

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(MARK ONE)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE
SECURITIES EXCHANGE ACT OF 1934 FOR THE
FISCAL YEAR ENDED DECEMBER 31, 1996

COMMISSION FILE NUMBER 001-00395

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 REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

| | |
|--|--|
| TITLE OF EACH CLASS COMMON STOCK, PAR VALUE \$.01 PER SHARE | NAME OF EACH EXCHANGE ON WHICH REGISTERED NEW YORK STOCK EXCHANGE |
|--|--|

SECURITIES TO BE REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT: NONE

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

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

The aggregate market value of voting stock held by non-affiliates of the registrant as of February 28, 1997 was approximately \$3.35 billion. At February 28, 1997, there were 101,535,473 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Parts I and II: Portions of the registrant's 1996 Annual Report to Shareholders.

Part III: Portions of the registrant's Proxy Statement dated March 3, 1997, issued in connection with the annual meeting of shareholders.

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See page 8 for "Executive Officers of the Registrant"

This Report contains trademarks, service marks and registered marks of the Company and its subsidiaries, and other companies, as indicated.

PART I

ITEM 1. BUSINESS.

GENERAL

NCR Corporation ("NCR" or the "Company") was originally incorporated in 1884. NCR was a publicly traded company on the New York Stock Exchange prior to its merger with a wholly owned subsidiary of AT&T Corp. ("AT&T") on September 19, 1991. Effective December 31, 1996, AT&T distributed to its shareholders 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 (the "Distribution"). The Distribution resulted in approximately 101.4 million shares of NCR common stock outstanding as of December 31, 1996. The NCR common stock is listed on the New York Stock Exchange and trades under the symbol "NCR".

NCR operates in one industry segment, the information technology industry, which includes designing, developing, and marketing information technology products, services, systems, and solutions worldwide. The Company is a global provider of commercial, open computing systems for high availability transaction processing and scalable data warehousing solutions to customers in a variety of industries. NCR also provides specific information technology solutions to customers in the retail, financial, and communications industries. NCR's systems and solutions are supported by its customer services and professional services offerings, and its systemmedia 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 automatic teller machines ("ATMs"); through data processing, with NCR's high availability transaction processing solutions; to data storage, manipulation, and usage, with NCR's Teradata(R) 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 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.

Revenue by similar classes of products or services is included on page 31 of NCR's 1996 Annual Report to Shareholders and is incorporated herein by reference.

Geographic information is included in Note 9 "Segment Information" in the Notes to Consolidated Financial Statements on page 46 of NCR's 1996 Annual Report to Shareholders and is incorporated herein by reference.

NCR addresses the information technology industry through the six business units described below. Each business unit works closely with the Company's three regional sales groups -- Americas, Europe/Middle East /Africa, and Asia/Pacific.

RETAIL SYSTEMS GROUP

Offerings

The Retail Systems Group (in conjunction with other NCR business units) designs, develops, and markets 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. 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. 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 personal computers ("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 application 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.

Target Markets and Distribution Channels

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.

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.

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 product 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.

FINANCIAL SYSTEMS GROUP

Offerings

The Financial Systems Group (in conjunction with other NCR business units) designs, develops, and markets 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 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.

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 Markets and Distribution Channels

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.

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.

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.

COMPUTER SYSTEMS GROUP

Offerings

The Computer Systems Group (in conjunction with other NCR business units) designs, develops, and markets 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, NCR designs, develops, and markets a line of open scalable computers, under the WorldMark(TM) 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(R), and UNIX(R). The WorldMark servers are the foundation of NCR's scalable data warehousing and high availability transaction processing solutions. NCR 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(R) software minimizes downtime by recognizing and recovering hardware component or application faults before a total system failure occurs. NCR Top End(R) middleware software reroutes transactions during a system failure, working in conjunction with LifeKeeper for additional system protection.

Target Markets and Distribution Channels

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.

NCR's computer 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.

Competition

NCR faces significant competition in the computer industry 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. 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.

CUSTOMER AND PROFESSIONAL SERVICES

Offerings

NCR's services organizations deliver a wide range of professional services and customer support services to customers in over 130 countries. The professional services business unit delivers technology services intended to help customers fully realize the benefits of their information technology solutions, including consulting, integration, and education services. The customer services business unit 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. The data services business focuses on providing a variety of data processing and outsourcing solutions, primarily to the financial industry.

NCR's services organizations play a key role in the Company's strategy and provide 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 NCR's 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 customer services -- to take this core technology and implement it within the individual customer situation.

Target Markets

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 services primary focus is delivering professional and support services worldwide in the retail, financial, and communications industries. Worldwide services organizations also support NCR's scalable data warehousing and high availability transaction processing activities in all industries.

Competition

NCR's services businesses face 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.

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 Markets and Distribution Channels

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

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.

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, the 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.

RESEARCH AND DEVELOPMENT

Research and development expenditures, excluding the effects of restructuring in 1996 and 1995, were \$390 million, \$482 million, and \$500 million for the years ended December 31, 1996, 1995 and 1994, respectively, or as a percent of sales, 5.6%, 5.9%, and 5.9%, 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. NCR 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 in new technologies and markets being made by competitors throughout the industries in which NCR competes.

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 the variability in the volume, timing and mix of product sales. 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.

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 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.

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 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 Technologies Inc. ("Lucent"), a former subsidiary of AT&T. 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 December 31, 1996, NCR had approximately 38,600 employees and contractors.

ENVIRONMENTAL MATTERS

Information regarding environmental matters is included in the material captioned "Environmental Matters" on page 50 of NCR's 1996 Annual Report to Shareholders and is incorporated herein by reference.

ITEM 2. PROPERTIES

At January 31, 1997, NCR operated 43 research and development and manufacturing facilities which occupy in excess of 5.1 million square feet throughout the world. Of such worldwide facilities, on a square footage basis, approximately 84% are owned and 16% are leased. At January 31, 1997, NCR also operated approximately 960 facilities, which include warehouse, repair, office, and other miscellaneous sites, occupying in excess of 14.2 million square feet throughout the world. Of these facilities, on a square footage basis, approximately 60% are owned and 40% are leased. NCR maintains facilities in 84 countries.

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

The six business units are headquartered in: Dayton, Ohio (Computer Systems Group, Customer Services, Professional Services and Systemedia Group); London, United Kingdom (Financial Systems Group); and Atlanta, Georgia (Retail Systems Group).

In addition, NCR has plans to sell or discontinue the lease of certain facilities. NCR believes its plants and facilities are suitable and adequate, and have sufficient productive capacity to meet its current needs.

ITEM 3. LEGAL PROCEEDINGS

The information required by this item is included in Note 12 "Contingencies" in the Notes to Consolidated Financial Statements on page 49 of NCR's 1996 Annual Report to Shareholders and is incorporated herein by reference.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT
(AS OF FEBRUARY 28, 1997)

| NAME | AGE | POSITION AND OFFICES HELD |
|---------------------|-----|---|
| Lars Nyberg | 46 | Chairman of the Board, Chief Executive Officer and President |
| Raymond G. Carlin | 41 | Senior Vice President, Americas Region |
| Robert R. Carpenter | 41 | Former Senior Vice President, Worldwide Customer Support Services* |
| Gary J. Cotshott | 46 | Senior Vice President, Worldwide Customer 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 |
| Jonathan S. Hoak | 47 | Senior Vice President and General Counsel |
| 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 A. Roberson | 48 | Senior Vice President and Chief Technical Officer |
| Jose Luis Solla | 49 | 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 |

* Effective December 31, 1996, Mr. Carpenter ceased to be an executive officer of NCR.

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 has served on NCR's Board of Directors since 1995.

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 served as Senior Vice President, Worldwide Customer Support Services for NCR from September 1996 until December 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.

