to any Transaction Agreement or any other agreement or document contemplated by any Transaction Agreement either has or is representing or warranting in any way as to the Assets, businesses or Liabilities retained, transferred or assumed as contemplated hereby or thereby, as to any consents or approvals required in connection therewith, as to the value or freedom from any Security Interests of, or any other matter concerning, any Assets of such party, or as to the absence of any defenses or right of setoff or freedom from counterclaim with respect to any claim or other Asset, including any accounts receivable, of any party, or as to the legal sufficiency of any assignment, document or instrument delivered hereunder to convey title to any Asset or thing of value upon the execution, delivery and filing hereof or thereof. Except as may expressly be set forth in any Transaction Agreement, all such Assets were, or are being, transferred, or are being retained, on an "as is," "where is" basis (and, in the case of any real property, by means of a quitclaim or similar form deed or conveyance) and the respective transferees shall bear the economic and legal risks that any conveyance shall prove to be insufficient to vest in the transferee good and marketable title, free and clear of any Security Interest.

3.6. **NON-U.S. PLAN.** On or prior to the NCR Distribution Date, NCR and AT&T shall use their reasonable best efforts to consummate, or to cause to be consummated, the transactions set forth on Schedule 3.6 hereto.

3.7. **LETTERS OF CREDIT AND RELATED MATTERS.** In the event that at any time, whether prior to or after the NCR Distribution Date, AT&T identifies any letters of credit, interest rate or foreign exchange contracts or other financial or other contracts that relate primarily to the NCR Business but for which any member of the AT&T Services Group has contingent, secondary, joint, several or other Liability of any nature whatsoever, NCR will at its expense take such actions and enter into such agreements and arrangements as AT&T may request to effect the release or substitution of the member of the AT&T Services Group.

ARTICLE IV  
MUTUAL RELEASES; INDEMNIFICATION

4.1. RELEASE OF PRE-CLOSING CLAIMS. (a) Except as provided in Section 4.1(c), effective as of the NCR Distribution Date, NCR does hereby, for itself and each other member of the NCR Group, their respective Affiliates (other than any member of the AT&T Services Group or the Lucent Group), successors and assigns, and all Persons who at any time prior to the NCR Distribution Date have been shareholders, directors, officers, agents or employees of any member of the NCR Group (in each case, in their respective capacities as such), remise, release and forever discharge AT&T, the members of the AT&T Services Group, their respective Affiliates (other than any member of the NCR Group or the Lucent Group), successors and assigns, and all Persons who at any time prior to the NCR Distribution Date have been shareholders, directors, officers, agents or employees of any member of the AT&T Services Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the NCR Distribution Date, including in connection with the actions or decisions taken or omitted to be taken in connection with, and the other activities relating to, the structuring or implementation of any of the Separation, the IPO, the Lucent Distribution or the NCR Distribution.

(b) Except as provided in Section 4.1(c), effective as of the NCR Distribution Date, AT&T does hereby, for itself and each other member of the AT&T Services Group, their respective Affiliates (other than AT&T Capital Corporation or any Subsidiary of AT&T Capital Corporation, any member of the NCR Group or the Lucent Group), successors and assigns, and all Persons who at any time prior to the NCR Distribution Date have been shareholders, directors, officers, agents or employees of any member of the AT&T Services Group other than AT&T Capital Corporation or any Subsidiary of AT&T Capital Corporation (in each case, in their respective capacities as such), remise, release and forever discharge NCR, the respective members of the NCR Group, their respective Affiliates (other than any member of the AT&T Services Group or the Lucent Group), successors and assigns, and all Persons who at any time prior to the NCR Distribution Date have been shareholders, directors, officers, agents or employees of any member of the NCR Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever, whether at law or in equity (including any right of contribution), whether arising under any contract or agreement, by operation of law or otherwise, existing or arising from any acts or events occurring or failing to occur or alleged to have occurred or to have failed to occur or any conditions existing or alleged to have existed on or before the NCR Distribution Date, including in connection with the transactions and all other activities to implement any of the Separation, the IPO, the Lucent Distribution or the NCR Distribution.

(c) Nothing contained in Section 4.1(a) or (b) shall impair any right of any Person to enforce the Transaction Agreements, or any agreements, arrangements, commitments or understandings that are specified in the Separation and Distribution Agreement, in Section 3.4(b) or the Schedules hereto or thereto not to terminate as of the Closing Date or the NCR Distribution Date, as the case may be, in each case in accordance with its terms. Nothing contained in Section 4.1(a) or (b) shall release any Person from:

(i) any Liability provided in or resulting from any agreement among any members of the AT&T Services Group or the NCR Group that is specified in the Separation and Distribution Agreement, in Section 3.4(b) or the applicable Schedules hereto or thereto as not to terminate as of the Closing Date or as of the NCR Distribution Date, as the case may be, or any other Liability so specified as not to terminate as of the Closing Date or NCR Distribution Date;

(ii) any Liability, contingent or otherwise, assumed, transferred, assigned or allocated to the Group of which such Person is a member in accordance with, or any other Liability of any member of any Group under, any Transaction Agreement;

(iii) any Liability that the parties may have with respect to indemnification or contribution pursuant to this Agreement for claims brought against the parties by third Persons, which Liability shall be governed by the provisions of this Article IV and by the Separation and Distribution Agreement, and, if applicable, by the appropriate provisions of the Ancillary Agreements or NCR Ancillary Agreements; or

(iv) any Liability the release of which would result in the release of any Person other than a Person released pursuant to this Section 4.1; provided that the parties agree not to bring suit or permit any of their Subsidiaries to bring suit against any such Person with respect to any Liability to the extent that such Person would be released with respect to such Liability by this Section 4.1 but for the provisions of this clause (iv).

(d) NCR shall not make, and shall not permit any member of the NCR Group to make, any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against AT&T, any member of the AT&T Services Group, or any other Person released pursuant to Section 4.1(a), with respect to any Liabilities released pursuant to Section 4.1(a). AT&T shall not, and shall not permit any member of the AT&T Services Group, to make any claim or demand, or commence any Action asserting any claim or demand, including any claim of contribution or any indemnification, against NCR or any member of the NCR Group, or any other Person released pursuant to Section 4.1(b), with respect to any Liabilities released pursuant to Section 4.1(b).

(e) It is the intent of each of AT&T and NCR by virtue of the provisions of this Section 4.1 to provide for a full and complete release and discharge of all Liabilities existing or arising from all acts and events occurring or failing to occur or alleged to have occurred or to have failed to occur and all conditions existing or alleged to have existed on or before the NCR Distribution Date, between or among NCR or any member of the NCR Group, on the one hand, and AT&T or any member of the AT&T Services Group, on the other hand (including any contractual agreements or arrangements existing or alleged to exist between or among any such members on or before the NCR Distribution Date), except as expressly set forth in Section 4.1(c). At any time, at the request of any other party, each party shall cause each member of its respective Group to execute and deliver releases reflecting the provisions hereof.

4.2. INDEMNIFICATION BY NCR. NCR shall indemnify, defend and hold harmless AT&T, each member of the AT&T Services Group and each of their respective directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "AT&T Indemnitees"), from and against any and

all Liabilities of the AT&T Indemnitees relating to, arising out of or resulting from any of the following items (without duplication), in each case whether arising before, on or after the NCR Distribution Date:

(a) the failure of NCR or any other member of the NCR Group or any other Person to pay, perform or otherwise promptly discharge any Liabilities of any member of the NCR Group in accordance with their respective terms, whether prior to or after the NCR Distribution Date or the date hereof (including any Liabilities assumed or retained by any member of the NCR Group pursuant to any Transaction Agreement);

(b) the NCR Business (including any claim by, or resulting from a claim by, any creditor of AT&T UK Holdings Ltd. to the extent relating to the NCR Business conducted by such entity), any Liability of any member of the NCR Group or any NCR Covered Liability;

(c) any Asset (including contracts, agreements, real property and leasehold interests) of any member of the NCR Group at any time (other than Assets transferred to any member of the AT&T Services Group prior to the NCR Distribution Date), and any contract, agreement, letter of credit or other commitment or obligation listed on Schedule 4.2(c) hereof;

(d) the operation of the NCR Business, as conducted at any time prior to, on or after the NCR Distribution Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person's authority));

(e) any guarantee, indemnity, representation, warranty or other Liability of or made by any member of the AT&T Services Group in respect of any Liability or alleged Liability of any member of the NCR Group;

(f) any breach by NCR or any member of the NCR Group of this Agreement, the Separation and Distribution Agreement, any Ancillary Agreement, any of the NCR Ancillary Agreements or any other agreement or contract that survives the NCR Distribution Date;

(g) any Liabilities relating to, arising out of or resulting from the NCR Business (including any NCR Covered Liabilities) for which AT&T has agreed to indemnify and hold harmless the Lucent Indemnitees pursuant to Section 5.3(a) of the Separation and Distribution Agreement;

(h) actions taken by any member of the AT&T Group on behalf of any member of the NCR Group pursuant to the Separation and Distribution Agreement or any Ancillary Agreement;

(i) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in the NCR Information Statement or NCR Form 10;



(j) any Liability relating to, arising out of or resulting from any actual or threatened Action or other claim alleging that any Liability was improperly allocated to the NCR Group or that any Asset was improperly withheld from the NCR Group, in each case pursuant to any of the Transaction Agreements;

(k) any Liability relating to, arising out of or resulting from any Action or other claim filed on or after March 1, 1996 and on or prior to the NCR Distribution Date against any member of the NCR Group unless either (i) any member of the AT&T Services Group has also been duly served as a party to such Action or other claim prior to the date hereof, (ii) NCR establishes that such Action or other claim relates exclusively to the AT&T Services Business, or (iii) such matter is listed on Schedule 4.2(k) hereto (it being understood that the applicability of any of the exceptions set forth in clause (i), (ii) or (iii) shall not eliminate any Liability of any member of the NCR Group pursuant to any other provision of this Agreement or any other Transaction Agreement). For purposes of clarification, the parties agree that this paragraph (k) will control the allocation of Liability with respect to any Action or other claim to which this paragraph (k) by its terms applies and that, to the extent this paragraph (k) does not by its terms apply to any Action or other claim, the allocation of Liability with respect thereto will be controlled by the Separation and Distribution Agreement to the extent it applies by its terms and, otherwise, will be controlled by any other applicable terms of this Agreement and the other Transaction Agreement.

Nothing in this Agreement shall be deemed to amend or modify Article V (including Section 5.3(c) thereof) or Article VI of the Separation and Distribution Agreement and the provisions of the Separation and Distribution Agreement shall govern matters covered thereby.

4.3. INDEMNIFICATION BY AT&T. AT&T shall indemnify, defend and hold harmless NCR, each member of the NCR Group and each of their respective directors, officers and employees, and each of the heirs, executors, successors and assigns of any of the foregoing (collectively, the "NCR Indemnitees"), from and against any and all Liabilities of the NCR Indemnitees relating to, arising out of or resulting from any of the following items (without duplication), in each case whether arising before, on or after the NCR Distribution Date:

(a) the failure of AT&T or any other member of the AT&T Group or any other Person to pay, perform or otherwise promptly discharge any Liabilities of the AT&T Services Group whether prior to or after the NCR Distribution Date or the date hereof (including any Liabilities assumed or retained by any member of the AT&T Services Group pursuant to any Transaction Agreement);

(b) the AT&T Services Business (including any claim by, or resulting from a claim by, any creditor of AT&T UK Holdings Ltd. to the extent relating to the AT&T Services Business conducted by such entity) or any Liability of the AT&T Services Group; and

(c) any breach by AT&T or any member of the AT&T Services Group of this Agreement, the Separation and Distribution Agreement, any Ancillary Agreement, any of the NCR Ancillary Agreements or any other agreement or contract that survives the NCR Distribution Date;

provided however that this Section 4.3 shall not apply to any Liability relating to the NCR Business.

4.4. INDEMNIFICATION OBLIGATIONS NET OF INSURANCE PROCEEDS AND OTHER AMOUNTS. (a) The parties intend that any Liability subject to indemnification or reimbursement pursuant to this Article IV will be net of Insurance Proceeds that actually reduce the amount of the Liability. Accordingly, the amount which any party (an "Indemnifying Party") is required to pay to any Person entitled to indemnification hereunder (an "Indemnitee") will be reduced by any Insurance Proceeds theretofore actually recovered by or on behalf of the Indemnitee in reduction of the related Liability. If an Indemnitee receives a payment (an "Indemnity Payment") required by this Agreement from an Indemnifying Party in respect of any Liability and subsequently receives Insurance Proceeds, then the Indemnitee will pay to the Indemnifying Party an amount equal to the excess of the Indemnity Payment received over the amount of the Insurance Proceeds that would have been due if the Insurance Proceeds recovery had been received, realized or recovered before the Indemnity Payment was made.

(b) An insurer who would otherwise be obligated to pay any claim shall not be relieved of the responsibility with respect thereto or, solely by virtue of the indemnification provisions hereof, have any subrogation rights with respect thereto, it being expressly understood and agreed that no insurer or any other third party shall be entitled to a "windfall" (i.e., a benefit they would not be entitled to receive in the absence of the indemnification provisions) by virtue of the indemnification provisions hereof.

4.5. PROCEDURES FOR INDEMNIFICATION OF THIRD PARTY CLAIMS. (a) If an Indemnitee shall receive notice or otherwise learn of the assertion by a Person (including any Governmental Authority) who is not a member of the AT&T Services Group or the NCR Group of any claim or of the commencement by any such Person of any Action (collectively, a "Third Party Claim") with respect to which an Indemnifying Party may be obligated to provide indemnification to such Indemnitee pursuant to Section 4.2 or 4.3, or any other Section of this Agreement or any NCR Ancillary Agreement, such Indemnitee shall give such Indemnifying Party written notice thereof within 20 days after becoming aware of such Third Party Claim. Any such notice shall describe the Third Party Claim in reasonable detail. Notwithstanding the foregoing, the failure of any Indemnitee to give notice as provided in this Section 4.5(a) shall not relieve the related Indemnifying Party of its obligations under this Article IV, except to the extent that such Indemnifying Party is actually prejudiced by such failure to give notice.

(b) If the Indemnitee or any other party to this Agreement believes that the Third Party Claim is or may be a Shared Contingent Liability, such Indemnitee or other party may make a Determination Request in accordance with the Separation and Distribution Agreement at any time following any notice given by the Indemnitee to an Indemnifying Party pursuant to Section 4.5(a). AT&T may make such a Determination Request at any time. Unless each of AT&T, NCR and Lucent has acknowledged that the applicable Third Party Claim (including any Third Party Claim set forth on Schedule 6.6 to the Separation and Distribution Agreement) is not a Shared Contingent Liability or unless a determination to such effect has been made in accordance with the Separation and Distribution Agreement, AT&T shall be entitled (but not obligated) to assume the defense of such Third Party Claim as if it were the Indemnifying Party hereunder. In any such event, AT&T shall be entitled to reimbursement of all the costs and expenses (including allocated costs of in-house counsel and other personnel) of such defense once a final determination or acknowledgment is made as to the status of the Third Party Claim from the applicable party

or parties that would have been required to pay such amounts if the status of the Third Party Claim had been determined immediately; provided that, if such Third Party Claim is determined to be a Shared Contingent Liability, such costs and expenses shall be shared as provided in Section 5.5(c) of the Separation and Distribution Agreement.

(c) AT&T shall assume the defense of, and may seek to settle or compromise, any Third Party Claim that is a Shared Contingent Liability, and the costs and expenses (including allocated costs of in-house counsel and other personnel) thereof shall be included in the calculation of the amount of the applicable Shared Contingent Liability in determining the reimbursement obligations of the other parties with respect thereto pursuant to Section 6.4 of the Separation and Distribution Agreement. Any Indemnitee in respect of a Shared Contingent Liability shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise, or settlement thereof, but all fees and expenses of such counsel shall be the expense of such Indemnitee.

(d) Other than in the case of a Shared Contingent Liability, an Indemnifying Party may elect to defend (and, unless the Indemnifying Party has specified any reservations or exceptions, to seek to settle or compromise), at such Indemnifying Party's own expense and by such Indemnifying Party's own counsel, any Third Party Claim. Within 30 days after the receipt of notice from an Indemnitee in accordance with Section 4.5(a) (or sooner, if the nature of such Third Party Claim so requires), the Indemnifying Party shall notify the Indemnitee of its election whether the Indemnifying Party will assume responsibility for defending such Third Party Claim, which election shall specify any reservations or exceptions. After notice from an Indemnifying Party to an Indemnitee of its election to assume the defense of a Third Party Claim, such Indemnitee shall have the right to employ separate counsel and to participate in (but not control) the defense, compromise, or settlement thereof, but the fees and expenses of such counsel shall be the expense of such Indemnitee except as set forth in the next sentence. In the event that (i) the Third Party Claim is not a Shared Contingent Liability and (ii) the Indemnifying Party has elected to assume the defense of the Third Party Claim but has specified, and continues to assert, any reservations or exceptions in such notice, then, in any such case, the reasonable fees and expenses of one separate counsel for all Indemnitees shall be borne by the Indemnifying Party.

(e) Other than in the case of a Shared Contingent Liability, if an Indemnifying Party elects not to assume responsibility for defending a Third Party Claim, or fails to notify an Indemnitee of its election as provided in Section 4.5(d), such Indemnitee may defend such Third Party Claim at the cost and expense (including allocated costs of in-house counsel and other personnel) of the Indemnifying Party.

(f) Unless the Indemnifying Party has failed to assume the defense of the Third Party Claim in accordance with the terms of this Agreement, no Indemnitee may settle or compromise any Third Party Claim that is not a Shared Contingent Liability without the consent of the Indemnifying Party. No Indemnitee may settle or compromise any Third Party Claim that is a Shared Contingent Liability without the consent of AT&T.

(g) In the case of a Third Party Claim that is not a Shared Contingent Liability, no Indemnifying Party shall consent to entry of any judgment or enter into any settlement of the Third Party Claim without the consent of the Indemnitee if the effect thereof is to permit any injunction, declaratory judgment, other order or other nonmonetary relief to be entered, directly or indirectly, against any Indemnitee. In the case of a Third Party Claim that is a Shared Contingent Liability, AT&T shall not consent to entry of any

judgment or enter into any settlement of the Third Party Claim without the consent of the Indemnitee if the effect thereof is to permit any injunction, declaratory judgment, other order or other nonmonetary relief to be entered, directly or indirectly, against any Indemnitee.

(h) The provisions of Section 4.5 and Section 4.6 shall not apply to Taxes (which are covered by the Tax Sharing Agreement).

4.6. ADDITIONAL MATTERS. (a) Any claim on account of a Liability which does not result from a Third Party Claim shall be asserted by written notice given by the Indemnitee to the related Indemnifying Party. Such Indemnifying Party shall have a period of 30 days after the receipt of such notice within which to respond thereto. If such Indemnifying Party does not respond within such 30-day period, such Indemnifying Party shall be deemed to have refused to accept responsibility to make payment. If such Indemnifying Party does not respond within such 30-day period or rejects such claim in whole or in part, such Indemnitee shall be free to pursue such remedies as may be available to such party as contemplated by any Transaction Agreement.

(b) In the event of payment by or on behalf of any Indemnifying Party to any Indemnitee in connection with any Third Party Claim, such Indemnifying Party shall be subrogated to and shall stand in the place of such Indemnitee as to any events or circumstances in respect of which such Indemnitee may have any right, defense or claim relating to such Third Party Claim against any claimant or plaintiff asserting such Third Party Claim or against any other person. Such Indemnitee shall cooperate with such Indemnifying Party in a reasonable manner, and at the cost and expense (including allocated costs of in-house counsel and other personnel) of such Indemnifying Party, in prosecuting any subrogated right, defense or claim; provided, however, that AT&T shall be entitled to control the prosecution of any such right, defense or claim in respect of any Shared Contingent Liability.

(c) In the event of an Action in which the Indemnifying Party is not a named defendant, if either the Indemnified Party or Indemnifying Party shall so request, the parties shall endeavor to substitute the Indemnifying Party for the named defendant or, in the case of a Shared Contingent Liability, add the Indemnifying Party as a named defendant, if at all practicable. If such substitution or addition cannot be achieved for any reason or is not requested, the named defendant shall allow the Indemnifying Party to manage the Action as set forth in this Section and, subject to Section 6.4 of the Separation and Distribution Agreement with respect to Shared Contingent Liabilities, the Indemnifying Party shall fully indemnify the named defendant against all costs of defending the Action (including court costs, sanctions imposed by a court, attorneys' fees, experts' fees and all other external expenses, and the allocated costs of in-house counsel and other personnel), the costs of any judgment or settlement, and the cost of any interest or penalties relating to any judgment or settlement.

4.7. REMEDIES CUMULATIVE. The remedies provided in this Article IV shall be cumulative and, subject to the provisions of Article IX of the Separation and Distribution Agreement, shall not preclude assertion by any Indemnitee of any other rights or the seeking of any and all other remedies against any Indemnifying Party.

4.8. SURVIVAL OF INDEMNITIES. The rights and obligations of each of AT&T and NCR and their respective Indemnitees under this Article IV shall survive the sale or other transfer by any party of any Assets or businesses or the assignment by it of any Liabilities.

4.9. RELATIONSHIP TO SEPARATION AND DISTRIBUTION AGREEMENT DISPUTE RESOLUTION PROCEDURES. (a) Each of NCR and AT&T agrees that the procedures for discussion, negotiation and arbitration set forth in Article IX of the Separation and Distribution Agreement (which are hereby incorporated herein by reference) shall apply to all disputes, controversies or claims (whether sounding in contract, tort or otherwise) that may arise out of or relate to, or arise under or in connection with this Agreement or, except as otherwise expressly provided therein, any NCR Ancillary Agreement (as if each of this Agreement and each of the NCR Ancillary Agreements were an Ancillary Agreement), or the transactions contemplated hereby or thereby (including all actions taken in furtherance of the transactions contemplated hereby or thereby on or prior to the date hereof), or the commercial or economic relationship of the parties relating hereto or thereto, between or among any member of the AT&T Services Group and the NCR Group.

(b) Each party agrees on behalf of itself and each member of its respective Group that the procedures set forth in such Article IX shall be the sole and exclusive remedy in connection with any dispute, controversy or claim relating to any of the foregoing matters and irrevocably waives any right to commence any Action in or before any Governmental Authority, except as expressly provided in Sections 9.7(b) and 9.8 of the Separation and Distribution Agreement and except to the extent provided under the Arbitration Act in the case of judicial review of arbitration results or awards. Each party on behalf of itself and each member of its respective Group irrevocably waives any right to any trial by jury with respect to any claim, controversy or dispute set forth in the first sentence of Section 9.1 of the Separation and Distribution Agreement.

(c) Without limiting the foregoing, each of the parties agrees on behalf of itself and each member of its Group that if an Arbitration Demand Notice with respect to a dispute, controversy or claim is not given prior to the expiration of the Applicable Deadline, as between or among the parties and the members of their Groups, such dispute, controversy or claim will be barred.

(d) Subject to Sections 9.7(d) and 9.8 of the Separation and Distribution Agreement, upon delivery of an Arbitration Demand Notice pursuant to Section 9.3(a) of the Separation and Distribution Agreement prior to the Applicable Deadline, the dispute, controversy or claim shall be decided by a sole arbitrator in accordance with the rules set forth in Article IX of the Separation and Distribution Agreement.

(e) The interpretation of the provisions of this Section 4.9 and Article IX of the Separation and Distribution Agreement (to the extent incorporated herein by reference), only insofar as they relate to the agreement to arbitrate and any procedures pursuant thereto, shall be governed by the Arbitration Act and other applicable federal law. In all other respects, the interpretation of this Agreement shall be governed as set forth in Section 8.2.

ARTICLE V  
INTERIM OPERATIONS AND CERTAIN OTHER MATTERS

5.1. CERTAIN TAX MATTERS. Notwithstanding any other provision of this Agreement, the Tax Sharing Agreement or any other Transaction Agreement, in the case of any Adjustment comprising a Restructuring Adjustment that relates to the NCR Distribution and arises as a result of the acquisition of all or a portion of the NCR capital stock of any class or series and/or its assets by any means whatsoever by any Person other than an

Affiliate of NCR following such NCR Distribution, then the shared NCR Percentage with respect to such Adjustment shall be 100% and each of the Shared AT&T Percentage and the Shared Lucent Percentage shall be 0%.

5.2. AGREEMENT FOR EXCHANGE OF INFORMATION; ARCHIVES. Each of AT&T and NCR agrees that the provisions of Article VIII of the Separation and Distribution Agreement shall continue to apply after the NCR Distribution Date; provided however, that as between the members of NCR Group, on the one hand, and the AT&T Services Group, on the other hand, the reference to "the third anniversary of the date hereof" in Section 8.2 of the Separation and Distribution Agreement shall be deemed to be the third anniversary of the date of this Agreement. Without limiting the foregoing, (a) NCR shall maintain in effect at its own cost and expense adequate systems and controls to the extent necessary to enable the members of the AT&T Group to satisfy their respective reporting, accounting, audit and other obligations, and (b) NCR shall provide, or cause to be provided, to AT&T in such form as AT&T shall request, at no charge to AT&T, all financial and other data and information as AT&T determines necessary or advisable in order to prepare AT&T financial statements and reports or filings with any Governmental Authority.

5.3. INSURANCE MATTERS. (a) All rights of the members of the NCR Group under Ridge NCR Policies as of the NCR Distribution Date shall survive the NCR Distribution Date in accordance with their respective terms as of such date.

(b) NCR does hereby, for itself and each other member of the NCR Group, agree that no member of the AT&T Services Group or any AT&T Indemnitee shall have any Liability whatsoever as a result of the insurance policies and practices of AT&T and its Affiliates as in effect at any time prior to the NCR Distribution Date, including as a result of the level or scope of any such insurance, the creditworthiness of any insurance carrier (other than American Ridge), the terms and conditions of any policy, the adequacy or timeliness of any notice to any insurance carrier with respect to any claim or potential claim or otherwise. In no event shall AT&T, any other member of the AT&T Services Group or any AT&T Indemnitee have liability or obligation whatsoever to any member of the NCR Group in the event that any NCR Insurance Policy or other contract or policy of insurance shall be terminated or otherwise cease to be in effect for any reason, shall be unavailable or inadequate to cover any Liability of any member of the NCR Group for any reason whatsoever or shall not be renewed or extended beyond the current expiration date.

#### ARTICLE VI FURTHER ASSURANCES AND ADDITIONAL COVENANTS

6.1. FURTHER ASSURANCES. (a) In addition to the actions specifically provided for elsewhere in this Agreement, each of the parties hereto shall use its reasonable best efforts, prior to, on and after the NCR Distribution Date, to take, or cause to be taken, all actions, and to do, or cause to be done, all things, reasonably necessary, proper or advisable under applicable laws, regulations and agreements to consummate and make effective the transactions contemplated by this Agreement and the NCR Ancillary Agreements.

(b) Without limiting the foregoing, prior to, on and after the NCR Distribution Date, each party hereto shall cooperate with the other parties, and without any further consideration, but at the expense of the requesting party, to execute and deliver, or use its

reasonable best efforts to cause to be executed and delivered, all instruments, including instruments of conveyance, assignment and transfer, and to make all filings with, and to obtain all consents, approvals or authorizations of, any Governmental Authority or any other Person under any permit, license, agreement, indenture or other instrument (including any Consents or Governmental Approvals), and to take all such other actions as such party may reasonably be requested to take by any other party hereto from time to time, consistent with the terms of this Agreement and the NCR Ancillary Agreements, in order to effectuate the provisions and purposes of this Agreement and the NCR Ancillary Agreements and the other transactions contemplated hereby and thereby. Without limiting the foregoing, each party will, at the reasonable request, cost and expense of any other party, take such other actions as may be reasonably necessary to vest in such other party good and marketable title, free and clear of any Security Interest, if and to the extent it is practicable to do so.

(c) Each of AT&T and NCR, at the request of the other, shall use its reasonable best efforts to obtain, or to cause to be obtained, any consent, substitution, approval or amendment required to novate (including with respect to any federal government contract) or assign all obligations under agreements, leases, licenses and other obligations or Liabilities of any nature whatsoever that constitute Liabilities of the NCR Group or Liabilities that relate to the NCR Group, or to obtain in writing the unconditional release of all parties to such arrangements other than any member of the NCR Group, so that, in any such case, NCR and its Subsidiaries will be solely responsible for such Liabilities; provided, however, that neither AT&T nor NCR shall be obligated to pay any consideration therefor to any third party from whom such consents, approvals, substitutions, amendments and releases are requested.

(d) If AT&T or NCR is unable to obtain, or to cause to be obtained, any such required consent, approval, release, substitution or amendment, the applicable member of the AT&T Services Group shall continue to be bound by such agreements, leases, licenses and other obligations and, unless not permitted by law or the terms thereof, NCR shall, as agent or subcontractor for AT&T or such other Person, as the case may be, pay, perform and discharge fully all the obligations or other Liabilities of AT&T or such other Person, as the case may be, thereunder from and after the date hereof. NCR shall indemnify each AT&T Indemnitee, and hold each of them harmless against any Liabilities arising in connection therewith.

(e) On or prior to the Closing Date, AT&T and NCR shall take all actions as may be necessary to approve the stock-based employee benefit plans of NCR in order to satisfy the requirements of Rule 16b-3 under the Exchange Act and Section 162(m) of the Code.

(f) The parties hereto agree to take any reasonable actions necessary in order for the NCR Distribution to qualify as a tax-free distribution pursuant to Section 355 of the Code.

6.2. QUALIFICATION AS TAX-FREE DISTRIBUTION. (a) After the NCR Distribution Date, none of AT&T or NCR shall take, or permit any member of its respective Group to take, any action which could reasonably be expected to prevent the NCR Distribution from qualifying as a tax-free distribution within the meaning of Section 355 of the Code or any other transaction contemplated by this Agreement or any other Transaction Agreement which is intended by the parties to be tax-free from failing so to qualify.

(b) After the NCR Distribution Date, NCR shall not, nor cause or permit, any member of the NCR Group to take any action or enter into any transaction which could reasonably be expected to materially adversely impact the reasonably expected tax consequences to AT&T which are known to NCR of any transaction contemplated by this Agreement or any Transaction Agreement; provided, however, nothing in this Section 6.2(b) shall prohibit NCR from taking any action, or entering into any transaction (or permitting or causing any member of the NCR Group so to act or enter) in the ordinary course of business or in the ordinary course of business dealing, or in connection with the settlement of any audit issue or in connection with the filing of any tax return. After the NCR Distribution Date, AT&T shall not, nor cause or permit, any member of the AT&T Services Group to take any action or enter into any transaction which could reasonably be expected to materially adversely impact the expected tax consequences to NCR which are known to AT&T of any transaction contemplated by this Agreement or any Transaction Agreement; provided, however, nothing in this Section 6.2(b) shall prohibit AT&T from taking any action, or entering into any transaction (or permitting or causing any member of the AT&T Services Group so to act or enter), in the ordinary course of business or in the ordinary course of business dealing, or in connection with the settlement of any audit issue or in connection with the filing of any tax return.

#### ARTICLE VII TERMINATION

7.1. TERMINATION. This Agreement may be terminated at any time prior to the NCR Distribution Date by AT&T.

7.2. EFFECT OF TERMINATION. In the event of any termination of this Agreement, no party to this Agreement (or any of its directors or officers) shall have any Liability or further obligation to any other party.

#### ARTICLE VIII MISCELLANEOUS

8.1. COUNTERPARTS; ENTIRE AGREEMENT; CORPORATE POWER. (a) This Agreement and each NCR Ancillary Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

(b) This Agreement, the Separation and Distribution Agreement, the Ancillary Agreements and the NCR Ancillary Agreements and the Exhibits, Schedules and Appendices hereto and thereto contain the entire agreement between the parties with respect to the subject matter hereof, supersede all previous agreements, negotiations, discussions, writings, understandings, commitments and conversations with respect to such subject matter and there are no agreements or understandings between the parties other than those set forth or referred to herein or therein.

(c) AT&T represents on behalf of itself and each other member of the AT&T Services Group, and NCR represents on behalf of itself and each other member of the NCR Group as follows:



(i) each such Person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver and perform each of this Agreement and each other NCR Ancillary Agreements to which it is a party and to consummate the transactions contemplated hereby and thereby; and

(ii) this Agreement and each NCR Ancillary Agreement to which it is a party has been duly executed and delivered by it and constitutes a valid and binding agreement of it enforceable in accordance with the terms thereof.

(d) Notwithstanding any provision of this Agreement or any NCR Ancillary Agreement, AT&T shall not be required to take or omit to take any act that would violate its fiduciary duties to any minority stockholders of Lucent, AT&T Capital Corporation or any other non-wholly owned Subsidiary of AT&T (it being understood that directors' qualifying shares or similar interests will be disregarded for purposes of determining whether a Subsidiary is wholly owned).

8.2. GOVERNING LAW. This Agreement and, unless expressly provided therein, each NCR Ancillary Agreement, shall be governed by and construed and interpreted in accordance with the laws of the State of New York (other than as to its laws of arbitration which shall be governed under the Arbitration Act or other applicable federal law pursuant to Section 4.9 hereof and Section 9.10 of the Separation and Distribution Agreement), irrespective of the choice of laws principles of the State of New York, as to all matters, including matters of validity, construction, effect, enforceability, performance and remedies.

8.3. ASSIGNABILITY. (a) Except as set forth in any NCR Ancillary Agreement, this Agreement and each NCR Ancillary Agreement shall be binding upon and inure to the benefit of the parties hereto and thereto, respectively, and their respective successors and assigns; provided, however, that no party hereto or thereto may assign its respective rights or delegate its respective obligations under this Agreement or any NCR Ancillary Agreement without the express prior written consent of the other parties hereto or thereto.

8.4. THIRD PARTY BENEFICIARIES. Except for the indemnification rights under this Agreement of any AT&T Indemnatee or NCR Indemnatee in their respective capacities as such, (a) the provisions of this Agreement and each NCR Ancillary Agreement are solely for the benefit of the parties and are not intended to confer upon any Person except the parties any rights or remedies hereunder, and (b) there are no third party beneficiaries of this Agreement or any NCR Ancillary Agreement and neither this Agreement nor any NCR Ancillary Agreement shall provide any third person with any remedy, claim, liability, reimbursement, claim of action or other right in excess of those existing without reference to this Agreement or any NCR Ancillary Agreement.

8.5. NOTICES. All notices or other communications under this Agreement or any NCR Ancillary Agreement shall be in writing and shall be deemed to be duly given when (a) delivered in person or (b) deposited in the United States mail or private express mail, postage prepaid, addressed as follows:

If to AT&T, to: AT&T Corp.  
131 Morristown Road  
Basking Ridge, NJ 07920

Attn: Vice President-Law and  
Corporate Secretary

If to NCR, to: NCR Corporation  
1700 S. Patterson Blvd.  
Dayton, Ohio 45479  
Attn: Chief Financial Officer

with a copy to: NCR Corporation  
1700 S. Patterson Blvd.  
Dayton, Ohio 45479  
Attn: General Counsel

Any party may, by notice to the other party, change the address to which such notices are to be given.

8.6. SEVERABILITY. If any provision of this Agreement or any NCR Ancillary Agreement or the application thereof to any Person or circumstance is determined by a court of competent jurisdiction to be invalid, void or unenforceable, the remaining provisions hereof or thereof, or the application of such provision to Persons or circumstances or in jurisdictions other than those as to which it has been held invalid or unenforceable, shall remain in full force and effect and shall in no way be affected, impaired or invalidated thereby, so long as the economic or legal substance of the transactions contemplated hereby or thereby, as the case may be, is not affected in any manner adverse to any party. Upon such determination, the parties shall negotiate in good faith in an effort to agree upon such a suitable and equitable provision to effect the original intent of the parties.

8.7. FORCE MAJEURE. No party shall be deemed in default of this Agreement or any NCR Ancillary Agreement to the extent that any delay or failure in the performance of its obligations under this Agreement or any NCR Ancillary Agreement results from any cause beyond its reasonable control and without its fault or negligence, such as acts of God, acts of civil or military authority, embargoes, epidemics, war, riots, insurrections, fires, explosions, earthquakes, floods, unusually severe weather conditions, labor problems or unavailability of parts, or, in the case of computer systems, any failure in electrical or air conditioning equipment. In the event of any such excused delay, the time for performance shall be extended for a period equal to the time lost by reason of the delay.

8.8. PUBLICITY. Prior to the NCR Distribution Date, each of NCR and AT&T shall consult with each other prior to issuing any press releases or otherwise making public statements with respect to the IPO, the Lucent Distribution, the NCR Distribution or any of the other transactions contemplated hereby and prior to making any filings with any Governmental Authority with respect thereto.

8.9. EXPENSES. Except as expressly set forth in this Agreement or in any NCR Ancillary Agreement, whether or not the NCR Distribution is consummated, all third party fees, costs and expenses paid or incurred prior to the NCR Distribution Date in connection with the NCR Distribution will be paid by AT&T; provided however that NCR shall consult with AT&T prior to incurring any such third party obligations.

8.10. HEADINGS. The article, section and paragraph headings contained in this Agreement and in the NCR Ancillary Agreements are for reference purposes only and

shall not affect in any way the meaning or interpretation of this Agreement or any NCR Ancillary Agreement.

8.11. SURVIVAL OF COVENANTS. Except as expressly set forth in any NCR Ancillary Agreement, the covenants, representations and warranties contained in this Agreement and each NCR Ancillary Agreement, and liability for the breach of any obligations contained herein, shall survive the NCR Distribution and shall remain in full force and effect following the consummation of the NCR Distribution.

8.12. WAIVERS OF DEFAULT. Waiver by any party of any default by the other party of any provision of this Agreement or any NCR Ancillary Agreement shall not be deemed a waiver by the waiving party of any subsequent or other default, nor shall it prejudice the rights of the other party.

8.13. AMENDMENTS. No provisions of this Agreement or any NCR Ancillary Agreement shall be deemed waived, amended, supplemented or modified by any party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the party against whom it is sought to enforce such waiver, amendment, supplement or modification.

8.14. INTERPRETATION. Words in the singular shall be held to include the plural and vice versa and words of one gender shall be held to include the other genders as the context requires. The terms "hereof," "herein," and "herewith" and words of similar import shall, unless otherwise stated, be construed to refer to this Agreement (or the applicable NCR Ancillary Agreement) as a whole (including all of the Schedules, Exhibits and Appendices hereto and thereto) and not to any particular provision of this Agreement (or such NCR Ancillary Agreement). Article, Section, Exhibit, Schedule and Appendix references are to the Articles, Sections, Exhibits, Schedules and Appendices to this Agreement (or the applicable NCR Ancillary Agreement) unless otherwise specified. The word "including" and words of similar import when used in this Agreement (or the applicable NCR Ancillary Agreement) shall mean "including, without limitation," unless the context otherwise requires or unless otherwise specified. The word "or" shall not be exclusive. For all purposes of this Agreement, "allocated costs of in-house counsel and other personnel" shall be determined in accordance with the principles set forth in Schedule 12.15 to the Separation and Distribution Agreement.

IN WITNESS WHEREOF, the parties have caused this Distribution Agreement to be executed by their duly authorized representatives.

AT&T CORP.

By: -----  
Name:  
Title:

NCR CORPORATION

By: -----  
Name:  
Title:

FORM OF  
ARTICLES OF AMENDMENT AND RESTATEMENT  
OF  
NCR CORPORATION

NCR Corporation, a Maryland corporation having its principal business office in Dayton, Ohio, and its principal office in the City of Rockville, State of Maryland, hereby certifies to the State Department of Assessment and Taxation of Maryland that:

FIRST: The Charter of the Corporation is hereby amended by:

Changing and reclassifying each of the shares of Common Stock (par value \$5.00 per share) of the Corporation which is issued and outstanding as of the close of business on the effective date of this amendment into one share of Common Stock (par value \$.01 per share) and by transferring from the account designated "Common Stock" to the account designated "Capital Surplus" \$4.99 for each share of Common Stock outstanding immediately after the change and reclassification.

SECOND: The Charter of the Corporation is hereby further amended and restated in full as follows:

ARTICLE I

NAME

SECTION 1.1. The name of the Corporation (the "Corporation") is: NCR Corporation.

ARTICLE II

PRINCIPAL OFFICE, REGISTERED OFFICE, AND AGENT

SECTION 2.1. The address of the Corporation's principal office in the State of Maryland is 2 Choke Cherry Road, Rockville, Maryland 20815. The resident agent of the Corporation in the State of Maryland is Mallon Snyder. The address of the resident agent is 99 South Washington Street, Rockville, Maryland 20850. Such resident agent is a Maryland resident.

## ARTICLE III

## PURPOSES

SECTION 3.1. The purpose of the Corporation is to engage in any lawful act, activity or business for which corporations may be organized under the General Laws of the State of Maryland as now or hereafter in force. The Corporation shall have all the general powers granted by law to Maryland corporations and all other powers not inconsistent with law which are appropriate to promote and attain its purpose.

## ARTICLE IV

## CAPITAL STOCK

SECTION 4.1. The Corporation shall be authorized to issue 600,000,000 shares of capital stock, of which 500,000,000 shares shall be classified as "Common Stock", \$.01 par value per share ("Common Stock") (having an aggregate par value of \$5,000,000.00), and 100,000,000 shares shall be classified as "Preferred Stock", \$.01 par value per share ("Preferred Stock") (having an aggregate par value of \$1,000,000.00). The aggregate par value of all authorized shares is \$6,000,000.00. The Board of Directors may classify and reclassify any unissued shares of capital stock by setting or changing in any one or more respects the preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications or terms or conditions of redemption of such shares of stock.

SECTION 4.2. The Common Stock shall be subject to the express terms of the Preferred Stock and any series thereof. The holders of shares of Common Stock shall be entitled to one vote for each such share upon all proposals presented to the stockholders on which the holders of Common Stock are entitled to vote, except for proposals on which only the holders of another specified class or series of capital stock are entitled to vote. Subject to the provisions of law and any preference rights with respect to the payment of dividends attaching to the Preferred Stock or any series thereof, the holders of Common Stock shall be entitled to receive, as and when declared by the Board of Directors, dividends and other distributions authorized by the Board of Directors in accordance with Maryland General Corporation Law, as in effect from time to time (the "MGCL") and to all other rights of a stockholder pursuant thereto. Except as otherwise provided by law or in the Charter of the Corporation (including in any Articles Supplementary (as defined below)) (the "Charter"), the Common Stock shall have the exclusive right to vote for the election of directors and for all other purposes, and holders of Preferred Stock shall not be entitled to receive notice of any meeting of stockholders at which they are not entitled to vote. In the event of a liquidation, dissolution or winding up of the Corporation or other distribution of the Corporation's assets among stockholders for the purpose of winding up the Corporation's affairs, whether voluntary or involuntary, after payment or provision for payment of the debts and other liabilities of the Corporation and subject to the rights, privileges, conditions and restrictions attaching to the Preferred Stock or any series thereof, the Common Stock shall entitle the holders thereof, together with the holders of any other class of stock hereafter classified or reclassified not having a preference on distributions in the

liquidation, dissolution or winding up of the Corporation or other distribution of the Corporation's assets among stockholders for the purpose of winding up the Corporation's affairs, whether voluntary or involuntary, to share ratably in the remaining net assets of the Corporation.

SECTION 4.3. The Preferred Stock may be issued from time to time in one or more series as authorized by the Board of Directors. The Board of Directors shall have the power from time to time to the maximum extent permitted by the MGCL to classify or reclassify, in one or more series, any unissued shares of Preferred Stock, and to reclassify any unissued shares of any series of Preferred Stock, in any such case, by setting or changing the number of shares constituting such series and the designation, preferences, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications, or terms or conditions of redemption of the stock. In any such event, the Corporation shall file for record with the State Department of Assessments and Taxation of Maryland (or other appropriate entity) articles supplementary in form and substance prescribed by the MGCL (each, an "Articles Supplementary"). Subject to the express terms of any series of Preferred Stock outstanding at the time, the Board of Directors may increase or decrease the number or alter the designation or classify or reclassify any unissued shares of a particular series of Preferred Stock by fixing or altering in one or more respects, from time to time before issuing the shares, any terms, rights, restrictions and qualifications of the shares, including any preference, conversion or other rights, voting powers, restrictions, limitations as to dividends, qualifications or terms or conditions of redemption of the shares of the series.

SECTION 4.4 Subject to the foregoing, the power of the Board of Directors to classify and reclassify any of the shares of capital stock shall include, without limitation, subject to the provisions of the Charter, authority to classify or reclassify any unissued shares of such stock into a class or classes of preferred stock, preference stock, special stock or other stock, and to divide and classify shares of any class into one or more series of such class, by determining, fixing or altering one or more of the following:

- (a) the designation of such class or series, which may be by distinguishing number, letter or title;
- (b) the number of shares of such class or series, which number the Board of Directors may thereafter (except where otherwise provided in the Articles Supplementary) increase or decrease (but not below the number of shares thereof then outstanding) and any shares of any class or series which have been redeemed, purchased, otherwise acquired or converted into shares of Common Stock or any other class or series shall become part of the authorized capital stock and be subject to classification and reclassification as provided in this Section;
- (c) whether dividends, if any, shall be cumulative or noncumulative, and, in the case of shares of any class or series having cumulative dividend rights, the date or dates or method of determining the date or dates from which dividends on the shares of such class or series shall be cumulative;

(d) the rate of any dividends (or method of determining such dividends) payable to the holders of the shares of such class or series, any conditions upon which such dividends shall be paid and the date or dates or the method for determining the date or dates upon which such dividends shall be payable, and whether any such dividends shall rank senior or junior to or on a parity with the dividends payable on any other class or series of stock;

(e) the price or prices (or method of determining such price or prices) at which, the form of payment of such price or prices (which may be cash, property or rights, including securities of the same or another corporation or other entity) for which, the period or periods within which and the terms and conditions upon which the shares of such class or series may be redeemed, in whole or in part, at the option of the Corporation or at the option of the holder or holders thereof or upon the happening of a specified event or events, if any;

(f) the obligation, if any, of the Corporation to purchase or redeem shares of such class or series pursuant to a sinking fund or otherwise and the price or prices at which, the form of payment of such price or prices (which may be cash, property or rights, including securities of the same or another corporation or other entity) for which, the period or periods within which and the terms and conditions upon which the shares of such class or series shall be redeemed or purchased, in whole or in part, pursuant to such obligation;

(g) the rights of the holders of shares of such class or series upon the liquidation, dissolution or winding up of the affairs of, or upon any distribution of the assets of, the Corporation, which rights may vary depending upon whether such liquidation, dissolution or winding up is voluntary or involuntary and, if voluntary, may vary at different dates, and whether such rights shall rank senior or junior to or on a parity with such rights of any other class or series of stock;

(h) provisions, if any, for the conversion or exchange of the shares of such class or series, at any time or times at the option of the holder or holders thereof or at the option of the Corporation or upon the happening of a specified event or events, into shares of any other class or classes or any other series of the same or any other class or classes of stock, or any other security, of the Corporation, or any other corporation or other entity, and the price or prices or rate or rates of conversion or exchange and any adjustments applicable thereto, and all other terms and conditions upon which such conversion or exchange may be made;

(i) restrictions on the issuance of shares of the same series or of any other class or series, if any;

(j) the voting rights, if any, of the holders of shares of such class or series in addition to any voting rights required by law;

(k) whether or not there shall be any limitations applicable, while shares of such class or series are outstanding, upon the payment of dividends or making of distributions on, or the acquisition of, or the use of moneys for purchase or redemption of,



any stock of the Corporation, or upon any other action of the Corporation, including action under this Section, and, if so, the terms and conditions thereof; and

(l) any other preferences, rights, restrictions, including restrictions on transferability, and qualifications of shares of such class or series, not inconsistent with law and the Charter.

SECTION 4.5 For the purposes hereof and of any Articles Supplementary to the Charter providing for the classification or reclassification of any shares of capital stock or of any other charter document of the Corporation (unless otherwise provided in any such article or document), any class or series of stock of the Corporation shall be deemed to rank:

(a) prior to another class or series either as to dividends or upon liquidation, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable on liquidation, dissolution or winding up, as the case may be, in preference or priority to holders of such other class or series;

(b) on a parity with another class or series either as to dividends or upon liquidation, whether or not the dividend rates, dividend payment dates or redemption or liquidation price per share thereof be different from those of such others, if the holders of such class or series of stock shall be entitled to receipt of dividends or amounts distributable upon liquidation, dissolution or winding up, as the case may be, in proportion to their respective dividend rates or redemption or liquidation prices, without preference or priority over the holders of such other class or series; and

(c) junior to another class or series either as to dividends or upon liquidation, if the rights of the holders of such class or series shall be subject or subordinate to the rights of the holders of such other class or series in respect of the receipt of dividends or the amounts distributable upon liquidation, dissolution or winding up, as the case may be.

SECTION 4.6. (a) In determining whether a distribution (other than upon voluntary or involuntary liquidation), by dividend, redemption or other acquisition of shares or otherwise, is permitted under the MGCL, no effect shall be given to amounts that would be needed, if the Corporation were to be dissolved at the time of the distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights upon dissolution are junior to those receiving the distribution.

(b) The Corporation shall be entitled to treat the person in whose name any share of its stock is registered as the owner thereof for all purposes and shall not be bound to recognize any equitable or other claim to, or interest in, such share on the part of any other person, whether or not the Corporation shall have notice thereof, except as expressly provided by applicable law.

(c) Except as may be set forth in any Articles Supplementary, the Board of Directors is hereby expressly authorized pursuant to Section 2-309(b)(5) of the MGCL (or

any successor similar or comparable provision) to declare or pay a dividend payable in shares of one class of the Corporation's stock to the holders of shares of such class of the Corporation's stock or to the holders of shares of any other class of stock of the Corporation.

#### ARTICLE V

##### STOCKHOLDER ACTION

SECTION 5.1. Except as may be provided in any Articles Supplementary, any corporate action upon which a vote of stockholders is required or permitted may be taken without a meeting or vote of stockholders only with the unanimous written consent of stockholders entitled to vote thereon.

SECTION 5.2. Except as otherwise required by the MGCL or as provided elsewhere in the Charter or in the Bylaws, special meetings of stockholders of the Corporation for any purpose or purposes may be called only by the Board of Directors or by the President of the Corporation. No business other than that stated in the notice of the special meeting shall be transacted at such special meeting. Each of the Board of Directors, the President and Secretary of the Corporation shall have the maximum power and authority permitted by the MGCL with respect to the establishment of the date of any special meeting of stockholders, the establishment of the record date for stockholders entitled to vote thereat, the imposition of conditions on the conduct of any special meeting of stockholders and all other matters relating to the call, conduct, adjournment or postponement of any special meeting, regardless of whether the meeting was convened by the Board of Directors, the President, the stockholders of the Corporation or otherwise.

#### ARTICLE VI

##### PROVISIONS DEFINING, LIMITING AND REGULATING POWERS

SECTION 6.1. The following provisions are hereby adopted for the purposes of defining, limiting and regulating the powers of the Corporation and the directors and stockholders, subject, however, to any provisions, conditions and restrictions hereafter authorized pursuant to Article IV hereof:

(a) The Board of Directors of the Corporation is empowered to authorize the issuance from time to time of shares of its stock of any class, whether now or hereafter authorized, and securities convertible into shares of its stock of any class, whether now or hereafter authorized, for such consideration as the Board of Directors may deem advisable, and without any action by the stockholders.

(b) No holder of any stock or any other securities of the Corporation, whether now or hereafter authorized, shall have any preemptive right to subscribe for or purchase any stock or any other securities of the Corporation other than such,

if any, as the Board of Directors, in its sole discretion, may determine and at such price or prices and upon such other terms as the Board of Directors, in its sole discretion, may fix; and any stock or other securities which the Board of Directors may determine to offer for subscription may, as the Board of Directors in its sole discretion shall determine, be offered to the holders of any class, series or type of stock or other securities at the time outstanding to the exclusion of the holders of any or all other classes, series or types of stock or other securities at the time outstanding.

(c) The Board of Directors of the Corporation shall, consistent with applicable law, have power in its sole discretion to determine from time to time in accordance with sound accounting practice or other reasonable valuation methods what constitutes annual or other net profits, earnings, surplus, or net assets in excess of capital; to fix and vary from time to time the amount to be reserved as working capital, or determine that retained earnings or surplus shall remain in the hands of the Corporation; to set apart out of any funds of the Corporation such reserve or reserves in such amount or amounts and for such proper purpose or purposes as it shall determine and to abolish any such reserve or any part thereof; to distribute and pay distributions or dividends in stock, cash or other securities or property, out of surplus or any other funds or amounts legally available therefor, at such times and to the stockholders of record on such dates as it may, from time to time, determine.

SECTION 6.2. Unless provided to the contrary in the MGCL or other applicable law, the Charter or the Bylaws, the affirmative vote of a majority of the voting power of the shares present in person or represented by proxy at the meeting and entitled to vote on the matter shall be the act of the stockholders.

SECTION 6.3. No directors shall be disqualified from voting or acting on behalf of the Corporation in contracting with any other corporation in which he may be a director, officer or stockholder, nor shall any director of the Corporation be disqualified from voting or acting in its behalf by reason of any personal interest.

SECTION 6.4. The Board of Directors shall have power to determine from time to time whether and to what extent and at what times and places and under what conditions and regulations the books, records, accounts and documents of the Corporation, or any of them, shall be open to inspection by stockholders, except as otherwise provided by law or by the Bylaws; and except as so provided no stockholder shall have any right to inspect any book, record, account or document of the Corporation unless authorized to do so by resolution of the Board of Directors.

SECTION 6.5. The enumeration and definition of particular powers of the Board of Directors included in the foregoing shall in no way be limited or restricted by reference to or inference from the terms of any other clause of this or any other Article of the Charter of the Corporation, or construed as or deemed by inference or otherwise in any manner to exclude or limit any powers conferred upon the Board of Directors under the General Laws of the State of Maryland now or hereafter in force.

## ARTICLE VII

## BOARD OF DIRECTORS

SECTION 7.1. (a) The Corporation shall have three directors, which number may be increased or decreased from time to time in such lawful manner as the Bylaws of the Corporation shall provide, but shall never be less than the minimum number permitted by the General Laws of the State of Maryland, as now or hereafter in force.

(b) The directors, other than those who may be elected in accordance with the terms of any Articles Supplementary, shall be divided into three classes. Each such class shall consist, as nearly as may be possible, of one-third of the total number of directors, and any remaining directors shall be included with such group or groups as the Board of Directors shall designate. At the annual meeting of the stockholders of the Corporation for 1996, a class of directors shall be elected for a one-year term, a class of directors shall be elected for a two-year term, and a class of directors shall be elected for a three-year term. At each succeeding annual meeting of stockholders, beginning with 1997, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case shall a decrease in the number of directors shorten the term of any incumbent director.

(c) Except as provided by law with respect to directors elected by stockholders of a class or series, any director or the entire Board of Directors may be removed for cause, by the affirmative vote of the holders of not less than 80% of the voting power of all Voting Stock (as defined below) then outstanding, voting together as a single class. Subject to such removal, or the death, resignation or retirement of a director, a director shall hold office until the annual meeting of the stockholders for the year in which such director's term expires and until a successor shall be elected and qualified, except as provided in Section 7.1(d) hereof.

(d) Except as provided by law with respect to directors elected by stockholders of a class or series, a vacancy on the Board of Directors which results from the removal of a director may be filled by the affirmative vote of the holders of not less than 80% of the voting power of the then outstanding Voting Stock, voting together as a single class, and a vacancy which results from any such removal or from any other cause may be filled by a majority of the remaining directors, whether or not sufficient to constitute a quorum. Any director so elected by the Board of Directors shall hold office until the next annual meeting of stockholders and until his successor is elected and qualifies and any director so elected by the stockholders shall hold office for the remainder of the term of the removed director. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(e) Except to the extent prohibited by law or limited by the Charter or the Bylaws, the Board of Directors shall have the power (which, to the extent exercised, shall be exclusive) to fix the number of directors and to establish the rules and procedures that govern the internal affairs of the Board of Directors and nominations for director, including without limitation the vote required for any action by the Board of Directors, and that from time to time shall affect the directors' power to manage the business and affairs of the

Corporation and no Bylaw shall be adopted by the stockholders which shall modify the foregoing.

SECTION 7.2. Advance notice of stockholder nominations for the election of directors and of the proposal of business by stockholders shall be given in the manner provided in the Bylaws of the Corporation, as amended and in effect from time to time. Unless and except to the extent that the Bylaws of the Corporation shall so require, the election of directors of the Corporation need not be by written ballot.

#### ARTICLE VIII

##### BYLAWS

SECTION 8.1. The Bylaws may contain any provision for the regulation and management of the affairs of the Corporation not inconsistent with law or the provisions of the Charter. Without limiting the foregoing, to the maximum extent permitted by the MGCL from time to time, the Corporation may in its Bylaws confer upon the Board of Directors powers and authorities in addition to those set forth in the Charter and in addition to those expressly conferred upon the Board of Directors by statute as long as such powers and authorities are not inconsistent with the provisions of the Charter.

SECTION 8.2. Except as provided in the Charter, the Bylaws may be altered or repealed and new Bylaws may be adopted (a) subject to Section 7.1(e), at any annual or special meeting of stockholders, by the affirmative vote of the holders of a majority of the voting power of all shares of the Corporation entitled to vote generally in the election of directors (the "Voting Stock") then outstanding, voting together as a single class; provided, however, that any proposed alteration or repeal of, or the adoption of any Bylaw inconsistent with, Sections 2, 8 or 11 of Article I of the Bylaws, with Section 1, 2 or 3 of Article II of the Bylaws, or Article X of the Bylaws or this sentence, by the stockholders shall require the affirmative vote of the holders of at least 80% of the voting power of all Voting Stock then outstanding, voting together as a single class; and provided, further, however, that in the case of any such stockholder action at a special meeting of stockholders, notice of the proposed alteration, repeal or adoption of the new Bylaw or Bylaws must be contained in the notice of such special meeting, or (b) by the affirmative vote of a majority of the total number of directors which the Corporation would have if there were no vacancies on the Board.

#### ARTICLE IX

##### AMENDMENT OF CHARTER

SECTION 9.1. The Corporation reserves the right to adopt, repeal, rescind, alter or otherwise amend in any respect any provision contained in this Charter, including but not limited to, any amendments changing the terms or contract rights of any class of its stock by classification, reclassification or otherwise, and all rights now or hereafter conferred on stockholders are granted subject to this reservation. Any amendment of the Charter shall be valid and effective if such amendment shall have been authorized by the affirmative vote at a meeting of the stockholders duly called for such purpose of a majority of

the total number of shares outstanding and entitled to vote thereon, except that the affirmative vote of the holders of at least 80% of the Voting Stock then outstanding, voting together as a single class, at a meeting of the stockholders duly called for such purpose shall be required to alter, amend, adopt any provision inconsistent with or repeal Article V, Article VII, Section 8.2 of Article VIII, or this Article IX of the Charter.

#### ARTICLE X

##### LIMITED LIABILITY; INDEMNIFICATION

SECTION 10.1. To the fullest extent permitted by Maryland statutory or decisional law, as amended or interpreted, no director or officer of the Corporation shall be personally liable to the Corporation or its stockholders for money damages. No amendment of the Charter of the Corporation or repeal of any of its provisions shall limit or eliminate the benefits provided to directors and officers under this provision with respect to any act or omission which occurred prior to such amendment or repeal or with respect to any cause of action, suit or claim that, but for this Section 10.1 of this Article X, would accrue or arise, prior to such amendment or repeal.

SECTION 10.2. The Corporation shall indemnify (a) its directors and officers, whether serving the Corporation or, at its request, any other entity, to the fullest extent required or permitted by the General Laws of the State of Maryland now or hereafter in force, including the advance of expenses under the procedures and to the fullest extent permitted by law and (b) other employees and agents to such extent as shall be authorized by the Board of Directors or the Corporation's Bylaws and be permitted by law. The foregoing rights of indemnification shall not be exclusive of any other rights to which those seeking indemnification may be entitled. The Board of Directors may take such action as is necessary to carry out these indemnification provisions and is expressly empowered to adopt, approve and amend from time to time such bylaws, resolutions or contracts implementing such provisions or such further indemnification arrangements as may be permitted by law. No amendment of the Charter, or of any such bylaw, resolution or contract, or repeal of any of their provisions shall limit or eliminate the right to indemnification provided hereunder or thereunder with respect to acts or omissions occurring prior to such amendment or repeal.

#### ARTICLE XI

##### DURATION

SECTION 11.1. The duration of the Corporation shall be perpetual.

SECOND: The provisions hereinabove set forth are all the provisions of the Charter of the Corporation currently in effect.

THIRD: (i) As of immediately before the amendment the total number of shares of stock of all classes which the Corporation has authority to issue is \_\_\_\_\_(\_\_\_\_\_)

shares, all of which shares are Common Stock, with a par value of \$5.00 per share, for an aggregate par value of \$\_\_\_\_\_.

(ii) As amended the total number of shares of stock of all classes which the Corporation has authority to issue is 600,000,000 shares, of which 100,000,000 shares are Preferred Stock, with a par value of \$.01 per share, and 500,000,000 shares are Common Stock, with a par value of \$.01 share, for an aggregate par value of \$6,000,000.

(iii) The shares of stock of the Corporation are divided into classes, and the description, as amended, of each class, including the preferences, conversion and other rights, voting powers, restrictions, limitations as to dividends, qualifications, and terms and conditions of redemption are contained in Article IV of these Articles of Amendment and Restatement.

FOURTH: In accordance with the provisions of Section 2-607 of the Maryland General Corporation Law, the foregoing amendment was advised by the Board of Directors and approved by the stockholders of the Corporation as follows:

(i) The Board of Directors of the Corporation by unanimous written consent in lieu of a meeting under Section 2-408 of the MGCL, dated \_\_\_\_\_, 1996, adopted a resolution which set forth the foregoing amendment and restatement of the Charter, declaring that said amendment and restatement of the Charter was advisable and directing that it be submitted for action thereon by the sole stockholder of the Corporation by a unanimous written consent in lieu of a meeting pursuant to Section 2-505 of the MGCL.

(ii) The amendment and restatement of the Charter of the Corporation as hereinabove set forth was approved by the unanimous written consent of the sole stockholder on \_\_\_\_\_, 1996.

FOURTH: The current address of the principal office of the Corporation in Maryland and the name and address of the Corporation's current resident agent are as set forth in the amended and restated Charter of the Corporation. There are \_\_\_\_\_ directors currently in office, whose names are as follows:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

IN WITNESS WHEREOF, the Corporation has caused these presents to be signed in its name and on its behalf by its President and witnessed by its Secretary on this            day of            , 1996.

NCR CORPORATION

By: \_\_\_\_\_  
Name:  
Title: President

ATTEST:

-----  
Name:  
Title: Secretary

THE UNDERSIGNED, the President of NCR Corporation who executed on behalf of the Corporation the foregoing Articles of Amendment and Restatement of which this certificate is made a part, hereby acknowledges in the name and on behalf of the Corporation the foregoing Articles of Amendment and Restatement to be the corporate act of the Corporation and hereby certifies to the best of his knowledge, information and belief the matters and facts set forth therein with respect to the authorization and approval thereof are true in all material respects under the penalties of perjury.

-----  
Name:  
Title:



FORM OF  
NCR CORPORATION  
BYLAWS  
AS AMENDED AND RESTATED

ARTICLE I.

STOCKHOLDERS

Section 1. The Corporation shall hold annually a regular meeting of its stockholders for the election of the Board of Directors and for the transaction of general business at such place within the United States as the Board of Directors shall determine and shall cause to be stated in the notice of such meeting, on any business day during the 31-day period beginning on the third Wednesday of April of each year. Such annual meetings shall be general meetings, that is to say, open for the transaction of any business within the powers of the Corporation without special notice unless otherwise required by statute, by the Charter (which term, as used in these Bylaws, shall include all amendments to the Charter and all Articles Supplementary) or by these Bylaws. Failure to hold an annual meeting at the designated time shall not, however, invalidate the corporate existence or affect otherwise valid corporate acts.

Section 2. At any time in the interval between annual meetings, special meetings of the stockholders may be called as provided in any Articles Supplementary, by the President, by the Board of Directors or by the holders of a majority of the then outstanding shares of common stock of the Corporation. All such meetings shall be held within the United States.

Section 3. Written or printed notice of every annual or special meeting of the stockholders shall be given to each stockholder entitled to vote at such meeting, by leaving the same with him or at his residence or usual place of business, or by mailing it, postage prepaid, and addressed to him at his address, as it appears upon the books of the corporation, at least ten days and not more than ninety days before such meeting. Notice of every special meeting shall state the place, day and hour of such meeting and the business proposed to be transacted thereat; and no business shall be transacted at such meeting except that specifically named in the notice. Failure to give notice of any annual meeting, or any irregularity in such notice, shall not affect the validity of any annual meeting if held at time and place fixed by Section 1 of this Article I, or the validity of any proceedings at any such meeting (other than proceedings of which special notice is required by statute, by the Charter or by the Bylaws). No notice of an adjourned meeting of stockholders need be given.

Section 4. The Chairman of any special or annual meeting of stockholders may adjourn or postpone the meeting from time to time, whether or not a quorum is present. No notice of the time and place of adjourned meetings need be given except as required by law. The stockholders present at a duly called meeting at which a quorum is present may continue to transact business until adjournment or postponement, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. At any such adjourned or postponed meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 5. Any stockholder entitled to vote at any meeting of stockholders may vote either in person or by proxy, but no proxy which is dated more than eleven months before the meeting at which it is offered shall be accepted, unless such proxy shall, on its face, name a longer or shorter period for which it is to remain in force. Every proxy shall be in writing, subscribed by the stockholder or his duly authorized attorney, and dated, but need not be sealed, witnessed or acknowledged.

Section 6. At any meeting of the stockholders, the polls shall be opened and closed, the proxies and ballots shall be received, and all questions touching the qualification of voters and the validity of proxies and the acceptance or rejection of votes, shall be decided by the Chairman of the Meeting.

Section 7. At each meeting of the stockholders, a full, true and complete list in alphabetical order, or in alphabetical order by classes or series of stock, of all stockholders entitled to vote at such meeting, indicating the number and classes or series of shares held by each, shall be furnished by the Secretary.

Section 8. (a) Annual Meetings of Stockholders. (1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's notice of meeting pursuant to these Bylaws, (b) by or at the direction of the Board of Directors, or (c) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this Bylaw, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (a)(1) of this Bylaw, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 90th calendar day nor earlier than the close of business on the 120th calendar day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 calendar days before or more than 60 calendar days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th calendar day prior to such annual meeting and not later than the close of business on the later of the 90th calendar day prior to such annual meeting or the 10th calendar day following the calendar day on which public announcement of the date of such meeting is first made by the Corporation. For purposes of determining whether a stockholder's notice shall have been delivered in a timely manner for the annual meeting of stockholders in 1997, the first anniversary of the previous year's meeting shall be deemed to be April 16, 1997. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of

such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Bylaw to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least 100 calendar days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th calendar day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to Section 2 of Article I of these Bylaws. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board of Directors, (b) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Bylaw, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting pursuant to such clause (b), if the stockholder's notice required by paragraph (a)(2) of this Bylaw shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th calendar day prior to such special meeting and not later than the close of business on the later of the 90th calendar day prior to such special meeting or the 10th calendar day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

(c) General.

(1) Only such persons who are nominated in accordance with the procedures set forth in this Bylaw shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Bylaw. Except as otherwise provided by law, the Charter or these Bylaws, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Bylaw and, if any proposed nomination or business is not in compliance with this Bylaw, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this Bylaw, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national

news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw. Nothing in this Bylaw shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of Preferred Stock to elect directors under an applicable Articles Supplementary (as defined in the Corporation's Charter).

Section 9. No matter shall be considered at any meeting of the stockholders except upon a motion duly made and seconded. Any motion or second of a motion shall be made only by a natural person present at the meeting who either is a stockholder of the Company or is acting on behalf of a stockholder of the Company, provided, that if the person is acting on behalf of a stockholder, he or she must present a written statement executed by the stockholder or the duly authorized attorney of the stockholder on whose behalf he or she purports to act.

Section 10. At each meeting of the stockholders, the order of business and the procedures to be followed in conducting such business shall be determined by the presiding officer at the meeting in accordance with the law, the Charter and these Bylaws. The presiding officer at each meeting shall be appointed by the Board of Directors prior to the meeting.

Section 11. The acquisition of shares of common stock of the Company by any existing or future shareholders or their affiliates or associates shall be exempt from all of the provisions of Subtitle 7 (entitled "Voting Rights of Certain Control Shares") of title 3 of the Maryland General Corporation Law, as amended.

## ARTICLE II.

### BOARD OF DIRECTORS

Section 1. Subject to the restrictions contained in the Charter and these Bylaws, the general management and control of the business and property of the Corporation shall be vested in its Board of Directors, which may exercise all the powers of the Corporation except such as by statute, by the Charter, or by these Bylaws, are conferred upon or reserved to the stockholders. The Board of Directors shall have the power to fix the compensation of its members and shall provide for the payment of the expenses of Directors in attending meetings of the Board of Directors and of any committee of the Board of Directors.

Section 2. Subject to removal, death, resignation or retirement of a director, a director shall hold office until the annual meeting of the stockholders for the year in which such director's term expires and until a successor shall be elected and qualified, except as provided in Section 7.1(d) of the Charter.

Section 3. (a) From time to time, the number of Directors may be increased to not more than 20, or decreased to not less than 3, upon resolution approved by a

majority of the total number of directors which the Corporation would have if there were no vacancies (the "Whole Board"). The directors, other than those who may be elected in accordance with the terms of any Articles Supplementary, shall be divided into three classes. Each such class shall consist, as nearly as may be possible, of one-third of the total number of directors, and any remaining directors shall be included with such group or groups as the Board of Directors shall designate. At the annual meeting of the stockholders of the Corporation for 1996, a class of directors shall be elected for a one-year term, a class of directors shall be elected for a two-year term, and a class of directors shall be elected for a three-year term. At each succeeding annual meeting of stockholders, beginning with 1997, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case shall a decrease in the number of directors shorten the term of any incumbent director.

(b) Except as provided by law with respect to directors elected by stockholders of a class or series, any director or the entire Board of Directors may be removed for cause by the affirmative vote of the holders of not less than 80% of the voting power of all Voting Stock (as defined in the Charter) then outstanding, voting together as a single class. Subject to such removal, or the death, resignation or retirement of a director, a director shall hold office until the annual meeting of the stockholders for the year in which such director's term expires and until a successor shall be elected and qualified, except as provided in Section 7.1(d) of the Charter.

(c) Except as provided by law with respect to directors elected by stockholders of a class or series, a vacancy on the Board of Directors which results from the removal of a director may be filled by the affirmative vote of the holders of not less than 80% of the voting power of the then outstanding Voting Stock, voting together as a single class, and a vacancy which results from any such removal or from any other cause may be filled by a majority of the remaining directors, whether or not sufficient to constitute a quorum. Any director so elected by the Board of Directors shall hold office until the next annual meeting of stockholders and until his successor is elected and qualified and any director so elected by the stockholders shall hold office for the remainder of the term of the removed director. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 4. The Board of Directors shall meet for the election of officers and for the transaction of any other business as soon as practicable after the annual meeting of stockholders. Other regular meetings of the Board of Directors shall be held at such times and from time to time as may be fixed by the Board of Directors, and on not less than 48 hours' notice, given in such manner as the Board of Directors may determine. Special meetings of the Board of Directors shall be held at such times and from time to time pursuant to call of the Chairman of the Board or of the President, if the President is also a Director, with notice thereof given in writing or by telephonic or other means of communication in such manner as the Chairman of the Board or the President, as the case may be, may determine.

Section 5. Regular and special meetings of the Board of Directors may be held at such place or places within or without the State of Maryland as the Board of Directors may from time to time determine.

Section 6. A majority of the Board of Directors shall constitute a quorum for the transaction of business, but if, at any meeting of the Board of Directors, there shall be less than a quorum present, the Directors present at the meeting, without further notice,

may adjourn the same from time to time, not exceeding ten days at any one time, until a quorum shall attend. Except as required by statute, or as provided in the Charter or these Bylaws, a majority of the Directors present at any meeting at which a quorum is present shall decide any questions that may come before the meeting.

### ARTICLE III.

#### COMMITTEES OF THE BOARD OF DIRECTORS

##### EXECUTIVE COMMITTEE

Section 1. The Board of Directors may elect an Executive Committee consisting of three or more Directors. If such a Committee is established, the Board of Directors shall appoint one of the members of the Executive Committee to the office of Chairman of the Executive Committee. The Chairman and other members of the Executive Committee shall hold office until the election of the Board of Directors next succeeding their respective elections or until removed by the Board of Directors or until they shall cease to be Directors. Vacancies in the Executive Committee or in the office of Chairman of the Executive Committee shall be filled by the Board of Directors.

Section 2. If such a Committee is established, all the powers of the Board of Directors in the management of the business and affairs of the Corporation, except as otherwise provided by the Maryland General Corporation Law, the Charter and the Bylaws, shall vest in the Executive Committee, when the Board of Directors is not in session.

##### AUDIT AND FINANCE COMMITTEE

Section 3. The Board of Directors may elect an Audit and Finance committee consisting of three or more Directors. The Board of Directors shall appoint one of the members of the Audit and Finance Committee to the office of Chairman of the Audit and Finance Committee. The Chairman and other members of the Audit and Finance Committee shall hold office until the election of the Board of Directors next succeeding their respective elections or until removed by the Board of Directors or until they shall cease to be Directors. Vacancies in the Audit Committee or in the office of Chairman of the Audit and Finance Committee shall be filled by the Board of Directors.

##### COMPENSATION COMMITTEE

Section 4. The Board of Directors may elect a Compensation Committee consisting of three or more Directors. The Board of Directors shall appoint one of the members of the Compensation Committee to the office of Chairman of the Compensation Committee. The Chairman and other members of the Compensation Committee shall hold office until the election of the Board of Directors next succeeding their respective elections or until removed by the Board of Directors or until they shall cease to be Directors. Vacancies in the Compensation Committee or in the office of Chairman of the Compensation Committee shall be filled by the Board of Directors.

##### COMMITTEE ON DIRECTORS

Section 5. The Board of Directors may elect a Committee on Directors consisting of three or more Directors. The Board of Directors shall appoint one of the members of the Committee on Directors to the office of Chairman of the Committee on

Directors. The Chairman and other members of the Committee on Directors shall hold office until the election of the Board of Directors next succeeding their respective elections or until removed by the Board of Directors or until they shall cease to be Directors. Vacancies in the Committee on Directors or in the office of Chairman of the Committee on Directors shall be filled by the Board of Directors.

#### OTHER COMMITTEES

Section 6. The Board of Directors may, by resolution adopted by a majority of the entire Board, designate one or more additional committees, each of which shall consist of three or more Directors of the Corporation, and if it elects such a committee, shall appoint one of the members of the committee to be Chairman thereof.

#### MEETINGS OF COMMITTEES

Section 7. The Executive Committee and each other committee shall meet from time to time on call of its Chairman or on call of any one or more of its members or the Chairman of the Board for the transaction of any business.

Section 8. At any meeting, however called, of the Executive Committee and each other committee, a majority of its members shall constitute a quorum for the transaction of business. A majority of such quorum shall decide any matter that may come before the meeting.

Section 9. The Executive Committee and each other committee shall keep minutes of its proceedings.

### ARTICLE IV.

#### OFFICERS

Section 1. The Board of Directors shall appoint one of their number as Chairman of the Board and may appoint one of their number as Honorary Chairman of the Board. In addition, the Board of Directors may appoint one of their number as Acting Chairman of the Board. All of the duties and powers of the Chairman of the Board shall be vested in the Acting Chairman of the Board in the event of the absence of the Chairman or in the event that the Chairman ceases, for any reason, to be a member of the Board and the Board has not yet elected a successor. The Board of Directors shall appoint a President who may also be a Director. The President shall appoint a Treasurer and a Secretary, neither of whom need to be a director. The Board of Directors may also appoint one or more Senior Vice Presidents, Vice Presidents, Assistant Secretaries and Assistant Treasurers, who need not be Directors, and such other officers and agents with such powers and duties as the Board of Directors may prescribe. All said officers shall hold office until the first meeting of the Board of Directors following the annual meeting of the stockholders, and until their successors are appointed and qualify. Any two of said offices, except those of President and Senior Vice President or Vice President, may at the discretion of the Board of Directors, be held by the same person. The Chairman or the President may appoint, fix the compensation of and remove one or more Assistant Vice Presidents and Assistant Controllers with such powers and duties as may be prescribed from time to time.

Section 2. Subject to any supervisory duties that may be given to the Chairman of the Board by the Board of Directors, the President shall have direct supervision and authority over the affairs of the Corporation. If the President is also a

Director, and in the absence of the Chairman of the Board, the President shall preside at all meetings of the Board of Directors at which he shall be present. He shall make a report of the operation of the Corporation for the preceding fiscal year to the stockholders at their annual meeting and shall perform such other duties as are incident to his office, or as from time to time may be assigned to him by the Board of Directors or the Executive Committee, or by the Bylaws.