GARY J. COTSHOTT. Mr. Cotshott became Senior Vice President, Worldwide Customer Services as of December 31, 1996. From October 1995 to 1996, he was Vice President, Support Services for NCR. From

1993 to 1995, Mr. Cotshott was Vice President, Professional Services, and from 1991 to 1992 he was Vice President of NCR's CIMEG (Commercial, Industrial, Medical, Education, and Government) systems division.

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 was a director of the Company from January 1994 until December 1996.

JONATHAN S. HOAK. Mr. Hoak became Senior Vice President and General Counsel in December 1993. He was a director of the Company from September 3, 1996 until December 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.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED MATTERS

Effective December 31, 1996, AT&T distributed to its shareholders 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. The Distribution resulted in approximately 101.4 million shares of NCR common stock outstanding as of December 31, 1996. NCR common stock is listed on the New York Stock Exchange and trades under the symbol "NCR". The approximate number of record holders of common stock as of December 31, 1996 was 2.5 million. Prior to the date of Distribution, NCR stock traded on a "when issued" basis from December 11, 1996 to December 31, 1996.

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.

ITEM 6. SELECTED FINANCIAL DATA

Selected financial data for the Company is included on page 30 of NCR's 1996 Annual Report to Shareholders and is incorporated herein by reference.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's discussion of NCR's financial condition and results of operations is included on pages 31-35 of NCR's 1996 Annual Report to Shareholders and is incorporated herein by reference.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The consolidated financial statements of NCR and the report of independent accountants are included on pages 36-52 of NCR's 1996 Annual Report to Shareholders and are incorporated herein by reference.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

NCR filed Form 8-K relating to changes in accountants with the Securities and Exchange Commission ("SEC") on February 26, 1997.

Effective February 21, 1997, upon the recommendation of the Audit and Finance Committee of the Board of Directors of NCR, the Board appointed Price Waterhouse L.L.P. as independent accountants for 1997. As of the date of filing of NCR's report on Form 10-K for the year ended December 31, 1996, Coopers & Lybrand L.L.P. will no longer serve as independent accountants of NCR.

The reports by Coopers & Lybrand L.L.P. on the consolidated financial statements of NCR for each of the two fiscal years in the period ended December 31, 1996 did not contain any adverse opinion or disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope, or accounting principles.

During NCR's two most recent fiscal years and through February 25, 1997, there have been no disagreements with the former independent accountants, Coopers & Lybrand L.L.P., on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure.

A copy of Coopers & Lybrand's letter, dated February 25, 1997, addressed to the SEC stating that it agrees with the above statements is filed as Exhibit 16 to the Form 8-K.

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item with respect to directors of NCR is included on pages 7-8 of NCR's Proxy Statement dated March 3, 1997 and is incorporated herein by reference.

Information regarding executive officers is furnished in a separate disclosure in Part I of this report because the Company did not furnish such information in its definitive proxy statement prepared in accordance with Schedule 14A.

ITEM 11. EXECUTIVE COMPENSATION

The information regarding the Company's compensation of its named executive officers is included in the material captioned "Executive Compensation" on pages 13-18 of NCR's Proxy Statement dated March 3, 1997 and is incorporated herein by reference. The information regarding the Company's compensation of its directors is included in the material captioned "Compensation of Directors" on pages 9-10 of NCR's Proxy Statement dated March 3, 1997 and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Information regarding security ownership of certain beneficial owners and management is included in the material captioned "Stock Ownership of Management and Directors" on page 10 of NCR's Proxy Statement dated March 3, 1997 and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Not applicable.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) Documents filed as part of the report:

(1) Financial Statements:

| | PAGES IN ANNUAL REPORT TO SHAREHOLDERS* |
|---|---|
| | ----- |
| Report of Management..... | 36 |
| Report of Independent Accountants..... | 36 |
| Consolidated Statements of Operations..... | 37 |
| Consolidated Balance Sheets..... | 38 |
| Consolidated Statements of Cash Flows..... | 39 |
| Consolidated Statements of Changes in Shareholders' Equity..... | 40 |
| Notes to Consolidated Financial Statements..... | 41-52 |

* Incorporated by reference from the indicated pages of NCR's 1996 Annual Report to Shareholders.

(2) Financial Statement Schedule:

| | |
|--|----|
| Report of Independent Accountants..... | 14 |
| Schedule: | |
| II -- Valuation and Qualifying Accounts..... | 15 |

(3) Exhibits:

Exhibits identified in parentheses below, on file with the SEC, are incorporated herein by reference as exhibits hereto.

(b) Reports on Form 8-K

No reports on Form 8-K were filed during the last quarter of 1996.

| EXHIBIT NO. | DESCRIPTION |
|----------------|--|
| | ----- |
| 2 | Distribution Agreement, dated as of November 20, 1996, as amended and restated as of December 18, 1996, by and between AT&T Corp. and NCR Corporation |
| 3.1 | Articles of Amendment and Restatement and Articles Supplementary of NCR Corporation |
| 3.2 | Bylaws of NCR Corporation |
| 4.1 | Common Stock Certificate of NCR Corporation |
| 4.2 | Preferred Share Purchase Rights Plan of NCR Corporation, dated as of December 31, 1996, by and between NCR Corporation and The First National Bank of Boston |
| 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 | Employee Benefits Agreement, dated as of November 20, 1996, by and between AT&T Corp. and NCR Corporation |
| 10.3 | 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) |

| EXHIBIT NO. | DESCRIPTION |
|----------------|--|
| 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 Services 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) and as amended by First Amendment to Interim Services and Systems Replication Agreement, dated September 1, 1996 |
| 10.8 | NCR Management Stock Plan |
| 10.9 | NCR WorldShares Plan |
| 10.10 | NCR Senior Executive Retirement, Death & Disability Plan (incorporated by reference to Exhibit 10.10 to the NCR Corporation Registration Statement on Form 10 (No. 001-00395), dated November 25, 1996 (the "NCR Corporation Registration Statement")) |
| 10.11 | The Retirement Plan for Officers of NCR (incorporated by reference to Exhibit 10.11 to the NCR Corporation Registration Statement) |
| 10.12 | Employment Agreements with Lars Nyberg (incorporated by reference to Exhibit 10.12 to the NCR Corporation Registration Statement) |
| 10.13 | Employment Agreement with John L. Giering (incorporated by reference to Exhibit 10.13 to the NCR Corporation Registration Statement) |
| 10.14 | Employment Agreement with Robert R. Carpenter (incorporated by reference to Exhibit 10.14 to the NCR Corporation Registration Statement) |
| 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 (incorporated by reference to Exhibit 10.15 to the NCR Corporation Registration Statement) |
| 10.16 | NCR Change-in-Control Severance Plan for Executive Officers |
| 10.17 | Change-in-Control Agreement by and between NCR and Lars Nyberg |
| 10.18 | NCR Director Compensation Program |
| 10.19 | NCR Long Term Incentive Program and NCR Management Incentive Program |
| 13 | Pages 29-52 of NCR's 1996 Annual Report to Shareholders |
| 21 | Subsidiaries of NCR Corporation |
| 23 | Consent of Independent Accountants |
| 27 | Financial Data Schedule |

NCR will furnish, without charge, to a security holder upon written request a copy of NCR's 1996 Annual Report to Shareholders and NCR's Proxy Statement, portions of which are incorporated herein by reference thereto. NCR will furnish any other exhibit at cost. Literature requests are available upon writing to:

NCR -- Investor Relations
1700 South Patterson Boulevard
Dayton, OH 45479

REPORT OF INDEPENDENT ACCOUNTANTS

Our report on the consolidated financial statements of NCR Corporation is included on page 36 of NCR's 1996 Annual Report to Shareholders. In connection with our audits of such financial statements, we have also audited the related financial statement schedule in Item 14 on page 12 of this Form 10-K.

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.

Coopers & Lybrand L.L.P.

Dayton, Ohio
January 21, 1997

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, 1996 | | | | | |
| Allowance for doubtful accounts... | \$ 68 | \$ -- | \$ -- | \$ 14 | \$ 54 |
| Deferred tax asset valuation allowance..... | 472 | 167 | -- | -- | 639 |
| Inventory valuation reserves..... | 330 | 23 | -- | 201 | 152 |
| Reserves related to business restructuring..... | 858 | -- | -- | 611 | 247 |
| 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 |

(a) Includes \$417 restructuring reserve in the third quarter of 1995.

SIGNATURES

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

NCR CORPORATION

Date: March 12, 1997

By: /s/ LARS NYBERG

Lars Nyberg, Chairman of the Board
and Chief Executive Officer

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

SIGNATURE

TITLE

| | |
|---|--|
| /s/ LARS NYBERG ----- Lars Nyberg | Chairman of the Board and Chief Executive Officer |
| /s/ JOHN L. GIERING ----- John L. Giering | Senior Vice President and Chief Financial Officer |
| /s/ DUANE L. BURNHAM ----- Duane L. Burnham | Director |
| /s/ DAVID R. HOLMES ----- David R. Holmes | Director |
| /s/ LINDA FAYNE LEVINSON ----- Linda Fayne Levinson | Director |
| /s/ RONALD A. MITSCH ----- Ronald A. Mitsch | Director |
| /s/ C.K. PRAHALAD ----- C.K. Prahalad | Director |
| /s/ JAMES O. ROBBINS ----- James O. Robbins | Director |
| /s/ WILLIAM S. STAVROPOULOS ----- William S. Stavropoulos | Director |

Date: March 12, 1997

EXHIBIT INDEX

| EXHIBIT NO. | DESCRIPTION |
|----------------|--|
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| 4.1 | Common Stock Certificate of NCR Corporation |
| 4.2 | Preferred Share Purchase Rights Plan of NCR Corporation, dated as of December 31, 1996, by and between NCR Corporation and The First National Bank of Boston |
| 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")) |
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| 10.7 | Interim Services 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) and as amended by First Amendment to Interim Services and Systems Replication Agreement, dated September 1, 1996 |
| 10.8 | NCR Management Stock Plan |
| 10.9 | NCR WorldShares Plan |
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| 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 (incorporated by reference to Exhibit 10.15 to the NCR Corporation Registration Statement) |
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| 10.17 | Change-in-Control Agreement by and between NCR and Lars Nyberg |
| 10.18 | NCR Director Compensation Program |
| 10.19 | NCR Long Term Incentive Program and NCR Management Incentive Program |
| 13 | Pages 29-52 of NCR's 1996 Annual Report to Shareholders |
| 21 | Subsidiaries of NCR Corporation |
| 23 | Consent of Independent Accountants |
| 27 | Financial Data Schedule |

DISTRIBUTION AGREEMENT

BY AND BETWEEN

AT&T CORP.

AND

NCR CORPORATION

DATED AS OF NOVEMBER 20, 1996,
AS AMENDED AND RESTATED AS OF DECEMBER 18, 1996

DISTRIBUTION AGREEMENT

THIS DISTRIBUTION AGREEMENT, dated as of November 20, 1996, as amended and restated as of December 18, 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 executing and delivering each of the NCR Ancillary 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. As promptly as practicable, 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 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 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 Indemnity Payment 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 as of the NCR Distribution Date under Ridge NCR Policies that are by their respective terms occurrence-based policies shall survive the NCR Distribution Date with respect to events occurring on or prior to the NCR Distribution Date in accordance with their respective terms as of such date. All other rights under any Ridge NCR Policies shall terminate as of the NCR Distribution Date and no member of the NCR Group or any NCR Indemnitee shall have any claim against AT&T, any member of the AT&T Services Group or any AT&T Indemnitee in respect thereof. NCR agrees to indemnify and hold each member of the AT&T Services Group and each AT&T Indemnitee harmless with respect to any such claims.

(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 Indemnitee or NCR Indemnitee 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 (except as expressly set forth in the NCR Employee Benefits Agreement, but only to the specific extent set forth therein) 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. Unless expressly stated to the contrary in this Agreement, all references to "the date hereof," "the date of this Agreement," "hereby" and "hereupon" and words of similar import shall all be references to November 20, 1996, regardless of any amendment or restatement hereof.

IN WITNESS WHEREOF, the parties have caused this Distribution Agreement to be executed by their duly authorized representatives.

AT&T CORP.

By: /s/ R.E. Allen

Name:
Title:

NCR CORPORATION

By: /s/ Jon S. Hoak

Name:
Title:

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, desires to amend and restate its charter as currently in effect, and 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 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 issued immediately after the change and reclassification, or \$359,280,000 in the aggregate.

Changing and reclassifying the 72,000,000 shares of Common Stock (par value \$.01 per share) of the Corporation which are issued as of the close of business on the effective date of this amendment into 101,437,174.688 shares of Common Stock (par value \$.01 per share) and by transferring from the account designated "Capital Surplus" to the account designated "Common Stock" \$294,371.74688, such change and reclassification to be made as a 1.408849648444-for-one split of the issued shares and not as a stock dividend, and in connection therewith there shall be issued 29,437,174.688 additional shares of Common Stock (par value \$.01 per share).

SECOND: The following provisions are all of the provisions of the Charter currently in effect and as hereinafter amended:

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.

THIRD: (i) As of immediately before the amendment the total number of shares of stock of all classes which the Corporation had authority to issue was 285,000,000 shares, par value \$5.00 per share, having an aggregate par value of \$1,425,000,000, of which 10,000,000 shares having an aggregate par value of \$50,000,000 are Cumulative Preferred Stock and 275,000,000 shares having an aggregate par value of \$1,375,000,000 are Common Stock.

(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: The amendment to and restatement of the Charter of the Corporation as hereinabove set forth have been declared advisable by the Board of Directors of the Corporation and approved by the sole stockholder of the Corporation as required by law.

FIFTH: 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 Article II of

the amended and restated Charter of the Corporation. There are three directors currently in office, whose names are as follows:

Lars Nyberg
John L. Giering
Jonathan S. Hoak

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 20th day of December, 1996.

NCR CORPORATION

By: /s/ Lars Nyberg

Name: Lars Nyberg
Title: President

ATTEST:

/s/ Laura K. Nyquist

Name: Laura K. Nyquist
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.

/s/ Lars Nyberg

Name: Lars Nyberg
Title: President

ARTICLES SUPPLEMENTARY

of

SERIES A JUNIOR PARTICIPATING PREFERRED STOCK

of

NCR CORPORATION

(Pursuant to Section 2-208 of the
Maryland General Corporation Law)

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 (hereinafter called the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland that the following resolution was adopted by the Board of Directors of the Corporation by unanimous written consent on December 20, 1996 and that these Articles do not increase the authorized capital stock of the Corporation:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Articles of Amendment and Restatement of the Charter of the Corporation, the Board of Directors hereby creates a series of Preferred Stock, par value \$.01 per share (the "Preferred Stock"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Series A Junior Participating Preferred Stock:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 1,500,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock, par value \$.01 per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the

period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which

is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Articles Supplementary creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either

as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. **Reacquired Shares.** Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Charter of the Corporation, or in any other Articles Supplementary creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 6. **Liquidation, Dissolution or Winding Up.** Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the

Series A Preferred Stock and all such parity stock in proportion to the total amounts to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Preferred Stock shall not be redeemable.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation's Preferred Stock.

Section 10. Amendment. The Charter of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

[Remainder of page intentionally left blank.]
[Signature page follows.]

IN WITNESS WHEREOF, NCR Corporation has caused these presents to be signed in its name and on its behalf by its Senior Vice President and witnessed by its Assistant Secretary this 26th day of December, 1996.