Section 3. The Chairman of the Board shall preside at all meetings of the Board of Directors at which he shall be present and shall have such other powers and duties as from time to time may be assigned to him by the Board of Directors or the Executive Committee or by the Bylaws.

Section 4. The Chairman of the Executive Committee shall preside at all meetings of the Executive Committee at which he shall be present and, in the absence of the Chairman of the Board and the President, if the President is also a Director, shall preside at all meetings of the Board of Directors at which he shall be present.

Section 5. Except as otherwise provided in the Bylaws, the Senior Vice Presidents shall perform the duties and exercise all the functions of the President in his absence or during his inability to act. The Senior Vice Presidents and Vice Presidents shall have such other powers, and perform such other duties, as may be assigned to him or them by the Board of Directors, the Executive Committee, the Chairman of the Executive Committee, the President, or the Bylaws.

Section 6. The Secretary shall issue notices for all meetings, shall keep the minutes of all meetings, shall have charge of the records of the Corporation, and shall make such reports and perform such other duties as are incident to his office or are properly required of him by the Board of Directors, the Chairman of the Board, the Executive Committee, the Chairman of the Executive Committee or the President, or the Bylaws.

Section 7. The Treasurer shall have charge of all monies and securities of the Corporation and shall cause regular books of account to be kept. The Treasurer shall perform all duties incident to his office or that are required by him by the Board of Directors, the Chairman of the Board, the Executive Committee, the Chairman of the Executive Committee, the President or the Bylaws, and may be required to give bond for the faithful performance of his duties in such sum and with such surety as may be required by the Board of Directors or the Executive Committee.

#### ARTICLE V.

##### ANNUAL STATEMENT OF AFFAIRS AND FISCAL YEAR

Section 1. There shall be prepared annually a full and correct statement of the affairs of the Corporation, to include a balance sheet and a financial statement of the operations for the preceding fiscal year. The statement of affairs shall be submitted at the annual meeting of the stockholders and not more than twenty (20) days after the meeting, placed on file at the Corporation's principal office. Such statement shall be prepared or caused to be prepared by such executive officer of the Corporation as may be designated by the Board of Directors. If no other executive officer is so designated, it shall be the duty of the President to prepare or cause to be prepared such statement.



Section 2. The fiscal year of the Corporation shall end on the thirty-first day of December in each year, or on such other day as may be fixed from time to time by the Board of Directors.

#### ARTICLE VI.

##### SEAL

The Board of Directors shall provide (with one or more duplicates) a suitable seal, containing the name of the Corporation, which shall be in the charge of the Secretary or Assistant Secretaries.

#### ARTICLE VII.

##### STOCK

Section 1. Certificates of stock shall be issued in such form as may be approved by the Board of Directors and shall be signed by the President, the Chairman of the Board, a Senior Vice President or a Vice President, and also by one of the following: the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary; and shall be sealed with the seal of the Corporation.

Section 2. The Board of Directors shall have power and authority to make all such rules and regulations as it may deem expedient concerning the issue and registration of certificates of stock, provided, however, that it shall conform to all requirements of any stock exchange upon which any class of its stock is listed.

Section 3. The Board of Directors at any time by resolution may direct that the stock transfer books be closed for a period not exceeding twenty days immediately preceding any annual or special meeting of the stockholders, or the payment of any dividend or any allotment of rights. In lieu of providing for the closing of the books against transfers of stock as aforesaid the Board of Directors may fix a date, not less than ten days nor more than ninety days preceding the date of any meeting of stockholders, and not more than ninety days preceding any dividend payment date or the date of any allotment of rights, as a record date for the determination of the stockholders entitled to notice of and to vote at such meeting, or entitled to receive such dividends or rights, as the case may be.

Section 4. In case any certificate of stock is lost, stolen, mutilated or destroyed, the Board of Directors shall authorize the issue of a new certificate in place thereof upon such terms and conditions as it may deem advisable.

#### ARTICLE VIII.

##### EXECUTION OF INSTRUMENTS

All checks, drafts, bills of exchange, acceptances, debentures, bonds, coupons, notes or other obligations or evidences of indebtedness of the corporation and also all deeds, mortgages, indentures, bills of sale, assignments, conveyances or other instruments of transfer, contracts agreements, licenses, endorsements, stock powers,

dividend orders, powers of attorney proxies, waivers, contents returns, reports, applications, appearances, complaints, declarations, petitions, stipulations, answers, denials, certificates, demands, notices or documents, instruments or writings of any nature shall be signed, executed, verified, acknowledged and delivered by such officers, agents or employees of the Corporation, or any one of them, and in such manner, as from time may be determined by the Board of Directors or by the Executive Committee, except as provided by statute, by the Charter or by the Bylaws.

#### ARTICLE IX.

##### WAIVER OF NOTICE OF MEETINGS

Section 1. Notice of the time, place and/or purposes of any meeting of stockholders shall not be required to be given to any stockholder who shall attend such meeting in person or by proxy; if any stockholder shall, in writing filed with the records of the meeting either before or after the holding thereof, waive notice of any stockholders meeting, notice thereof need not be given to him.

Section 2. Notice of any meeting of the Board of Directors need not be given to any Director if he shall, in writing filed with the records of the meeting either before or after the holding thereof, waive such notice; and any meeting of the Board of Directors shall be a legal meeting without notice thereof having been given, if all the Directors shall be present thereat.

#### ARTICLE X.

##### AMENDMENT TO BYLAWS

Section 1. The Bylaws may be altered or repealed and new Bylaws may be adopted (1) at any annual or special meeting of stockholders by the affirmative vote of the holders of a majority of the voting power of the stock issued and outstanding and entitled to vote thereat, provided, however, that to the extent set forth in the Charter any proposed alteration or repeal of, or the adoption of, any Bylaw shall require the affirmative vote of the holders of at least 80% of the voting power of all Voting Stock then outstanding, voting together as a single class, and provided, further, however, that, in the case of any such stockholder action at a special meeting of stockholders, notice of the proposed alteration, repeal or adoption of the new Bylaw or Bylaws must be contained in the notice of such special meeting, or (2) by the affirmative vote of a majority of the Whole Board.

#### ARTICLE XI.

##### INDEMNIFICATION

Section 1. The provisions of Section 2-418 of the Maryland General Corporation Law, as in effect from time to time, and any successor thereto, are hereby incorporated by reference in these Bylaws.

Section 2. Subject to the provisions of Section 4 of this Article XI, the Corporation (a) shall indemnify its directors and officers, whether serving the Corporation or at its request any other entity, to the full extent required or permitted by the General

Laws of the State of Maryland now or hereafter in force, including the advance of expenses under the procedures set forth in Section 3 hereof and to the full extent permitted by law and (b) may indemnify other employees and agents to such extent, if any, as shall be authorized by the Board of Directors and be permitted by law, and may advance expenses to employees and agents under the procedures set forth in Section 5 hereof. For purposes of this Article XI, the "advance of expenses" shall include the providing by the Corporation to a director, officer, employee or agent who has been named a party to a proceeding, of legal representation by, or at the expense of, the Corporation.

Section 3. Any indemnification of an officer or director or advance of expenses to an officer or director in advance of the final disposition of any proceeding, shall be made promptly, and in any event within sixty (60) days, upon the written request of the director or officer entitled to request indemnification. A request for advance of expenses shall contain the affirmation and undertaking described in Section 5 hereof and be delivered to the General Counsel of the Corporation or to the Chairman of the Board. The right of an officer or director to indemnification and advance of expenses hereunder shall be enforceable by the officer or director entitled to request indemnification in any court of competent jurisdiction, if (i) the Corporation denies such request, in whole or in part or (ii) no disposition thereof is made within sixty (60) days. The costs and expenses incurred by the officer or director entitled to request indemnification in connection with successfully establishing his or her right to indemnification, in whole or in part, in any such action shall, subject to Section 4 hereof, also be indemnified by the Corporation. All rights of an officer or director to indemnification and advance of expenses hereunder shall be deemed to be a contract between the corporation and each director or officer of the Corporation who serves or served in such capacity at any time while this Article XI is in effect.

Section 4. Anything in this Article XI to the contrary notwithstanding except in circumstances where indemnification is required under the General Laws of the State of Maryland now or hereafter in force, no indemnification of a director or officer may be made hereunder unless a determination has been made in accordance with the procedures set forth in section 2-418(a) of the Maryland General Corporation Law, as in effect from time to time and any successor thereto, that the officer or director requesting indemnification has met the requisite standard of conduct. An officer or director requesting indemnification shall have met the requisite standard of conduct unless it is established that: (a) The act or omission of the director or officer was material to the matter giving rise to the proceeding; and (i) was committed in bad faith; or (ii) was the result of active and deliberate dishonesty; or (b) The director or officer actually received an improper benefit in money, property or services; or (c) In the case of a criminal proceeding, the director or officer had reasonable cause to believe the act or omission was unlawful.

Section 5. The Corporation may advance expenses, prior to the final disposition of any proceeding, to or on behalf of an employee or agent of the Corporation who is a party to a proceeding as to action while employed by or on behalf of the Corporation and who is neither an officer nor director of the Corporation upon (i) the submission by the employee or agent to the General Counsel of the Corporation of a written affirmation that it is such employee's or agent's good faith belief that such employee or agent has met the standard of conduct as set forth in Section 4 hereof and an undertaking by such employee or agent to reimburse the Corporation for the advance of expenses by the Corporation to or on behalf of such employee or agent if it shall ultimately be determined that the standard of conduct has not been met and (ii) the determination by the General Counsel, in his discretion, that advance of expenses to the employee or agent is appropriate in light of all of the circumstances, subject to such additional conditions and restrictions not inconsistent with this Article XI as the General Counsel shall impose.

Section 6. The indemnification and advance of expenses provided by this Article XI (i) shall not be deemed exclusive of any other rights to which a person requesting indemnification or advance of expenses may be entitled under any law (common or statutory), or any agreement, vote of stockholders or disinterested directors or other provision that is not contrary to law, both as to action in his or her official capacity and as to action in another capacity while holding office or while employed by or acting as agent for the Corporation, (ii) shall continue in respect of all events occurring while a person was a director, officer, employee or agent of the Corporation, and (iii) shall inure to the benefit of the estate, heirs, executors and administrators of such person.

Section 7. This Article XI shall be effective from and after the date of its adoption and shall apply to all proceedings arising prior to or after such date, regardless of whether relating to facts or circumstances occurring prior to or after such date. Subject to Article X of these Bylaws nothing herein shall prevent the amendment of this Article XI, provided that no such amendment shall diminish the rights of any person hereunder with respect to events occurring or claims made before the adoption of such amendment or as to claims made after such adoption in respect of events occurring before such adoption.

Section 8. The Board of Directors may take such action as is necessary to carry out the indemnification provisions of this Article XI and is expressly empowered to adopt, approve and amend from time to time such resolutions or contracts implementing such provisions or such further indemnification arrangements as may be permitted by law.

FORM OF  
EMPLOYEE BENEFITS AGREEMENT  
BETWEEN  
AT&T CORP.  
AND  
NCR CORPORATION

DATED AS OF  
NOVEMBER 20, 1996

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## EMPLOYEE BENEFITS AGREEMENT

This EMPLOYEE BENEFITS AGREEMENT, dated as of November 20, 1996, is by and between AT&T and NCR. Capitalized terms used herein (other than the formal names of AT&T Plans and NCR Plans (as defined below) and related trusts) and not otherwise defined shall have the respective meanings assigned to them in Article I hereof or as assigned to them in the Distribution Agreement (as defined below).

WHEREAS, the Board of Directors of AT&T has determined that it is in the best interests of AT&T and its shareholders to separate AT&T's existing businesses into three independent businesses;

WHEREAS, in furtherance of the foregoing, AT&T, NCR and Lucent have executed and delivered the Separation and Distribution Agreement providing for, among other things, the initial public offering of shares of Lucent Common Stock (which was consummated on April 10, 1996) and for the pro rata distribution by AT&T of all of its shares of Lucent Common Stock to the shareholders of AT&T (which was consummated on September 30, 1996);

WHEREAS, AT&T, NCR and Lucent have also executed and delivered the Ancillary Agreements (as such term is defined in the Separation and Distribution Agreement) governing certain additional matters relating to the Lucent Distribution;

WHEREAS, the Board of Directors of AT&T has also determined that AT&T will distribute to its shareholders all of the capital stock of NCR held directly or indirectly by AT&T, subject to the terms and conditions set forth in the Distribution Agreement;

WHEREAS, in furtherance of the foregoing, AT&T and NCR have entered into a Distribution Agreement, dated as of November 20, 1996 (the "Distribution Agreement"), and certain other agreements that will govern certain matters relating to the NCR Distribution and the relationship of AT&T and NCR and their respective Subsidiaries following the NCR Distribution; and

WHEREAS, AT&T and NCR wish to enter into this agreement allocating assets, liabilities and responsibilities with respect to certain employee compensation and benefit plans and programs between them.

NOW, THEREFORE, the parties, intending to be legally bound, agree as follows:

ARTICLE I  
DEFINITIONS

For purposes of this Agreement the following terms shall have the following meanings:

1.1 AGREEMENT means this Employee Benefits Agreement, including all the Schedules and Exhibits hereto.

1.2 ASSIGNED SPLIT DOLLAR POLICIES is defined in Section 4.4.

1.3 AT&T CONTROLLED PERSON as of a specified time means any Person that is, at such time, a Subsidiary of AT&T or is otherwise controlled, directly or indirectly, by AT&T, other than NCR or any Person that is, at such time, an NCR Controlled Person.

1.4 AT&T EXECUTIVE BENEFIT PLANS means the executive benefit and nonqualified plans, programs, and arrangements established, maintained, agreed upon, or assumed, in each case before the Close of the NCR Distribution Date, by AT&T or a Person that is, Immediately after the NCR Distribution Date, an AT&T Controlled Person, for the benefit of AT&T Individuals and/or NCR Individuals who participated therein, including the plans listed in Schedule I.

1.5 AT&T INDIVIDUAL means any individual who is not an NCR Individual and is, as of the Close of the NCR Distribution Date: (a) actively employed by, or on a leave of absence from, either AT&T or a Person that is, as of the Close of the NCR Distribution Date, an AT&T Controlled Person; or (b) neither actively employed by, nor on a leave of absence from, AT&T or a Person that is, as of the Close of the NCR Distribution Date, an AT&T Controlled Person, but whose most recent active employment with AT&T or a past or present Affiliate of AT&T (including NCR and its Affiliates) was with either AT&T or a Person that was, at the time such active employment ended, an AT&T Controlled Person; provided, that an individual who is a Transferred Individual as defined in the Lucent EBA shall not be considered an AT&T Individual under this sentence. An alternate payee under a QDRO or alternate recipient under a QMCSO with respect to, or a beneficiary or covered dependent of, an employee or former employee described in the preceding sentence shall also be an AT&T Individual with respect to that employee's or former employee's benefit under the applicable Plans. Such an alternate payee, alternate recipient, beneficiary, or covered dependent shall not otherwise be considered an AT&T Individual with respect to his or her own benefits under any applicable Plans unless he or she is an AT&T Individual by virtue of the first sentence of this definition. In addition, AT&T and NCR may designate, by mutual agreement, any other individuals, or group of individuals, as AT&T Individuals. An individual may be an AT&T Individual pursuant to this definition regardless of whether such individual is, as of the NCR Distribution Date, alive, actively employed, on a temporary leave of absence from active employment, on layoff, terminated from employment, retired or on any other type of employment or post-employment status relative to any Plan, and regardless of whether, as of the Close of the NCR Distribution Date, such individual is then receiving any benefits from any AT&T Plan or NCR Plan.

1.6 AT&T INDIVIDUAL AGREEMENT means an Individual Agreement with an AT&T Individual.

1.7 AT&T PLAN means any Plan that is, Immediately after the NCR Distribution Date, sponsored by AT&T or a Person that is then an AT&T Controlled Person or, if such Plan is no longer in existence Immediately after the NCR Distribution Date, was, at the time it ceased to exist, sponsored by AT&T or a Person that is, Immediately after the NCR Distribution Date, an AT&T Controlled Person or a direct or indirect predecessor to such a Person.

1.8 AT&T SHORT TERM INCENTIVE PLANS means the AT&T Short Term Incentive Plan and the AT&T Management Incentive Compensation Program.

1.9 AT&T STOCK VALUE means the average of the daily high and low per-share prices of the AT&T Common Stock as traded regular way on the NYSE during each of the five trading days immediately preceding the NCR Distribution Date.

1.10 ATTIMCO means AT&T Investment Management Corporation, a Delaware corporation.

1.11 AWARD means an award under a Long Term Incentive Plan or a Short Term Incentive Plan.

1.12 CLOSE OF THE NCR DISTRIBUTION DATE means 11:59:59 P.M., Eastern Standard Time or Eastern Daylight Time (whichever shall then be in effect), on the NCR Distribution Date.

1.13 CODE means the Internal Revenue Code of 1986, as amended, or any successor federal income tax law. Reference to a specific Code provision also includes any proposed, temporary, or final regulation in force under that provision.

1.14 DISTRIBUTION AGREEMENT is defined in the sixth paragraph of the preamble of this Agreement.

1.15 ERISA means the Employee Retirement Income Security Act of 1974, as amended. Reference to a specific provision of ERISA also includes any proposed, temporary, or final regulation in force under that provision.

1.16 FIRST TRANSFER is defined in Section 3.1(c)(iii).

1.17 IMMEDIATELY AFTER THE NCR DISTRIBUTION DATE means 12:00 A.M., Eastern Standard Time or Eastern Daylight Time (whichever shall then be in effect), on the day after the NCR Distribution Date.

1.18 INDIVIDUAL AGREEMENT means an individual contract or agreement (including the agreements listed on Schedule II) entered into before the Close of the NCR Distribution Date between AT&T, or any of its past or present Affiliates (including NCR and its past or present Affiliates) and an NCR Individual or an AT&T Individual that establishes the right of such individual to special executive compensation or benefits, including a supplemental pension benefit, hiring bonus, loan, guaranteed payment, special allowance, tax equalization or disability benefit, or share units granted (and payable in the form of cash or otherwise) under an individual phantom share agreement, or that provides benefits similar to those identified in Schedule I.

1.19 LONG TERM INCENTIVE PLAN, when immediately preceded by "AT&T," means any of the AT&T 1984 Stock Option Plan, the AT&T 1987 Long Term Incentive Program, and such other stock-based incentive plans assumed by AT&T by reason of merger, acquisition, or otherwise, including incentive plans of NCR, Teradata Corporation, AT&T Wireless Services, Inc. (formerly McCaw Cellular Communications, Inc.), and LIN Broadcasting Corporation, and when immediately preceded by "NCR," means the long term incentive plan to be established by NCR pursuant to Section 4.3(a).

1.20 LTIT means the Long-Term Investment Trust established pursuant to the LTIT Agreement.

1.21 LTIT AGREEMENT means the Agreement of Trust Establishing the Long-Term Investment Trust and Constituting the Amendment and Restatement of the AT&T Master Pension Trust Agreement and Conversion Thereof, effective as of October 1, 1996, as amended from time to time.

1.22 LTIT REDEMPTION is defined in Section 3.1(c)(ii).

1.23 LUCENT EBA means the Employee Benefits Agreement between AT&T and Lucent dated as of February 1, 1996 and amended and restated as of March 29, 1996.

1.24 MPT means the AT&T Master Pension Trust established pursuant to the MPT Agreement.

1.25 MPT AGREEMENT means the AT&T Master Pension Trust Agreement dated as of October 1, 1996 between AT&T, Citibank, N.A., and certain other banks, trust companies or individuals identified therein, as amended from time to time.

1.26 MPT WITHDRAWAL is defined in Section 3.1(c)(iii).

1.27 NCR ALLOCABLE SHARE is defined in Section 3.1(c)(ii).

1.28 NCR CONTROLLED PERSON as of a specified time means any Person that is, at such time, a Subsidiary of NCR or is otherwise controlled, directly or indirectly, by NCR.

1.29 NCR EMPLOYEE means an NCR Individual who is described in clause (a) of the definition of NCR Individual, or, to the extent relevant, an alternate payee under a QDRO or alternate recipient under a QMCSO with respect to, or a beneficiary or covered dependent of, such an NCR Individual.

1.30 NCR EXECUTIVE BENEFIT PLANS means the executive benefit and nonqualified plans, programs, and arrangements established, maintained, agreed upon, or assumed, before the Close of the NCR Distribution Date, by NCR or any Person that is, Immediately after the NCR Distribution Date, an NCR Controlled Person, for the benefit of AT&T Individuals and/or NCR Individuals who participated therein, including the plans listed in Schedule III.

1.31 NCR INDIVIDUAL means any individual who, as of the Close of the NCR Distribution Date: (a) is actively employed by, or on a leave of absence from, NCR or a Person that is, as of the Close of the NCR Distribution Date, an NCR Controlled Person; or (b) is neither actively employed by, nor on a leave of absence from, NCR or a Person that is, as of the Close of the NCR Distribution Date, an NCR Controlled Person, but whose most recent active employment with AT&T or a past or present Affiliate of AT&T (including NCR and its Affiliates) was with either NCR or a Person that was, at the time such active employment ended, or is, as of the Close of the Distribution Date, an NCR Controlled Person. An alternate payee under a QDRO or alternate recipient under a QMCSO with respect to, or a beneficiary or covered dependent of, an employee or former employee described in the preceding sentence shall also be an NCR Individual with respect to that employee's or former employee's benefit under the applicable Plans. Such an alternate payee, alternate recipient, beneficiary, or covered dependent shall not otherwise be considered an NCR Individual with respect to his or her own benefits under any applicable Plans unless he or she is an NCR Individual by virtue of the first sentence of this definition. In addition, AT&T and NCR may designate, by mutual agreement, any other individuals, or group of individuals, as NCR Individuals. An individual may be an NCR Individual pursuant to this definition regardless of whether such individual is, as of the NCR Distribution Date, alive, actively employed, on a temporary leave of absence from active employment, on layoff, terminated from employment, retired or on any other type of employment or post-employment status relative to any Plan, and regardless of whether, as of the Close of

the NCR Distribution Date, such individual is then receiving any benefits from any AT&T Plan or NCR Plan.

1.32 NCR INDIVIDUAL AGREEMENT means an Individual Agreement with an NCR Individual.

1.33 NCR PENSION PLANS means The NCR Pension Plan, The Retirement Plan for Employees of NCR Corporation at Dayton, Ohio Represented by the Independent Union of NCR Corporation Guards, and all predecessors to either of such Plans, including Plans that have been merged into either of such Plans.

1.34 NCR PLAN means any Plan that is, Immediately after the Distribution Date, sponsored by NCR or a Person that is then an NCR Controlled Person or, if such Plan is no longer in existence Immediately after the NCR Distribution Date, was, at the time it ceased to exist, sponsored by NCR or a Person that is, Immediately after the NCR Distribution Date, an NCR Controlled Person or a direct or indirect predecessor to such a Person.

1.35 NCR SAVINGS PLAN means the NCR Savings Plan.

1.36 NCR SERPS means all NCR Plans that are or were "employee pension benefit plans" within the meaning of Section 3(2) of ERISA that are not qualified under Section 401(a) of the Code, including the NCR Corporation Nonqualified Excess Plan, the NCR Corporation Executive Retirement, Death and Disability Plan, the NCR Mid-Career Hire Supplemental Pension Plan, the Supplemental Plan for Transfers Between AT&T and NCR, and the Retirement Plan for Officers of NCR.

1.37 NCR SHORT TERM INCENTIVE PLANS means the NCR Management Incentive Plan and the NCR Customer Delight Performance Award Program.

1.38 NCR STOCK VALUE means the average of the daily high and low per-share prices of the NCR Common Stock as traded on the NYSE, on a when-issued basis, during each of the five trading days immediately preceding the NCR Distribution Date.

1.39 OPTION, when immediately preceded by "AT&T," means an option to purchase AT&T Common Stock and when immediately preceded by "NCR," Option means an option to purchase NCR Common Stock, in each case pursuant to a Long Term Incentive Plan.

1.40 PLAN means any plan, policy, program, payroll practice, on-going arrangement, contract, trust, insurance policy or other agreement or funding vehicle providing benefits to employees or former employees of AT&T and its past or present Affiliates (including NCR and its Affiliates).

1.41 PRIOR MPT means the AT&T Master Pension Trust which was the predecessor to, and was converted into, the LTIT.

1.42 QDRO means a domestic relations order which qualifies under Code Section 414(p) and ERISA Section 206(d) and which creates or recognizes an alternate payee's right to, or assigns to an alternate payee, all or a portion of the benefits payable to a participant under any AT&T Plan or NCR Plan.

1.43 QMCSO means a medical child support order which qualifies under ERISA Section 609(a) and which creates or recognizes the existence of an alternate recipient's right to, or assigns to an alternate recipient the right to, receive benefits for which a participant or beneficiary is eligible under an AT&T Plan or NCR Plan.

1.44 RATIO means the amount obtained by dividing the AT&T Stock Value by the NCR Stock Value.

1.45 SECOND TRANSFER is defined in Section 3.1(c)(iii).

1.46 SEGREGATED ASSETS is defined in Section 3.1(c)(iii).

1.47 SEPARATION AND DISTRIBUTION AGREEMENT is defined in the third paragraph of the preamble of this Agreement.

1.48 SPLIT DOLLAR LIFE INSURANCE means the life insurance policies purchased by AT&T on behalf of certain individuals under the AT&T Senior Management Individual Life Insurance Program and the AT&T Senior Management Basic Life Insurance Program, with respect to which such individuals (or their assignees or delegates) have executed collateral assignments for the benefit of AT&T.

1.49 SPREAD is defined in Section 4.3(b)(iv).

1.50 SUPPLEMENTAL PENSION PLAN FOR TRANSFERS means the NCR Supplemental Pension Plan for Transfers between AT&T and NCR.

1.51 U.S. means the 50 United States and the District of Columbia.

1.52 VALUE is defined in Section 4.3(b)(iv).

## ARTICLE II GENERAL PRINCIPLES

2.1 ALLOCATION OF LIABILITIES. (a) NCR hereby assumes or retains, as applicable, and agrees to pay, perform, fulfill and discharge, in accordance with their respective terms, and to indemnify the AT&T Indemnitees from and against, pursuant to Section 4.2 of the Distribution Agreement, all of the following (regardless of when or where such Liabilities arose or arise or were or are incurred), except to the extent otherwise specified in Section 2.1(b) below and in the agreement entered into pursuant to Section 6.1 with respect to Foreign Plans: (i) all Liabilities to or relating to NCR Individuals relating to, arising out of or resulting from employment by AT&T or any Person that was, at the time of such employment, an AT&T Controlled Person, which employment occurred before the Close of the NCR Distribution Date; (ii) all Liabilities to or relating to NCR Individuals and other employees or former employees of NCR or any Person that was, at the time of such employment, an NCR Controlled Person, and their dependents and beneficiaries, relating to, arising out of or resulting from employment with NCR or an NCR Controlled Person before, at or after the Close of the NCR Distribution Date (including Liabilities under NCR Plans); (iii) all Liabilities relating to, arising out of or resulting from any other actual or alleged employment relationship with NCR or any Person that was, at the time of such actual or alleged employment, an NCR Controlled Person; (iv) all other Liabilities relating to, arising out of or resulting from obligations, liabilities and responsibilities expressly

assumed or retained by NCR, or an NCR Plan pursuant to this Agreement; and (v) all Liabilities relating to, arising out of or resulting from NCR Plans.

(b) AT&T hereby assumes or retains, as applicable, and agrees to pay, perform, fulfill and discharge, in accordance with their respective terms, and to indemnify the NCR Indemnitees from and against, pursuant to Section 4.3 of the Distribution Agreement, all of the following (regardless of when or where such Liabilities arose or arise or were or are incurred) except to the extent otherwise specified in the agreement entered into pursuant to Section 6.1 with respect to Foreign Plans: (i) all Liabilities to or relating to AT&T Individuals relating to, arising out of or resulting from employment by AT&T, any Person that was, at the time of such employment, an AT&T Controlled Person, NCR or any Person that was, at the time of such employment, an NCR Controlled Person, which employment occurred before the Close of the NCR Distribution Date, other than Liabilities relating to, arising out of or resulting from NCR Plans; (ii) all Liabilities relating to, arising out of or resulting from written AT&T Plans in accordance with their terms, to the extent neither of NCR nor any NCR Plan is expressly made responsible for such Liabilities pursuant to this Agreement; and (iii) any other Liabilities relating to, arising out of or resulting from obligations, liabilities and responsibilities expressly assumed or retained by AT&T or an AT&T Plan pursuant to this Agreement.

2.2 TRANSFERRED EXECUTIVES. The individuals listed on Schedule IV shall become employees of, and shall be transferred to the payroll of, NCR or a Person that is, at the time of such transfer, an NCR Controlled Person, as soon as practicable after the date hereof, but in any event no later than the Close of the NCR Distribution Date, and shall therefore be considered "NCR Individuals" as of the Close of the NCR Distribution Date.

### ARTICLE III

#### QUALIFIED PLANS

##### 3.1 NCR PENSION PLANS.

(a) NAMED FIDUCIARY FOR NCR PENSION PLANS. NCR hereby represents and warrants to AT&T that (i) the NCR Pension Plans as defined herein constitute, as of the date hereof, all of the defined benefit pension plans sponsored by NCR and the Persons that are, as of the date hereof, NCR Controlled Persons, all other such plans having been merged into the NCR Pension Plan on or before November 15, 1996, (ii) each NCR Pension Plan has been amended to provide that NCR is the named fiduciary of such NCR Pension Plan, and that AT&T is not the named fiduciary of such NCR Pension Plan, in each case for purposes of negotiating the terms and conditions of this Section 3.1 and entering into this Agreement, and (iii) that it has delivered to AT&T true, correct and complete copies of such amendments and the resolutions of its Board of Directors authorizing such amendments and providing for the delegation of the authority to act in such fiduciary capacity by NCR to individual employees of NCR. As soon as practicable after the Close of the NCR Distribution Date, and in any event before the Second Transfer, NCR shall seek to have its Board of Directors ratify such amendments and resolutions.

(b) PRE-DISTRIBUTION ACTIONS BY NCR. NCR shall take all actions necessary or appropriate so that before the Close of the NCR Distribution Date: (i) one or more individuals or entities are appointed in place of AT&T as named fiduciary under the NCR Pension Plans; (ii) appropriate trustees, custodians, investment managers and other fiduciaries with respect to the NCR Pension Plans have been appointed, so as to permit the LTIT

Redemption and the MPT Withdrawal to occur promptly in accordance with this Section 3.1; (iii) NCR shall have entered into an Investment Advisory Agreement with ATTIMCO providing for the management of the assets of the NCR Pension Plans by ATTIMCO during the period from Immediately after the NCR Distribution Date until the completion of the LTIT Redemption and the MPT Withdrawal in accordance with this Section 3.1; and (iv) NCR shall have taken all such actions with respect to the assets identified on Schedule V hereto as ATTIMCO shall reasonably require.

(c) TRANSFER OF ASSETS OF NCR PENSION PLANS FROM LTIT AND MPT.

(i) LTIT REDEMPTION AND MPT WITHDRAWAL. AT&T shall take all actions necessary or appropriate to accomplish the LTIT Redemption, and AT&T and NCR shall take all steps necessary or appropriate to accomplish the MPT Withdrawal, in each case in accordance with this Section 3.1(c) as promptly as practicable after the later of (A) the Close of the NCR Distribution Date and (B) the completion of the ratification referred to in the last sentence of Section 3.1(a) and all actions required to be taken pursuant to Section 3.1(b).

(ii) VALUATION OF LTIT ASSETS; LTIT REDEMPTION. Under the terms of the LTIT Agreement, the Total Asset Value and Net Asset Value (as those terms are defined in the LTIT Agreement) of the assets of the LTIT will be determined by ATTIMCO, in its capacity as named fiduciary of the LTIT, as of December 31, 1996. As part of such determination process, ATTIMCO shall also determine the portion of such Net Asset Value that represents the share allocable to the NCR Pension Plans in the LTIT through their interests in the MPT (the "NCR Allocable Share") in accordance with the terms of the LTIT Agreement. Such determinations shall be audited by Coopers & Lybrand in accordance with the normal valuation procedures for the LTIT. AT&T, in its capacity as Authorized Fiduciary (within the meaning of the LTIT Agreement) for the MPT, shall then direct ATTIMCO, in its capacity as named fiduciary of the LTIT, to redeem, pursuant to Section 7.2 of the LTIT Agreement, a portion of the MPT's allocable share of the assets of the LTIT having a value, as of December 31, 1996, at least equal to the NCR Allocable Share (the "LTIT Redemption"). Such assets shall consist of a mix of assets satisfying the requirements of Schedule VI hereto (as such Schedule may be amended hereafter by written agreement between AT&T and NCR). AT&T and NCR acknowledge that the LTIT Redemption may be subject, in whole or in part, to the consent of Lucent, in its capacity as Authorized Fiduciary (within the meaning of the LTIT) of certain plans participating in the LTIT, and agree to use reasonable best efforts to obtain any such required consent, but failure to obtain such consent shall not be considered a violation hereof.

(iii) WITHDRAWAL FROM MPT. AT&T (in its capacity as named fiduciary of the MPT) shall cause the assets received by the MPT pursuant to the LTIT Redemption to be segregated upon such receipt in anticipation of the MPT Withdrawal. Such assets, together with the proceeds of any sale of such assets, any other assets in which such proceeds may be reinvested, and any dividends, interest, distributions and other income realized from such assets, proceeds and other assets, in each case during the period from their receipt by the MPT until they are transferred to the trustee(s) of the NCR Pension Plans as hereinafter provided, are referred to collectively as the "Segregated Assets." AT&T and NCR shall then direct the withdrawal of the NCR Pension Plans from the MPT pursuant to Section 5(c) of MPT Agreement (the "MPT Withdrawal") in exchange for all or a portion of the Segregated Assets, as set forth below. The transfer of Segregated Assets from the trustee of the MPT to the trustee(s) of the NCR Pension Plans pursuant to the MPT Withdrawal shall occur in two steps. The first step (the "First Transfer") shall be a



transfer of a portion of the Segregated Assets selected by ATTIMCO (in its capacity as a fiduciary of the MPT) that it determines to have a value, as of December 31, 1996, equal to approximately 90 percent of the NCR Allocable Share. The second step (the "Second Transfer") shall be a transfer of additional Segregated Assets selected by ATTIMCO (in its capacity as a fiduciary of the MPT), such that the Segregated Assets transferred to the trustee(s) of the NCR Pension Plans in the First Transfer and the Second Transfer (I) have a value, as of December 31, 1996, equal to the NCR Allocable Share, and (II) constitute a mix of assets satisfying the requirements of Schedule VI hereto. No adjustment shall be made to the assets so transferred as a result of any diminishment in the value of the Segregated Assets after December 31, 1996.

(iv) ACCEPTANCE OF ASSET TRANSFER. The completion of the First Transfer and the Second Transfer shall be subject in each case to the receipt by ATTIMCO, from NCR and each of the recipient trustee(s) of the NCR Pension Plans, of a Receipt and Release substantially in the forms attached hereto as Exhibits A and B, respectively (with such modifications as may be agreed to by ATTIMCO). NCR hereby agrees to give Receipts and Releases substantially in such forms unless it determines in good faith that either (I) AT&T or ATTIMCO has failed to comply with the requirements of this Section 3.1(c) or (II) it is required by ERISA to withhold such Receipts and Releases.

(d) RELEASE AND ASSUMPTION OF LIABILITIES.

(i) RELEASES. Effective Immediately after the NCR Distribution Date, NCR does hereby, for itself and each other member of the NCR Group, their respective Affiliates (other than any member of the AT&T Services Group (as defined in the Separation and Distribution Agreement) or the Lucent Group), successors and assigns, and all Persons who at any time prior to the NCR Distribution Date have been shareholders, directors, officers, agents or employees of any member of the NCR Group (in each case, in their respective capacities as such), remise, release and forever discharge AT&T, the members of the AT&T Services Group, their respective Affiliates (other than any member of the NCR Group), successors and assigns, and all Persons who at any time prior to the NCR Distribution Date have been shareholders, directors, officers, agents or employees of any member of the AT&T Services Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever relating to or arising out of the participation by any of the NCR Pension Plans in the MPT or the Prior MPT or the participation by the MPT in the LTIT; provided that the foregoing shall not release AT&T from the obligation to carry out the First Transfer and the Second Transfer in accordance with Section 3.1(c) above.

(ii) ASSUMPTION OF LIABILITIES. Without limiting the generality of Section 2.1 above, NCR hereby assumes or retains, as applicable, and agrees to pay, perform, fulfill and discharge, in accordance with their respective terms: (A) all Liabilities relating to, arising out of or resulting from the administration, or investment of the assets of, any of the NCR Pension Plans; (B) all other Liabilities relating to, arising out of or resulting from any of the NCR Pension Plans; and (C) NCR's allocable share of any amounts which AT&T or any Affiliate of AT&T pays to any fiduciary of the MPT, the Prior MPT or the LTIT pursuant to any obligation to indemnify such fiduciary with respect to actions or omissions occurring while assets of any of the NCR Pension Plans were held in the MPT, the Prior MPT or the LTIT, as applicable; such allocable share to equal a percentage of such amounts paid by AT&T or such Affiliate equal to the average percentage of the total value of the assets of the MPT, the Prior MPT or the LTIT, as applicable,

during the period of time when such actions or omissions occurred, that was allocable to the NCR Pension Plans.

3.2 NCR SAVINGS PLAN. (a) REPLACEMENT FIDUCIARIES. NCR shall take all steps necessary and appropriate, including the amendment of the plan document and related trust agreement, so that effective no later than Immediately after the NCR Distribution Date, one or more individuals or entities appointed by NCR shall (i) replace AT&T in all of its capacities under the NCR Savings Plan, including as named fiduciary with respect to investment, reinvestment and administration of assets and with respect to the power to remove and replace trustees and investment managers, and (ii) replace or be reappointed as the trustee, investment managers, custodians and other fiduciaries with respect to the NCR Savings Plan.

(b) RELEASE. Effective Immediately after the NCR Distribution Date, NCR does hereby, for itself and each other member of the NCR Group, their respective Affiliates (other than any member of the AT&T Services Group (as defined in the Separation and Distribution Agreement)), successors and assigns, and all Persons who at any time prior to the NCR Distribution Date have been shareholders, directors, officers, agents or employees of any member of the NCR Group (in each case, in their respective capacities as such), remise, release and forever discharge AT&T, the members of the AT&T Services Group, their respective Affiliates (other than any member of the NCR Group), successors and assigns, and all Persons who at any time prior to the NCR Distribution Date have been shareholders, directors, officers, agents or employees of any member of the AT&T Services Group (in each case, in their respective capacities as such), and their respective heirs, executors, administrators, successors and assigns, from any and all Liabilities whatsoever relating to or arising out of the NCR Savings Plan.

#### ARTICLE IV EXECUTIVE BENEFITS

4.1 GENERAL. Effective Immediately after the NCR Distribution Date, except as otherwise specified in this Article IV and in Section 5.2 hereof: (a) NCR shall be solely responsible for all Liabilities to or with respect to NCR Individuals under all AT&T Executive Benefit Plans; (b) AT&T shall be solely responsible for all Liabilities to or with respect to AT&T Individuals under all NCR Executive Benefit Plans; (c) no NCR Individuals shall continue to participate in or to accrue benefits under any AT&T Executive Benefit Plans; and (d) no AT&T Individuals shall continue to participate in or to accrue benefits under any NCR Executive Benefit Plans.

#### 4.2 NONQUALIFIED PLANS.

(a) NCR SERPS. NCR shall cause the Supplemental Pension Plan for Transfers to be amended, effective Immediately after the NCR Distribution Date, to provide that no individual will be eligible to participate therein as a result of or with respect to transfers of employment from AT&T or a Person that is, at the time of such transfer, an AT&T Controlled Person to NCR or a Person that is, at the time of such transfer, an NCR Controlled Person, or vice versa, occurring after the Close of the NCR Distribution Date. NCR shall remain solely responsible for all Liabilities to or relating to NCR Individuals under the Supplemental Pension Plan for Transfers, and for all Liabilities for benefits accrued by AT&T Individuals through the Close of the Distribution Date under the NCR SERPs.

(b) AT&T SERPS. AT&T shall remain solely responsible for all Liabilities for benefits accrued by NCR Individuals through the close of the Distribution Date under the AT&T Mid-Career Pension Plan and the AT&T Non-Qualified Pension Plan.

#### 4.3 AT&T LONG TERM INCENTIVE PLANS.

(a) GENERAL. NCR shall use its reasonable best efforts to take all actions necessary or appropriate (including obtaining consents of affected individuals) so that each outstanding Award granted under any AT&T Long Term Incentive Plan held by any NCR Employee shall be replaced to the extent required by this Section 4.3 with an Award based on NCR Common Stock. Effective Immediately after the NCR Distribution Date, (i) NCR shall establish a Long Term Incentive Plan providing for awards to employees of NCR and its Affiliates based upon NCR Common Stock, (ii) NCR shall be solely responsible for all Liabilities under the AT&T Long Term Incentive Plan to NCR Employees, and (iii) AT&T shall remain solely responsible for all Liabilities under the AT&T Long Term Incentive Plan to NCR Individuals who are not NCR Employees.

#### (b) NCR EMPLOYEES.

(i) STOCK OPTIONS. NCR shall cause each Award consisting of an AT&T Option that is outstanding and held by an NCR Employee as the Close of the NCR Distribution Date to be replaced, effective Immediately after the NCR Distribution Date, with an NCR Option. Such NCR Option shall provide for the purchase of a number of shares of NCR Common Stock equal to the number of shares of AT&T Common Stock subject to such AT&T Option as of the Close of the NCR Distribution Date, multiplied by the Ratio, and then rounded down to the nearest whole share. NCR shall pay to the holder of such replacement Award, at the time of such replacement, cash in lieu of any fractional share equal to the product of (A) the fraction represented by such fractional share times (B)(1) the excess of the NCR Stock Value over (2) the per-share exercise price of such AT&T Option as the Close of the NCR Distribution Date divided by the Ratio. The per-share exercise price of such NCR Option shall equal the per-share exercise price of such AT&T Option as of the Close of the NCR Distribution Date divided by the Ratio. Each such NCR Option shall otherwise have the same terms and conditions as were applicable to the corresponding AT&T Option as of the Close of the NCR Distribution Date, except that references to AT&T and its Affiliates shall be amended to refer to NCR and its Affiliates.

(ii) PERFORMANCE SHARES AND STOCK UNITS. NCR shall cause each Award consisting of AT&T performance shares or AT&T stock units that is outstanding and held by an NCR Employee as of the Close of the NCR Distribution Date to be replaced, effective Immediately after the NCR Distribution Date, with a new performance share award or a new stock unit award, as the case may be, consisting of a number of NCR performance shares or NCR stock units, as the case may be, equal to the number of AT&T performance shares or AT&T stock units, as the case may be, constituting such Award as of the Close of the NCR Distribution Date, multiplied by the Ratio, and then rounded down to the nearest whole share. NCR shall pay to the holder of such replacement Award, at the time of such replacement, cash in lieu of any fractional share based on the NCR Stock Value. Each such replacement Award shall otherwise have the same terms and conditions as were applicable to the corresponding AT&T Award as of the Close of the NCR Distribution Date, except that references to AT&T and its Affiliates shall be amended to refer to NCR and its Affiliates and dividend equivalent payments, if any, with respect to dividends, the record date for which is after the Close of the NCR Distribution Date shall be paid with reference to dividends, if any, on NCR Common Stock.

(iii) RESTRICTED STOCK AND RESTRICTED STOCK UNITS. NCR shall cause each Award that consists of non-vested restricted shares of AT&T Common Stock or restricted stock units relating to shares of AT&T Common Stock that is outstanding and held by an NCR Employee as of the Close of the NCR Distribution Date, other than the Awards described in Schedule VII, to be replaced, effective Immediately after the NCR Distribution Date, with either a replacement Award described below or such other form of compensation not based on NCR Common Stock as NCR shall determine. Any such replacement Award shall be a new Award consisting of a number of non-vested restricted shares of NCR Common Stock and/or restricted stock units relating to shares of NCR Common Stock equal to the number of non-vested restricted shares or restricted stock units of AT&T Common Stock constituting such Award as of the Close of the NCR Distribution Date multiplied by the Ratio, and then rounded down to the nearest whole share. NCR shall pay to the holder of any such replacement Award, at the time of such replacement, cash in lieu of any fractional share based on the NCR Stock Value. Each such replacement Award shall otherwise have the same terms and conditions as were applicable to the corresponding AT&T Award as of the Close of the NCR Distribution Date, except that references to AT&T and its Affiliates shall be amended to refer to NCR and its Affiliates and dividend equivalent payments, if any, with respect to dividends, the record date for which is after the NCR Distribution Date shall be paid with reference to dividends, if any, on NCR Common Stock.

(iv) CHARGEBACK. If, at any time after the Close of the NCR Distribution Date, AT&T is required to deliver shares of AT&T Common Stock, or shares of AT&T Common Stock vest, pursuant to an Award that NCR fails to replace pursuant to this Section 4.3 or an Award listed on Schedule VII, NCR shall pay AT&T the following amounts: (A) with respect to each such Award that is an AT&T Option, the Spread on such Option; (B) with respect to the vesting or delivery of shares of AT&T Common Stock pursuant to such an Award (other than an AT&T Option), the Value of such AT&T Common Stock on the date of such vesting or delivery and (C) with respect to each such Award, the amount of any withholding taxes with respect thereto which are not paid or reimbursed to AT&T by the holder of such Award. In addition, NCR shall pay AT&T the amount of any payments made by AT&T with respect to fractional shares under any Award that NCR fails to replace pursuant to this Section 4.3 or an Award listed on Schedule VII. AT&T shall bill NCR for such amounts from time to time (but only after the exercise, purchase, vesting, delivery or payment that gives rise to the obligation to make any such payment), and NCR shall pay such amounts promptly after receipt of such bills. The "Spread" on an Option means the excess, if any, of the Value of the purchased shares on the date of exercise of such Option over the price paid for such shares. The "Value" of a share of AT&T Common Stock on a given date means the average of the high and the low per-share prices of the AT&T Common Stock as listed on the NYSE on such date, or if there is no trading on the NYSE on such date, on the most recent previous date on which such trading takes place.

(c) NCR INDIVIDUALS WHO ARE NOT NCR EMPLOYEES. Each Award that is outstanding and held by an NCR Individual other than an NCR Employee as of the Close of the NCR Distribution Date shall remain outstanding Immediately after the NCR Distribution Date in accordance with its terms as applicable as of the Close of the NCR Distribution Date, subject to such adjustments as may be applicable to outstanding Awards held by AT&T Individuals.

4.4 AT&T SPLIT DOLLAR LIFE INSURANCE. AT&T and NCR shall take all actions necessary or appropriate to assign to NCR, effective Immediately after the NCR Distribution Date, AT&T's rights and interests in the Split Dollar Life Insurance policies under the Senior Management Individual Life Insurance Program and the Senior Management Basic Life Insurance Program issued by Metropolitan Life Insurance Company, Hartford Life Insurance Company, and Confederation Life Insurance Company (or their successors in interest, including Pacific Mutual Life Insurance Company), and any additional split dollar life insurance program that may be implemented by AT&T before the Close of the NCR Distribution Date, with respect to NCR Individuals (such policies, the "Assigned Split Dollar Policies"). Such actions shall include NCR's acceptance of any collateral assignments, policy endorsements or such other documentation executed by or on behalf of NCR Individuals, or any trustee of any trust to which such individual's policy rights or incidents of ownership under the Assigned Split Dollar Policies have been assigned, and NCR's entering into such agreements as may be necessary to fulfill any obligations of AT&T to any insurance company or insurance agent or broker under the Assigned Split Dollar Policies. From and after the date of the assignment of any Assigned Split Dollar Policy to NCR, NCR shall assume and be solely responsible for all Liabilities, and shall be entitled to all benefits, of AT&T under such policy and under the Senior Management Life Insurance Program, the Senior Management Basic Life Insurance Program and any additional split dollar life insurance program that may be implemented by AT&T before the Close of the NCR Distribution Date, as the case may be, with respect to such policies, and any related agreements entered into by NCR Individuals.

#### 4.5 INDIVIDUAL AGREEMENTS.

(a) GENERAL. Except as specifically provided in the next two sentences, NCR shall assume or retain, as the case may be, and be solely responsible for all Liabilities relating to, arising out of or resulting from NCR Individual Agreements, and AT&T shall assume or retain, as the case may be, and be solely responsible for all Liabilities relating to, arising out of or resulting from AT&T Individual Agreements. AT&T shall retain the Liabilities under NCR Individual Agreements specified on Schedule VIII and shall reimburse NCR for the amounts described on Schedule IX when and as such amounts are paid by NCR. NCR shall reimburse AT&T for the amounts described on Schedule X as set forth thereon. For purposes of this Section 4.5, Liabilities relating to, arising out of or resulting from NCR Plans or AT&T Plans without reference to any Individual Agreement shall not be considered to relate to, arise out of or result from any Individual Agreement, even if such Liabilities or Plans are described in such Individual Agreements.

(b) PHANTOM SHARE ACCOUNTS. The phantom AT&T Shares credited to each of the phantom share accounts established pursuant to the agreements listed on Schedule XI shall be converted, effective Immediately after the NCR Distribution Date, to a number of phantom NCR Shares equal to the number of such phantom AT&T Shares reflected in such account as of the Close of the NCR Distribution Date multiplied by the Ratio. If AT&T declares any dividend (other than the dividend that effects the NCR Distribution), the record date for which is before the NCR Distribution Date and the payment date for which is after the NCR Distribution Date, each such phantom share account shall be credited with such dividend in accordance with the terms of the relevant agreement listed on Schedule XI, except that such dividend shall be converted into NCR Common Stock rather than AT&T Common Stock. After the Close of the NCR Distribution Date, the dividends credited to such phantom share accounts shall be determined by reference to dividends on NCR Common Stock rather than AT&T Common Stock.

ARTICLE V  
MISCELLANEOUS BENEFITS

5.1 EMPLOYEE STOCK PURCHASE PLAN. NCR shall cause the 1994 Employee Stock Purchase Plan for NCR, and any options that are then outstanding under such Plan, to be terminated no later than the record date for the NCR Distribution.

5.2 SHORT TERM INCENTIVE PLANS. AT&T shall be solely responsible for all Liabilities to NCR Individuals under the AT&T Short Term Incentive Plans for the 1996 performance year and (if the NCR Distribution Date occurs after December 31, 1996) subsequent performance years, to the extent they participated therein. NCR shall be solely responsible for all Liabilities to AT&T Individuals under the NCR Short Term Incentive Plans for the 1996 performance year and (if the NCR Distribution Date occurs after December 31, 1996) subsequent performance years, to the extent they participated therein.

ARTICLE VI  
FOREIGN PLANS; INTERCHANGE

6.1 FOREIGN PLANS. AT&T and NCR shall use reasonable best efforts so that as soon as practicable after the date of this Agreement, AT&T, Lucent and NCR shall enter into an agreement regarding the treatment of employee benefit plans maintained for the benefit of employees outside the U.S. substantially in the form set forth in Exhibit C hereto.

6.2 INTERCHANGE AGREEMENT. AT&T and NCR shall use reasonable best efforts so that as soon as practicable after the date of this Agreement, AT&T, Lucent and NCR shall enter into an agreement regarding the treatment, for purposes of their respective Plans, of individuals whose employment is transferred between them, which agreement shall be substantially in the form set forth in Exhibit D hereto.

ARTICLE VII  
MISCELLANEOUS

7.1 SHARING OF PARTICIPANT INFORMATION. AT&T and NCR shall share, and shall cause their respective Affiliates to share, with each other and their respective agents and vendors (without obtaining releases) all participant, plan design and other information necessary for the efficient and accurate administration of, compliance with laws and regulations applicable to, and response to inquiries by governmental authorities regarding, the AT&T Plans and the NCR Plans after the Close of the NCR Distribution Date. AT&T and NCR and their respective authorized agents shall, subject to applicable laws on confidentiality, be given reasonable and timely access to, and may make copies of, all information relating to the subjects of this Agreement in the custody of the other party, to the extent necessary for such administration. All participant information shall be provided in a manner and medium that is compatible with the data processing systems of AT&T as in effect as of the Close of the NCR Distribution Date, unless otherwise agreed to by AT&T and NCR.

7.2 NO CHANGE OF CONTROL; NO RIGHTS CREATED; NO RESTRICTIONS. The NCR Distribution shall not be considered to result in a "change of control" of NCR or any Person that is, as of the Close of the NCR Distribution Date, an NCR Controlled Person, or any

similar event for purposes of any NCR Plan or NCR Individual Agreement, and NCR shall take all steps necessary or appropriate, including amending any NCR Plan or NCR Individual Agreement or obtaining any necessary approvals or consents, to ensure the foregoing result. No provision of this Agreement or of the Distribution Agreement shall be construed to create any right to any compensation or benefit whatsoever on the part of any NCR Individual, AT&T Individual or other future, present or former employee of AT&T, any of its Affiliates, NCR or any of its Affiliates under any AT&T Plan or NCR Plan or otherwise. Nothing in this Agreement shall preclude AT&T or NCR, at any time after the Close of the NCR Distribution Date, from amending, merging, modifying, terminating, eliminating, reducing, or otherwise altering in any respect any AT&T Plan or NCR Plan, as applicable, any benefit under any Plan or any trust, insurance policy or funding vehicle related to any AT&T Plan or NCR Plan, as applicable.

7.3 EFFECT IF NCR DISTRIBUTION DOES NOT OCCUR. If the NCR Distribution does not occur, then all actions and events that are, under this Agreement, to be taken or occur effective as of the Close of the NCR Distribution Date, immediately after the NCR Distribution Date, or otherwise in connection with the NCR Distribution, shall not be taken or occur except to the extent specifically agreed by NCR and AT&T.

7.4 RELATIONSHIP OF PARTIES. Nothing in this Agreement shall be deemed or construed by the parties or any third party as creating the relationship of principal and agent, partnership or joint venture between the parties, it being understood and agreed that no provision contained herein, and no act of the parties, shall be deemed to create any relationship between the parties other than the relationship set forth herein.

7.5 AFFILIATES. Each of AT&T and NCR shall cause to be performed, and hereby guarantees the performance of, all actions, agreements and obligations set forth in this Agreement to be performed by a Person that is, at the time of such performance, an AT&T Controlled Person or an NCR Controlled Person, respectively.

7.6 INCORPORATION OF DISTRIBUTION AGREEMENT PROVISIONS. The following provisions of the Distribution Agreement are hereby incorporated herein by reference, and unless otherwise expressly specified herein, such provisions shall apply as if fully set forth herein (references in this Section 7.6 to an "Article" or "Section" shall mean Articles or Sections of the Distribution Agreement, and, except as expressly set forth below, references in the material incorporated herein by reference shall be references to the Distribution Agreement): Article IV (relating to Mutual Releases and Indemnification); Section 5.2 (relating to Exchange of Information and Archives); Article VI (relating to Further Assurances and Additional Covenants); Article VII (relating to Termination); and Article VIII (relating to Miscellaneous) other than Section 8.2 (relating to Governing Law).

7.7 INCORPORATION OF SEPARATION AND DISTRIBUTION AGREEMENT PROVISIONS. Article IX of the Separation and Distribution Agreement (relating to Arbitration and Dispute Resolution) is hereby incorporated herein by reference, and unless otherwise expressly specified herein, such provision shall apply as if fully set forth herein (references in the material incorporated herein by reference shall be references to the Separation and Distribution Agreement).

7.8 GOVERNING LAW. To the extent not preempted by applicable federal law, this Agreement shall be governed by, construed and interpreted in accordance with the laws of the State of New York, irrespective of the choice of laws principles of the State of New

York, as to all matters, including matters of validity, construction, effect, performance and remedies.

7.9 TAX DEDUCTIONS. It is the intention of AT&T and NCR that the party that actually bears the cost (whether directly or indirectly) of making a payment with respect to, or (except as provided below) whose stock is used to satisfy, a Liability governed by this Agreement shall be entitled to any and all tax benefits associated therewith, including the benefit of taking a deduction with respect to such payment or satisfaction for income tax purposes, and shall be obligated to satisfy all tax withholding obligations with respect thereto, and AT&T and NCR agree to take no action inconsistent with such intention. Notwithstanding the foregoing, AT&T and NCR recognize that it is possible that the Internal Revenue Service or another taxing authority will take a different position. Therefore, AT&T and NCR agree that: (a) if either of them is notified by the Internal Revenue Service or another taxing authority that it is taking or proposes to take a different position, the party receiving such notice shall so notify the other; (b) if, when and to the extent that AT&T or a Person that is then an AT&T Controlled Person receives a tax benefit as a result of a payment made by NCR or a Person that is then an NCR Controlled Person with respect to, or the use of NCR Common Stock to satisfy, a Liability governed by this Agreement, AT&T shall pay to NCR, or shall cause such AT&T Controlled Person to pay to NCR, an amount equal to the net tax benefit realized by AT&T or such AT&T Controlled Person, as and when realized; and (c) if and to the extent that NCR or a Person that is then an NCR Controlled Person receives a tax benefit as a result of a payment made by AT&T or a Person that is then an AT&T Controlled Person with respect to, or (except as provided below) the use of AT&T stock to satisfy, a Liability governed by this Agreement, NCR shall pay to AT&T, or shall cause such NCR Controlled Person to pay to AT&T, an amount equal to the net tax benefit realized by NCR or such NCR Controlled Person, as and when realized. For purposes of this Section 7.9, NCR shall be entitled to any and all tax benefits with respect to Awards as to which NCR makes a payment to AT&T required by Section 4.3(b)(iv) hereof, and AT&T shall not be entitled to any such tax benefits, notwithstanding the fact that its stock is used to satisfy, or it pays cash to satisfy, the Liabilities with respect to such Awards; provided, that AT&T shall be obligated in the first instance to satisfy all tax withholding obligations with respect thereto, subject to reimbursement by NCR pursuant to Section 4.3(b)(iv) hereof. The net tax benefit to either party resulting from payment or satisfaction of a Liability shall be deemed to equal the excess of (i) the taxes that would have been paid by such party if such party had not paid or satisfied such Liability over (ii) the taxes that are actually paid by such party.

7.10 AGREEMENTS WITH THIRD PARTIES. The provisions of this Agreement regarding the allocation of Liabilities are intended only to provide for such allocation as between AT&T and NCR, and shall have no effect on any agreements with respect thereto among AT&T, any of its Affiliates and/or one or more third parties, or among NCR and any of its Affiliates and/or one or more third parties, including the Lucent EBA. To the extent that (i) any Liability assumed or retained by NCR hereunder, (ii) any other Liability accrued under any NCR Plan not specifically assumed by AT&T hereunder, or (iii) any other employee-related Liability primarily related to, arising out of or resulting from the operation of the NCR Business (as conducted at any time prior to, on or after the NCR Distribution Date) not specifically assumed by AT&T hereunder, is subject to the sharing arrangement for Contingent Liabilities under Section 6.3(b)(ii) of the Separation and Distribution Agreement, NCR shall be solely responsible for AT&T's share thereof (as determined pursuant to said Section 6.3(b)(ii)), but no provision of this Agreement shall be deemed to relieve or release Lucent from responsibility for its share thereof (as determined pursuant to said Section 6.3(b)(ii)).



7.11 NCR TO HONOR AGREEMENTS. NCR shall honor, and shall cause Persons who are, at any time hereafter, NCR Controlled Persons to honor, all obligations to their respective employees and former employees, except to the extent such obligations are expressly assumed by AT&T pursuant to this Agreement. To the extent the obligations referred to in the preceding sentence are obligations pursuant to agreements referred to in Schedule 6.12 to the Agreement and Plan of Merger, dated May 6, 1991, as amended as of July 17, 1991, among AT&T, Subsidiary Corporation and NCR, the individuals who are entitled to third-party beneficiary rights with respect thereto under said Schedule 6.12 shall be entitled to third-party beneficiary rights with respect to the preceding sentence.

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

AT&T CORP.

By: \_\_\_\_\_  
Name:  
Title:

NCR CORPORATION

By: \_\_\_\_\_  
Name:  
Title:

Form of  
VOLUME PURCHASE AGREEMENT

THIS Volume Purchase Agreement ("Agreement") dated as of November 20, 1996 is between AT&T Corp., a New York corporation ("AT&T"), and NCR Corporation, a Maryland corporation ("NCR").

WHEREAS, the Board of Directors of AT&T has determined that it is in the best interests of AT&T and its shareholders to separate AT&T's existing businesses into three independent businesses;

WHEREAS, in furtherance of the foregoing, AT&T and NCR will, on or before January 1, 1997, execute and deliver a Distribution Agreement, by and between AT&T and NCR (the "Distribution Agreement").

WHEREAS, this Agreement is one of the NCE Ancillary Agreements (as such term is defined in the Distribution Agreement) contemplated by the Distribution Agreement; and

WHEREAS, in anticipation of NCR's spin-off, AT&T and NCR desire to memorialize and formalize the volume, prices, and other terms and conditions under which AT&T will buy products and services from NCR in 1997 and thereafter.

NOW THEREFORE, AT&T and NCR agree as follows:

1. TERM OF AGREEMENT. (a) Except as otherwise expressly provided herein or in a subsequent agreement between the parties, the terms and conditions of this Agreement and the General Agreement between the parties of even date herewith shall govern all of AT&T's purchases of products and services from NCR fro the five-year period beginning as of January 1, 1997 and ending December 31, 2001, unless this Agreement is terminated sooner as permitted by Section 1(b).

(b) Upon at least 90 days' prior written notice, either party may terminate this Agreement for its convenience, without requirement of cause, provided that the effective date of such termination is after expiration of the Purchasing Period described in Section 2.

## 2. COMMITMENT

(a) Under the terms and conditions of this Agreement, during the period beginning January 1, 1997 and ending December 31, 1999 ("Purchasing Period") AT&T contractually commits to purchase not less than \$350 million of products and services from NCR or any present or future subsidiaries or affiliates of NCR (collectively "NCR Entities") ("Commitment"), unless the Commitment is reduced or terminated as provided in Section 7. AT&T may satisfy this Commitment by purchasing the entire Commitment amount of products or services in any of the three years or cumulatively over the three years. If AT&T fails to satisfy the Commitment, the adjustment described in Section 9 shall apply. Subject to the clause in Article VI of the General Agreement entitled SCOPE OF AGREEMENT, any purchases of Eligible Products, as hereinafter defined, by any present or future subsidiary or other affiliate of AT&T (collectively, the "AT&T Entities") during the Purchasing Period shall be included in the calculation of whether the Commitment has been satisfied.

(b) Upon written notice to NCR, AT&T may, at its option, extend the Purchasing Period until December 31, 2000 and/or December 31, 2001, subject to Sections 9(a) and 9(b).

3. PRODUCTS AND SERVICES. The NCR products and services which the AT&T Entities may purchase in satisfaction of the Commitment ("Eligible Products") include all present and future products and services of any NCR Entity except products that are exclusive to the Personal Computer, Retail, and/or Financial product lines. Eligible Products include, but are not limited to, the following: Professional Services; Customer Support Services (including without limitation Large Systems Support and Software Support; repair and replacement parts and technical support; and all products and services purchased in support of AT&T's self-maintenance activities, including any parts purchased in the fourth quarter of 1996 in contemplation of NCR's spin-off, systems infrastructure and customer engineer education); Servers; Massively Parallel Processors; Software; and Networking Products. The AT&T Entities may purchase Eligible Products for their own internal use or (pursuant to the terms of a separate written agreement) for resale worldwide (but with the applicable AT&T Entity additionally responsible for any customs, duties, or local country taxes incurred by NCR by providing products and services outside the United States), provided that the applicable AT&T products or services to a customer ("Solutions Sale"), and provided further that if the AT&T Entity receives written notice that NCR has

entered into an exclusive distribution agreement with a third party in a given foreign country, that AT&T Entity will not be authorized hereunder to resell NCR products and services in that foreign country without obtaining NCR's prior written consent, which consent will not be unreasonably withheld or delayed if the resale can be accomplished without violation of such exclusive distribution agreement. Subsidiaries acquired by Supplier after the effective date of this Agreement shall have their products and services added to this Agreement at mutually agreeable discount rates.

4. **INDIRECT PURCHASES.** Subject to the clause in Article VI of the General Agreement entitled SCOPE OF AGREEMENT, if the AT&T Entities purchase Eligible Products from any of NCR's authorized Value Added Resellers ("VARs") or Independent Software Vendors ("ISVs") or from a third party NCR exclusive distributor in a given foreign country, NCR will credit towards AT&T's Commitment hereunder, the price paid by the AT&T Entities to the VAR, ISV or third party foreign distributor for components produced by NCR.

5. **PRICES.** Unless the parties otherwise mutually agree, and except as required by Section 6, NCR prices to the AT&T Entities for the Purchasing Period shall be determined as follows:

(a) For all NCR products and services for which NCR has published a Manufacturer's Suggested Reference Price ("MSRP"), the price to the AT&T Entities shall be the MSRP reduced by a Discount calculated in accordance with Section 5(b). NCR has furnished AT&T with a list of MSRPs for all such products and services and thereafter shall provide AT&T not less than 30 days' prior written notice of any changes to the MSRP list. For United States Customer Support Services, any increase in the MSRP for Customer Support Services (or any component thereof) shall not exceed the percentage increase in the Consumer Price Index - All Urban Wage Earners and Clerical Workers, as issued by the Bureau of Labor Statistics of the United States Department of Labor ("CPI") relative to the CPI that was in effect on the later of January 1, 1996 or the date the previous list price became effective.

(b) For each category of NCR product or service, the Discount shall be a percentage equal to the effective discount off MSRP that was available as of January 1, 1996 under the lowest NCR prices regularly offered to any AT&T business unit. The formula for calculating the Discount, using MSRP and discounted price in effect as of January 1, 1996 is as follows:

$$\frac{(1/1/96 \text{ MSRP} - 1/1/96 \text{ discounted price})}{1/1/96 \text{ MSRP}} \times 100 = \text{Discount (\%)}$$

Based on this formula, NCR and AT&T will establish the percentage amount of the Discount for each product or service category by mutual written agreement.

(c) For all NCR products and services for which NCR has not published an MSRP, NCR and AT&T shall negotiate prices in good faith. Such prices shall yield margins to NCR not greater than the margins realized on comparable products and services priced in accordance with Section 5(a).

(d) In order for NCR to comply with all applicable laws and regulations, NCR's prices for products and services which the AT&T Entities purchase indirectly through VARs and ISVs will be NCR's standard prices in effect with such VARs and ISVs, and NCR's prices for products which the AT&T Entities purchase for Solution Sales in which title to the NCR product passes to an AT&T customer will be NCR's standard resale prices or such prices as the parties may separately negotiate ("Indirect and Resale Prices").

(e) In the event that NCR redefines its pricing strategy in a manner that would make the current model pricing obsolete, the AT&T Entities shall have the option to move to this new pricing paradigm in its entirety through the remaining term of this Agreement. Should a new pricing paradigm occur, only new products/service transactions would be impacted through this change.

(f) NCR may, from time to time, offer AT&T to substitute upgraded or later-developed items of equipment, components or parts for the products purchased herein. In such event, NCR will allow a trade-in credit for the equipment being traded-in toward the purchase of the upgraded or later-developed equipment. the trade-in credit shall be in accordance with mutually agreed upon allowances in effect at the time of such trade-in.

6. MOST FAVORED CUSTOMER STATUS.

(a) For the Purchasing Period, NCR agrees that all prices, except for Indirect and Resale Prices and non-United States services prices, charged to the AT&T Entities under this Agreement shall be as favorable as any prices offered or charged by NCR during the preceding 12-month period to any other NCR customer making a comparable purchasing commitment, in each case taking into account the value of terms and conditions of sale. With respect to non-United States services pricing, prices charged to the AT&T Entities in any given country

shall be as favorable as any prices offered or charged by NCR during the preceding 12-month period to any other NCR customer making a comparable purchasing commitment for comparable services in that country, in each case taking into account the value of terms and conditions of sale. For purposes of this Section 6, the purchasing commitment made to NCR by Lucent Technologies Inc., and the terms and conditions of sale applicable thereto, shall be deemed comparable to those of the AT&T Entities under this Agreement and the General Agreement. If NCR charges a more favorable price (other than an Indirect or Resale Price) to any such NCR customer, NCR shall immediately reduce the AT&T Entities price as necessary to comply with this Section 6; provided, however, that AT&T's and the AT&T's Entities' sole remedy for NCR's unintentional breach of this requirement shall be to recover from NCR the difference between what the applicable AT&T Entity was actually charged and what should have been charged had NCR complied with its obligations hereunder. Notwithstanding the foregoing, NCR may offer or charge more favorable prices to other NCR customers without lowering the prices to the AT&T Entities under this Agreement, provided any such more favorable prices are offered or charged for the limited purpose of initiating a new customer relationship, reestablishing a customer relationship that has been discontinued for no less than six (6) months or expanding an existing customer relationship by selling products or services of a type not previously sold to that customer during the previous 12 months and provided further that such more favorable prices are not offered or charged for more than 6 months.

(b) At AT&T's request, but not more frequently than once each calendar year, NCR's compliance with its obligations under this Section 6 shall be subject to an audit of reasonable scope by an independent auditing firm selected by AT&T and reasonably satisfactory to NCR. AT&T will bear the auditing firm's charges. The audit will be conducted in a manner that will minimize NCR's inconvenience and expense in providing information necessary to perform the audit. Prior to the auditor submitting findings to AT&T, NCR will be afforded a reasonable opportunity to review and comment on any preliminary finding by the auditor that NCR has failed to fulfill its obligation under this Section 6. Prior to the commencement of each audit, the auditor will execute a non-disclosure agreement reasonably acceptable to NCR which will require the auditor to hold all information received from NCR in confidence, except such information contained in the auditor's final report (which shall be disclosed to AT&T only upon AT&T's entry into a non-disclosure agreement acceptable to NCR.) Should the auditor determine that NCR has not fulfilled its obligations under this Section 6, NCR will issue AT&T a credit (without interest) in the

amount determined to be the difference between what AT&T paid and the price that AT&T would have paid had NCR complied with its obligations hereunder. Such credit may be reduced by the amount of any underbillings which may be disclosed by the audit and substantiated with evidence reasonably satisfactory to AT&T.

7. ADJUSTMENTS TO COMMITMENT. The parties recognize that future events may make it impractical or inequitable for the AT&T Entities to purchase NCR products and services in the amounts contemplated by the Commitment. Accordingly, the Commitment shall be reduced in amount, or terminated and extinguished in its entirety, under the circumstances described in this Section 7.

(a) If an AT&T Competitor (as hereinafter defined) enters into a relationship with NCR that would potentially enable the AT&T Competitor to obtain AT&T (including its subsidiaries) proprietary or confidential information, NCR will take all necessary steps to assure that the AT&T Competitor does not have access to such information through NCR without AT&T's express prior written consent. In addition, if at any time an AT&T Competitor owns or controls shares representing a controlling interest in NCR, AT&T may, at its option, terminate the Commitment at any time by giving written notice to NCR. Upon any such termination, the Commitment shall be extinguished, AT&T's obligation thereunder shall be deemed entirely fulfilled, and the Purchasing Period shall terminate. For purposes of this Agreement, an AT&T Competitor is any company, person, or other entity which, either directly or through an affiliate, offers (or has announced future availability of) any product or service that AT&T reasonably determines to be substantially competitive with a product or service offered or announced by AT&T (including its subsidiaries); provided, that a third party will not be deemed an AT&T Competitor unless AT&T (including its subsidiaries) and such third party each have aggregate actual or forecasted annual revenues from substantially competitive products and services exceeding \$250 MILLION for at least one year of the Purchasing Period.

(b) If AT&T or a controlled United States subsidiary purchases any information technology product or service from a third party ("Alternative IT Supplier") because the available Eligible Products do not meet its needs (as defined in this Section 7(b)), the amount of the Commitment shall be reduced by the amount of each such purchase from the Alternative IT Supplier. For purposes of this Section 7(b), failure to meet the needs of AT&T or such controlled United States subsidiary means circumstances substantially similar to the following:



(i) NCR has discontinued an Eligible Product and has not replaced it with a comparable, technologically compatible Eligible Product that delivers equal or better performance, features, and value.

(ii) NCR is unable or unwilling to provide the delivery interval or response time reasonably required by AT&T or such affected subsidiary for an Eligible Product, or imposes unreasonable charges to do so.

(iii) Multiple units of an Eligible Product do not meet industry standards or the reasonable requirements of AT&T or such affected subsidiary for quality, performance, or reliability.

(iv) A substantial number of units of an Eligible Product have had an excessive failure rate, or have performed below NCR's specifications.

(c) If AT&T or a controlled United States subsidiary purchases any Information Technology product or service from an Alternative IT Supplier because NCR has unreasonably refused to modify, extend, or adapt an Eligible Product to offer functionality, features, performance, or interoperability required by AT&T or such affected subsidiary, the Commitment may be reduced by a mutually agreed amount (or absent such agreement, by an amount determined pursuant to Article V DISPUTE RESOLUTION of the General Agreement, not to exceed the amount of each such purchase from the Alternative IT Supplier). For purposes of this Section 7(c), the extent to which NCR's refusal was reasonable will be evaluated by considering such factors as (i) whether NCR possessed the requisite know-how (and, if applicable, the production capability) to accommodate AT&T's or such affected subsidiary's request, (ii) whether the new Eligible Product could have been marketed to other customers in markets that NCR is addressing now and new markets it may address in the future, (iii) whether AT&T or such affected subsidiary has offered to pay a reasonable price for the new Eligible Product, taking into account NCR's anticipated costs and the potential for sales to other customers, and (iv) whether the development requested by AT&T or such affected subsidiary is necessary to sustain the utility, functionality, and value of other Eligible Products purchased by AT&T or such affected subsidiary.

(d) Subject to the clause in Article VI of the General Agreement entitled SCOPE OF AGREEMENT, if AT&T or a controlled United States subsidiary cancels any order, terminates any service, or receives any refund or credit from NCR due to delays, lateness (except for delays or lateness due to force majeure conditions under the General Agreement), breach of warranty, breach of

contract, or nonperformance by NCR, the amount of the Commitment shall be reduced by the amount (included any related purchases) that AT&T or such affected subsidiary would have spent but for such event.

(e) AT&T's spending forecast in effect as of January 1, 1997 sets forth AT&T's initial estimate of its aggregate spending for information technology products and services obtained from all sources during the Purchasing Period ("Initial Forecasted Spending"). If, after the date of this Agreement, AT&T adopts a smaller aggregate budget for such information technology spending during the Purchasing Period ("Revised Forecasted Spending"), the Commitment will be proportionately reduced according to the following formula:

$$\begin{array}{r}
 \text{Revised Forecasted Spending} \\
 \text{-----} \times \$350 \text{ million} \\
 \text{Initial Forecasted Spending}
 \end{array}
 \left| \begin{array}{l}
 \text{other adjustments} \\
 \text{to Commitment} \\
 \text{per Section 7}
 \end{array} \right|
 \begin{array}{l}
 \text{=} \\
 \text{adjusted} \\
 \text{Commitment}
 \end{array}$$

Notwithstanding the foregoing, if AT&T's actual aggregate spending for information technology Products and Services during the Purchasing Period ("Actual Spending") is less than Initial Forecasted Spending but exceeds Revised Forecasted Spending, Actual Spending will be used instead of Revised Forecasted Spending in the above formula; provided, however, that for purposes of the above formula, the ratio of Revised Forecasted Spending (or Actual Spending, if applicable) to Initial Forecasted Spending shall not exceed 1/1, and the adjustment to Commitment described in this Section 7(e) shall not under any circumstances be used to increase the amount of the Commitment. For purposes of this Section 7(e), Revised Forecasted Spending and Actual Spending shall exclude spending by (or on behalf of) any AT&T business organization that was not included in the projection of Initial Forecasted Spending.

(f) NCR acknowledges that AT&T's ability to fulfill the Commitment will be impaired if companies engaged in equipment financing or leasing ("Financing Companies") are unwilling to provide financing or leasing for NCR products on terms as favorable as those offered for comparable non-NCR products ("Standard Financing Terms"). Accordingly, the Commitment shall be adjusted in accordance with this Section 7(f) if any of the following events occurs:

- (i) If any Financing Company selected by a customer of AT&T or its controlled United States subsidiaries (or by its agent, including AT&T's AT&T Solutions business unit) refuses to provide financing or leasing to or for that customer for any Eligible Product on Standard Financing Terms,

and if such refusal persists after NCR has had a reasonable opportunity to address the reasons therefor, the Commitment shall be reduced by the dollar amount of the purchases AT&T represents would have been made by or for such customer from NCR (including related purchases) but for such refusal.