NCR CORPORATION

By: /s/ Jonathan S. Hoak

Jonathan S. Hoak
Senior Vice President

Witness:

/s/ Julie D. Gallagher

Name: Julie D. Gallagher
Title: Assistant Secretary

THE UNDERSIGNED, Senior Vice President of NCR Corporation, who executed on behalf of the Corporation Articles Supplementary of which this Certificate is made a part, hereby acknowledges in the name and on behalf of said Corporation the foregoing Articles Supplementary to be the corporate act of said Corporation and hereby certifies that the matters and facts set forth herein with respect to the authorization and approval thereof are true in all material respects under the penalties of perjury.

/s/ Jonathan S. Hoak

Jonathan S. Hoak
Senior Vice President

NCR CORPORATION

BYLAWS

AS AMENDED AND RESTATED ON DECEMBER 20, 1996

ARTICLE I.

STOCKHOLDERS

Section 1. The Corporation shall hold annually a regular meeting of its stockholders for the election of the 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 the Charter, 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. No business other than that stated in the notice of the special meetings shall be transacted at such special meeting.

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 the 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, except as required by law.

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 thirty calendar days before or more than sixty 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 complies with the notice procedures set forth in paragraph (a)(2) of this Bylaw and 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 (a) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (b) 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 Corporation by any existing or future stockholders 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 any 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 first meeting of the Board of Directors following the annual meeting of stockholders 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 first meeting of the Board of Directors following the annual meeting of stockholders 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 and Finance 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 first meeting of the Board of Directors following the annual meeting of stockholders 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 first meeting of the Board of Directors following the annual meeting of stockholders 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 Board of Directors may also appoint one or more Senior Vice Presidents and Vice Presidents, who need not be Directors, and such other officers and agents with such powers and duties as the Board of Directors may prescribe. The President shall appoint a Treasurer and a Secretary, neither of whom need be a Director, and may appoint a controller and one or more Assistant Vice Presidents, Assistant Controllers, Assistant Secretaries and Assistant Treasurers, none of whom need be a Director. All said officers shall hold office until the first meeting of the Board of Directors following the annual meeting of the stockholders next succeeding their respective elections, 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.

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 required of 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.

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 are required by him of 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. Shares of capital stock of the Corporation may be issued as share certificates or may be uncertificated. If issued as share certificates, such certificates 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 countersigned 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 (which may be in the form of a facsimile of 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 to 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 (a) 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 (as defined in the Charter) 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 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 (a) the Corporation denies such request, in whole or in part, or (b) 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 (a) 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 (b) 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 (a) 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, (b) shall continue in respect of all events occurring while a person was a Director, officer, employee or agent of the Corporation, and (c) 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.

NCR CORPORATION
A Maryland Corporation

COMMON STOCK
Par Value \$.01

This Certificate is Transferable
in Boston, MA and New York, NY

[PHOTO]

John H. Patterson-Founder

CUSIP 628862 10 4
See Reverse for Certain Definitions

FULLY PAID AND NON-ASSESSABLE SHARES OF THE COMMON STOCK OF

NCR Corporation, transferable on the books of the Corporation by the owner in person, or by duly authorized attorney, upon surrender of this certificate properly endorsed. This certificate and the shares represented hereby are subject to all the terms, conditions and limitations of the Charter of the Corporation and all amendments thereto and supplements thereof. This certificate is not valid until countersigned and registered by the Transfer Agent and Registrar.

Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

DATED:

COUNTERSIGNED AND REGISTERED:
THE FIRST NATIONAL BANK OF BOSTON
[BOSTON, MA]

TRANSFER AGENT AND REGISTRAR

BY /s/ Mary Penizic

AUTHORIZED SIGNATURE

/s/ Lars Nyberg

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

/s/ Laura Nyquist

SECRETARY

[seal: NCR CORPORATION, MARYLAND 1926]

NCR CORPORATION

THE CORPORATION WILL FURNISH TO ANY STOCKHOLDER ON REQUEST AND WITHOUT CHARGE A FULL STATEMENT OF THE DESIGNATIONS AND ANY PREFERENCES, CONVERSION AND OTHER RIGHTS, VOTING POWERS, RESTRICTIONS, LIMITATIONS AS TO DIVIDENDS, QUALIFICATIONS AND TERMS AND CONDITIONS OF REDEMPTION OF THE STOCK OF EACH CLASS WHICH THE CORPORATION IS AUTHORIZED TO ISSUE OR THE DIFFERENCES IN THE RELATIVE RIGHTS AND PREFERENCES BETWEEN THE SHARES OF EACH SERIES OF A PREFERRED OR SPECIAL CLASS OF STOCK WHICH THE CORPORATION IS AUTHORIZED TO ISSUE TO THE EXTENT THEY HAVE BEEN SET AND OF THE AUTHORITY OF THE BOARD OF DIRECTORS TO SET THE RELATIVE RIGHTS AND PREFERENCES OF SUBSEQUENT SERIES OF A PREFERRED OR SPECIAL CLASS OF STOCK. SUCH REQUEST MAY BE MADE TO THE SECRETARY OF THE CORPORATION OR TO ITS TRANSFER AGENT.

THE FOLLOWING ABBREVIATIONS, WHEN USED IN THE INSCRIPTION ON THE FACE OF THIS CERTIFICATE, SHALL BE CONSTRUED AS THOUGH THEY WERE WRITTEN OUT IN FULL ACCORDING TO APPLICABLE LAWS OR REGULATIONS:

TEN COM -- as tenants in common

TEN ENT -- as tenants by the entirety

IT TEN -- as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT -- Custodian (Cust) (Minor) under Uniform Gifts to Minors Act (State)

Additional abbreviations may also be used though not in the above list.

For value received, hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER IDENTIFICATION NUMBER OF ASSIGNEE

[Redacted area]

PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING POSTAL ZIP CODE OF ASSIGNEE

[Redacted area]

Shares

of the Common Stock represented by the within Certificate and do hereby irrevocably constitute and appoint

Attorney

to transfer the said stock on the books of the within-named Corporation with full power of substitution in the premises.

Dated:

NOTICE: The signature(s) to this assignment must correspond with the name as written upon the face of the Certificate, in every particular, without alteration or enlargement or any change whatever.

X [Redacted signature]

X [Redacted signature]

THE SIGNATURE(S) MUST BE GUARANTEED BY AN ELIGIBLE GUARANTOR INSTITUTION (BANKS, STOCKBROKERS, SAVINGS AND LOAN ASSOCIATIONS AND CREDIT UNIONS WITH MEMBERSHIP IN AN APPROVED SIGNATURE GUARANTEE MEDALLION PROGRAM) PURSUANT TO S.E.C. RULE 17 Ad.15.

This certificate also evidences and entitles the holder hereof to certain rights as set forth in a Rights Agreement between NCR Corporation and The First National Bank of Boston, dated as of December 31, 1996 (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of NCR Corporation. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be

evidenced by a separate certificate and will no longer be evidenced by this certificate. NCR Corporation will mail to the holder of this certificate a copy of the Rights Agreement without charge after receipt of a written request therefor. Under certain circumstances, as set forth in the Rights Agreement, Rights issued to any Person who becomes an Acquiring Person (as defined in the Rights Agreement) may become null and void.

NCR CORPORATION

and

THE FIRST NATIONAL BANK OF BOSTON

Rights Agent

Rights Agreement

Dated as of December 31, 1996

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Exhibit A - Form of Articles Supplementary

Exhibit B - Form of Right Certificate

Exhibit C - Summary of Rights to Purchase Preferred Shares

Agreement, dated as of December 31, 1996, between NCR Corporation, a Maryland corporation (the "Company"), and The First National Bank of Boston (the "Rights Agent").

The Board of Directors of the Company has authorized and declared a dividend of one preferred share purchase right (a "Right") for each Common Share (as hereinafter defined) of the Company outstanding on December 31, 1996 (immediately after the distribution of all of the outstanding Common Shares by AT&T Corp. to its shareowners) (the "Record Date"), each Right representing the right to purchase one one-hundredth of a Preferred Share (as hereinafter defined), upon the terms and subject to the conditions herein set forth, and has further authorized and directed the issuance of one Right with respect to each Common Share that shall become outstanding between the Record Date and the earliest of the Distribution Date, the Redemption Date and the Final Expiration Date (as such terms are hereinafter defined).

Accordingly, in consideration of the premises and the mutual agreements herein set forth, the parties hereby agree as follows:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Acquiring Person" shall mean any Person (as such term is hereinafter defined) who or which, together with all Affiliates and Associates (as such terms are hereinafter defined) of such Person, shall be the Beneficial Owner (as such term is hereinafter defined) of 15% or more of the Common Shares of the Company then outstanding, but shall not include the Company, any Subsidiary (as such term is hereinafter defined) of the Company, any employee benefit plan of the Company or any Subsidiary of the Company, or any entity holding Common Shares for or pursuant to the terms of

any such plan. Notwithstanding the foregoing, no Person shall become an "Acquiring Person" as the result of an acquisition of Common Shares by the Company which, by reducing the number of shares outstanding, increases the proportionate number of shares beneficially owned by such Person to 15% or more of the Common Shares of the Company then outstanding; provided, however, that if a Person shall become the Beneficial Owner of 15% or more of the Common Shares of the Company then outstanding by reason of share purchases by the Company and shall, after such share purchases by the Company, become the Beneficial Owner of any additional Common Shares of the Company, then such Person shall be deemed to be an "Acquiring Person". Notwithstanding the foregoing, if the Board of Directors of the Company determines in good faith that a Person who would otherwise be an "Acquiring Person", as defined pursuant to the foregoing provisions of this paragraph (a), has become such inadvertently, and such Person divests as promptly as practicable a sufficient number of Common Shares so that such Person would no longer be an "Acquiring Person," as defined pursuant to the foregoing provisions of this paragraph (a), then such Person shall not be deemed to be an "Acquiring Person" for any purposes of this Agreement unless such Person shall thereafter become the beneficial owner of any additional Common Shares.

(b) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on the date of this Agreement.

(c) A Person shall be deemed the "Beneficial Owner" of and shall be deemed to "beneficially own" any securities:

(i) which such Person or any of such Person's Affiliates or Associates beneficially owns, directly or indirectly;

(ii) which such Person or any of such Person's Affiliates or Associates has (A) the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities), or upon the exercise of conversion rights, exchange rights, rights (other than these Rights), warrants or options, or otherwise; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, securities tendered pursuant to a tender or exchange offer made by or on behalf of such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange; or (B) the right to vote pursuant to any agreement, arrangement or understanding; provided, however, that a Person shall not be deemed the Beneficial Owner of, or to beneficially own, any security if the agreement, arrangement or understanding to vote such security (1) arises solely from a revocable proxy or consent given to such Person in response to a public proxy or consent solicitation made pursuant to, and in accordance with, the applicable rules and regulations promulgated under the Exchange Act and (2) is not also then reportable on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) which are beneficially owned, directly or indirectly, by any other Person with which such Person or any of such Person's Affiliates or Associates has any agreement, arrangement or understanding (other than customary agreements with and between underwriters and selling group members with respect to a bona fide public offering of securities) for the purpose of acquiring, holding,

voting (except to the extent contemplated by the proviso to Section 1(c)(ii)(B)) or disposing of any securities of the Company.

Notwithstanding anything in this definition of Beneficial Ownership to the contrary, the phrase "then outstanding," when used with reference to a Person's Beneficial Ownership of securities of the Company, shall mean the number of such securities then issued and outstanding together with the number of such securities not then actually issued and outstanding which such Person would be deemed to own beneficially hereunder.

(d) "Business Day" shall mean any day other than a Saturday, a Sunday, or a day on which banking institutions in New York are authorized or obligated by law or executive order to close.

(e) "Close of business" on any given date shall mean 5:00 P.M., New York City time, on such date; provided, however, that if such date is not a Business Day it shall mean 5:00 P.M., New York City time, on the next succeeding Business Day.

(f) "Common Shares" when used with reference to the Company shall mean the shares of common stock, par value \$.01 per share, of the Company. "Common Shares" when used with reference to any Person other than the Company shall mean the capital stock (or equity interest) with the greatest voting power of such other Person or, if such other Person is a Subsidiary of another Person, the Person or Persons which ultimately control such first-mentioned Person.

(g) "Distribution Date" shall have the meaning set forth in Section 3 hereof.

(h) "Final Expiration Date" shall have the meaning set forth in Section 7 hereof.

(i) "Person" shall mean any individual, firm, corporation or other entity, and shall include any successor (by merger or otherwise) of such entity.

(j) "Preferred Shares" shall mean shares of Series A Junior Participating Preferred Stock, par value \$.01 per share, of the Company having the rights and preferences set forth in the Form of Articles Supplementary attached to this Agreement as Exhibit A.

(k) "Redemption Date" shall have the meaning set forth in Section 7 hereof.

(l) "Shares Acquisition Date" shall mean the first date of public announcement by the Company or an Acquiring Person that an Acquiring Person has become such.

(m) "Subsidiary" of any Person shall mean any corporation or other entity of which a majority of the voting power of the voting equity securities or equity interest is owned, directly or indirectly, by such Person.

Section 2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as agent for the Company and the holders of the Rights (who, in accordance with Section 3 hereof, shall prior to the Distribution Date also be the holders of the Common Shares) in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such co-Rights Agents as it may deem necessary or desirable upon ten (10) days'

prior written notice to the Rights Agent. The Rights Agent shall have no duty to supervise, and shall in no event be liable for, the acts or omissions of any such co-Rights Agent.

Section 3. Issue of Right Certificates. (a) Until the earlier of (i) the tenth day after the Shares Acquisition Date or (ii) the tenth business day (or such later date as may be determined by action of the Board of Directors prior to such time as any Person becomes an Acquiring Person) after the date of the commencement by any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan) of, or of the first public announcement of the intention of any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or of any Subsidiary of the Company or any entity holding Common Shares for or pursuant to the terms of any such plan) to commence, a tender or exchange offer the consummation of which would result in any Person becoming the Beneficial Owner of Common Shares aggregating 15% or more of the then outstanding Common Shares (including any such date which is after the date of this Agreement and prior to the issuance of the Rights; the earlier of such dates being herein referred to as the "Distribution Date"), (x) the Rights will be evidenced (subject to the provisions of Section 3(b) hereof) by the certificates for Common Shares registered in the names of the holders thereof (which certificates shall also be deemed to be Right Certificates) and not by separate Right Certificates, and (y) the right to receive Right Certificates will be transferable only in connection with the transfer of Common Shares. As soon as practicable after the Distribution Date, the Company will prepare and execute, the Rights Agent will countersign, and the Company will send or cause to be sent (and the Rights Agent will, if requested, send) by mail, to each record holder of Common Shares as of the close of business on the Distribution Date, at the address of

such holder shown on the records of the Company, a Right Certificate, in substantially the form of Exhibit B hereto (a "Right Certificate"), evidencing one Right for each Common Share so held. As of the Distribution Date, the Rights will be evidenced solely by such Right Certificates.