(ii) If any four Major Financing Companies (as defined in Section 7(f)(iv)) selected by a dealer or distributor or reseller (or by any of their respective agents) or AT&T or its controlled United States subsidiary refuse to provide financing or leasing to such person for any Eligible Product on Standard Financing Terms, and if such refusal persists after NCR has had a reasonable opportunity (not to exceed 90 days) to address the reasons therefor, the Commitment shall be reduced by the dollar amount of the purchases AT&T represents would have been made by or for such dealer, distributor or reseller from NCR (including related purchases) but for such refusal.

(iii) If any four Major Financing Companies selected by AT&T (including its controlled United States subsidiaries) refuse to provide financing or leasing to AT&T or such subsidiary for any Eligible Product on Standard Financing Terms, and if such refusal persists after NCR has had a reasonable opportunity (not to exceed 90 days) to address the reasons therefor, AT&T may, at its option, terminate the Commitment at any time by giving written notice to NCR. Upon any such termination, the Commitment shall be extinguished, AT&T's obligation thereunder shall be deemed entirely fulfilled, and the Purchasing Period shall terminate.

(iv) As used in this Section 7(f), the term "Major Financing Companies" includes the five Financing Companies having the greatest aggregate dollar volume of current financing or leasing transactions with AT&T (including its controlled United States subsidiaries), plus all other Financing Companies that are among the 20 largest Financing Companies.

#### 8. MONITORING AND REPORTING.

(a) At least once each calendar quarter, NCR shall furnish to AT&T a written report of Commitment fulfilled by AT&T's direct purchases from NCR during the preceding quarter. Each such report shall include a breakdown of Eligible Products purchased, by product and service category, and shall summarize the cumulative status of Commitment fulfillment.

(b) At least once each calendar quarter, AT&T shall furnish to NCR a written report of Eligible Products purchased by AT&T from NCR VARs and ISVs both domestic and international during the preceding quarter. AT&T's report shall also identify any adjustments to Commitment claimed by AT&T pursuant to Section 7 as a result of events that became known to AT&T in that preceding quarter.

(c) Within 90 days after the end of each calendar year of the Purchasing Period, NCR and AT&T shall enter into a written agreement documenting the amount of Commitment fulfilled achieved during that year and the remaining balance of unfulfilled Commitment. If the parties are unable to reach agreement during the 90-day interval, either party may initiate alternative dispute resolution pursuant to Article V of the General Agreement.

(d) Each party shall afford the other party such documentation and limited audit rights as may be reasonably necessary to enable verification of the information reported pursuant to this Section 8.

9. NONFULFILLMENT OF COMMITMENT.

(a) If AT&T has failed to fulfill its Commitment by December 31, 1999, and elects to extend the Purchasing Period until December 31, 2000 pursuant to Section 2(b), the remaining unfulfilled balance of the Commitment as of January 1, 2000 shall be increased by 5 percent, according to the following formulas:

$$\begin{array}{r}
 \$350 \text{ million} - \left| \begin{array}{l} \text{adjustments to} \\ \text{Commitment} \\ \text{per Section 7} \\ \text{through 12/31/99} \end{array} \right| - \left| \begin{array}{l} \text{Commitment} \\ \text{fulfillment} \\ \text{through 12/31/99} \end{array} \right| = \left| \begin{array}{l} \text{unfulfilled} \\ \text{Commitment} \\ \text{as of 1/1/00} \end{array} \right|
 \end{array}$$

$$\left| \begin{array}{l} \text{unfulfilled} \\ \text{Commitment} \\ \text{as of 1/1/00} \end{array} \right| \times 1.05 = \text{Year 2000 Increased Commitment}$$

(b) If AT&T has failed to fulfill its Increased Commitment by December 31, 2000 and elects to extend the Purchasing Period until December 31, 2001 pursuant to Section 2(b), the remaining unfulfilled balance of the Increased

Commitment as of January 1, 2001 shall be increased by 10 percent, according to the following formulas:

$$\begin{array}{r} \text{Year 2000} \\ \text{Commitment} \end{array} - \begin{array}{l} \text{adjustments to} \\ \text{Year 2000} \\ \text{Commitment} \\ \text{per Section 7} \\ \text{from 1/01/00} \\ \text{through 12/31/00} \end{array} = \begin{array}{l} \text{Year 2000} \\ \text{Commitment} \\ \text{fulfillment} \\ \text{through 12/31/00} \end{array} \begin{array}{l} | \\ | \\ | \\ | \\ | \\ | \end{array} \begin{array}{l} \text{unfulfilled} \\ \text{Commitment} \\ \text{as of 1/1/01} \end{array}$$

$$\begin{array}{l} \text{unfulfilled} \\ \text{Commitment} \\ \text{as of 1/1/01} \end{array} \times 1.10 = \text{Year 2001 Increased Commitment}$$

(c) At the conclusion of the Purchasing Period (as extended, should AT&T so elect pursuant to Section 2(b)), if AT&T has not fully discharged the Commitment, NCR shall, in January 2000 (or in January 2001 or 2002, if the Purchasing Period has been extended), bill AT&T a carrying charge equal to the shortfall at December 31, 1999, 2000 or 2001, as applicable, multiplied by the prime rate plus two percent (2%). Thereafter, NCR shall, each month, bill AT&T a carrying charge equal to the shortfall, if any, at the end of the preceding month, multiplied by 1/12 multiplied by the prime plus two percent (2%).

(d) In the event AT&T meets or exceeds the Commitment as defined in Section 2(a), NCR agrees to extend the prices described in this Agreement and make them available to the AT&T Entities until December 31, 2000.

(e) NCR EXPRESSLY AGREES THAT THE REMEDY DESCRIBED IN SECTION 9(c) SHALL BE NCR'S SOLE AND EXCLUSIVE REMEDY FOR AT&T'S FAILURE TO FULFILL THE COMMITMENT. NCR HEREBY WAIVES ANY OTHER REMEDIES THAT ARE OR MAY BECOME AVAILABLE, AND NCR HEREBY RELEASES AT&T (AND ASSOCIATED ENTITIES, AND THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, AND AGENTS) FROM ANY AND ALL CLAIMS IN EXCESS OF SUCH REMEDY, FOR AT&T'S FAILURE TO FULFILL THE COMMITMENT.

(f) UNDER NO CIRCUMSTANCES SHALL EITHER PARTY (OR A PARTY'S AFFILIATES, OR THEIR RESPECTIVE DIRECTORS, OFFICERS, EMPLOYEES, OR AGENTS) BE HEREUNDER LIABLE TO THE OTHER PARTY FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR PUNITIVE DAMAGES (EVEN IF MADE AWARE OF THE POSSIBILITY OF SUCH DAMAGES), OR FOR LOSS OF PROFITS OR REVENUE.

(g) THE LIMITATIONS OF REMEDIES AND LIABILITIES SET FORTH IN SECTIONS 9(e) THROUGH 9(f) SHALL APPLY REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT (INCLUDING NEGLIGENCE, WHETHER ACTIVE OR PASSIVE), OR OTHERWISE, AND SHALL SURVIVE THE EXPIRATION OR TERMINATION OF THIS AGREEMENT.

10. TERMS AND CONDITIONS GOVERNING PURCHASES.

Contemporaneously with the execution of this Agreement, AT&T and NCR are entering into a General Procedures Agreement (hereinafter and below referred to as the "General Agreement"), to establish terms and conditions governing AT&T's purchases of products and services from NCR. In the event of any conflict between the terms and conditions of this Agreement and those in the General Agreement, the terms and conditions of this Agreement shall prevail and control.

11. COUNTERPARTS; ENTIRE AGREEMENT; CORPORATE POWER.

(a) This Agreement may be executed in one or more counterparts, all of which shall be considered one and the same agreement, and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other party.

(b) This Agreement, including the documents incorporated by reference herein, together with the General Agreement, contains the entire agreement between the parties with respect to the subject matter hereof, and supersedes all previous agreements, negotiations, discussions, writings, understandings, commitments, and conversations with respect to such subject matter.

(c) AT&T represents on behalf of itself and each of its subsidiaries, and NCR represents on behalf of itself and each of its subsidiaries, as follows:

(i) each such person has the requisite corporate or other power and authority and has taken all corporate or other action necessary in order to execute, deliver, and perform this Agreement and to consummate the transactions contemplated hereby; and

(ii) this Agreement has been duly executed and delivered by it and constitutes a valid and binding agreement of it enforceable in accordance with the terms thereof.

12. SUCCESSOR COMPANIES. The parties recognize that the ownership and organization of their respective companies may change during the term of this Agreement. Accordingly, the parties agree as follows:

(a) If a third party (including without limitation any present or future NCR parent or affiliate) succeeds to any substantial portion of the business of NCR with respect to any Eligible Product ("NCR Successor Company"), NCR shall use reasonable efforts to continue making such Eligible Product available to AT&T under this Agreement and the General Agreement. These efforts may include, at NCR's option, arranging for NCR to resell the Eligible Product to AT&T. Alternatively, NCR may obtain the NCR Successor Company's agreement to join in the terms and conditions of this Agreement and of the General Agreement, in which event the parties shall promptly amend the definitions of NCR in this Agreement and in the General Agreement to include the NCR Successor Company. If NCR is unable or unwilling to continue making the Eligible Product available to AT&T under this Agreement and the General Agreement, NCR shall be deemed to have failed to meet AT&T's needs for the Eligible Product, and any resulting AT&T purchases from Alternative IT Suppliers shall reduce the Commitment in accordance with Section 7(b).

(b) If AT&T notifies NCR that any third party has succeeded or will succeed to any substantial portion of the business of AT&T ("AT&T Successor Company"), the parties shall take the following steps:

(i) If the AT&T Successor Company directly or indirectly controls AT&T, or if the AT&T Successor Company and AT&T are under substantial common control, and if the AT&T Successor Company's spending for Information Technology products and services is included in the aggregate AT&T budget for information technology spending described in Section 7(e), the parties (subject to the concurrence of the AT&T Successor Company) will amend the definitions of AT&T in this Agreement and in the General Agreement to include the AT&T Successor Company. Such amendments will enable the AT&T Successor Company to purchase from NCR under the prices, terms, and conditions of this Agreement and of the General Agreement, and all such purchases by the AT&T Successor Company will be deemed purchases by AT&T for purposes of Commitment fulfillment.

(ii) If the AT&T Successor Company is an affiliate of AT&T but does not control and is not under common control with AT&T, or if the AT&T Successor Company's spending for information technology products and services is not included in the aggregate AT&T budget for information technology spending described in Section 7(e), NCR and AT&T (in consultation with the AT&T Successor Company) will mutually determine whether to amend this Agreement and the General Agreement in the manner described in Section 12(b)(i). If NCR and AT&T fail to agree upon such amendments within 60 days after AT&T's notice, AT&T may, at its option, reduce the Commitment pursuant to Section 7(e) by excluding all future purchases by the AT&T Successor Company from AT&T's Revised Forecasted Spending and AT&T's Actual Spending.

(iii) If the AT&T Successor Company is neither a parent nor an affiliate of AT&T, AT&T may, at its option, reduce the Commitment pursuant to Section 7(e) by excluding all future purchases by the AT&T Successor Company from AT&T's Revised Forecasted Spending and AT&T's Actual Spending.

(iv) If AT&T elects to reduce the Commitment as permitted by Sections 12(b)(ii) or (iii), NCR will have no obligation to make the pricing described in this Agreement available to the AT&T Successor Company, and future purchases by the AT&T Successor Company will not count toward Commitment fulfillment.

13. MISCELLANEOUS. The provisions of Article 8 of the Distribution Agreement are specifically incorporated herein by reference.

AT&T Corp.

NCR Corporation

By:

By:

Name: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

Date: \_\_\_\_\_



FORM OF  
NCR MANAGEMENT STOCK PLAN  
ADOPTED EFFECTIVE JANUARY 1, 1997

ARTICLE 1  
PURPOSE

The purposes of the NCR Management Stock Plan (the "Plan") are to encourage selected key employees of NCR Corporation (the "Company") and its Affiliates to acquire a proprietary and vested interest in the growth and performance of the Company, to generate an increased incentive to contribute to the Company's future success and prosperity, thus enhancing the value of the Company for the benefit of share owners, and to enhance the ability of the Company and its Affiliates to attract and retain individuals of exceptional managerial talent upon whom, in large measure, the sustained progress, growth and profitability of the Company depends.

ARTICLE 2  
DEFINITIONS

As used in the Plan, the following terms shall have the meanings set forth below:

2.1 "AFFILIATE" means (i) any Person that directly, or through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company or (ii) any entity in which the Company has a significant equity interest, as determined by the Committee. For purposes of this Article 2.1, "Person" means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, limited liability company, other entity or government or political subdivision thereof.

2.2 "AWARD" means any Option, Stock Appreciation Right, Restricted Stock Award, Performance Share, Performance Unit, Dividend Equivalent, Other Stock Unit Award, or any other right, interest, or option relating to Shares or other securities of the Company granted pursuant to the provisions of the Plan.

2.3 "AWARD AGREEMENT" means any written agreement, contract, or other instrument or document evidencing any Award granted by the Committee hereunder and signed by both the Company and the Participant.

2.4 "BOARD" means the Board of Directors of the Company.

2.5 "CODE" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

2.6 "COMMITTEE" means the Compensation Committee of the Board, composed of no fewer than three directors, each of whom is a Non-Employee Director and an "outside director" within the meaning of Section 162(m) of the Code.

2.7 "COMPANY" means NCR Corporation, a Maryland corporation.

2.8 "DIVIDEND EQUIVALENT" means any right granted pursuant to Article 13.8, Deferrals.

2.9 "EFFECTIVE DATE" means January 1, 1997.

2.10 "EMPLOYEE" means any employee of the Company or of any Affiliate. Unless otherwise determined by the Committee in its sole discretion, for purposes of the Plan, an Employee shall be considered to have terminated employment and to have ceased to be an Employee if his or her employer ceases to be an Affiliate, even if he or she continues to be employed by such employer.

2.11 "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

2.12 "FAIR MARKET VALUE" means, with respect to any property, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.

2.13 "INCENTIVE STOCK OPTION" means an Option granted under Article 6, Stock Options, that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

2.14 "NON-EMPLOYEE DIRECTOR" means a member of the Board who qualifies as a Non-Employee Director as defined in Rule 16b-3(b)(3), as promulgated by the Commission under the Exchange Act, or any successor definition adopted by the Commission.

2.15 "NONSTATUTORY STOCK OPTION" means an Option granted under Article 6, Stock Options, that is not intended to be an Incentive Stock Option.

2.16 "OPTION" means any right granted to a Participant under the Plan allowing such Participant to purchase Shares at such price or prices and during such period or periods as the Committee shall determine.

2.17 "OTHER STOCK UNIT AWARD" means any right granted to a Participant by the Committee pursuant to Article 10, Other Stock Unit Awards.

2.18 "PARTICIPANT" means an Employee who is selected by the Committee to receive an Award under the Plan.

2.19 "PERFORMANCE AWARD" means any Award of Performance Shares or Performance Units pursuant to Article 9, Performance Awards.

2.20 "PERFORMANCE PERIOD" means that period established by the Committee at the time any Performance Award is granted or at any time thereafter during which any performance goals specified by the Committee with respect to such Award are to be measured.

2.21 "PERFORMANCE SHARE" means any grant pursuant to Article 9, Performance Awards, of a unit valued by reference to a designated number of Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, Shares, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

2.22 "PERFORMANCE UNIT" means any grant pursuant to Article 9, Performance Awards, of a unit valued by reference to a designated amount of property other than Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, Shares, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

2.23 "PERSON" means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, limited liability company, other entity or government or political subdivision thereof.

2.24 "RESTRICTED STOCK" means any Share issued with the restriction that the holder may not sell, transfer, pledge, or assign such Share and with such other restrictions as the Committee, in its sole discretion, may impose (including, without limitation, any restriction on the right to vote such Share, and the right to receive any cash dividends), which restrictions may lapse separately or in combination at such time or times, in installments or otherwise, as the Committee may deem appropriate.

2.25 "RESTRICTED STOCK AWARD" means an award of Restricted Stock under Article 8, Restricted Stock.

2.26 "SENIOR MANAGER" means any manager of the Company or any Affiliate holding a position above E band or any future salary grade that is the equivalent thereof.

2.27 "SHARES" means the shares of common stock, \$.01 par value, of the Company and such other securities of the Company as the Committee may from time to time determine.

2.28 "STOCK APPRECIATION RIGHT" means any right granted to a Participant pursuant to Article 7, Stock Appreciation Rights, to receive, upon exercise by the Participant, the excess of (i) the Fair Market Value of one Share on the date of exercise or, if the Committee shall so determine in the case of any such right other than one related to

any Incentive Stock Option, at any time during a specified period before the date of exercise over (ii) the grant price of the right on the date of grant, or if granted in connection with an outstanding Option on the date of grant of the related option, as specified by the Committee in its sole discretion, which, other than in the case of Substitute Awards, shall not be less than the Fair Market Value of one Share on such date of grant of the right or the related Option, as the case may be. Any payment by the Company in respect of such right may be made in cash, Shares, other property, or any combination thereof, as the Committee, in its sole discretion, shall determine.

2.29 "SUBSTITUTE AWARD" is defined in Article 5.1, Available Shares.

### ARTICLE 3 PARTICIPATION

3.1 PARTICIPATION. Any Employee (excluding any member of the Committee) shall be eligible to be selected as a Participant.

3.2 PARTICIPATION BY NON-EMPLOYEES. NCR also may permit non-employee directors to be eligible to receive either (or both) discretionary or formula-based Awards under the Plan. The formula may be set forth in a policy or in the Plan.

### ARTICLE 4 ADMINISTRATION

4.1 ADMINISTRATION. The Plan shall be administered by the Committee. A majority of the members of the Committee may determine its actions and fix the time and place of its meetings. Decisions of the Committee shall be final, conclusive and binding upon all persons, including the Company, any Participant, any stockholder, and any employee of the Company or of any Affiliate.

4.2 AUTHORITY OF COMMITTEE. The Committee shall have full power and authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board, to:

(a) select the Employees of the Company and its Affiliates to whom Awards may from time to time be granted hereunder;

(b) determine the type or types of Award to be granted to each Participant hereunder;

(c) determine the number of Shares to be covered by each Award granted hereunder;

(d) determine the terms and conditions, not inconsistent with the provisions of the Plan, of any Award granted hereunder;

(e) determine whether, to what extent and under what circumstances Awards may be settled in cash, Shares or other property or canceled or suspended;

(f) determine whether, to what extent and under what circumstances cash, Shares and other property and other amounts payable with respect to an Award under this Plan shall be deferred either automatically or at the election of the Participant;

(g) interpret and administer the Plan and any instrument or agreement entered into under the Plan;

(h) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and

(i) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan.

#### ARTICLE 5 SHARES SUBJECT TO THE PLAN

5.1 AVAILABLE SHARES. Subject to adjustment as provided in Article 5.3, Adjustments, the total number of Shares available for grant under the Plan for each calendar year shall be 5.6%, for 1997, and 4%, in each calendar year thereafter, of the total outstanding Shares as of the first day of each such year for which the Plan is in effect; provided that such number shall be increased in any year by the number of Shares available for grant hereunder in previous years but not covered by Awards granted hereunder in such years; and provided, further, that if any Shares subject to an Award (including a Substitute Award) are forfeited or if any Award (including a Substitute Award) based on Shares is otherwise terminated without issuance of such Shares or other consideration in lieu of such Shares, the Shares subject to such Award shall to the extent of such forfeiture or termination, again be available for awards under the Plan if no Participant shall have received any benefits of ownership in respect thereof; and provided further that no more than one million (1,000,000) Shares shall be cumulatively available for the grant of Incentive Stock Options under the Plan; and provided further that no Participant may be granted Awards in any one calendar year with respect to more than one million (1,000,000) Shares.

5.2 SUBSTITUTE AWARDS. In addition, Awards granted or Shares issued by the Company (i) pursuant to the Employee Benefits Agreement between AT&T Corp. and the Company dated as of November 20, 1996, as amended, modified or otherwise supplemented, or (ii) through the assumption of, or in substitution or exchange for, employee benefit awards or the right or obligation to make future employee benefit awards, in connection with the acquisition of another corporation or business entity (clauses (i) and (ii) collectively, the

"Substitute Awards") shall not reduce the shares available for grants under the Plan or to a Participant in any calendar year. Any Shares issued hereunder may consist, in whole or in part, of authorized and unissued shares or treasury shares.

5.3 ADJUSTMENTS. In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, reverse stock split, spin off or similar transaction or other change in corporate structure affecting the Shares, such adjustments and other substitutions shall be made to the Plan and to Awards as the Committee in its sole discretion deems equitable or appropriate, including without limitation such adjustments in the aggregate number, class and kind of Shares which may be delivered under the Plan, in the aggregate or to any one Participant, in the number, class, kind and option or exercise price of Shares subject to outstanding Options, Stock Appreciation Rights or other Awards granted under the Plan, and in the number, class and kind of Shares subject to, Awards granted under the Plan (including, if the Committee deems appropriate, the substitution of similar options to purchase the shares of, or other awards denominated in the shares of, another company) as the Committee may determine to be appropriate in its sole discretion, provided that the number of Shares or other securities subject to any Award shall always be a whole number.

#### ARTICLE 6 STOCK OPTIONS

6.1 STOCK OPTIONS. Options may be granted hereunder to Participants either alone or in addition to other Awards granted under the Plan. Any Option granted under the Plan shall be evidenced by an Award Agreement in such form as the Committee may from time to time approve. Any such Option shall be subject to the following terms and conditions and to such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable:

(a) OPTION PRICE. The purchase price per Share purchasable under an Option shall be determined by the Committee in its sole discretion; provided that except in the case of an Option pursuant to a Substitute Award, such purchase price shall not be less than the Fair Market Value of the Share on the date of the grant of the option.

(b) OPTION PERIOD. The term of each option shall be fixed by the Committee in its sole discretion; provided that no Incentive Stock Option shall be exercisable after the expiration of ten years from the date the Option is granted.

(c) EXERCISABILITY. Options shall be exercisable at such time or times as determined by the Committee at or subsequent to grant. Unless otherwise determined by the Committee at or subsequent to grant, no Incentive Stock Option shall be exercisable during the year ending on the day before the first anniversary date of the granting of the Incentive Stock Option.

(d) METHOD OF EXERCISE. Subject to the other provisions of the Plan and any applicable Award Agreement, any Option may be exercised by the Participant in whole or in part at such time or times, and the Participant may make payment of the option price in such form or forms, including, without limitation, payment by delivery of cash, Shares held for more than six months or other consideration (including, where permitted by law and the Committee, Awards) having a Fair Market Value on the exercise date equal to the total option price, or by any combination of cash, Shares and other consideration as the Committee may specify in the applicable Award Agreement.

(e) INCENTIVE STOCK OPTIONS. In accordance with rules and procedures established by the Committee, the aggregate Fair Market Value (determined as of the time of grant) of the Shares with respect to which Incentive Stock Options held by any Participant which are exercisable for the first time by such Participant during any calendar year under the Plan (and under any other benefit plans of the Company or of any parent or subsidiary corporation of the Company) shall not exceed \$100,000 or, if different, the maximum limitation in effect at the time of grant under Article 422 of the Code, or any successor provision, and any regulations promulgated thereunder. The terms of any Incentive Stock Option granted hereunder shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision, and any regulations promulgated thereunder.

(f) FORM OF SETTLEMENT. In its sole discretion, the Committee may provide, at the time of grant, that the shares to be issued upon an Option's exercise shall be in the form of Restricted Stock or other similar securities, or may reserve the right so to provide after the time of grant.

#### ARTICLE 7 STOCK APPRECIATION RIGHTS

7.1 STOCK APPRECIATION RIGHTS. Stock Appreciation Rights may be granted hereunder to Participants either alone or in addition to other Awards granted under the Plan and may, but need not, relate to a specific Option granted under Article 6. The provisions of Stock Appreciation Rights need not be the same with respect to each recipient. Any Stock Appreciation Right related to a Nonstatutory Stock Option may be granted at the same time such Option is granted or at any time thereafter before exercise or expiration of such Option. Any Stock Appreciation Right related to an Incentive Stock Option must be granted at the same time such option is granted.

7.2 TERMINATION OF STOCK APPRECIATION RIGHTS. In the case of any Stock Appreciation Right related to any Option, the Stock Appreciation Right or applicable portion thereof shall terminate and no longer be exercisable upon the termination or exercise of the related Option, except that a Stock Appreciation Right granted with respect

to less than the full number of Shares covered by a related Option shall not be reduced until the exercise or termination of the related Option exceeds the number of shares not covered by the Stock Appreciation Right. Any Option related to any Stock Appreciation Right shall no longer be exercisable to the extent the related Stock Appreciation Right has been exercised. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it shall deem appropriate.

#### ARTICLE 8 RESTRICTED STOCK

8.1 ISSUANCE. Restricted Stock Awards may be issued hereunder to Participants, for no cash consideration or for such minimum consideration as may be required by applicable law, either alone or in addition to other Awards granted under the Plan. The provisions of Restricted Stock Awards need not be the same with respect to each recipient.

8.2 REGISTRATION. Any Restricted Stock issued hereunder may be evidenced in such manner as the Committee in its sole discretion shall deem appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of shares of Restricted Stock awarded under the Plan, such certificate shall be registered in the name of the Participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award.

8.3 FORFEITURE. Except as otherwise determined by the Committee at the time of grant, upon termination of employment for any reason during the restriction period, all shares of Restricted Stock still subject to restriction shall be forfeited by the Participant and reacquired by the Company, provided that, except as provided in Article 14, Change in Control, in the event of a Participant's retirement, permanent disability, other termination of employment or death, or in cases of special circumstances, the Committee may, in its sole discretion, when it finds that a waiver would be in the best interests of the Company, waive in whole or in part any or all remaining restrictions with respect to such Participant's shares of Restricted Stock. Unrestricted Shares, evidenced in such manner as the Committee shall deem appropriate, shall be issued to the grantee promptly after the period of forfeiture, as determined or modified by the Committee, shall expire.

#### ARTICLE 9 PERFORMANCE AWARDS

9.1 PERFORMANCE AWARDS. Performance Awards may be issued hereunder to Participants, for no cash consideration or for such minimum consideration as may be required by applicable law, either alone or in addition to other Awards granted under the Plan. The performance criteria to be achieved during any Performance Period and the



length of the Performance Period shall be determined by the Committee upon the grant of each Performance Award. Except as provided in Article 14, Change in Control, Performance Awards will be distributed only after the end of the relevant Performance Period. Performance Awards may be paid in cash, Shares, other property or any combination thereof, in the sole discretion of the Committee at the time of payment. The performance levels to be achieved for each Performance Period and the amount of the Award to be distributed shall be conclusively determined by the Committee. Performance Awards may be paid in a lump sum or in installments following the close of the Performance Period. The maximum value of the property, including cash, that may be paid or distributed to any Participant pursuant to a grant of Performance Units made in any one calendar year shall be two million dollars (\$2,000,000).

ARTICLE 10  
OTHER STOCK UNIT AWARDS

10.1 STOCK AND ADMINISTRATION. Other Awards of Shares and other Awards that are valued in whole or in part by reference to, or are otherwise based on, Shares or other property ("Other Stock Unit Awards") may be granted hereunder to Participants, either alone or in addition to other Awards granted under the Plan. Other Stock Unit Awards may be paid in Shares, other securities of the Company, cash or any other form of property as the Committee shall determine. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Employees of the Company and its Affiliates to whom and the time or times at which such Awards shall be made, the number of shares of Stock to be granted pursuant to such Awards, and all other conditions of the Awards. The provisions of Other Stock Unit Awards need not be the same with respect to each recipient.

10.2 TERMS AND CONDITIONS. Shares (including securities convertible into Shares) granted under this Article 10 may be issued for no cash consideration or for such minimum consideration as may be required by applicable law; Shares (including securities convertible into Shares) purchased pursuant to a purchase right awarded under this Article 10 shall be purchased for such consideration as the Committee shall in its sole discretion determine, which shall not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is awarded.

ARTICLE 11  
CODE SECTION 162(m) PROVISIONS

11.1 APPLICABILITY. Notwithstanding any other provision of this Plan, if the Committee determines at the time Restricted Stock, a Performance Award or an Other Stock Unit Award is granted to a Participant that such Participant is, or is likely to be at the time he or she recognizes income for federal income tax purposes in connection with such Award, a covered employee within the meaning of Section 162(m)(3) of the Code, then the Committee may provide that this Article 11 is applicable to such Award.

11.2 PERFORMANCE GOALS. If an Award is subject to this Article 11, then the lapsing of restrictions thereon and the distribution of cash, Shares or other property pursuant thereto, as applicable, shall be subject to the achievement of one or more objective performance goals established by the Committee, which shall be based on the attainment of one or any combination of the following: specified levels of earnings per share from continuing operations, operating income, revenues, gross margin, return on operating assets, return on equity, economic value added, stock price appreciation, total stockholder return (measured in terms of stock price appreciation and dividend growth), or cost control, of the Company or the Affiliate or division of the Company for or within which the Participant is primarily employed. Such Performance Goals also may be based upon the attaining specified levels of Company performance under one or more of the measures described above relative to the performance of other corporations. Such performance goals shall be set by the Committee within the time period prescribed by, and shall otherwise comply with the requirements of, Section 162(m) of the Code and the regulations thereunder.

11.3 NO UPWARD ADJUSTMENTS. Notwithstanding any provision of this Plan, with respect to any Award that is subject to this Article 11, the Committee may not adjust upwards the amount payable pursuant to such Award, nor may it waive the achievement of the applicable performance goals except in the case of the death or disability of the Participant.

11.4 OTHER RESTRICTIONS. The Committee shall have the power to impose such other restrictions on Awards subject to this Article 11 as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for "performance-based compensation" within the meaning of Section 162(m)(4)(B) of the Code or any successor thereto.

#### ARTICLE 12 AMENDMENTS AND TERMINATION

12.1 AMENDMENT OR TERMINATION OF PLAN. The Board may amend, alter or discontinue the Plan, but no amendment, alteration, or discontinuation shall be made that would impair the rights of an optionee or Participant under an Award heretofore granted, without the optionee's or Participant's consent, or that without the approval of the Stockholders would:

12.2 AMENDMENT OR SUBSTITUTION OF AWARDS. The Committee may amend the terms of any Award heretofore granted, prospectively or retroactively, but no such amendment shall impair the rights of any Participant without his consent. The Committee

may also substitute new Awards for previously granted Awards, including without limitation previously granted options having higher option prices.

ARTICLE 13  
GENERAL PROVISIONS

13.1 NONTRANSFERABILITY. Unless the Committee determines otherwise at the time the Award is granted, no Award, and no Shares subject to Awards described in Article 10, Other Stock Unit Awards, which have not been issued or as to which any applicable restriction, performance or deferral period has not lapsed, may be sold, assigned, transferred, pledged or otherwise encumbered, except by will or by the laws of descent and distribution; provided that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary to exercise the rights of the Participant with respect to any Award upon the death of the Participant. Each Award shall be exercisable, during the Participant's lifetime, only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative.

13.2 TERM OF AWARDS. The term of each Award shall be for such period of months or years from the date of its grant as may be determined by the Committee; provided that in no event shall the term of any Incentive Stock Option or any Stock Appreciation Right related to any Incentive Stock Option exceed a period of ten (10) years from the date of its grant.

13.3 EMPLOYEE CLAIMS. No Employee or Participant shall have any claim to be granted any Award under the Plan and there is no obligation for uniformity of treatment of Employees or Participants under the Plan.

13.4 AGREEMENT REQUIRED. The prospective recipient of any Award under the Plan shall not, with respect to such Award, be deemed to have become a Participant, or to have any rights with respect to such Award, until and unless such recipient shall have executed an agreement or other instrument evidencing the Award and delivered a fully executed copy thereof to the Company, and otherwise complied with the then applicable terms and conditions.

13.5 ADJUSTMENTS. Except as provided in Article 11, Code Section 162(m) Provisions, the Committee shall be authorized to make adjustments in Performance Award criteria or in the terms and conditions of other Awards in recognition of unusual or nonrecurring events affecting the Company or its financial statements or changes in applicable laws, regulations or accounting principles. The Committee may correct any

defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry it into effect. In the event the Company shall assume outstanding employee benefit awards or the right or obligation to make future such awards in connection with the acquisition of another corporation or business entity, the Committee may, in its discretion, make such adjustments in the terms of Awards under the Plan as it shall deem appropriate.

13.6 CANCELLATION OR SUSPENSION. The Committee shall have full power and authority to determine whether, to what extent and under what circumstances any Award shall be canceled or suspended. In particular, but without limitation, all outstanding Awards to any Participant shall be canceled if the Participant, without the consent of the Committee, while employed by the Company or after termination of such employment, becomes associated with, employed by, renders services to, or owns any interest in (other than any nonsubstantial interest, as determined by the Committee), any business that is in competition with the Company or with any business in which the Company has a substantial interest, as determined by the Committee or any one or more Senior Managers or committee of Senior Managers to whom the authority to make such determination is delegated by the Committee.

13.7 RESTRICTIONS ON CERTIFICATES. All certificates for Shares delivered under the Plan pursuant to any Award shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are then listed, and any applicable Federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

13.8 DEFERRALS. The Committee shall be authorized to establish procedures pursuant to which the payment of any Award may be deferred. Subject to the provisions of this Plan and any Award Agreement, the recipient of an Award (including, without limitation, any deferred Award) may, if so determined by the Committee, be entitled to receive, currently or on a deferred basis, interest or dividends, or interest or dividend equivalents, with respect to the number of shares covered by the Award, as determined by the Committee, in its sole discretion, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested.

13.9 NO PAYMENT REQUIRED. Except as otherwise required in any applicable Award Agreement, or by the terms of the Plan, recipients of Awards under the Plan shall not be required to make any payment or provide consideration other than the rendering of services.

13.10 DELEGATION OF AUTHORITY. The Committee may delegate to one or more Senior Managers or a committee of Senior Managers the right to grant Awards to

Employees who are not officers or directors of the Company and to cancel or suspend Awards to Employees who are not officers or directors of the Company.

13.11 TAX WITHHOLDING. The Company shall be authorized to withhold from any Award granted or payment due under the Plan the amount of withholding taxes due in respect of an Award or payment hereunder and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. The Committee shall be authorized to establish procedures for election by Participants to satisfy such withholding taxes by delivery of, or directing the Company to retain, Shares.

13.12 OTHER ARRANGEMENTS. Nothing contained in this Plan shall prevent the Board of Directors from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is otherwise required; and such arrangements may be either generally applicable or applicable only in specific cases.

13.13 APPLICABLE LAW. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Ohio and applicable Federal law.

13.14 SEVERABILITY. If any provision of this Plan is or becomes or is deemed invalid, illegal or unenforceable in any jurisdiction, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan, it shall be stricken and the remainder of the Plan shall remain in full force and effect.

13.15 AWARDS TO FOREIGN NATIONALS AND EXPATRIATES. Awards may be granted to Employees who are foreign nationals or employed outside the United States, or both, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable in order to recognize differences in local law or tax policy. The Committee also may impose conditions on the exercise or vesting of Awards in order to minimize the Company's obligation with respect to tax equalization for Employees on assignments outside their home country.

13.16 TERM OF THE PLAN. No award shall be granted pursuant to the Plan after 10 years from the Effective Date, but any Award theretofore granted may extend beyond that date.

13.17 EFFECTIVE DATE. The Plan shall be effective on January 1, 1997.

ARTICLE 14  
CHANGE IN CONTROL PROVISIONS

## 14.1 DEFINITIONS

(a) "CHANGE IN CONTROL" means the happening of any of the following events:

(i) An acquisition by any individual, entity or group (within the meaning of Article 13(d)(3) or 14(d)(2) to the Exchange Act) (an "Entity") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); excluding, however, the following: (1) any acquisition, directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (4) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of Subsection (iii) below.

(ii) A change in the composition of the Board such that the individuals who, as of the Effective Date, constitute the Board (such Board shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that for the purposes of this definition, that any individual who becomes a member of the Board subsequent to the Effective Date, whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this provision) shall be considered as though such individual were a member of the Incumbent Board; and provided, further however, that any such individual whose initial assumption of office occurs as a result of or in connection with either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of an Entity other than the Board shall not be so considered as a member of the Incumbent Board; or

(iii) The approval by the stockholders of the Company of a merger, reorganization or consolidation or sale or other disposition of all or substantially all of the assets of the Company (each, a "Corporate Transaction") or, if consummation of such Corporate Transaction is subject, at the time of such approval by stockholders, to the consent of any government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation); excluding however, such a Corporate Transaction pursuant to which (A) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transactions will beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation or other Person which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries (a "Parent Company")) in substantially the same proportions as the their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Entity (other than the Company, any employee benefit plan (or related trust) of the Company, such corporation resulting from such Corporate Transaction or, if reference was made to equity ownership of any Parent Company for purposes of determining whether clause (A) above is satisfied in connection with the applicable Corporate Transaction, such Parent Company) will beneficially own, directly or indirectly, 20% or more of, respectively, the outstanding shares of common stock of the Corporation resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors unless such ownership resulted solely from ownership of securities of the Company prior to the Corporate Transaction, and (C) individuals who were members of the incumbent Board will immediately after the consummation of the Corporate Transaction constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction (or, if reference was made to equity ownership of any Parent Company for purposes of determining whether clause (A) above is satisfied in connection with the applicable Corporate Transaction, of the Parent Company); or

(iv) The approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(b) "CHANGE IN CONTROL PRICE" means the higher of (A) the highest reported sales price, regular way, of a Share in any transaction reported on the New York Stock Exchange Composite Tape or other national exchange on which Shares are listed or on NASDAQ during the 60-day period prior to and including the date of a Change in Control or (B) if the Change in Control is the result of a tender or exchange offer or a Corporate Transaction, the highest price per Share paid in such tender or exchange offer or Corporate

Transaction; provided however, that in the case of Incentive Stock Options and Stock Appreciation Rights relating to Incentive Stock Options, the Change in Control Price shall be in all cases the Fair Market Value of a Share on the date such Incentive Stock Option or Stock Appreciation Right is exercised or deemed exercised. To the extent that the consideration paid in any such transaction described above consists all or in part of securities or other noncash consideration, the value of such securities or other noncash consideration shall be determined in the sole discretion of the Board.

14.2 IMPACT OF EVENT. Notwithstanding any other provision of the Plan to the contrary, unless the Committee shall determine otherwise at the time of grant with respect to a particular Award, in the event of a Change in Control:

(1) Any Options and Stock Appreciation Rights outstanding as of the date such Change in Control is determined to have occurred, and which are not then exercisable and vested, shall become fully exercisable and vested to the full extent of the original grant.