(b) On the Record Date, or as soon as practicable thereafter, the Company will send a copy of a Summary of Rights to Purchase Preferred Shares, in substantially the form of Exhibit C hereto (the "Summary of Rights") to each record holder of Common Shares as of the close of business on the Record Date, at the address of such holder shown on the records of the Company. With respect to certificates for Common Shares outstanding as of the Record Date, until the Distribution Date, the Rights will be evidenced by such certificates registered in the names of the holders thereof together with a copy of the Summary of Rights attached thereto. Until the Distribution Date (or the earlier of the Redemption Date or the Final Expiration Date), the surrender for transfer of any certificate for Common Shares outstanding on the Record Date, with or without a copy of the Summary of Rights attached thereto, shall also constitute the transfer of the Rights associated with the Common Shares represented thereby.

(c) Certificates for Common Shares which become outstanding (including, without limitation, reacquired Common Shares referred to in the last sentence of this paragraph (c)) after the Record Date but prior to the earliest of the Distribution Date, the Redemption Date or the Final Expiration Date shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

This certificate also evidences and entitles the holder hereof to certain rights as set forth in a Rights Agreement between NCR Corporation and The First National Bank of Boston, dated as of December 31, 1996 (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of NCR Corporation. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be

evidenced by a separate certificate and will no longer be evidenced by this certificate. NCR Corporation will mail to the holder of this certificate a copy of the Rights Agreement without charge after receipt of a written request therefor. Under certain circumstances, as set forth in the Rights Agreement, Rights issued to any Person who becomes an Acquiring Person (as defined in the Rights Agreement) may become null and void.

With respect to such certificates containing the foregoing legend, until the Distribution Date, the Rights associated with the Common Shares represented by such certificates shall be evidenced by such certificates alone, and the surrender for transfer of any such certificate shall also constitute the transfer of the Rights associated with the Common Shares represented thereby. In the event that the Company purchases or acquires any Common Shares after the Record Date but prior to the Distribution Date, any Rights associated with such Common Shares shall be deemed cancelled and retired so that the Company shall not be entitled to exercise any Rights associated with the Common Shares which are no longer outstanding.

Section 4. Form of Right Certificates. The Right Certificates (and the forms of election to purchase Preferred Shares and of assignment to be printed on the reverse thereof) shall be substantially the same as Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage. Subject to the provisions of Section 22 hereof, the Right Certificates shall entitle the holders thereof to purchase such number of one

one-hundredths of a Preferred Share as shall be set forth therein at the price per one one-hundredth of a Preferred Share set forth therein (the "Purchase Price"), but the number of such one one-hundredths of a Preferred Share and the Purchase Price shall be subject to adjustment as provided herein.

Section 5. Countersignature and Registration. The Right Certificates shall be executed on behalf of the Company by its Chairman of the Board, its Chief Executive Officer, its President, any of its Vice Presidents, or its Treasurer, either manually or by facsimile signature, shall have affixed thereto the Company's seal or a facsimile thereof, and shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Right Certificates shall be manually countersigned by the Rights Agent and shall not be valid for any purpose unless countersigned. In case any officer of the Company who shall have signed any of the Right Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Right Certificates, nevertheless, may be countersigned by the Rights Agent and issued and delivered by the Company with the same force and effect as though the person who signed such Right Certificates had not ceased to be such officer of the Company; and any Right Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Right Certificate, shall be a proper officer of the Company to sign such Right Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

Following the Distribution Date, the Rights Agent will keep or cause to be kept, at its principal office, books for registration and transfer of the Right Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Right Certificates, the number of Rights evidenced on its face by each of the Right Certificates and the date of each of the Right Certificates.

Section 6. Transfer, Split Up, Combination and Exchange of Right Certificates; Mutilated, Destroyed, Lost or Stolen Right Certificates. Subject to the provisions of Section 14 hereof, at any time after the close of business on the Distribution Date, and at or prior to the close of business on the earlier of the Redemption Date or the Final Expiration Date, any Right Certificate or Right Certificates (other than Right Certificates representing Rights that have become void pursuant to Section 11(a)(ii) hereof or that have been exchanged pursuant to Section 24 hereof) may be transferred, split up, combined or exchanged for another Right Certificate or Right Certificates, entitling the registered holder to purchase a like number of one one-hundredths of a Preferred Share as the Right Certificate or Right Certificates surrendered then entitled such holder to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Right Certificate or Right Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Right Certificate or Right Certificates to be transferred, split up, combined or exchanged at the principal office of the Rights Agent. Thereupon the Rights Agent shall countersign and deliver to the person entitled thereto a Right Certificate or Right Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Right Certificates.

Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Right Certificate, and, in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to them, and, at the Company's request, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Right Certificate if mutilated, the Company will make and deliver a new Right Certificate of like tenor to the Rights Agent for delivery to

the registered holder in lieu of the Right Certificate so lost, stolen, destroyed or mutilated.

Section 7. Exercise of Rights; Purchase Price; Expiration Date of Rights. (a) The registered holder of any Right Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein) in whole or in part at any time after the Distribution Date upon surrender of the Right Certificate, with the form of election to purchase on the reverse side thereof duly executed, to the Rights Agent at the principal office of the Rights Agent, together with payment of the Purchase Price for each one one-hundredth of a Preferred Share as to which the Rights are exercised, at or prior to the earliest of (i) the close of business on December 31, 2006 (the "Final Expiration Date"), (ii) the time at which the Rights are redeemed as provided in Section 23 hereof (the "Redemption Date"), or (iii) the time at which such Rights are exchanged as provided in Section 24 hereof.

(b) The Purchase Price for each one one-hundredth of a Preferred Share purchasable pursuant to the exercise of a Right shall initially be \$150, and shall be subject to adjustment from time to time as provided in Section 11 or 13 hereof and shall be payable in lawful money of the United States of America in accordance with paragraph (c) below.

(c) Upon receipt of a Right Certificate representing exercisable Rights, with the form of election to purchase duly executed, accompanied by payment of the Purchase Price for the shares to be purchased and an amount equal to any applicable transfer tax required to be paid by the holder of such Right Certificate in accordance with Section 9 hereof by certified check, cashier's check or money order payable to the order of the Company, the Rights Agent shall thereupon promptly (i) (A) requisition from any transfer agent of the Preferred

Shares certificates for the number of Preferred Shares to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, or (B) requisition from the depositary agent depositary receipts representing such number of one one-hundredths of a Preferred Share as are to be purchased (in which case certificates for the Preferred Shares represented by such receipts shall be deposited by the transfer agent with the depositary agent) and the Company hereby directs the depositary agent to comply with such request, (ii) when appropriate, requisition from the Company the amount of cash to be paid in lieu of issuance of fractional shares in accordance with Section 14 hereof, (iii) after receipt of such certificates or depositary receipts, cause the same to be delivered to or upon the order of the registered holder of such Right Certificate, registered in such name or names as may be designated by such holder and (iv) when appropriate, after receipt, deliver such cash to or upon the order of the registered holder of such Right Certificate.

(d) In case the registered holder of any Right Certificate shall exercise less than all the Rights evidenced thereby, a new Right Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent to the registered holder of such Right Certificate or to his duly authorized assigns, subject to the provisions of Section 14 hereof.

Section 8. Cancellation and Destruction of Right Certificates.

All Right Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in cancelled form, or, if surrendered to the Rights Agent, shall be cancelled by it, and no Right Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Rights Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Right Certificate purchased or acquired

by the Company otherwise than upon the exercise thereof. The Rights Agent shall deliver all cancelled Right Certificates to the Company, or shall, at the written request of the Company, destroy such cancelled Right Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

Section 9. Availability of Preferred Shares. The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued Preferred Shares or any Preferred Shares held in its treasury, the number of Preferred Shares that will be sufficient to permit the exercise in full of all outstanding Rights in accordance with Section 7. The Company covenants and agrees that it will take all such action as may be necessary to ensure that all Preferred Shares delivered upon exercise of Rights shall, at the time of delivery of the certificates for such Preferred Shares (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and nonassessable shares.

The Company further covenants and agrees that it will pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of the Right Certificates or of any Preferred Shares upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer or delivery of Right Certificates to a person other than, or the issuance or delivery of certificates or depository receipts for the Preferred Shares in a name other than that of, the registered holder of the Right Certificate evidencing Rights surrendered for exercise or to issue or to deliver any certificates or depository receipts for Preferred Shares upon the exercise of any Rights until any such tax shall have been paid (any such tax being payable by the holder of such Right Certificate at the time of surrender) or until it has been established to the Company's reasonable satisfaction that no such tax is due.

Section 10. Preferred Shares Record Date. Each person in whose name any certificate for Preferred Shares is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of the Preferred Shares represented thereby on, and such certificate shall be dated, the date upon which the Right Certificate evidencing such Rights was duly surrendered and payment of the Purchase Price (and any applicable transfer taxes) was made; provided, however, that if the date of such surrender and payment is a date upon which the Preferred Shares transfer books of the Company are closed, such person shall be deemed to have become the record holder of such shares on, and such certificate shall be dated, the next succeeding Business Day on which the Preferred Shares transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Right Certificate shall not be entitled to any rights of a holder of Preferred Shares for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Purchase Price, Number of Shares or Number of Rights. The Purchase Price, the number of Preferred Shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) In the event the Company shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Shares payable in Preferred Shares, (B) subdivide the outstanding Preferred Shares, (C) combine the outstanding Preferred Shares into a smaller number of Preferred Shares or (D) issue any shares of its capital stock in a reclassification of the Preferred Shares (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or

surviving corporation), except as otherwise provided in this Section 11(a), the Purchase Price in effect at the time of the record date for such dividend or of the effective date of such subdivision, combination or reclassification, and the number and kind of shares of capital stock issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive the aggregate number and kind of shares of capital stock which, if such Right had been exercised immediately prior to such date and at a time when the Preferred Shares transfer books of the Company were open, he would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right.

(ii) Subject to Section 24 of this Agreement, in the event any Person becomes an Acquiring Person, each holder of a Right shall thereafter have a right to receive, upon exercise thereof at a price equal to the then current Purchase Price multiplied by the number of one one-hundredths of a Preferred Share for which a Right is then exercisable, in accordance with the terms of this Agreement and in lieu of Preferred Shares, such number of Common Shares of the Company as shall equal the result obtained by (x) multiplying the then current Purchase Price by the number of one one-hundredths of a Preferred Share for which a Right is then exercisable and dividing that product by (y) 50% of the then current per share market price of the Company's Common Shares (determined pursuant to Section 11(d) hereof) on the date of the occurrence of such event. In the event that any Person shall become an Acquiring Person and the Rights shall then be outstanding, the Company shall not take any action which would eliminate or diminish the benefits intended to be afforded by the Rights.

From and after the occurrence of such event, any Rights that are or were acquired or beneficially owned by any Acquiring Person (or any Associate or Affiliate of such Acquiring Person) shall be void and any holder of such Rights shall thereafter have no right to exercise such Rights under any provision of this Agreement. No Right Certificate shall be issued pursuant to Section 3 that represents Rights beneficially owned by an Acquiring Person whose Rights would be void pursuant to the preceding sentence or any Associate or Affiliate thereof; no Right Certificate shall be issued at any time upon the transfer of any Rights to an Acquiring Person whose Rights would be void pursuant to the preceding sentence or any Associate or Affiliate thereof or to any nominee of such Acquiring Person, Associate or Affiliate; and any Right Certificate delivered to the Rights Agent for transfer to an Acquiring Person whose Rights would be void pursuant to the preceding sentence shall be cancelled.

(iii) In the event that there shall not be sufficient Common Shares issued but not outstanding or authorized but unissued to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii), the Company shall take all such action as may be necessary to authorize additional Common Shares for issuance upon exercise of the Rights. In the event the Company shall, after good faith effort, be unable to take all such action as may be necessary to authorize such additional Common Shares, the Company shall substitute, for each Common Share that would otherwise be issuable upon exercise of a Right, a number of Preferred Shares or fraction thereof such that the current per share market price of one Preferred Share multiplied by such number or fraction is equal to the current per share market price of one Common Share as of the date of issuance of such Preferred Shares or fraction thereof.

(b) In case the Company shall fix a record date for the issuance of rights, options or warrants to all holders of Preferred Shares entitling them (for a period expiring within 45 calendar days after such record date) to subscribe for or purchase Preferred Shares (or shares having the same rights, privileges and preferences as the Preferred Shares ("equivalent preferred shares")) or securities convertible into Preferred Shares or equivalent preferred shares at a price per Preferred Share or equivalent preferred share (or having a conversion price per share, if a security convertible into Preferred Shares or equivalent preferred shares) less than the then current per share market price of the Preferred Shares (as defined in Section 11(d)) on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of Preferred Shares outstanding on such record date plus the number of Preferred Shares which the aggregate offering price of the total number of Preferred Shares and/or equivalent preferred shares so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current market price and the denominator of which shall be the number of Preferred Shares outstanding on such record date plus the number of additional Preferred Shares and/or equivalent preferred shares to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible); provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company issuable upon exercise of one Right. In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent. Preferred Shares owned by or held for the account of the Company shall not be deemed

outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such rights, options or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In case the Company shall fix a record date for the making of a distribution to all holders of the Preferred Shares (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving corporation) of evidences of indebtedness or assets (other than a regular quarterly cash dividend or a dividend payable in Preferred Shares) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the then current per share market price of the Preferred Shares on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent) of the portion of the assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants applicable to one Preferred Share and the denominator of which shall be such current per share market price of the Preferred Shares; provided, however, that in no event shall the consideration to be paid upon the exercise of one Right be less than the aggregate par value of the shares of capital stock of the Company to be issued upon exercise of one Right. Such adjustments shall be made successively whenever such a record date is fixed; and in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, the "current per share market price" of any security (a "Security" for the purpose of this Section 11(d)(i)) on any date shall be deemed to be the average of the daily closing prices per share of such Security for the 30 consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date; provided, however, that in the event that the current per share market price of the Security is determined during a period following the announcement by the issuer of such Security of (A) a dividend or distribution on such Security payable in shares of such Security or securities convertible into such shares, or (B) any subdivision, combination or reclassification of such Security and prior to the expiration of 30 Trading Days after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the current per share market price shall be appropriately adjusted to reflect the current market price per share equivalent of such Security. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Security is not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Security is listed or admitted to trading or, if the Security is not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotations System ("NASDAQ") or such other system then in use, or, if on any such date the Security is not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional

market maker making a market in the Security selected by the Board of Directors of the Company. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the Security is listed or admitted to trading is open for the transaction of business or, if the Security is not listed or admitted to trading on any national securities exchange, a Business Day.

(ii) For the purpose of any computation hereunder, the "current per share market price" of the Preferred Shares shall be determined in accordance with the method set forth in Section 11(d)(i). If the Preferred Shares are not publicly traded, the "current per share market price" of the Preferred Shares shall be conclusively deemed to be the current per share market price of the Common Shares as determined pursuant to Section 11(d)(i) (appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof), multiplied by one hundred. If neither the Common Shares nor the Preferred Shares are publicly held or so listed or traded, "current per share market price" shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent.

(e) No adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in the Purchase Price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent or to the nearest one one-millionth of a Preferred Share or one ten- thousandth of any other share or security as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier

of (i) three years from the date of the transaction which requires such adjustment or (ii) the date of the expiration of the right to exercise any Rights.