(ii) The restrictions and deferral limitations applicable to any Restricted Stock shall lapse, and such Restricted Stock shall become free of all restrictions and limitations and become fully vested and transferable to the full extent of the original grant.

(iii) All Performance Awards shall be considered to be earned and payable in full, and any deferral or other restriction shall lapse and such Performance Awards shall be immediately settled or distributed.

(iv) The restrictions and deferral limitations and other conditions applicable to any Other Stock Awards or any other Awards shall lapse, and such Other Stock Awards or such other Awards shall become free of all restrictions, limitations or conditions and become fully vested and transferable to the full extent of the original grant.

14.3 CHANGE IN CONTROL CASH-OUT. Notwithstanding any other provision of the Plan, during the 60-day period from and after a Change in Control (the "Exercise Period"), if the Committee shall determine at, or at any time after, the time of grant, a Participant holding an option shall have the right, whether or not the option is fully exercisable and in lieu of the payment of the purchase price for the Shares being purchased under the Option and by giving notice to the Company, to elect (within the Exercise Period) to surrender all or part of the Option to the Company and to receive cash, within 30 days of such notice, in an amount equal to the amount by which the Change in Control Price per Share on the date of such election shall exceed the purchase price per Share under the option (the "Spread") multiplied by the number of Shares granted under the Option as to which the right granted under this Section 14.3 shall have been exercised.



14.4 POOLING-OF-INTERESTS. Notwithstanding any other provision of this Plan, if any right granted pursuant to this Plan would make a Change in Control transaction ineligible for pooling-of-interests accounting under APB No. 16 that (after giving effect to any other actions taken to cause such transaction to be eligible for such pooling-of-interests accounting treatment) but for the nature of such grant would otherwise be eligible for such accounting treatment, the Committee shall have the ability to substitute for the cash payable pursuant to such right Shares with a Fair Market Value equal to the cash that would otherwise be payable pursuant thereto.

## FORM OF

## NCR WORLDSHARES STOCK OPTION PLAN

1. PURPOSE: The purpose of the NCR WorldShares Stock Option Plan (the "Plan") is to advance the interests of Company, its Subsidiaries and Affiliates by giving substantially all Employees a stake in the Company's future growth, in the form of stock options, thereby improving such Employees' long-term incentives and aligning their interests with those of the Company's shareholders.

2. DEFINITIONS: For purposes of this Plan:

(a) "Affiliate" shall mean any entity in which the Company has an ownership interest of more than 50%.

(b) "Board" means the Board of Directors of the Company.

(c) "Code" shall mean the Internal Revenue Code of 1986, as amended.

(d) "Common Stock" shall mean the Company's common stock.

(e) "Company" shall mean NCR Corporation.

(f) "Disability" or "Disabled" shall mean qualifying for and receiving payments under a long-term disability pay plan maintained by the Company or any Subsidiary or Affiliate or as required by or available under applicable local law.

(g) "Employee" shall mean any individual employed by the Company or any Subsidiary or Affiliate excluding leased employees within the meaning of Section 414(n) of the Code, and excluding "payroll service or agency employees" as defined in the following sentence. "Payroll service or agency employee" means an individual (i) for whom the direct payor of compensation with respect to the performance of services for the Company or any Subsidiary or Affiliate is any outside entity, including but not limited to a payroll service or temporary employment agency, rather than by the NCR internal corporate payroll system, or (ii) who is paid directly by the Company or any Subsidiary or Affiliate, but not through an internal corporate payroll system (e.g., through purchase order accounts). The determination whether an individual is a "payroll service or agency employee" shall be made solely according to the method of paying the individual for services, without regard to whether the individual is considered a common law employee of the Company for any other purpose, and such determination will be within the discretionary authority of the plan administrator.

(h) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended.

(i) "Fair Market Value" shall mean the average of the high and low sale prices of a share of Common Stock on the U.S. stock exchange on which the Common Stock is listed on the date of measurement or on any date as determined by the Committee and if there were no trades on such date, on the day on which a trade occurred next following such date.

(j) "Retirement" shall mean termination of the employment of an Employee with the Company or any Subsidiary or Affiliate on a date on which the Employee is eligible to

immediately begin receiving pension benefits from a pension plan sponsored by the Company, Subsidiary or Affiliate (excluding PensionPlus payments from the NCR Pension Plan).

(k) "Subsidiary" shall mean any corporation which at the time qualifies as a subsidiary of the Company under the definition of "subsidiary corporation" in Section 424 of the Code.

3. SHARES AVAILABLE FOR OPTIONS: The amount of shares of the Company's stock which may be issued for options granted under the Plan shall not exceed shares of Common Stock, subject to adjustment under Section 8 hereof.

4. ADMINISTRATION: The Plan shall be administered under the supervision of the Board of Directors of the Company by the Compensation Committee of the Board.

The Committee, from time to time, may adopt rules and regulations for carrying out the provisions and purposes of the Plan and make such other determinations, not inconsistent with the terms of the Plan, as the Committee shall deem appropriate. The interpretation and construction of any provision of the Plan by the Committee shall, unless otherwise determined by the Board of Directors, be final and conclusive.

Notwithstanding the foregoing, the Committee may designate persons other than members of the Committee to carry out such responsibilities of the Committee under the Plan as it may deem appropriate. The delegation of responsibilities will be effected by written instrument executed by the Committee.

5. ELIGIBILITY: An option may be granted to an Employee who is actively employed with the Company or any Subsidiary or Affiliate on the grant date.

The adoption of this Plan shall not be deemed to give any Employee any right to be granted an option to purchase Common Stock of the Company, except to the extent and upon such terms and conditions as may be determined by the Committee.

6. STOCK OPTIONS: Stock options under the Plan shall consist of nonqualified stock options.

Each option shall be subject to the following terms and conditions:

(a) GRANT OF OPTIONS. The Committee shall (1) determine the date(s) on which options may be granted, (2) select the Employees to whom options may be granted or offered subject to collective bargaining where required, (3) determine the number of shares to be covered by each option so granted, (4) determine the terms and conditions (not inconsistent with the Plan) of any option granted hereunder (including but not limited to restrictions upon the options, conditions of their exercise, or on the shares of Common Stock issuable upon exercise thereof), and (5) prescribe the form of the instruments necessary or advisable in the administration of options.

(b) TERMS AND CONDITIONS OF OPTION. Any option granted under the Plan shall be evidenced by a Stock Option Statement executed by the Company, in such form as the Committee shall approve, which statement shall be subject to the following terms and conditions and shall contain such additional terms and conditions not inconsistent with the Plan.

(1) NUMBER OF SHARES SUBJECT TO AN OPTION. The Stock Option Statement shall specify the number of shares of Common Stock subject to the Statement.

(2) OPTION PRICE. The purchase price per share of Common Stock purchasable under an option will be determined by the Committee but will be not less than the Fair Market Value in U.S. dollars of a share of Common Stock on the date of the grant of such option.

(3) OPTION PERIOD. The period of each option shall be fixed by the Committee, but no option shall be exercisable after the expiration of five years from the date the option is granted.

(4) CONSIDERATION. Each optionee, as consideration for the grant of an option, shall remain in the continuous employ of the Company or of one of its Subsidiaries or Affiliates for at least one year from the date of the granting of such option, unless an optionee terminates employment with the Company due to death, Retirement or Disability. No option shall be exercisable until after the completion of one year from the date of grant.

(5) EXERCISE OF OPTION.

(a) An option must be exercised for the full number of optioned shares at one time.

(b) An option shall be exercised according to procedures established by the Committee and communicated to participants, which may include any or all of the following methods:

(i) Delivery of written notice to the Company or its designee of intention to exercise, including a certified personal check, certified broker's check or bank draft to cover the exercise price and estimated Withholding Taxes (as defined in (9) below);

(ii) Delivery of written notice to the Company or its designee of intention to exercise, including a certified personal check, certified broker's check or bank draft to cover the exercise price and the authorization for the Company or its designee to withhold the appropriate number of shares being exercised to cover the optionee's Withholding Tax liability. The certified personal check, certified broker's check or bank draft should also include the current value of one share of Common Stock;

(iii) Delivery of written or verbal notice to the Company or its designee of intention to exercise the option by means of selling the appropriate number of shares to cover the exercise price, broker's commissions and other related expenses, if any, and the authorization for the Company or its designee to withhold the appropriate number of shares being exercised to cover the optionee's Withholding Tax liability. The remainder of the shares exercised will be delivered to the optionee in Common Stock or cash.

(iv) Delivery of written or verbal notice to the Company or its designee of intention to exercise the option by means of selling all the shares, and the authorization for the company or its designee to withhold the appropriate amount of cash to cover the exercise price, broker's commissions and other related expenses, if any, and to deliver the remainder of the cash to the optionee.

(c) The Company shall have the authority to establish procedures under all methods, including without limitation the designation of the brokerage firm or firms through which exercises shall be effected.

(d) Under all of the methods indicated in (b) above, the option exercise price shall be paid in full at the time of exercise in U.S. dollars, and the Company shall require the optionee to pay the Company in U.S. dollars at the time of exercise the amount of tax required to be withheld by the Company under applicable foreign, federal, state and local withholding tax laws.

(e) Except as provided in subsections (7), (8), (9), and (10), an optionee must be an Employee at the time of exercise of an option.

(6) NONTRANSFERABILITY OF OPTIONS. No option granted under the Plan shall be transferable by the optionee otherwise than by will or by the laws of descent and distribution, and such option shall be exercisable, during the optionee's lifetime, only by the optionee.

(7) TERMINATION. An optionee whose employment is terminated by the optionee or the Company or any Subsidiary or Affiliate (other than by Retirement, Disability or death) subsequent to the first anniversary of the grant date may exercise such option until the earlier of 59 days from the optionee's termination date or the expiration of the option period set forth therein. In the case of an optionee whose employment is terminated other than by Retirement, Disability or death prior to the first anniversary of the grant date, the option will lapse. For purposes of this paragraph (7), an optionee employed by a Subsidiary, Affiliate or business unit of the Company that is sold or otherwise divested from the Company shall be considered to have terminated employment with the Company as of the effective date of the divestiture.

(8) RETIREMENT. An optionee whose employment is terminated due to Retirement from the Company or any Subsidiary or Affiliate may exercise such option on or after the first anniversary of the date the option was granted, but in no event after the expiration of the option period set forth therein.

(9) DISABILITY. An optionee who ceases to be actively employed by reason of Disability may exercise such option on or after the first anniversary of the date the option was granted, but in no event after the expiration of the option period set forth therein.

(10) DEATH. In the event of the death of the optionee

(a) while in the employ of the Company or of any of its Subsidiaries or Affiliates, the option shall be exercisable after the first anniversary of the grant date by the executors, administrators, legatees or distributees of the optionee's estate, as the case may be, but in no event after the expiration of the option period set forth therein,

(b) after Retirement, the option shall be exercisable after the first anniversary of the grant date by the executors, administrators, legatees or distributees of the optionee's estate, as the case may be, but in no event after the expiration of the option period set forth therein,

(c) after termination of employment that occurs after the first anniversary of the grant date, but within the 59 day period indicated in Section 6(b)(7), the option shall be exercisable by the executors, administrators, legatees or distributees of the optionee's estate, as the case may be, until the earlier of one year from the date of death or the expiration of the option period set forth therein.

In the event any option is exercised by the executors, administrators, legatees or distributees of the estate of a deceased optionee, the Company shall be under no obligation to issue stock thereunder unless and until the Company is satisfied that the person or persons exercising the option are the duly appointed legal representatives of the deceased optionee's estate or the proper legatees or distributees thereof.

7. DETERMINATION OF BREACH OF CONDITIONS: The determination of the Committee as to whether an event has occurred resulting in a forfeiture or a termination or reduction of the Company's obligations in accordance with the provisions of the Plan shall be conclusive.

8. ADJUSTMENT IN THE EVENT OF CHANGE IN STOCK: In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, reverse stock split, spin off or similar transaction or other change in corporate structure affecting the Common Stock, such adjustments and other substitutions shall be made to the Plan and to options granted under the Plan as the Committee in its sole discretion deems equitable or appropriate including without limitation such adjustments in the aggregate number, class and kind of shares which may be delivered under the Plan, in the aggregate or to any one Participant, in the number, class, kind and option or exercise price of shares subject to outstanding options or other awards granted under the Plan, and in the number, class and kind of shares subject to awards granted under the Plan (including, if the Committee deems appropriate, the substitution of similar options to purchase the shares of, or other awards denominated in the shares of, another company) as the Committee may determine to be appropriate in its sole discretion, provided that the number of shares or other securities subject to any award shall always be a whole number.

9. TAXES: In connection with the transfer of shares of Common Stock to an optionee (or at such earlier date as may be required by local law), the Company will require the optionee to pay the amount required by any applicable governmental entity to be withheld or otherwise deducted and paid with respect to such transfer ("Withholding Tax"). Subject to Section 10 hereof, an optionee shall satisfy the obligation to pay Withholding Tax by providing the Company with funds (in U.S. dollars) sufficient to enable the Company to pay such Withholding Tax or by requiring the Company to retain or to accept upon delivery thereof by the optionee shares of Common Stock sufficient in value to cover the amount of such Withholding Tax.

10. EMPLOYEES BASED OUTSIDE OF THE UNITED STATES: Notwithstanding any provision of the Plan to the contrary, in order to foster and promote achievement of the purposes of the Plan or to comply with provisions of laws in other countries in which the Company, its Affiliates and its Subsidiaries operate or have Employees, the Board, the Committee, in their sole discretion, shall have the power and authority to (i) determine which Employees employed outside the United States are eligible to participate in the Plan, (ii) modify the terms and conditions of any options granted to Employees who are employed outside the United States (including the grant of stock appreciation rights, as described in the following paragraph, in lieu of nonqualified stock options), and (iii) establish subplans, modified option exercise procedures and other terms and procedures to the extent such actions may be necessary or advisable. Any subplans and modifications to Plan terms and procedures established under this Section 10 by the Board or the Committee shall be attached to this Plan document as Appendices.

The Committee in its discretion may grant stock appreciation rights in lieu of nonqualified stock options to Employees employed outside the United States. A stock appreciation right shall provide an Employee the right to receive in cash the difference between the Fair Market Value of a share of Common Stock on the grant date and the exercise date, and otherwise shall have the same terms and conditions as a nonqualified stock option granted hereunder.

11. CHANGE IN CONTROL: In the event of a change in control of the Company prior to the exercise of options granted under this Plan, all outstanding options shall become immediately non forfeitable and exercisable fully vested notwithstanding any provisions of the Plan to the contrary. For the purpose of this Plan a change in control shall be deemed to have occurred on the happening of any of the following events:

(i) An acquisition by any individual, entity or group (within the meaning of Article 13(d)(3) or 14(d)(2) of the Exchange Act) (an "Entity") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); excluding, however, the following: (1) any acquisition, directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, (4) any acquisition by

any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (iii) below; or

(ii) A change in the composition of the Board such that the individuals who, as of January 1, 1997, constitute the Board (such Board shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that for purposes of this definition, that any individual who becomes a member of the Board subsequent to January 1, 1997, whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this provision) shall be considered as though such individual were a member of the Incumbent Board; and provided, further however, that any such individual whose initial assumption of office occurs as a result of or in connection with either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of an Entity other than the Board shall not be so considered as a member of the Incumbent Board; or

(iii) The approval by the stockholders of the Company of a merger, reorganization or consolidation or sale or other disposition of all or substantially all of the assets of the Company (each, a "Corporate Transaction") or, if consummation of such Corporate Transaction is subject, at the time of such approval by stockholders, to the consent of any government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation); excluding however, such a Corporate Transaction pursuant to which (A) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transaction will beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation or other Person which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries (a "Parent Company")) in substantially the same proportions as their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Entity (other than the Company, any employee benefit plan (or related trust) of the Company, such corporation resulting from such Corporate Transaction or, if reference was made to equity ownership of any Parent Company for purposes of determining whether clause (A) above is satisfied in connection with the applicable Corporate Transaction, such Parent Company) will beneficially own, directly or indirectly, 20% or more of, respectively, the outstanding shares of common stock of the Corporation resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors unless such ownership resulted solely from ownership of securities of the Company prior to the Corporate Transaction, and (C) individuals who were members of the incumbent Board will immediately after the consummation of the Corporate Transaction constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction (or, if reference



was made to equity ownership of any Parent Company for purposes of determining whether clause (A) above is satisfied in connection with the applicable Corporate Transaction, of the Parent Company); or

(iv) The approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

As used herein, "Person" means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, limited liability company, other entity or government or political subdivision thereof.

12. AMENDMENT OF THE PLAN: The Board of Directors may amend or suspend the Plan at any time and from time to time. No such amendment of the Plan may, however, without the written consent of the optionee, adversely affect or impair any option.

13. MISCELLANEOUS: By accepting any benefits under the Plan, each optionee and each person claiming under or through such optionee shall be conclusively deemed to have indicated acceptance and ratification of, and consent to, any action taken or made to be taken or made under the Plan by the Company, the Board, or the Committee. No participant or any person claiming under or through him shall have any right or interest, whether vested or otherwise, in the Plan or in any option thereunder, contingent or otherwise, unless and until all of the terms, conditions and provisions of the Plan and the Agreement that affect such participant or such other person shall have been complied with. Nothing contained in the Plan or in any Agreement shall require the Company to segregate or earmark any cash or other property. Neither the adoption of the Plan nor its operation shall in any way affect the rights and powers of the Company or any of its Subsidiaries or Affiliates to dismiss and/or discharge any Employee at any time.

The Company shall not be required to issue or deliver any certificates for shares of Common Stock purchased upon the exercise of any option granted under the Plan prior to (i) the admission of such shares to listing on any stock exchange on which the stock may then be listed, (ii) the completion of any registration or other qualification of such shares under any state or federal law or rulings or regulations of any governmental regulatory body, (iii) the obtaining of any consent or approval or other clearance from any governmental agency, which the Company shall, in its sole discretion, determine to be necessary or advisable, and (iv) the payment to the Company, upon its demand, of any amount requested by the Company for the purpose of satisfying its liability, if any, to withhold federal, state or local income or earnings tax or any other applicable tax or assessment (plus interest or penalties thereon, if any caused by a delay in making such payment) incurred by reason of the exercise of any option granted under the Plan or the transfer of shares thereupon.

14. TERM OF THE PLAN: The Plan shall become effective as of January 1, 1997. The Plan shall terminate on January 1, 2006, or at such earlier date as may be determined by the Board of Directors. Termination of the Plan, however, shall not affect the rights of optionees under options theretofore granted to them, and all unexpired options shall continue in force and operation after termination of the Plan except as they may lapse or be terminated by their own terms and conditions.

15. GOVERNING LAW: This Plan, and the validity and construction of any options granted hereunder, shall be governed by the laws of the State of Ohio.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed on this \_\_\_\_ day of \_\_\_\_\_, 1996.

FOR NCR CORPORATION

By: \_\_\_\_\_  
Richard H. Evans  
Senior Vice President, Global Human Resources

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\$600,000,000

CREDIT AGREEMENT

dated as of

November 20, 1996

among

NCR CORPORATION

-----  
The Lenders Party Hereto

and

THE CHASE MANHATTAN BANK,  
as Administrative Agent

BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION,  
as Documentation Agent

-----  
CHASE SECURITIES INC. and BA SECURITIES, INC.,  
as Arrangers

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## EXHIBITS:

Exhibit A	-- Form of Assignment and Acceptance
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CREDIT AGREEMENT dated as of November 20, 1996, among NCR CORPORATION, the LENDERS party hereto, and THE CHASE MANHATTAN BANK, as Administrative Agent, and BANK OF AMERICA NATIONAL TRUST & SAVINGS ASSOCIATION, as Documentation Agent.

The Borrower (such term and each other capitalized term used but not otherwise defined herein having the meaning assigned to it in Article I) has requested the Lenders to establish the credit facilities provided for herein to be used for the general corporate purposes of the Borrower and the Subsidiaries. The Lenders are willing to establish such credit facilities upon the terms and subject to the conditions set forth herein. Accordingly, the parties hereto agree as follows:

#### ARTICLE I

##### Definitions

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Adjusted LIBO Rate" means, with respect to any Eurocurrency Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means The Chase Manhattan Bank, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

"Affiliate" means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

"Aggregate Revolving Credit Exposure" means the aggregate amount of the Lenders' Revolving Credit Exposures.

"Alternate Base Rate" means, for any day, a rate per annum equal to the greater of (a) the Prime Rate in effect on such day and (b) the Federal Funds Effective Rate in effect on such day plus 1/2 of 1%. Any change in the Alternate Base Rate due to a change in the Prime Rate or the Federal Funds Effective Rate shall be effective from and including the effective date of such change in the Prime Rate or the Federal Funds Effective Rate, respectively.

"Applicable Percentage" means, with respect to any Lender, the percentage of the Total Commitment represented by such Lender's Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

"Applicable Rate" means, for any day, with respect to any Eurocurrency Revolving Loan or with respect to the facility fees payable hereunder, as the case may be, the lower of the applicable rates per annum set forth in the chart below under the caption "Eurocurrency Spread" or "Facility Fee", as the case may be, based upon the respective Performance Levels in effect under either Test I or Test II.

TEST I	TEST II	EUROCURRENCY SPREAD (BP)	FACILITY FEE (BP)
Performance Level 1 ----- Leverage Ratio (less than equal to signs) 0.15 to 1.00 and Consolidated EBITDA (greater than) \$750MM	Performance Level 1 ----- rating of A- or A3 or better	14.50	8.00
Performance Level 2 ----- Leverage Ratio (less than equal to signs) 0.15 to 1.00 and Consolidated EBITDA (less than equal to signs) 750MM	Performance Level 2 ----- rating of BBB+ or Baa1	18.50	9.00
Performance Level 3 ----- Leverage Ratio (greater than) 0.15 to 1.00 but (less than equal to signs) 0.30 to 1.00	Performance Level 3 ----- rating of BBB or Baa2	22.50	12.50
Performance Level 4 ----- Leverage Ratio (greater than) 0.30 to 1.00	Performance Level 4 ----- ratings of BBB- and Baa3 or lower	22.50	17.50

The applicable Performance Level under Test I as of any day shall be determined by reference to the Leverage Ratio as of the last day of the fiscal quarter most recently ended on or prior to such day and Consolidated EBITDA for the four fiscal quarter period ending as of such last day, and any change in the Test I Performance Level shall become effective upon the delivery to the Administrative Agent of the certificate of a Financial Officer of the Borrower required to accompany the financial statements delivered pursuant to Section 5.01 upon which such change is based, which certificate shall set forth in reasonable detail the calculation of the Leverage Ratio and Consolidated EBITDA. In the event the financial statements required to be delivered under Section 5.01 (or the certificate of a Financial Officer required to accompany such statements) are not delivered on or prior to the date due, the Leverage Ratio shall be deemed to be greater than 0.30 to 1.00 during the period from the applicable due date to the date when such financial statements and the accompanying certificate of a Financial Officer are delivered.

The applicable Performance Level under Test II as of any day shall be determined by reference to the ratings by S&P and Moody's, respectively, applicable on such day to the Index Debt. For purposes of determining such Performance Level, (a) if either Moody's or S&P shall not have in



effect a rating for the Index Debt, then the Eurocurrency Spread and facility fee shall be determined solely with reference to the available rating; (b) if the ratings established or deemed to have been established by Moody's and S&P for the Index Debt shall indicate different Performance Levels, the Applicable Rate shall be based on the higher of the two ratings; and (c) if the rating established or deemed to have been established by Moody's or S&P for the Index Debt shall be changed (other than as a result of a change in the rating system of Moody's or S&P), such change shall be effective as of the date on which it is first announced by the applicable rating agency. If the rating system of Moody's or S&P shall change, or if both such rating agencies shall cease to be in the business of rating corporate debt obligations, the Borrower and the Lenders shall negotiate in good faith to amend this definition to reflect such changed rating system or the unavailability of ratings from such rating agencies and, pending the effectiveness of any such amendment, the Applicable Rate shall be determined at any time solely by reference to the Test I Performance Level in effect at such time.

Each change in the Applicable Rate shall apply during the period commencing on the effective date of such change and ending on the date immediately preceding the effective date of the next such change. Notwithstanding the foregoing, at any time prior to the time the first delivery of financial statements under Section 5.01 after the Distribution Date, the Applicable Rate in respect of Eurocurrency Revolving Loans and the facility fee shall be 18.50 basis points and 9.00 basis points, respectively.

"Assignment and Acceptance" means an assignment and acceptance entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

"Availability Period" means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

"Board" means the Board of Governors of the Federal Reserve System of the United States of America.

"Borrower" means NCR Corporation, a Maryland corporation.

"Borrowing" means (a) Revolving Loans of the same Type, made, converted or continued on the same date and, in the case of Eurocurrency Loans, as to which a single Interest Period is in effect, (b) a Competitive Loan or group of Competitive Loans of the same Type made on the same date and as to which a single Interest Period is in effect or (c) a Swingline Loan.

"Borrowing Request" means a request by the Borrower for a Revolving Borrowing in accordance with Section 2.03.

"Business Day" means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, when used in connection with a Eurocurrency Loan, the term "Business Day" shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market.

"Calculation Date" means the last Business Day of each calendar week.

"Capital Lease Obligations" of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

"Change in Control" means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof) other than an employee benefit plan or related trust of the Borrower or of the Borrower and any Subsidiaries, of shares representing more than 25% of the aggregate ordinary voting power represented by the issued and outstanding capital stock of the Borrower; or (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Borrower by Persons who were neither (i) nominated by the board of directors of the Borrower nor (ii) appointed by directors so nominated, in each case other than in connection with the Spin Off.

"Change in Law" means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or the Issuing Banks (or, for purposes of Section 2.15(b), by any lending office of such Lender or by such Lender's or the Issuing Banks' holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement.

"Class", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans, Competitive Loans or Swingline Loans.

"Code" means the Internal Revenue Code of 1986, as amended from time to time.

"Commitment" means, with respect to each Lender, the commitment of such Lender to make Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender's Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender's Commitment is set forth on Schedule 2.01, or in the Assignment and Acceptance pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders' Commitments is \$600,000,000.

"Committed Currency" means each of British Pounds Sterling, Deutsche Marks and Japanese Yen.

"Committed Currency Borrowing" means a Borrowing consisting of Committed Currency Loans.

"Committed Currency Exposure" means, at any time, the aggregate Dollar Equivalent of the principal amount of all outstanding Committed Currency Loans at such time. The Committed

Currency Exposure of any Lender at any time shall be its Applicable Percentage of the total Committed Currency Exposure at such time.

"Committed Currency Loans" means the Revolving Loans that are denominated in Committed Currencies. Each Committed Currency Loan shall be a Eurocurrency Loan.

"Competitive Bid" means an offer by a Lender to make a Competitive Loan in accordance with Section 2.04.

"Competitive Bid Rate" means, with respect to any Competitive Bid, the Margin or the Fixed Rate, as applicable, offered by the Lender making such Competitive Bid.

"Competitive Bid Request" means a request by the Borrower for Competitive Bids in accordance with Section 2.04.

"Competitive Loan" means a Loan made pursuant to Section 2.04.

"Consolidated Cash Interest Expense" means, for any period, the difference for such period between (a) the sum for the Borrower and the Subsidiaries of (i) interest expense and (ii) the portion of any payments or accruals with respect to Capital Lease Obligations allocable to interest expense and (iii) capitalized interest expense and (b) to the extent included in interest expense, the sum for the Borrower and the Subsidiaries of (i) pay-in-kind interest expense and (ii) the amortization of debt discounts, all as determined on a consolidated basis in accordance with GAAP.

"Consolidated EBITDA" means, for any period, the net income (loss) of the Borrower and the Subsidiaries for such period plus, to the extent deducted in computing such consolidated net income and without duplication, the sum of (a) income tax expense, (b) Consolidated Cash Interest Expense, (c) depreciation and amortization expense, and (d) extraordinary losses during such period, minus, to the extent added in computing such consolidated net income and without duplication, the sum of (i) income tax benefit and (ii) extraordinary gains during such period, all as determined on a consolidated basis in accordance with GAAP.

"Consolidated Funded Debt" means, as of the last day of any fiscal quarter, the sum for the Borrower and the Subsidiaries as of such day, of, without duplication, (a) the aggregate outstanding principal amount of the Loans, (b) the aggregate outstanding principal amount of Indebtedness for borrowed money and (c) the aggregate outstanding capitalized amount of Capital Lease Obligations, all as determined on a consolidated basis in accordance with GAAP.

"Consolidated Tangible Assets" means, as of the last day of any fiscal quarter, all tangible assets on the consolidated balance sheet of the Borrower and the Subsidiaries, as determined on a consolidated basis in accordance with GAAP.

"Consolidated Tangible Net Worth" means, as of the last day of any fiscal quarter, (a) total shareholders' equity of the Borrower and the Subsidiaries minus (b) the aggregate amount of all intangible assets on the consolidated balance sheet of the Borrower and the Subsidiaries, all as determined on a consolidated basis in accordance with GAAP.

"Control" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. "Controlling" and "Controlled" have meanings correlative thereto.

"Default" means any event or condition which constitutes an Event of Default or which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

"Defeased Obligations" means a portion of the medium term notes of the Borrower issued under the Indenture dated November 1, 1988, between the Borrower and State Street Bank and Trust Company, in an aggregate principal amount not in excess of \$70,000,000, in respect of which the Borrower shall have deposited cash and cash equivalents in a trust in an amount sufficient to defease in full all payment obligations in respect of such portion of such notes through the maturity of such notes in accordance with the terms of the defeasance requirements of such indenture.

"Disclosed Matters" means the actions, suits and proceedings and the environmental matters disclosed in Schedule 1.01.

"Distribution Date" means the date on which occurs the distribution of all the common stock of the Borrower to the shareowners of AT&T Corp. in the Spin Off.

"Documentation Agent" means Bank of America National Trust & Savings Association, in its capacity as documentation agent for the Lenders hereunder.

"Dollar Equivalent" means, on any date of determination, with respect to any amount in any Committed Currency, the equivalent in dollars of such amount, determined by the Administrative Agent using the Exchange Rate with respect to such Committed Currency then in effect as determined pursuant to Section 2.20(a).

"dollars" or "\$" refers to lawful money of the United States of America.

"Effective Date" means the later of December 15, 1996, and the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

"Environmental Laws" means all (a) laws, rules, regulations, codes and ordinances and (b) all orders, decrees, judgments, injunctions or binding agreements issued, promulgated or entered into by any Governmental Authority and by or affecting the Borrower, in each case relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

"Environmental Liability" means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Borrower or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that, together with the Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

"ERISA Event" means (a) any "reportable event", as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an "accumulated funding deficiency" (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by the Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by the Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by the Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by the Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from the Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

"Eurocurrency", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate (or, in the case of a Competitive Loan, the LIBO Rate).

"Event of Default" has the meaning assigned to such term in Article VII.

"Exchange Rate" means, with respect to any Committed Currency on any date, the rate at which such Committed Currency may be exchanged into dollars, as set forth on such date on the applicable Reuters currency page. In the event that such rate does not appear on the applicable Reuters currency page, the Exchange Rate with respect to such Committed Currency shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by the Administrative Agent and the Borrower or, in the absence of such agreement, such Exchange Rate shall instead be the Administrative Agent's spot rate of exchange in the London interbank market or other market where the Administrative Agent's foreign currency exchange operations in respect of such Committed Currency are then being conducted, at or about 10:00 a.m., local time, on such date for the purchase of dollars with such Committed Currency for delivery two Business Days later; provided, however, that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent may use any reasonable method it deems appropriate to determine such rate, and such determination shall be conclusive absent manifest error.

"Excluded Taxes" means, with respect to the Administrative Agent, any Lender, the Issuing Banks or any other recipient of any payment to be made by or on account of any obligation of the Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized

or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by the Borrower under Section 2.19(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender's failure to comply with Section 2.17(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding tax pursuant to Section 2.17(a).

"Federal Funds Effective Rate" means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"Financial Officer" means the chief financial officer, principal accounting officer, treasurer or controller of the Borrower.

"Fixed Rate" means, with respect to any Competitive Loan (other than a Eurocurrency Competitive Loan), the fixed rate of interest per annum specified by the Lender making such Competitive Loan in its related Competitive Bid.

"Fixed Rate Loan" means a Competitive Loan bearing interest at a Fixed Rate.

"Foreign Lender" means any Lender that is organized under the laws of a jurisdiction other than that in which the Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

"Form 10" means the Form 10 filed by the Borrower with the Securities & Exchange Commission on September 26, 1996, as amended on October 31, 1996.

"GAAP" means generally accepted accounting principles in the United States of America.

"Governmental Authority" means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

"Guarantee" of or by any Person (the "guarantor") means any obligation, contingent or otherwise, of the guarantor guaranteeing or having the economic effect of guaranteeing any Indebtedness or other obligation of any other Person (the "primary obligor") in any manner, whether directly or indirectly, and including any obligation of the guarantor, direct or indirect, (a) to purchase

or pay (or advance or supply funds for the purchase or payment of) such Indebtedness or other obligation or to purchase (or to advance or supply funds for the purchase of) any security for the payment thereof, (b) to purchase or lease property, securities or services for the purpose of assuring the owner of such Indebtedness or other obligation of the payment thereof, (c) to maintain working capital, equity capital or any other financial statement condition or liquidity of the primary obligor so as to enable the primary obligor to pay such Indebtedness or other obligation or (d) as an account party in respect of any letter of credit or letter of guaranty issued to support such Indebtedness or obligation; provided, that the term Guarantee shall not include endorsements for collection or deposit in the ordinary course of business.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes regulated pursuant to any Environmental Law.

"Hedging Agreement" means any interest rate protection agreement, foreign currency exchange agreement, commodity price protection agreement or other interest or currency exchange rate or commodity price hedging arrangement.

"Indebtedness" of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid (excluding deferred compensation obligations owed to current and former directors, officers and employees), (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guarantees by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty (x) supporting Indebtedness or (y) obtained for any purpose not in the ordinary course of business and (j) all obligations, contingent or otherwise, of such Person in respect of bankers' acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person's ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor. For purposes of this Agreement, neither the Defeased Obligations nor the obligations of the Borrower under the PBGC Documents shall be deemed to be Indebtedness.

"Indemnified Taxes" means Taxes other than Excluded Taxes.

"Index Debt" means senior, unsecured, long-term indebtedness for borrowed money of the Borrower that is not guaranteed by any other Person or subject to any other credit enhancement.

"Information Memorandum" means the Confidential Information Memorandum dated October 1996 relating to the Borrower distributed to prospective Lenders in connection with the syndication of the Commitments.

"Interest Election Request" means a request by the Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.08.

"Interest Payment Date" means (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each March, June, September and December, (b) with respect to any Eurocurrency Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurocurrency Borrowing with an Interest Period of more than three months' duration, each day prior to the last day of such Interest Period that occurs at intervals of three months' duration, after the first day of such Interest Period, (c) with respect to any Fixed Rate Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Fixed Rate Borrowing with an Interest Period of more than 90 days' duration (unless otherwise specified in the applicable Competitive Bid Request), each day prior to the last day of such Interest Period that occurs at intervals of 90 days' duration after the first day of such Interest Period, and any other dates that are specified in the applicable Competitive Bid Request as Interest Payment Dates with respect to such Borrowing and (d) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

"Interest Period" means (a) with respect to any Eurocurrency Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as the Borrower may elect and (b) with respect to any Fixed Rate Borrowing, the period (which shall not be less than 7 days or more than 360 days) commencing on the date of such Borrowing and ending on the date specified in the applicable Competitive Bid Request; provided, that (i) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless, in the case of a Eurocurrency Borrowing only, such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (ii) any Interest Period pertaining to a Eurocurrency Borrowing that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

"Issuing Banks" means each of The Chase Manhattan Bank and Bank of America National Trust & Savings Association, in its capacity as issuer of Letters of Credit hereunder, and their successors in such capacity as provided in Section 2.06(i). Each Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of such Issuing Bank, in which case the term "Issuing Banks" shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

"LC Disbursement" means a payment made by the Issuing Banks pursuant to a Letter of Credit.



"LC Exposure" means, at any time, the sum of (a) the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of the Borrower at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

"Lenders" means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Acceptance, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Acceptance. Unless the context otherwise requires, the term "Lenders" includes the Swingline Lender.

"Letter of Credit" means any letter of credit issued pursuant to this Agreement.

"Leverage Ratio" means, as of the last day of any fiscal quarter, the ratio as of such day of (a) Consolidated Funded Debt to (b) the sum of (i) Consolidated Funded Debt and (ii) Consolidated Tangible Net Worth.

"LIBO Rate" means, with respect to any Eurocurrency Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/100 of 1%) equal to the arithmetic average of the rates that appear on the Reuters Screen LIBO Page at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period, as the rate for deposits in dollars or in the applicable Committed Currency with a maturity comparable to such Interest Period. In the event that such rate is not available at such time for any reason, then the "LIBO Rate" with respect to such Eurocurrency Borrowing for such Interest Period shall be the rate at which deposits in dollars or in the applicable Committed Currency approximately equal in principal amount to such Eurocurrency Borrowing and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loans" means the loans made by the Lenders to the Borrower pursuant to this Agreement.

"Margin" means, with respect to any Competitive Loan bearing interest at a rate based on the LIBO Rate, the marginal rate of interest, if any, to be added to or subtracted from the LIBO Rate to determine the rate of interest applicable to such Loan, as specified by the Lender making such Loan in its related Competitive Bid.

"Material Adverse Effect" means a material adverse effect on (a) the business, assets, operations, prospects or condition, financial or otherwise, of the Borrower and the Subsidiaries taken as a whole, (b) the ability of the Borrower to perform any of its obligations under this Agreement or (c) the rights of or benefits available to the Lenders pursuant to this Agreement.

"Material Indebtedness" means Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Hedging Agreements, of any one or more of the Borrower and its Subsidiaries in an aggregate principal amount exceeding \$25,000,000. For purposes of determining Material Indebtedness, the "principal amount" of the obligations of the Borrower or any Subsidiary in respect of any Hedging Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Borrower or such Subsidiary would be required to pay if such Hedging Agreement were terminated at such time.

"Maturity Date" means the fifth anniversary of the date of this agreement.

"Moody's" means Moody's Investors Service, Inc.

"Multiemployer Plan" means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

"Other Taxes" means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

"PBGC" means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

"PBGC Agreement" means the agreement dated as of November [ ], 1996, between the Borrower and the PBGC, in substantially the form delivered to the Lenders under cover of a letter dated November 18, 1996, with no changes therefrom materially adverse to the Borrower or adverse to the Lenders.

"PBGC Documents" means the PBGC Agreement and each document constituting a "Security Document" thereunder which is limited in scope as contemplated by the PBGC Agreement and which does not grant the PBGC any material right or benefit not contemplated by the PBGC Agreement that is adverse to the Borrower or the Lenders.

"Permitted Encumbrances" means:

(a) Liens imposed by law for taxes that are not yet due or are being contested in compliance with Section 5.04;

(b) carriers', warehousemen's, mechanics', materialmen's, repairmen's and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 5.04;

(c) pledges and deposits made in the ordinary course of business in compliance with workers' compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business; and

(e) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Borrower or any Subsidiary;

provided that the term "Permitted Encumbrances" shall not include any Lien securing Indebtedness.

"Person" means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

"Plan" means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which the Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an "employer" as defined in Section 3(5) of ERISA.

"Prime Rate" means the rate of interest per annum publicly announced from time to time by The Chase Manhattan Bank as its prime rate in effect at its principal office in New York City; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

"Register" has the meaning set forth in Section 9.04.

"Related Parties" means, with respect to any specified Person, such Person's Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person's Affiliates.

"Required Lenders" means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing at least 51% of the sum of the Aggregate Revolving Credit Exposure and unused Commitments at such time; provided that, for purposes of declaring the Loans to be due and payable pursuant to Article VII, and for all purposes after the Loans become due and payable pursuant to Article VII or the Commitments expire or terminate, the outstanding Competitive Loans of the Lenders shall be included in their respective Revolving Credit Exposures in determining the Required Lenders.

"Reset Date" shall have the meaning assigned to such term in Section 2.20(a).

"Revolving Credit Exposure" means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender's Revolving Loans denominated in dollars, its Committed Currency Exposure and its LC Exposure and Swingline Exposure at such time.

"Revolving Loan" means a Loan made pursuant to Section 2.03.

"S&P" means Standard & Poor's (a Division of The McGraw-Hill Companies).

"Spin Off" means the distribution of all the outstanding common stock of the Borrower to shareowners of AT&T Corp. in the transactions described in the Form 10.

"Statutory Reserve Rate" means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject for eurocurrency funding (currently referred to as "Eurocurrency Liabilities" in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurocurrency Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

"subsidiary" means, with respect to any Person (the "parent") at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent's consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

"Subsidiary" means any subsidiary of the Borrower.

"Swingline Exposure" means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

"Swingline Lender" means The Chase Manhattan Bank, in its capacity as lender of Swingline Loans hereunder.

"Swingline Loan" means a Loan made pursuant to Section 2.05.

"Taxes" means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

"Total Commitment" means, at any time, the aggregate amount of Commitments in effect at such time.

"Transactions" means the execution, delivery and performance by the Borrower of this Agreement, the borrowing of Loans, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

"Type", when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate, the Alternate Base Rate or, in the case of a Competitive Loan or Borrowing, the LIBO Rate or a Fixed Rate.

"Unfriendly Acquisition" means any Acquisition that has not, at the time of the first public announcement of an offer relating thereto, been approved by the board of directors of the Person to be acquired. For purposes of this definition, "Acquisition" shall mean any transaction or series of related transactions for the purpose of or resulting, directly or indirectly, in (a) the acquisition of all or substantially all of the assets of a Person, or of any business or division of a Person, (b) the acquisition of in excess of 50% of the capital stock, partnership interests, membership interests or equity of any Person, or otherwise causing any Person to become a subsidiary, or (c) a merger or consolidation or any other combination with another Person (other than a Person that is a Subsidiary) in which the Borrower or a Subsidiary is the surviving entity.

"Withdrawal Liability" means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a "Revolving Loan") or by Type (e.g., a "Eurocurrency Loan") or by Class and Type (e.g., a "Eurocurrency Revolving Loan"). Borrowings also may be classified and referred to by Class (e.g., a "Revolving Borrowing") or by Type (e.g., a "Eurocurrency Borrowing") or by Class and Type (e.g., a "Eurocurrency Revolving Borrowing").

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words "asset" and "property" shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Borrower notifies the Administrative Agent that the Borrower requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Borrower that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith.

## ARTICLE II

## The Credits

SECTION 2.01. Commitments. Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrower from time to time during the Availability Period denominated in dollars or in any Committed Currency in an aggregate principal amount that (a) prior to the Distribution Date, will not result in the Aggregate Revolving Credit Exposure exceeding \$200,000,000 and (b) at any time, will not result in (i) such Lender's Revolving Credit Exposure exceeding such Lender's Commitment, (ii) the sum of Aggregate Revolving Credit Exposure plus the aggregate principal amount of outstanding Competitive Loans exceeding the Total Commitment or (iii) the Committed Currency Exposure exceeding \$300,000,000. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Revolving Loans.

SECTION 2.02. Loans and Borrowings. (a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. Each Competitive Loan shall be made in accordance with the procedures set forth in Section 2.04. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments and Competitive Bids of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.14, (i) each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurocurrency Loans as the Borrower may request in accordance herewith, and (ii) each Competitive Borrowing shall be comprised entirely of Eurocurrency Loans or Fixed Rate Loans as the Borrower may request in accordance herewith. Each Swingline Loan shall be an ABR Loan. Each Lender at its option may make any Eurocurrency Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of the Borrower to repay such Loan in accordance with the terms of this Agreement.

(c) At the commencement of each Interest Period for any Eurocurrency Revolving Borrowing, such Borrowing shall be in an aggregate principal amount that (i) if such Borrowing is denominated in dollars, is an integral multiple of \$1,000,000 and not less than \$5,000,000 or (ii) in the case of any Committed Currency Borrowing, in an aggregate principal amount the Dollar Equivalent of which is not less than \$5,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e). Each Competitive Borrowing shall be in an aggregate amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000. Each Swingline Loan shall be in an amount that is an integral multiple of \$500,000 and not less than \$1,000,000. Borrowings of more than one Type and Class may be outstanding at the same time.

(d) Notwithstanding any other provision of this Agreement, the Borrower shall not be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Requests for Revolving Borrowings. To request a Revolving Borrowing, the Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurocurrency Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing; provided that any such notice of an ABR Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e) may be given not later than 10:00 a.m., New York City time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

- (i) the aggregate amount of the requested Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;
- (iii) whether such Borrowing is to be an ABR Borrowing or a Eurocurrency Borrowing;
- (iv) in the case of a Eurocurrency Borrowing, the currency in which such Borrowing is to be denominated;
- (v) in the case of a Eurocurrency Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and
- (vi) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurocurrency Revolving Borrowing, then the Borrower shall be deemed to have selected an Interest Period of one month's duration. If no election as to currency is specified with respect to any Eurocurrency Revolving Borrowing, then the Borrower shall be deemed to have selected dollars. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. Competitive Bid Procedure. (a) Subject to the terms and conditions set forth herein, at any time and from time to time after the Distribution Date and prior to the end of the Availability Period the Borrower may request Competitive Bids for Competitive Loans denominated in dollars and may (but shall not have any obligation to) accept Competitive Bids and borrow Competitive Loans; provided that the sum of the Aggregate Revolving Credit Exposure plus the aggregate principal amount of outstanding Competitive Loans at any time shall not exceed the Total

Commitment. To request Competitive Bids, the Borrower shall notify the Administrative Agent of such request by telephone, in the case of a Eurocurrency Borrowing, not later than 11:00 a.m., New York City time, four Business Days before the date of the proposed Borrowing and, in the case of a Fixed Rate Borrowing, not later than 10:00 a.m., New York City time, one Business Day before the date of the proposed Borrowing; provided that the Borrower may submit up to (but not more than) two Competitive Bid Requests on the same day, but a Competitive Bid Request shall not be made within five Business Days after the date of any previous Competitive Bid Request, unless any and all such previous Competitive Bid Requests shall have been withdrawn or all Competitive Bids received in response thereto rejected. Each such telephonic Competitive Bid Request shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Competitive Bid Request in a form approved by the Administrative Agent and signed by the Borrower. Each such telephonic and written Competitive Bid Request shall specify the following information in compliance with Section 2.02:

- (i) the aggregate amount of the requested Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;
- (iii) whether such Borrowing is to be a Eurocurrency Borrowing or a Fixed Rate Borrowing;
- (iv) the Interest Period to be applicable to such Borrowing, which shall be a period contemplated by the definition of the term "Interest Period"; and
- (v) the location and number of the Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

The Borrower may at its election specify certain alternatives in respect of which the Lenders may submit alternative bids in the applicable Competitive Bid. Promptly following receipt of a Competitive Bid Request in accordance with this Section, the Administrative Agent shall notify the Lenders of the details thereof by telecopy, inviting the Lenders to submit Competitive Bids.

(b) Each Lender may (but shall not have any obligation to) make one or more Competitive Bids to the Borrower in response to a Competitive Bid Request. Each Competitive Bid by a Lender must be in a form approved by the Administrative Agent and must be received by the Administrative Agent by telecopy, in the case of a Eurocurrency Competitive Borrowing, not later than 9:30 a.m., New York City time, three Business Days before the proposed date of such Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 9:30 a.m., New York City time, on the proposed date of such Competitive Borrowing. Competitive Bids that do not conform substantially to the form approved by the Administrative Agent may be rejected by the Administrative Agent, and the Administrative Agent shall notify the applicable Lender as promptly as practicable. Each Competitive Bid shall specify (i) the principal amount (which shall be a minimum of \$5,000,000 and an integral multiple of \$1,000,000 and which may equal the entire principal amount of the Competitive Borrowing requested by the Borrower) of the Competitive Loan or Loans that the Lender is willing to make, (ii) the Competitive Bid Rate or Rates at which the Lender is prepared to make such Loan or Loans (expressed as a percentage rate per annum in the form of a decimal to no more than four decimal places) and (iii) the Interest Period applicable to each such Loan and the last day thereof. In the event the Borrower has requested that alternative bids be included in a Competitive Bid, such



Competitive Bid shall include the information set forth in clauses (i), (ii), (iii) and (iv) in respect of each alternative in respect of which the applicable Lender wishes to bid.

(c) The Administrative Agent shall promptly notify the Borrower by telecopy of the Competitive Bid Rate and the principal amount specified in each Competitive Bid and the identity of the Lender that shall have made such Competitive Bid or, in the event the Borrower has requested alternative bids, the respective Competitive Bid Rate in respect of each offered alternative and the identity of the Lender that shall have made such Competitive Bid.

(d) Subject only to the provisions of this paragraph, the Borrower may accept or reject any Competitive Bid. The Borrower shall notify the Administrative Agent by telephone, confirmed by telecopy in a form approved by the Administrative Agent, whether and to what extent it has decided to accept or reject each Competitive Bid, in the case of a Eurocurrency Competitive Borrowing, not later than 10:30 a.m., New York City time, three Business Days before the date of the proposed Competitive Borrowing, and in the case of a Fixed Rate Borrowing, not later than 10:30 a.m., New York City time, on the proposed date of the Competitive Borrowing; provided that (i) the failure of the Borrower to give such notice shall be deemed to be a rejection of each Competitive Bid, (ii) the Borrower shall not accept a Competitive Bid in respect of any alternative made at a particular Competitive Bid Rate if the Borrower rejects a Competitive Bid made in respect of such alternative at a lower Competitive Bid Rate, (iii) the aggregate amount of the Competitive Bids accepted by the Borrower shall not exceed the aggregate amount of the requested Competitive Borrowing specified in the related Competitive Bid Request, (iv) to the extent necessary to comply with clause (iii) above, the Borrower may accept Competitive Bids at the same Competitive Bid Rate in part, which acceptance, in the case of multiple Competitive Bids at such Competitive Bid Rate, shall be made pro rata in accordance with the amount of each such Competitive Bid, and (v) except pursuant to clause (iv) above, no Competitive Bid shall be accepted for a Competitive Loan unless such Competitive Loan is in a minimum principal amount of \$5,000,000 and an integral multiple of \$1,000,000; provided further that if a Competitive Loan must be in an amount less than \$5,000,000 because of the provisions of clause (iv) above, such Competitive Loan may be for a minimum of \$1,000,000 or any integral multiple thereof, and in calculating the pro rata allocation of acceptances of portions of multiple Competitive Bids at a particular Competitive Bid Rate pursuant to clause (iv) the amounts shall be rounded to integral multiples of \$1,000,000 in a manner determined by the Borrower. A notice given by the Borrower pursuant to this paragraph shall be irrevocable.

(e) The Administrative Agent shall promptly notify each bidding Lender by telecopy whether or not its Competitive Bid has been accepted (and, if so, the amount and Competitive Bid Rate so accepted), and each successful bidder will thereupon become bound, subject to the terms and conditions hereof, to make the Competitive Loan in respect of which its Competitive Bid has been accepted.

(f) If the Administrative Agent shall elect to submit a Competitive Bid in its capacity as a Lender, it shall submit such Competitive Bid directly to the Borrower at least one quarter of an hour earlier than the time by which the other Lenders are required to submit their Competitive Bids to the Administrative Agent pursuant to paragraph (b) of this Section.

SECTION 2.05. Swingline Loans. (a) Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans denominated in dollars to the Borrower from time to time during the Availability Period, in an aggregate principal amount at any time

outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding \$50,000,000 or (ii) the sum of the Aggregate Revolving Credit Exposure plus the aggregate principal amount of outstanding Competitive Loans exceeding the Total Commitment; provided that the Swingline Lender shall not be required to (but may at its option) make a Swingline Loan to refinance an outstanding Swingline Loan. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrower may borrow, prepay and reborrow Swingline Loans.

(b) To request a Swingline Loan, the Borrower shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 12:00 noon, New York City time, on the day of a proposed Swingline Loan. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Swingline Loan. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from the Borrower. The Swingline Lender shall make each Swingline Loan available to the Borrower by means of a credit to the general deposit account of the Borrower with the Swingline Lender (or, in the case of a Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e), by remittance to the applicable Issuing Bank) by 3:00 p.m., New York City time, on the requested date of such Swingline Loan.

(c) The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., New York City time, on any Business Day require the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrower (or other party on behalf of the Borrower) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve the Borrower of any default in the payment thereof.

SECTION 2.06. Letters of Credit. (a) General. Subject to the terms and conditions set forth herein, the Borrower may request the issuance of Letters of Credit denominated in dollars, for

its own account, in a form reasonably acceptable to the Administrative Agent and the Issuing Banks, at any time and from time to time during the Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the Borrower to, or entered into by the Borrower with, the Issuing Banks relating to any Letter of Credit, the terms and conditions of this Agreement shall control.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance by an Issuing Bank of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by such Issuing Bank) to such Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, the date of issuance, amendment, renewal or extension, the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by any Issuing Bank, the Borrower also shall submit a letter of credit application on such Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) prior to the Distribution Date, the Aggregate Revolving Credit Exposure shall not exceed \$200,000,000 and (ii) at any time, (a) the LC Exposure shall not exceed \$300,000,000 and (b) the sum of the Aggregate Revolving Credit Exposure plus the aggregate principal amount of outstanding Competitive Loans shall not exceed the Total Commitment.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (or, in the case of any renewal or extension thereof, one year after such renewal or extension) and (ii) the date that is five Business Days prior to the Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the applicable Issuing Bank or the Lenders, such Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from such Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of such Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by such Issuing Bank and not reimbursed by the Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire 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 any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of a Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If any Issuing Bank shall make any LC

Disbursement in respect of a Letter of Credit, the Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 12:00 noon, New York City time, on the date that such LC Disbursement is made, if the Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m., New York City time, on such date, or, if such notice has not been received by the Borrower prior to such time on such date, then not later than 12:00 noon, New York City time, on (i) the Business Day the Borrower receives such notice if such notice is received prior to 10:00 a.m., New York City time, on the day of receipt, or (ii) the Business Day immediately following the day that the Borrower receives such notice, if such notice is not received prior to such time on the day of receipt; provided that, if such LC Disbursement is not less than \$5,000,000 or \$1,000,000, respectively, the Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 or 2.05 that such payment be financed with an ABR Revolving Borrowing or Swingline Loan in an equivalent amount and, to the extent so financed, the Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing or Swingline Loan. If the Borrower fails to make such payment when due, the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the Borrower, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the applicable Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the applicable Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse such Issuing Bank, then to such Lenders and such Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse any Issuing Bank for any LC Disbursement (other than the funding of ABR Revolving Loans or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve the Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. The Borrower's obligation to reimburse

LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by any Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor any Issuing Bank, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of such Issuing Bank; provided that the foregoing

shall not be construed to excuse such Issuing Bank from liability to the Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by the Borrower to the extent permitted by applicable law) suffered by the Borrower that are caused by such Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or wilful misconduct on the part of an Issuing Bank, such Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, an Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. Each Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit and shall promptly notify the Administrative Agent and the Borrower by telephone (confirmed by telecopy) of such demand for payment and whether such Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the Borrower of its obligation to reimburse such Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If any Issuing Bank shall make any LC Disbursement, then, unless the Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans; provided that, if the Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.13(d) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the applicable Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse such Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of an Issuing Bank. Any Issuing Bank may be replaced at any time by written agreement among the Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of an Issuing Bank. At the time any such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of the replaced Issuing Bank under this Agreement with respect to Letters of Credit to be issued by such successor Issuing Bank thereafter and (ii) references herein to the term "Issuing Banks" shall be deemed to refer to such successor or to any previous Issuing Bank, or to such successor and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the Borrower receives notice from the Administrative Agent or the Required Lenders demanding the deposit of cash collateral pursuant to this paragraph, the Borrower shall deposit in an account with the Administrative Agent, in the name of the Administrative Agent and for the benefit of the Lenders, an amount in cash equal to the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such cash collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the Borrower described in clause (h) or (i) of Article VII. Such deposit shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the Borrower under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the Issuing Banks on a pro rata basis for LC Disbursements for which they have not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated, be applied to satisfy other obligations of the Borrower under this Agreement. If the Borrower is required to provide an amount of cash collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the Borrower within three Business Days after all Events of Default have been cured or waived.

SECTION 2.07. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, New York City time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders; provided that Swingline Loans shall be made as provided in Section 2.05. The Administrative Agent will make such Loans available to the Borrower by promptly crediting the amounts so received, in like funds, to an account of the Borrower maintained with the Administrative Agent in New York City and designated by the Borrower in the applicable Borrowing Request or Competitive Bid Request; provided that ABR Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e) shall be remitted by the Administrative Agent to the Issuing Banks. From time to time the Administrative Agent may as it deems necessary or appropriate specify alternative procedures for funding Committed Currency Borrowings.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the Federal Funds Effective Rate or (ii) in the case of the Borrower, the interest rate applicable to ABR Loans. If such

Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.08. Interest Elections. (a) Each Revolving Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurocurrency Revolving Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurocurrency Revolving Borrowing, may elect Interest Periods therefor, all as provided in this Section. The Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Competitive Borrowings or Swingline Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the Borrower were requesting a Revolving Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or telecopy to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

(i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);

(ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;

(iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurocurrency Borrowing; and

(iv) if the resulting Borrowing is a Eurocurrency Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period".

If any such Interest Election Request requests a Eurocurrency Borrowing but does not specify an Interest Period, then the Borrower shall be deemed to have selected an Interest Period of one month's duration in the case of a Eurocurrency Borrowing.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the Borrower fails to deliver a timely Interest Election Request with respect to a Eurocurrency Revolving Borrowing denominated in dollars prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. If the Borrower fails to deliver a timely Interest Election Request with respect to a Committed Currency Borrowing, then such Committed Currency Borrowing shall, at the end of the Interest Period applicable thereto, become due and payable. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the Borrower, then, so long as an Event of Default is continuing (i) no outstanding Revolving Borrowing may be converted to or continued as a Eurocurrency Borrowing and (ii) unless repaid, each Eurocurrency Revolving Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.09. Termination and Reduction of Commitments. (a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Borrower may on three Business Days' notice at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000, (ii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the sum of the Aggregate Revolving Credit Exposure plus the aggregate principal amount of outstanding Competitive Loans would exceed the Total Commitment and (iii) the Borrower shall not terminate or reduce the Commitments if, after giving effect to any concurrent payout of Loans in accordance with Section 2.11, the aggregate principal amount of outstanding Competitive Loans would exceed the Total Commitment.

(c) The Borrower shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrower pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrower may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrower (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

(d) The Commitments shall automatically and permanently terminate on the earliest to occur of (i) the date the Borrower or AT&T Corp. publicly announces the abandonment of the Spin Off, (ii) March 31, 1997, if the Distribution Date shall not have occurred on or prior thereto, and (iii) on the Distribution Date, if the conditions set forth in Section 4.02 are not satisfied (or waived in accordance with Section 9.02) on the Distribution Date.

SECTION 2.10. Repayment of Loans; Evidence of Debt. (a) The Borrower hereby unconditionally promises to pay (i) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan on the Maturity Date, (ii) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Competitive Loan on the last



day of the Interest Period applicable to such Loan and (iii) to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earlier of the Maturity Date and the first date after such Swingline Loan is made that is the 15th or last day of a calendar month and is at least four Business Days after such Swingline Loan is made; provided that on each date that a Revolving Borrowing or Competitive Borrowing is made, the Borrower shall repay all Swingline Loans then outstanding.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrower to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrower shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.11. Prepayment of Loans. (a) The Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section; provided that the Borrower shall not have the right to prepay any Competitive Loan without the prior consent of the Lender thereof.

(b) The Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by teletype) of any prepayment under paragraph (a) above or to comply with paragraph (c) below or with Section 2.20(b) (i) in the case of prepayment of a Eurocurrency Revolving Borrowing, not later than 11:00 a.m., New York City time, three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Revolving Borrowing, not later than 11:00 a.m., New York City time, one Business Day before the date of prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, New York City time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of

termination of the Commitments as contemplated by Section 2.09(c), then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09(c). Promptly following receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13.

(c) In the event of any termination of the Commitments, the Borrower shall on the date of such termination reduce the Aggregate Revolving Credit Exposure to zero and prepay all outstanding Competitive Loans.

SECTION 2.12. Fees. (a) The Borrower agrees to pay to the Administrative Agent for the account of each Lender a facility fee, which shall accrue at the Applicable Rate on the daily amount of the Commitment of such Lender (whether used or unused) during the period from and including the date of this Agreement to but excluding the date on which such Commitment terminates; provided that, if such Lender continues to have any Revolving Credit Exposure after its Commitment terminates, then such facility fee shall continue to accrue on the daily amount of such Lender's Revolving Credit Exposure from and including the date on which its Commitment terminates to but excluding the date on which such Lender ceases to have any Revolving Credit Exposure. Accrued facility fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof; provided that any facility fees accruing after the date on which the Commitments terminate shall be payable on demand. All facility fees shall be computed on the basis of a year of 365 days (or 366 days in a leap year) and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrower agrees to pay (i) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Rate as interest on Eurocurrency Revolving Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to each Issuing Bank a fronting fee, which shall accrue on the average daily amount of the LC Exposure in respect of Letters of Credit issued by such Issuing Bank (excluding any portion thereof attributable to unreimbursed LC Disbursements) at the rate separately agreed upon by the Borrower and the Issuing Banks during the period from and including the Effective Date to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any LC Exposure, as well as each Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the third Business Day following such last day, commencing on the first such date to occur after the Effective Date; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any other fees payable to the Issuing Banks pursuant to this paragraph shall be payable within 10 days after demand. All

participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Borrower agrees to pay to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Borrower and the Administrative Agent.

(d) All fees payable hereunder shall be paid on the dates due, in immediately available funds, to the Administrative Agent (or to each Issuing Bank, in the case of fees payable to it) for distribution, in the case of facility fees and participation fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.13. Interest. (a) The Loans comprising each ABR Borrowing (including each Swingline Loan) shall bear interest at the Alternate Base Rate.

(b) The Loans comprising each Eurocurrency Borrowing shall bear interest (i) in the case of a Eurocurrency Revolving Loan, at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate, or (ii) in the case of a Eurocurrency Competitive Loan, at the LIBO Rate for the Interest Period in effect for such Borrowing plus (or minus, as applicable) the Margin applicable to such Loan.

(c) Each Fixed Rate Loan shall bear interest at the Fixed Rate applicable to such Loan.

(d) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by the Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section or, if higher, in the case of any amount denominated in a Committed Currency, the cost to the Lenders, as reasonably determined by the Administrative Agent, of maintaining such outstanding amount in the applicable currency.

(e) Accrued interest on each Loan shall be payable in arrears on each Interest Payment Date for such Loan; provided that (i) interest accrued pursuant to paragraph (d) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Revolving Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment, (iii) in the event of any conversion of any Eurocurrency Revolving Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion and (iv) all accrued interest shall be payable upon termination of the Commitments.

(f) All interest hereunder shall be computed on the basis of a year of 360 days, except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first

day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.14. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurocurrency Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for Loans denominated in the currency of such Borrowing for such Interest Period;

(b) the Administrative Agent is advised by the Required Lenders (or, in the case of a Eurocurrency Competitive Loan, the Lender that is required to make such Loan) that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for Loans denominated in the currency of such Borrowing for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period; or

(c) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that deposits in the applicable currency in the principal amounts of the Loans comprising such Borrowing are not generally available in the London interbank market or any other market in which the Lenders shall be funding such Loans;

then the Administrative Agent shall give notice thereof to the Borrower and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurocurrency Borrowing in the affected currency shall be ineffective, (ii) if the affected currency is dollars and any Borrowing Request requests a Eurocurrency Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing, (iii) if any Borrowing Request requests a Committed Currency Borrowing denominated in the affected currency, such request shall be ineffective and (iv) if the affected currency is dollars, any request by the Borrower for a Eurocurrency Competitive Borrowing shall be ineffective; provided that (A) if the circumstances giving rise to such notice do not affect all the Lenders, then requests by the Borrower for Eurocurrency Competitive Borrowings may be made to Lenders that are not affected thereby and (B) if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

SECTION 2.15. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or any Issuing Bank; or

(ii) impose on any Lender or any Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurocurrency Loans or Fixed Rate Loans made by such Lender or any Letter of Credit or participation therein;

and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurocurrency Loan or Fixed Rate Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or such Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or such Issuing Bank hereunder (whether of principal, interest or otherwise), then the Borrower will pay to such Lender or such Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or any Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or such Issuing Bank's capital or on the capital of such Lender's or such Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by such Issuing Bank to a level below that which such Lender or such Issuing Bank or such Lender's or such Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or such Issuing Bank's policies and the policies of such Lender's or such Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrower will pay to such Lender or such Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Bank or such Lender's or such Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or an Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or such Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender or such Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or any Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or such Issuing Bank's right to demand such compensation; provided that the Borrower shall not be required to compensate a Lender or any Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 270 days prior to the date that such Lender or such Issuing Bank, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions and of such Lender's or such Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

(e) Notwithstanding the foregoing provisions of this Section, a Lender shall not be entitled to compensation pursuant to this Section in respect of any Competitive Loan if the Change in Law that would otherwise entitle it to such compensation shall have been publicly announced prior to submission of the Competitive Bid pursuant to which such Loan was made.

SECTION 2.16. Break Funding Payments. In the event of (a) the payment of any principal of any Eurocurrency Loan or Fixed Rate Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurocurrency Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Revolving Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.11(b) and is revoked in accordance therewith), (d) the failure to borrow any Competitive Loan after accepting the Competitive Bid to make such Loan, or (e) the assignment of any Eurocurrency Loan or Fixed Rate Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrower pursuant to Section 2.19, then, in any such event, the Borrower shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurocurrency Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate (in the case of a Eurocurrency Loan) that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for deposits in the applicable currency of a comparable amount and period from other banks in the eurocurrency market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrower and shall be conclusive absent manifest error. The Borrower shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.17. Taxes. (a) Any and all payments by or on account of any obligation of the Borrower hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if the Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or Issuing Bank (as the case may be) receive an amount equal to the sum they would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) The Borrower shall indemnify the Administrative Agent, each Lender and each Issuing Bank within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent, such Lender or such Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of the Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by a Lender or an Issuing Bank, or by

the Administrative Agent on its own behalf or on behalf of a Lender or an Issuing Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by the Borrower to a Governmental Authority, the Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) Any Foreign Lender that is entitled to an exemption from or reduction of withholding tax under the law of the jurisdiction in which the Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrower (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrower as will permit such payments to be made without withholding or at a reduced rate.

SECTION 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (a) Except as may be reasonably specified on reasonable notice by the Administrative Agent as it from time to time deems necessary or appropriate with respect to any Committed Currency, the Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) from a location in the United States prior to 12:00 noon, New York City time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at its offices at 270 Park Avenue, New York, New York, except payments to be made directly to the Issuing Banks or Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.15, 2.16, 2.17 and 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder shall be made in dollars or the applicable Committed Currency, as the case may be.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal or interest on any of its Revolving Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and participations in LC

Disbursements and Swingline Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans and participations in LC Disbursements and Swingline Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrower pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to the Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). The Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against the Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of the Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or the Issuing Banks hereunder that the Borrower will not make such payment, the Administrative Agent may assume that the Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the Issuing Banks as the case may be, the amount due. In such event, if the Borrower has not in fact made such payment, then each of the Lenders or the Issuing Banks, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the Federal Funds Effective Rate.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(c), 2.06(d) or (e), 2.07(b) or 2.18(d), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.19. Mitigation Obligations; Replacement of Lenders. (a) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrower hereby agrees to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.



(b) If any Lender requests compensation under Section 2.15, or if the Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, or if any Lender defaults in its obligation to fund Loans hereunder, then the Borrower may, at its sole expense and effort, upon notice to such Lender and the Administrative Agent, require such Lender to assign and delegate, without recourse (in accordance with and subject to the restrictions contained in Section 9.04), all its interests, rights and obligations under this Agreement (other than any outstanding Competitive Loans held by it) to an assignee that shall assume such obligations (which assignee may be another Lender, if a Lender accepts such assignment); provided that (i) the Borrower shall have received the prior written consent of the Administrative Agent (and, if a Commitment is being assigned, the Issuing Banks and Swingline Lender), which consent shall not unreasonably be withheld, (ii) such Lender shall have received payment of an amount equal to the outstanding principal of its Loans (other than Competitive Loans) and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the assignee (to the extent of such outstanding principal and accrued interest and fees) or the Borrower (in the case of all other amounts) and (iii) in the case of any such assignment resulting from a claim for compensation under Section 2.15 or payments required to be made pursuant to Section 2.17, such assignment will result in a reduction in such compensation or payments. A Lender shall not be required to make any such assignment and delegation if, prior thereto, as a result of a waiver by such Lender or otherwise, the circumstances entitling the Borrower to require such assignment and delegation cease to apply.

SECTION 2.20. Currency Equivalents; Currency Fluctuations. (a) Not later than 1:00 p.m., New York City time, on each Calculation Date, the Administrative Agent shall (i) determine the Exchange Rate as of such Calculation Date with respect to each Committed Currency and (ii) give notice thereof to the Borrower and the Lenders. The Exchange Rates so determined shall become effective on the first Business Day immediately following the relevant Calculation Date (each a "Reset Date"), shall remain effective until the next succeeding Reset Date and shall during the period of their effectiveness be employed in making any computation of currency equivalents required to be made under this Agreement (other than any computation required under Section 9.14). Not later than 5:00 p.m., New York City time, on each Reset Date, on the date of each Borrowing and on the date of each issuance of any Letter of Credit, the Administrative Agent shall (i) determine the Dollar Equivalents of each Committed Currency Loan then outstanding (after giving effect to any Committed Currency Loan made or repaid on such date) and (ii) notify the Borrower and the Lenders of the results of such determination.

(b) If on any Reset Date or on the date of any Borrowing (after giving effect to any Loans to be made or repaid on such date and to any increase or decrease in the LC Exposure to occur on such date) (i) the Committed Currency Exposure exceeds \$300,000,000 or (ii) the sum of the Aggregate Revolving Credit Exposure plus the aggregate principal amount of outstanding Competitive Loans exceeds the Total Commitment, then the Administrative Agent shall promptly notify the Borrower of such excess. Not later than four Business Days after receiving such notice the Borrower shall reduce the Committed Currency Exposure or the Aggregate Revolving Credit Exposure, as applicable, by an amount sufficient to eliminate such excess; prior to the elimination of (A) any such excess described in clause (i), no further Loans may be made denominated in any currency other than dollars and (B) any such excess described in clause (ii), no further Loans may be made and no new Letter of Credit may be issued.

## ARTICLE III

## Representations and Warranties

The Borrower represents and warrants to the Lenders that:

SECTION 3.01. Organization; Powers. Each of the Borrower and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.

SECTION 3.02. Authorization; Enforceability. The Transactions are within the Borrower's corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action. This Agreement has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03. Governmental Approvals; No Conflicts. The Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate in any material respect any applicable law or regulation or the charter, by-laws or other organizational documents of the Borrower or any of the Subsidiaries or any order of any Governmental Authority, other than any such violation by a Subsidiary that individually or taken together with all such violations by Subsidiaries could not reasonably be expected to result in a Material Adverse Effect, (c) will not violate in any material respect or result in a default under any indenture, agreement or other instrument binding upon the Borrower or any of the Subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made by the Borrower or any of the Subsidiaries, other than any such violation or default by a Subsidiary that individually or taken together with all such violations and defaults by Subsidiaries could not reasonably be expected to result in a Material Adverse Effect, and (d) will not result in the creation or imposition of any Lien on any asset of the Borrower or any of the Subsidiaries.

SECTION 3.04. Financial Condition; No Material Adverse Change. (a) The Borrower has heretofore furnished to the Lenders its consolidated balance sheet and related statements of operations, changes in shareholders' equity and cash flows (i) as of and for the fiscal year ended December 31, 1995, reported on by Coopers & Lybrand, L.L.P., independent public accountants, and (ii) as of and for the fiscal quarter and the portion of the fiscal year ended September 30, 1996, certified by its treasurer or chief financial officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Borrower and the consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) There has been no material adverse change with respect to the business, operations, performance, properties or condition (financial or otherwise) of the Borrower and its Subsidiaries, taken as a whole, since September 30, 1996.

SECTION 3.05. Properties. (a) Each of the Borrower and the Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

(b) Except for Disclosed Matters, each of the Borrower and the Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights and other intellectual property (other than patents) material to its business without written notice of conflict with the rights of any other Person, except for any such conflicts that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. Except for Disclosed Matters, neither the Borrower nor any Subsidiary is aware of any claim that its products or services infringe any third party patent, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.06. Litigation and Environmental Matters. (a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against, nor has the Borrower received written notice threatening any action, suit or proceeding against or affecting the Borrower or any of its Subsidiaries (i) which could be reasonably expected to have a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve this Agreement or the Transactions.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any of its Subsidiaries (i) has failed to comply with any Environmental Law or to obtain, maintain or comply with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

(c) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

SECTION 3.07. Compliance with Laws and Agreements. Each of the Borrower and the Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Default has occurred and is continuing.

SECTION 3.08. Investment and Holding Company Status. Neither the Borrower nor any of the Subsidiaries is (a) an "investment company" as defined in, or subject to regulation under, the Investment Company Act of 1940 or (b) a "holding company" as defined in, or subject to regulation under, the Public Utility Holding Company Act of 1935.

SECTION 3.09. Taxes. Each of the Borrower and its Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except Taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiary, as applicable, has set aside on its books adequate reserves.

SECTION 3.10. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of such Plan by more than 15%.

SECTION 3.11. Disclosure. The Borrower has disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. None of the reports, financial statements, certificates or other information, including the Information Memorandum, furnished by or on behalf of the Borrower to the Administrative Agent, the Documentation Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished), as of the date furnished or delivered by or on behalf of the Borrower, contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 3.12. Federal Reserve Regulations. (a) Neither the Borrower nor any Subsidiary is engaged principally, or as one of its important activities, in the business of extending credit for the purpose of purchasing or carrying Margin Stock.

(b) No Letter of Credit and no part of the proceeds of the Loans will be used, whether directly or indirectly, and whether immediately, incidentally or ultimately, (i) to purchase or carry Margin Stock or to extend credit to others for the purpose of purchasing or carrying Margin Stock or to refund Indebtedness originally incurred for such purpose, or (ii) for any purpose which entails a violation of, or which is inconsistent with, the provisions of the Regulations of the Board, including, without limitation, Regulations G, T, U or X thereof.

SECTION 3.13 Use of Proceeds and Letters of Credit. The Letters of Credit and the proceeds of the Loans will be used only for the general corporate purposes of the Borrower and the Subsidiaries, including acquisitions, subject to the limitations set forth in Section 6.05.

SECTION 3.14 Subsidiaries. As of the date hereof, the persons listed on Schedule 3.14 are the only Subsidiaries.

## ARTICLE IV

## Conditions

SECTION 4.01. Effective Date. The obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) The Administrative Agent (or its counsel) shall have received from each party hereto either (i) a counterpart of this Agreement signed on behalf of such party or (ii) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement.

(b) The Administrative Agent shall have received favorable written opinions (addressed to the Administrative Agent, the Documentation Agent, the Issuing Banks and the Lenders and dated the Effective Date) of Laura K. Nyquist, Law Vice President and Corporate Secretary of the Borrower, and Wachtell, Lipton, Rosen & Katz, special counsel to the Borrower, in each case substantially in the form set forth in Exhibit B, and covering such other matters relating to the Borrower, this Agreement or the Transactions as the Required Lenders shall reasonably request. The Borrower hereby requests such counsel to deliver such opinion.

(c) The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Borrower, the authorization of the Transactions and any other legal matters relating to the Borrower, this Agreement or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(d) The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of the Borrower, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.03.

(e) The Board of Directors of AT&T Corp. shall have declared the Spin Off.

(f) The Lenders shall be satisfied that (i) no material adverse change has occurred with respect to the business, operations, performance, properties or condition (financial or otherwise) of the Borrower and the Subsidiaries, taken as a whole, since September 30, 1996, and (ii) the Borrower and the Subsidiaries are not party to or subject to any litigation which would be likely to have a Material Adverse Effect.

(g) The Administrative Agent shall have received all fees and other amounts due and payable on or prior to the Effective Date, including, to the extent invoiced, reimbursement or payment of all out-of-pocket expenses required to be reimbursed or paid by the Borrower hereunder.

It is understood and agreed that each of the conditions referred to in clauses (a) through (d) and clause (g) shall be satisfied simultaneously with the delivery of this Agreement with respect to each of the

documents referred to in such clauses delivered on or prior to the delivery of this Agreement, and the only conditions under this Section 4.01 to the occurrence of the Effective Date shall be those set forth in paragraphs (e) and (f). The Administrative Agent shall notify the Borrower and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective unless each of the conditions set forth in paragraphs (e) and (f) above is satisfied (or waived pursuant to Section 9.02) at or prior to 3:00 p.m., New York City time, on March 31, 1997 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 4.02. Distribution Date. The obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall automatically and permanently cease to be effective on the Distribution Date unless each of the following conditions is satisfied (or waived in accordance with Section 9.02) on the Distribution Date.

(a) The Spin Off shall have been completed in all material respects on or prior to March 31, 1997.

(b) The Lenders shall have received a certificate, dated the Distribution Date and signed by a Financial Officer of the Borrower, confirming (i) that the capitalization of the Borrower on the Distribution Date is substantially the same as reflected in the "As Adjusted" column of the capitalization table taken from the Form 10 and set forth in Schedule 4.02 and that each of the transactions contemplated by the Notes to such capitalization table and by the paragraph captioned "Additional Transactions" taken from the Form 10 and contained in Schedule 4.02 shall have been effected on or prior to the Distribution Date and (ii) that total shareholders' equity of the Borrower and the Subsidiaries on the Distribution Date, determined on a consolidated basis in accordance with GAAP after giving effect to the Spin Off, is not less than \$1,200,000,000.

SECTION 4.03. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing (other than a Borrowing in which Revolving Loans are refinanced with Revolving Loans without any increase in the aggregate principal amount of Revolving Loans outstanding), and of each Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction of the following conditions:

(a) The representations and warranties of the Borrower set forth in this Agreement (other than, in the case of any Borrowing or issuance, amendment, renewal or extension of any Letter of Credit after the Distribution Date, those set forth in Sections 3.04(b) and 3.06) shall be true and correct on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Default shall have occurred and be continuing.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrower on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

## ARTICLE V

## Affirmative Covenants

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

SECTION 5.01. Financial Statements and Other Information. The Borrower will furnish to the Administrative Agent and each Lender:

(a) within 90 days after the end of each fiscal year of the Borrower, its audited consolidated balance sheet and related statements of operations, changes in shareholders' equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous fiscal year, all reported on by Coopers & Lybrand, L.L.P., or other independent public accountants of recognized national standing (without a "going concern" or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Borrower and the consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) within 45 days after the end of each of the first three fiscal quarters of each fiscal year of the Borrower, its consolidated balance sheet and related statements of operations, changes in shareholders' equity and cash flows as of the end of and for such fiscal quarter and the then elapsed portion of the fiscal year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous fiscal year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Borrower and the consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the Borrower (i) certifying as to whether a Default has occurred and, if a Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations (A) of the Leverage Ratio as of the last day of the fiscal period in respect of which such financial statements are being delivered, (B) of Consolidated EBITDA for the four fiscal quarter period ending as of such last day and (C) demonstrating compliance with Sections 6.08 and 6.09 and each provision of Article VI imposing a numerical limit, and (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate;

(d) concurrently with any delivery of consolidated financial statements under clause (a) above, a certificate of the accounting firm that reported on such financial statements stating whether they obtained knowledge during the course of their audit of such consolidated financial statements of any Default insofar as it relates to accounting matters (which certificate may be limited to the extent required by accounting rules or guidelines);

(e) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Borrower or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, or distributed by the Borrower to its shareholders generally, as the case may be;

(f) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of the Borrower or any Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request; and

(g) promptly upon becoming aware thereof, notice of the effectiveness of any rating of any Index Debt by S&P or Moody's and notice of the effectiveness of any change in any rating of any Index Debt by S&P or Moody's.

SECTION 5.02. Notices of Material Events. The Borrower will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Borrower or any Subsidiary thereof that could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower and its Subsidiaries in an aggregate amount exceeding \$25,000,000, or the occurrence of any default under, or any breach by the Borrower of any material provision of, the PBGC Agreement; and

(d) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Existence; Conduct of Business. The Borrower will, and will cause each of the Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.04.



SECTION 5.04. Payment of Obligations. The Borrower will, and will cause each of the Subsidiaries to, pay its obligations, including Tax liabilities, that, if not paid, could result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.05. Maintenance of Properties; Insurance. The Borrower will, and will cause each of the Subsidiaries to, (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, except to the extent the failure to do so could not reasonably be expected to result in a Material Adverse Effect, and (b) maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations (after giving effect to customary self insurance).

SECTION 5.06. Books and Records; Inspection Rights. The Borrower will, and will cause each of the Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities (including with respect to ERISA if applicable). The Borrower will, and will cause each of the Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

SECTION 5.07. Compliance with Laws. The Borrower will, and will cause each of the Subsidiaries to, comply in all material respects with all laws, rules, regulations and orders (including ERISA if applicable) of any Governmental Authority applicable to it or its property, except such as may be contested by the Borrower or the applicable Subsidiary in good faith or as to which a bona fide dispute may exist and except for noncompliance by any Subsidiary that individually or taken together with all noncompliance by Subsidiaries could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.08. Use of Proceeds and Letters of Credit. The Letters of Credit and the proceeds of the Loans will be used only for general corporate purposes of the Borrower and the Subsidiaries, subject to the limitations set forth in Section 6.05.

## ARTICLE VI

### Negative Covenants

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired

or terminated and all LC Disbursements shall have been reimbursed, the Borrower covenants and agrees with the Lenders that:

SECTION 6.01. Subsidiary Indebtedness. The Borrower will not permit any Subsidiary to, create, incur, assume or permit to exist any Indebtedness, except:

(a) Indebtedness existing on the date hereof and set forth in Schedule 6.01 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof;

(b) Indebtedness of any Subsidiary to the Borrower or any other Subsidiary;

(c) Guarantees by any Subsidiary of Indebtedness of the Borrower under this Agreement or Indebtedness of any other Subsidiary to the extent such Indebtedness is permitted under this Agreement;

(d) Indebtedness of any Subsidiary incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including Capital Lease Obligations and any Indebtedness assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof, and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof; provided that (i) such Indebtedness is incurred prior to or within 180 days after such acquisition or the completion of such construction or improvement and (ii) the aggregate principal amount of Indebtedness permitted by this clause (d) when aggregated (without duplication) with all Indebtedness incurred under clauses (e) and (g) below, with the aggregate amount of all claims and obligations secured by Liens permitted pursuant to clauses (d) and (g) of Section 6.02 and with the aggregate book value or sale price of the assets sold in sale and leaseback transactions permitted pursuant to Section 6.03 does not exceed 10% of Consolidated Tangible Assets as of the last day of the most recent fiscal period in respect of which financial statements shall have been delivered pursuant to Section 5.01;

(e) Indebtedness of any Person that becomes a Subsidiary after the date hereof; provided that (i) such Indebtedness exists at the time such Person becomes a Subsidiary and is not created in contemplation of or in connection with such Person becoming a Subsidiary and (ii) the aggregate principal amount of Indebtedness permitted by this clause (e) when aggregated (without duplication) with all Indebtedness incurred under clauses (d) above and (g) below, with the aggregate amount of all claims and obligations secured by Liens permitted pursuant to clauses (d) and (g) of Section 6.02 and with the aggregate book value or sale price of the assets sold in sale and leaseback transactions permitted pursuant to Section 6.03 does not exceed 10% of Consolidated Tangible Assets as of the last day of the most recent fiscal period in respect of which financial statements shall have been delivered pursuant to Section 5.01;

(f) Indebtedness of any Subsidiary as an account party in respect of trade letters of credit; and

(g) other unsecured Indebtedness of the Subsidiaries in an aggregate principal amount outstanding at any time that, when aggregated (without duplication) with all Indebtedness incurred under clauses (d) and (e) above, with the aggregate amount of all claims and

obligations secured by Liens permitted pursuant to clauses (d) and (g) of Section 6.02 and with the aggregate book value or sale price of the assets sold in sale and leaseback transactions permitted pursuant to Section 6.03 does not exceed 10% of Consolidated Tangible Assets as of the last day of the most recent fiscal period in respect of which financial statements shall have been delivered pursuant to Section 5.01.

SECTION 6.02. Liens. The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

(a) Permitted Encumbrances and Capital Leases permitted under Section 6.01(d);

(b) any Lien on any property or asset of the Borrower or any Subsidiary existing on the date hereof and set forth in Schedule 6.02; provided that (i) such Lien shall not apply to any other property or asset of the Borrower or any Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(c) any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any Subsidiary or existing on any property or asset of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (ii) such Lien shall not apply to any other property or assets of the Borrower or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(d) Liens on fixed or capital assets acquired, constructed or improved by the Borrower or any Subsidiary; provided that (i) such security interests secure Indebtedness permitted by clause (d) of Section 6.01, (ii) such security interests and the Indebtedness secured thereby are incurred prior to or within 180 days after such acquisition or the completion of such construction or improvement, (iii) the Indebtedness secured thereby does not exceed 100% of the cost of acquiring, constructing or improving such fixed or capital assets, (iv) such security interests shall not apply to any other property or assets of the Borrower or any Subsidiary and (v) the aggregate amount of such Indebtedness when aggregated (without duplication) with all Indebtedness incurred under clauses (d), (e) and (g) of Section 6.01, with the aggregate amount of all claims secured by Liens permitted pursuant to clause (g) below and with the aggregate book value or sale price of the assets sold in sale and leaseback transactions permitted pursuant to Section 6.03 does not exceed 10% of Consolidated Tangible Assets as of the last day of the most recent fiscal period in respect of which financial statements shall have been delivered pursuant to Section 5.01;

(e) Liens in favor of the PBGC created pursuant to and in accordance with the PBGC Documents on assets having an Aggregate Collateral Value (as defined in the PBGC Agreement) not in excess of \$84,000,000 at the time of the granting thereof and Liens in favor of the PBGC created as contemplated by Section 9.15;

(f) Liens in favor of the holders of the Defeased Obligations; and

(g) other Liens securing claims in an aggregate amount at any time outstanding that when aggregated (without duplication) with all Indebtedness incurred under clauses (d), (e) and (g) of Section 6.01, with the aggregate amount of all obligations secured by Liens permitted pursuant to clause (d) above and with the aggregate book value or sale price of the assets sold in sale and leaseback transactions permitted pursuant to Section 6.03 does not exceed 10% of Consolidated Tangible Assets as of the last day of the most recent fiscal period in respect of which financial statements shall have been delivered pursuant to Section 5.01, provided that the aggregate amount of accounts receivable of the Borrower and the Subsidiaries subject at any time to Liens pursuant to this clause (g) shall not at such time constitute more than 15% of the aggregate amount of all accounts receivable of the Borrower and the Subsidiaries at such time.

SECTION 6.03. Sale and Leaseback Transactions. The Borrower will not, and will not permit any Subsidiary to, enter into any arrangement (other than as contemplated by the definition of "Mortgages" in the PBGC Agreement), directly or indirectly, with any Person whereby it shall sell or transfer any property, real or personal, used or useful in its business, whether now owned or hereafter acquired, and thereafter rent or lease such property which it intends to use for substantially the same purpose or purposes as the property being sold or transferred; provided, however, that, notwithstanding the above, the Borrower or any Subsidiary may engage in any sale and leaseback transaction if, immediately after the consummation of such transaction, the aggregate book value or sale price of the assets sold in sale and leaseback transactions referred to in this Section 6.03, when aggregated (without duplication) with all Indebtedness incurred under clauses (d), (e) and (g) of Section 6.01 and with the aggregate amount of all claims and obligations secured by Liens permitted pursuant to clauses (d) and (g) of Section 6.02, does not exceed 10% of Consolidated Tangible Assets as of the last day of the most recent fiscal period in respect of which financial statements shall have been delivered pursuant to Section 5.01. In addition, and notwithstanding the above, the Borrower and any Subsidiary may lease back all or a portion of real property (and any related personal property or fixtures) sold by it, provided that such lease is for a term not in excess of six months and such sale is not entered into for financing purposes.

SECTION 6.04. Fundamental Changes. (a) The Borrower will not, and will not permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or any substantial portion of its assets, or all or substantially all of the stock of any of the Subsidiaries (in each case, whether now owned or hereafter acquired), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Default shall have occurred and be continuing (i) any Person may merge into the Borrower in a transaction in which the Borrower is the surviving corporation, (ii) any Person may merge into any Subsidiary in a transaction in which the surviving entity is a Subsidiary, (iii) any Subsidiary may sell, transfer, lease or otherwise dispose of its assets to the Borrower or to another Subsidiary, (iv) any Subsidiary may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders and any distribution or other transfer of assets in connection with such liquidation or dissolution is made to the Borrower or another Subsidiary in an amount consistent with such person's ownership percentage of the Subsidiary being dissolved or liquidated, (v) the Borrower and the Subsidiaries may sell, lease or otherwise dispose of property in any individual transaction not related to any other such transaction if the aggregate fair market value of the assets sold, leased or otherwise disposed of in such transaction is

less than \$2,000,000, and (vi) the Borrower and the Subsidiaries may sell, lease or otherwise dispose of property in any other transaction, provided that the aggregate fair market value of all assets sold, leased or otherwise disposed of in transactions under this clause (vi) shall not when taken together at the time of each such sale, lease or other disposition exceed 15% of Consolidated Tangible Assets as of the last day of the most recent fiscal period in respect of which financial statements shall have been delivered pursuant to Section 5.01 at such time.

(b) The Borrower will not, and will not permit any of the Subsidiaries to, engage to any material extent in any line of business material to the Borrower and the Subsidiaries, taken as a whole, other than businesses currently conducted by the Borrower and the Subsidiaries and businesses in the information technologies or computer industries and businesses reasonably related thereto.

SECTION 6.05. Margin Stock; Unfriendly Acquisitions. No Letter of Credit and no part of the proceeds of any Loan will be used, (a) whether directly or indirectly, and whether immediately, incidentally or ultimately, (i) to purchase or carry Margin Stock or to extend credit to others for the purpose of purchasing or carrying Margin Stock or to refund Indebtedness originally incurred for such purpose or (ii) for any purpose which entails a violation of, or which is inconsistent with, the provisions of the Regulations of the Board, including, without limitation, Regulations G, T, U or X thereof, or (b) directly or through any Subsidiary, to finance any Unfriendly Acquisition.

SECTION 6.06. Fiscal Year. The Borrower will not change its fiscal year end from December 31.

SECTION 6.07. Restrictive Agreements. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of the Borrower or any Subsidiary to create, incur or permit to exist any Lien upon any of its property or assets, or (b) the ability of any Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to the Borrower or any other Subsidiary or to Guarantee Indebtedness of the Borrower or any other Subsidiary; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by this Agreement, (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 6.07 (but shall apply to any amendment or modification expanding the scope of, any such restriction or condition), (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) clause (a) of the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness, (v) clause (a) of the foregoing shall not apply to customary provisions in leases and other contracts restricting the assignment thereof, (vi) clause (a) of the foregoing shall not apply to Section 7 of the PBGC Agreement, (vii) the foregoing shall not apply to such restrictions and conditions applicable to any Subsidiary acquired after the date hereof if such restrictions and conditions existed at the time such Subsidiary was acquired and were not created in anticipation of such acquisition and (viii) the foregoing shall not apply to one or more Subsidiaries having any such restriction or condition so long as any such Subsidiary individually shall not account for more than 5% of the gross revenues for the most recently ended fiscal year of the Borrower and the Subsidiaries, taken as a whole, and each such Subsidiary together with all other such Subsidiaries in the aggregate shall not

account for more than 10% of the gross revenues for the most recently ended fiscal year of the Borrower and the Subsidiaries, taken as a whole.

SECTION 6.08. Cash Interest Coverage Ratio. The Borrower will not permit the ratio of Consolidated EBITDA to Consolidated Cash Interest Expense as of the last day of any full fiscal quarter following the Distribution Date to be less than 5.00 to 1.00 for the four fiscal quarter period ending as of such day, provided that, for purposes of determining such ratio as of the last day of each of the first, the second and third full fiscal quarters following the Distribution Date, Consolidated Cash Interest Expense shall be determined solely with respect to full fiscal quarters following the Distribution Date and Consolidated Cash Interest Expense for such one fiscal quarter, two fiscal quarter and three fiscal quarter periods shall be multiplied by 4, 2 and 4/3, respectively.

SECTION 6.09. Consolidated Tangible Net Worth. The Borrower will not permit Consolidated Tangible Net Worth as of the last day of any fiscal quarter following the Distribution Date to be less than 75% of Consolidated Tangible Net Worth as of the Distribution Date after giving effect to the Spin Off.

## ARTICLE VII

### Events of Default

If any of the following events ("Events of Default") shall occur:

(a) the Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) the Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five days;

(c) any representation or warranty made or deemed made by or on behalf of the Borrower or any Subsidiary in or in connection with this Agreement or any amendment or modification hereof or waiver hereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any amendment or modification hereof or waiver hereunder, shall prove to have been materially incorrect when made or deemed made;

(d) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, 5.03 (with respect to the Borrower's existence) or 5.08 or in Article VI;

(e) the Borrower shall fail to observe or perform any covenant, condition or agreement contained in this Agreement (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after notice thereof

from the Administrative Agent to the Borrower (which notice will be given at the request of any Lender);

(f) the Borrower or any Subsidiary shall be in default with respect to any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness;

(g) any event or condition occurs that results in any Material Indebtedness becoming due or being declared due prior to its scheduled maturity; provided that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness if such sale or transfer is permitted under Section 6.04(a), and provided further that no Event of Default shall arise under this paragraph (g) with respect to any Hedging Agreement unless the amount accelerated is not paid on the date specified for such accelerated payment;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of the Borrower or any Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) the Borrower or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Borrower or any Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) the Borrower or any Subsidiary shall become unable, admit in writing or fail generally to pay its debts as they become due;

(k) (i) one or more judgments for the payment of money in an aggregate amount in excess of \$25,000,000 shall be rendered against the Borrower, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of the Borrower or any Subsidiary to enforce any such judgment or (ii) any non-monetary judgment, order or decree is entered against the Borrower or any Subsidiary which does or would reasonably be expected to have a Material Adverse Effect, and there shall be any period of 30 consecutive days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect;

(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect;

(m) a Change in Control shall occur; or

(n) an event of default shall occur under the PBGC Agreement;

then, and in every such event (other than an event with respect to the Borrower described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrower, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, and (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower; and in case of any event with respect to the Borrower described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrower accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrower.

#### ARTICLE VIII

##### Agents

Each of the Lenders and the Issuing Banks hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf and to exercise such powers as are delegated to the Administrative Agent by the terms hereof, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth herein. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether a Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated hereby that the Administrative Agent is required to exercise in writing by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth herein, the



Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to the Borrower or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or wilful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Default unless and until written notice thereof is given to the Administrative Agent by the Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with this Agreement, (ii) the contents of any certificate, report or other document delivered hereunder or in connection herewith, (iii) the performance or observance of any of the covenants, agreements or other terms or, except as provided in clause (v) below, conditions set forth herein, (iv) the validity, enforceability, effectiveness or genuineness of this Agreement or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere herein, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrower), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent and to the Documentation Agent and its Related Parties, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Banks and the Borrower. Upon any such resignation, the Required Lenders shall have the right, in consultation with and subject to the consent of the Borrower, to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Banks, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, and having a combined capital and surplus of at least \$100,000,000, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrower to a successor Administrative Agent shall

be the same as those payable to its predecessor unless otherwise agreed between the Borrower and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any related agreement or any document furnished hereunder or thereunder.

Notwithstanding anything herein to the contrary, the Documentation Agent shall not have any separate duties, responsibilities, obligations or authority as Documentation Agent hereunder. The bank serving as the Documentation Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Documentation Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with the Borrower or any Subsidiary or any Affiliate thereof as if it were not the Documentation Agent hereunder.

#### ARTICLE IX

##### Miscellaneous

SECTION 9.01. Notices. Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(a) if to the Borrower, to it at NCR Corporation, 1700 South Patterson Blvd., Dayton, OH 45479, Attention of Treasurer (Telecopy No. (513) 445-5557);

(b) if to the Administrative Agent, to The Chase Manhattan Bank, Loan and Agency Services Group, One Chase Manhattan Plaza, New York, New York 10005, Attention of Sandra Miklave (Telecopy No. (212) 552-5658), with a copy to The Chase Manhattan Bank, 270 Park Avenue, New York 10017, Attention of Debbie Wells (Telecopy No. (312) 807-4077; and

(c) if to the Documentation Agent, an Issuing Bank, the Swingline Lender or any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any

party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 9.02. Waivers; Amendments. (a) No failure or delay by the Administrative Agent, the Issuing Banks or any Lender in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Banks and the Lenders hereunder are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of this Agreement or consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Default, regardless of whether the Administrative Agent, any Lender or the Issuing Banks may have had notice or knowledge of such Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified, except pursuant to an agreement or agreements in writing entered into by the Borrower and the Required Lenders or by the Borrower and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce any fees payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, or (v) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, the Documentation Agent, the Issuing Banks or the Swingline Lender hereunder without the prior written consent of the Administrative Agent, the Documentation Agent, the Issuing Banks or the Swingline Lender, as the case may be.

SECTION 9.03. Expenses; Indemnity; Damage Waiver. (a) The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent, the Documentation Agent and their Affiliates, including the reasonable fees, charges and disbursements of counsel (including the allocated costs and expenses of in-house counsel), in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by any Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, the Documentation Agent, any Issuing Bank or any Lender, including the fees, charges and disbursements of any counsel (including, in the case of the Administrative Agent and

the Documentation Agent, allocated costs and expenses of in-house counsel) for the Administrative Agent, the Documentation Agent, any Issuing Bank or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Borrower shall indemnify the Administrative Agent, the Documentation Agent, each Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an "Indemnitee") against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee (including, in the case of the Administrative Agent and the Documentation Agent, allocated costs and expenses of in-house counsel), incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by any Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by the Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to the Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses resulted from the gross negligence or wilful misconduct of such Indemnitee.

(c) To the extent that the Borrower fails to pay any amount required to be paid by it to the Administrative Agent, the Documentation Agent, any Issuing Bank or the Swingline Lender under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, the Documentation Agent, such Issuing Bank or the Swingline Lender, as the case may be, such Lender's Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, the Documentation Agent, such Issuing Bank or the Swingline Lender in its capacity as such.

(d) To the extent permitted by applicable law, the Borrower shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 9.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of any Issuing Bank that issues any Letter of Credit), except that the Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by the Borrower without such consent shall be null and void). Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of any Issuing Bank that issues any Letter of Credit) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Documentation Agent, the Issuing Banks and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) Any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it); provided that (i) except in the case of an assignment to a Lender or an Affiliate of a Lender, each of the Borrower and the Administrative Agent (and, in the case of an assignment of all or a portion of a Commitment or any Lender's obligations in respect of its LC Exposure or Swingline Exposure, the Issuing Banks and the Swingline Lender) must give their prior written consent to such assignment (which consent shall not be unreasonably withheld), (ii) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment, the amount of the Commitment of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Acceptance with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$10,000,000 unless each of the Borrower and the Administrative Agent otherwise consent, (iii) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, except that this clause (iii) shall not apply to rights in respect of outstanding Competitive Loans, (iv) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Acceptance, together with a processing and recordation fee of \$3,500, and (v) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire; and provided further that any consent of the Borrower otherwise required under this paragraph shall not be required if an Event of Default under clause (h) or (i) of Article VII has occurred and is continuing. Subject to acceptance and recording thereof pursuant to paragraph (d) of this Section, from and after the effective date specified in each Assignment and Acceptance the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Acceptance, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Acceptance, be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this paragraph shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (e) of this Section.

(c) The Administrative Agent, acting for this purpose as an agent of the Borrower, shall maintain at one of its offices in The City of New York a copy of each Assignment and Acceptance delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and LC Disbursements owing to, each

Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrower, the Administrative Agent, the Issuing Banks and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrower, the Issuing Banks and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(d) Upon its receipt of a duly completed Assignment and Acceptance executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Acceptance and record the information contained therein in the Register. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(e) Any Lender may, without the consent of the Borrower, the Administrative Agent, the Issuing Banks or the Swingline Lender, sell participations to one or more banks or other entities (a "Participant") in all or a portion of such Lender's rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (i) such Lender's obligations under this Agreement shall remain unchanged, (ii) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (iii) the Borrower, the Administrative Agent, the Issuing Banks and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender's rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Subject to paragraph (f) of this Section, the Borrower agrees that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant, if notice of such Participant is given to the Borrower, also shall be entitled to the benefits of Section 9.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.18(c) as though it were a Lender.

(f) A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrower's prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrower is notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.17(e) as though it were a Lender.

(g) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including any pledge or assignment to secured obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a

security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by the Borrower herein and in the certificates or other instruments delivered in connection with or pursuant to this Agreement shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of this Agreement and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, the Issuing Banks or any Lender may have had notice or knowledge of any Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of this Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of the Borrower against any of and all the obligations of the Borrower now or hereafter existing under this Agreement held by such Lender, irrespective of whether or not such Lender shall have made any demand under this Agreement and although such obligations may be unmatured. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of New York.

(b) The Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of the Supreme Court of the State of New York sitting in New York County and of the United States District Court of the Southern District of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such New York State or, to the extent permitted by law, in such Federal court. Each of the parties hereto 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. Nothing in this Agreement shall affect any right that the Administrative Agent, the Documentation Agent, any Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against the Borrower or its properties in the courts of any jurisdiction.

(c) The Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Administrative Agent, the Document Agent, the Issuing Banks and the Lenders agrees to maintain the confidentiality of the Information (as



defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by applicable laws or regulations or by any subpoena or similar legal process (in which event, the party receiving such subpoena or legal process will, if permitted, as promptly as practicable give notice thereof to the Borrower and use reasonable efforts, at the expense of the Borrower, to cooperate with the Borrower in seeking a protective order), (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section and naming the Borrower as a third party beneficiary (in the absence of a provision naming the Borrower as a third party beneficiary, the applicable Lender hereby agrees to use its reasonable efforts, at the expense of the Borrower, upon the request of the Borrower to enforce such agreement), to any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement, (g) with the consent of the Borrower or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, the Document Agent, any Issuing Bank or any Lender on a nonconfidential basis from a source other than the Borrower not known by it to be bound by obligations of confidentiality. For the purposes of this Section, "Information" means all information received from the Borrower relating to the Borrower or its business, other than any such information that is available to the Administrative Agent, the Document Agent, any Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by the Borrower; provided that, in the case of information received from the Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the "Charges"), shall exceed the maximum lawful rate (the "Maximum Rate") which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.14. Judgment Currency. (a) If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum owing hereunder in one currency into another currency, each party hereto agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures in the relevant jurisdiction the first currency could be purchased with such other currency on the Business Day immediately preceding the day on which final judgment is given.

(b) The obligations of the Borrower in respect of any sum due to any party hereto or any holder of the obligations owing hereunder (the "Applicable Creditor") shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than the currency in which such sum is stated to be due hereunder (the "Agreement Currency"), be discharged only to the extent that, on the Business Day following receipt by the Applicable Creditor of any sum adjudged to be so due in the Judgment Currency, the Applicable Creditor may in accordance with normal banking procedures in the relevant jurisdiction purchase the Agreement Currency with the Judgment Currency; if the amount of the Agreement Currency so purchased is less than the sum originally due to the Applicable Creditor in the Agreement Currency, the Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Applicable Creditor against such loss. The obligations of the Borrower contained in this Section 9.14 shall survive the termination of this Agreement and the payment of all other amounts owing hereunder.

SECTION 9.15. PBGC Agreement. Each Lender acknowledges that (a) it has been provided or has access to a copy of the PBGC Agreement and (b) Section 7 of the PBGC Agreement contains provisions which, subject to and in accordance with the terms and conditions thereof, entitle the PBGC to obtain an equal and ratable security interest in any property in which the Lenders are granted a Lien.

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

NCR CORPORATION,

by -----

Name:  
Title:

THE CHASE MANHATTAN BANK, individually,  
as Administrative Agent and as Issuing Bank,

by -----

Name:  
Title:

BANK OF AMERICA NATIONAL TRUST &  
SAVINGS ASSOCIATION,  
individually, as Documentation Agent and as  
Issuing Bank,

by -----  
Name:  
Title:

[OTHER LENDERS],

by -----  
Name:  
Title:

A MESSAGE FROM THE CHAIRMAN  
SPECIAL REPORT TO OUR SHAREOWNERS

[AT&T LOGO]

We expect the spin-off of NCR, the final phase in one of the largest corporate restructurings in history, to be completed by year's end. In the following pages, we've tried to answer questions you may have about how that spin-off affects your investment in AT&T.

WE ARE ALSO SENDING YOU A COPY OF THE NCR INFORMATION STATEMENT WHICH CONTAINS DETAILED INFORMATION ABOUT NCR AND ITS BUSINESSES, INCLUDING FINANCIAL STATEMENTS AND OTHER FINANCIAL INFORMATION. ALL SHAREOWNERS SHOULD READ THIS INFORMATION STATEMENT CAREFULLY.

People throughout AT&T have worked long and hard to successfully meet the ambitious schedule of our restructuring. In little more than a year, they will have launched two independent global corporations--Lucent Technologies and NCR--and redefined AT&T to address a dynamic, growing communications marketplace. We believe this creates strong potential to increase shareowner value.

Obviously, this presents all of us with unprecedented challenges. But speaking for the new AT&T, the challenges also come with opportunities not seen in a century. In short, the business has been and will be tested as never before. With focus and determination we believe we can meet the challenges and achieve new rewards.

Sincerely,

/s/ Robert E. Allen  
Robert E. Allen  
November 1996

I N S I D E

NCR SPIN-OFF RELATED EVENTS  
ELECTRONIC REGISTRATION  
CONSEQUENCES OF THE SPIN-OFF  
WHAT'S AHEAD  
TAX MATTERS  
DIVIDEND IMPACT

WHAT THE NCR SPIN-OFF MEANS TO YOU

Without any action on your part, as an AT&T shareowner of at least 16 AT&T shares at the time of the spin-off, you'll own shares of NCR Corporation.

A Look at Spin-off Related Events

The spin-off of NCR Corporation as a separate entity is quickly approaching--marking the final milestone on the extremely ambitious schedule established when AT&T announced one of the largest corporate restructurings in history on September 20, 1995. This final milestone also marks the emergence of the "new" AT&T.

In September, shareowners received an informational brochure explaining the spin-off of Lucent Technologies and some initial information regarding the spin-off of NCR. With the NCR spin-off now at hand, we wanted to highlight the key activities.

Information is also available via our toll-free restructuring hotline: 1-800-756-8500, 24 hours a day, seven days a week, and through the AT&T World Wide Web site (<http://www.att.com>).

See inside for an overview of what you can expect to happen as a result of the NCR spin-off.

## WHAT THE NCR SPIN-OFF MEANS TO YOU

A Look at Spin-Off Related Events  
AUTOMATIC RECEIPT OF NCR SHARES

NCR shares are scheduled for distribution on Dec. 31, 1996, to AT&T shareowners of record as of Dec. 13, 1996, with no action required on the part of shareowners.

The spin-off ratio will be one share of NCR for every 16 shares of AT&T stock owned. If you own fewer than 16 AT&T shares you will automatically receive a cash payment instead of a fractional share of NCR.

If you own at least 16 shares of AT&T stock:

on or shortly after Dec. 31, 1996, you will receive an account statement from First Chicago Trust Company (the AT&T transfer agent) indicating your ownership of NCR in full and fractional shares.

if your holdings are through a broker or nominee, your account will be credited for the appropriate number of full and fractional NCR shares. Any questions should be referred to your broker.

Example: If you own 100 shares of AT&T common stock on Dec. 13, 1996, at the time of the spin-off you would receive an allotment of 6.25 shares of NCR common stock.

if you have not received your account statement by Jan. 10, 1997, please contact AT&T Shareowner Services at 1-800-348-8288.

If you own fewer than 16 shares of AT&T stock:

the fractional NCR shares will be aggregated and sold. The net proceeds, based on the average sales price, will be distributed to owners of fractional shares.

in mid-January 1997, you will receive a cash payment in lieu of your fractional share from First Chicago Trust Company (the AT&T transfer agent).

if your holdings are through a broker or nominee, your account will be credited with the cash payment in lieu of the appropriate fraction of an NCR share. Any questions should be referred to your broker.

if you have not received your check in lieu of your fractional share by Jan. 24, 1997, please contact AT&T Shareowner Services at 1-800-348-8288.

[graphic depicting distribution ratio]

Please note that your AT&T stock certificates will still be valid, and will continue to represent your investment in AT&T; they should be retained in a safe place, such as a safe deposit box.

## Electronic Registration of NCR Shares

Your NCR shares will be issued to you in electronic registration form. Electronic registration is quickly becoming the new standard in share ownership because it is less costly to the issuing company, more convenient for the shareowner and supports the U.S. Securities Industry's overall direction to a "book-entry" form of securities ownership.

Electronic registration (sometimes referred to as "direct book-entry" or "statement-based ownership") is direct stock ownership --- just like holding a physical certificate --- without the inconvenience and risk often associated with safeguarding physical certificates. You are still the direct owner of your shares and will receive all dividends and communications directly from NCR. This process works similar to the current AT&T Dividend Reinvestment Plan where shareowners are credited with ownership of shares but do not receive physical certificates.

Your account statement shows the number of full and fractional shares registered with NCR. This process of electronic registration reduces the risk of loss or theft.

If, for any reason, you would feel more comfortable with a physical certificate for any or all of your whole shares, you may request a stock certificate at any time after Dec. 31, 1996, from First National Bank of Boston (the NCR transfer agent).

## WHAT THE NCR SPIN-OFF MEANS TO YOU

Certain Consequences  
of the Spin-off

At the time of the spin-off, the value of your holdings in a single stock -- AT&T -- will be spread across two stocks -- AT&T and NCR.

When this occurs, the market price of AT&T shares may be reduced somewhat, reflecting the full separation of NCR from AT&T. The value of NCR will be reflected separately in your NCR shares.

## AT&amp;T Trading

On or about Dec. 11, through Dec. 31, 1996, AT&T will trade under two stock symbols -- which we expect to be at different prices -- on the New York Stock Exchange.

Trading under ticker symbol "T" are AT&T shares including the value of NCR, and the right to NCR shares at the time of the spin-off.

Trading under ticker symbol "T WD" (when distributed) are AT&T shares without the value of NCR or the right to NCR shares.

After the Dec. 31, 1996 spin-off, AT&T will again only trade under one symbol; this "T" will reflect the value of AT&T without NCR.

## NCR Trading

NCR stock is expected to trade from Dec. 11 through Dec. 31, 1996, under the ticker symbol "NCR WI" (NCR when issued).

After the Dec. 31, 1996 spin-off, NCR will trade under the ticker symbol "NCR." The timeline for the spin-off, including the stock trading information, is shown below.

Transactions During the Expected  
"When Issued" Trading Period:  
Dec. 11 - Dec. 31, 1996

If you are a registered shareowner:

all AT&T shares sold through First Chicago Trust Company (pursuant to dividend reinvestment, odd lot sales, or employee plans) will be sold at the "T WD" price.

If you own shares through a broker or nominee and:

you sell AT&T shares at the "T" price you also sell your right to NCR shares.

See Dividend Impact for more information.

you sell AT&T shares at the "T WD" price you retain your right to the distribution of NCR shares.

## What's Ahead

## Key Activities

Expected WI Trading to Begin	NCR Record Date*	Distribution of NCR to AT&T Shareowners Begins	NCR Account Statements Begin	[star]	[@]
12/11	12/13	12/31	1/10	1/24	
DECEMBER 1996			JANUARY 1997		

## "When Issued"

(WI)	"T WD"	
Trading Period	"NCR WI"	"NCR"

T = AT&T	NCR WI = NCR When Issued
T WD = AT&T When Distributed	NCR = NCR

\* AT&T shareowners of record on 12/13/96 are entitled to the NCR share distribution on 12/31/96.

[star] If you have not received your account statement by 1/10/97, please contact AT&T Shareowner Services: 1-800-348-8288.

@ If you have not received your check in lieu of your fractional share by 1/24/97, please contact AT&T Shareowner Services: 1-800-348-8288.

## Tax Matters

AT&T sought--and received--a ruling from the Internal Revenue Service stating, among other things, that the distribution of NCR stock to AT&T shareowners will be tax free to AT&T and its shareowners for federal income tax purposes in the United States.

Cash received instead of a fractional share of NCR stock, however, may be taxable. Information required for any income tax declaration will be forwarded to you around the time you receive your fractional share check.

Of course, as in any sale of stock, you must recognize any gain or loss you realize if you sell your shares in either AT&T or NCR. To determine your gain or loss from the sale of stock, you first need to calculate your original cost, known as the tax basis.

In January 1997, you will receive information that will help you calculate the adjusted tax basis for your shares of AT&T common stock, as well as the tax basis for your shares of NCR common stock.

Each shareowner should consult his or her tax adviser regarding the particular consequences of the distribution, including the application of state, local and foreign tax laws.

## Dividend Impact

AT&T intends to continue its \$.33 per share, quarterly cash dividend rate.

AT&T customarily declares its fourth quarter cash dividend to shareowners of record at a date at the end of December.

Shares purchased under the ticker symbol "T WD" will not settle until January, 1997. If you purchase shares under the symbol "T WD," you WILL NOT receive the AT&T fourth quarter cash dividend; instead the seller retains this dividend.

If you purchase "T" shares you would be entitled to such a dividend instead of the seller.

NCR does not currently intend to declare dividends.

As with any company, of course, the declaration and payment of future dividends are subject to the discretion of the respective boards of directors of AT&T and NCR, and will depend on various factors.

## SUMMARY

## WHAT'S DIFFERENT ABOUT THE NCR SPIN-OFF COMPARED TO THE RECENT LUCENT TECHNOLOGIES SPIN-OFF?

"ELECTRONIC REGISTRATION" Vs. "CERTIFICATED" DISTRIBUTION: AT&T will distribute NCR shares to you in electronic registration form. If you own at least 16 AT&T shares, you will receive an account statement in lieu of a stock certificate representing your ownership of full and fractional NCR shares. This form of distribution eliminates the risk of loss or theft of stock certificates. At any time after the Dec. 31, 1996 distribution, stock certificates for full shares of NCR may be requested from the NCR transfer agent--First National Bank of Boston.

SPIN-OFF RATIO: The ratio for the NCR spin-off will be one share of NCR for every 16 shares of AT&T.

DECLARATION OF DIVIDENDS: NCR Board of Directors does not intend to declare a dividend at present.

FRACTIONAL SHARE CHECKS: As a result of the Lucent spin-off, nearly all shareowners received fractional share checks. With NCR, Shareowners will receive checks for fractional shares only if they own fewer than 16 shares of AT&T.

TRANSFER AGENTS: First National Bank of Boston will act as the transfer agent for NCR. They will be your point of contact for matters regarding the administration of your NCR shares after the Dec. 31, 1996 distribution. Matters related to your AT&T shares should continue to be referred to First Chicago Trust Company. (See contact information below.)

## Contact Information

For questions regarding your AT&T stock or the NCR spin-off contact:

AT&T Shareowner Services: 1-800-348-8288, 9AM to 7PM-EST

Outside USA: 201-324-0293

TDD/TTY: 1-800-822-2794

Web Site: <http://www.att.com>

Internet: [fctc@attmail.com](mailto:fctc@attmail.com)

AT&T Mail: !fctc