(f) If as a result of an adjustment made pursuant to Section 11(a) hereof, the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock of the Company other than Preferred Shares, thereafter the number of such other shares so receivable upon exercise of any Right shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Shares contained in Section 11(a) through (c), inclusive, and the provisions of Sections 7, 9, 10 and 13 with respect to the Preferred Shares shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder shall evidence the right to purchase, at the adjusted Purchase Price, the number of one one-hundredths of a Preferred Share purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price as a result of the calculations made in Sections 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one one-hundredths of a Preferred Share (calculated to the nearest one one-millionth of a Preferred Share) obtained by (i) multiplying (x) the number of one one-hundredths of a share covered by a Right immediately prior to this adjustment by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights, in substitution for any adjustment in the number of one one-hundredths of a Preferred Share purchasable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of one one-hundredths of a Preferred Share for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Right Certificates have been issued, shall be at least 10 days later than the date of the public announcement. If Right Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Right Certificates on such record date Right Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Right Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Right Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Right Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein and shall be registered in

the names of the holders of record of Right Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of one one-hundredths of a Preferred Share issuable upon the exercise of the Rights, the Right Certificates theretofore and thereafter issued may continue to express the Purchase Price and the number of one one-hundredths of a Preferred Share which were expressed in the initial Right Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below one one-hundredth of the then par value, if any, of the Preferred Shares issuable upon exercise of the Rights, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable Preferred Shares at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuing to the holder of any Right exercised after such record date of the Preferred Shares and other capital stock or securities of the Company, if any, issuable upon such exercise over and above the Preferred Shares and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that it in its sole discretion shall determine to be advisable in order that any consolidation or subdivision of the Preferred Shares, issuance wholly for cash of any Preferred Shares at less than the current market price, issuance wholly for cash of Preferred Shares or securities which by their terms are convertible into or exchangeable for Preferred Shares, dividends on Preferred Shares payable in Preferred Shares or issuance of rights, options or warrants referred to hereinabove in Section 11(b), hereafter made by the Company to holders of its Preferred Shares shall not be taxable to such stockholders.

(n) In the event that at any time after the date of this Agreement and prior to the Distribution Date, the Company shall (i) declare or pay any dividend on the Common Shares payable in Common Shares or (ii) effect a subdivision, combination or consolidation of the Common Shares (by reclassification or otherwise than by payment of dividends in Common Shares) into a greater or lesser number of Common Shares, then in any such case (A) the number of one one-hundredths of a Preferred Share purchasable after such event upon proper exercise of each Right shall be determined by multiplying the number of one one-hundredths of a Preferred Share so purchasable immediately prior to such event by a fraction, the numerator of which is the number of Common Shares outstanding immediately before such event and the denominator of which is the number of Common Shares outstanding immediately after such event, and (B) each Common Share outstanding immediately after such event shall have issued with respect to it that number of Rights which each Common Share outstanding immediately prior to such event had issued with respect to it. The adjustments provided for in this Section 11(n) shall be made successively whenever such a dividend is declared or paid or such a subdivision, combination or consolidation is effected.

Section 12. Certificate of Adjusted Purchase Price or Number of Shares. Whenever an adjustment is made as provided in Section 11 or 13 hereof, the Company shall promptly (a) prepare a certificate setting forth such adjustment, and a brief statement of the facts accounting for such adjustment, (b) file with the Rights Agent and with each transfer agent for the Common Shares or the Preferred Shares a copy of such certificate and (c) mail a brief summary thereof to each holder of a Right Certificate in accordance with Section 25 hereof.

Section 13. Consolidation, Merger or Sale or Transfer of Assets or Earning Power. In the event, directly or indirectly, at any time after a Person has become an Acquiring Person, (a) the Company shall consolidate with, or merge with and into, any other Person, (b) any Person shall consolidate with the Company, or merge with and into the Company and the Company shall be the continuing or surviving corporation of such merger and, in connection with such merger, all or part of the Common Shares shall be changed into or exchanged for stock or other securities of any other Person (or the Company) or cash or any other property, or (c) the Company shall sell or otherwise transfer (or one or more of its Subsidiaries shall sell or otherwise transfer), in one or more transactions, assets or earning power aggregating 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to any other Person other than the Company or one or more of its wholly- owned Subsidiaries, then, and in each such case, proper provision shall be made so that (i) each holder of a Right (except as otherwise provided herein) shall thereafter have the right to receive, upon the exercise thereof at a price equal to the then current Purchase Price multiplied by the number of one one-hundredths of a Preferred Share for which a Right is then exercisable, in accordance with the terms of this Agreement and in lieu of Preferred Shares, such number of Common Shares of such other Person (including the Company as successor thereto or as the

surviving corporation) as shall equal the result obtained by (A) multiplying the then current Purchase Price by the number of one one- hundredths of a Preferred Share for which a Right is then exercisable and dividing that product by (B) 50% of the then current per share market price of the Common Shares of such other Person (determined pursuant to Section 11(d) hereof) on the date of consummation of such consolidation, merger, sale or transfer; (ii) the issuer of such Common Shares shall thereafter be liable for, and shall assume, by virtue of such consolidation, merger, sale or transfer, all the obligations and duties of the Company pursuant to this Agreement; (iii) the term "Company" shall thereafter be deemed to refer to such issuer; and (iv) such issuer shall take such steps (including, but not limited to, the reservation of a sufficient number of its Common Shares in accordance with Section 9 hereof) in connection with such consummation as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to the Common Shares thereafter deliverable upon the exercise of the Rights. The Company shall not consummate any such consolidation, merger, sale or transfer unless prior thereto the Company and such issuer shall have executed and delivered to the Rights Agent a supplemental agreement so providing. The Company shall not enter into any transaction of the kind referred to in this Section 13 if at the time of such transaction there are any rights, warrants, instruments or securities outstanding or any agreements or arrangements which, as a result of the consummation of such transaction, would eliminate or substantially diminish the benefits intended to be afforded by the Rights. The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers.

Section 14. Fractional Rights and Fractional Shares. (a) The Company shall not be required to issue fractions of Rights or to distribute Right Certificates which evidence fractional Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Right Certificates with regard to which such fractional Rights

would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For the purposes of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed or admitted to trading on the New York Stock Exchange or, if the Rights are not listed or admitted to trading on the New York Stock Exchange, as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company shall be used.

(b) The Company shall not be required to issue fractions of Preferred Shares (other than fractions which are integral multiples of one one-hundredth of a Preferred Share) upon exercise of the Rights or to distribute certificates which evidence fractional Preferred Shares (other than fractions which are integral multiples of one one-hundredth of a Preferred Share). Fractions of Preferred Shares in integral multiples of one one-hundredth of a Preferred Share may, at the election of the Company, be

evidenced by depositary receipts, pursuant to an appropriate agreement between the Company and a depositary selected by it; provided, that such agreement shall provide that the holders of such depositary receipts shall have all the rights, privileges and preferences to which they are entitled as beneficial owners of the Preferred Shares represented by such depositary receipts. In lieu of fractional Preferred Shares that are not integral multiples of one one-hundredth of a Preferred Share, the Company shall pay to the registered holders of Right Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one Preferred Share. For the purposes of this Section 14(b), the current market value of a Preferred Share shall be the closing price of a Preferred Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) The holder of a Right by the acceptance of the Right expressly waives his right to receive any fractional Rights or any fractional shares upon exercise of a Right (except as provided above).

Section 15. Rights of Action. All rights of action in respect of this Agreement, excepting the rights of action given to the Rights Agent under Section 18 hereof, are vested in the respective registered holders of the Right Certificates (and, prior to the Distribution Date, the registered holders of the Common Shares); and any registered holder of any Right Certificate (or, prior to the Distribution Date, of the Common Shares), without the consent of the Rights Agent or of the holder of any other Right Certificate (or, prior to the Distribution Date, of the Common Shares), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Right Certificate in the manner provided

in such Right Certificate and in this Agreement. Without limiting the foregoing or any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations under, and injunctive relief against actual or threatened violations of the obligations of any Person subject to, this Agreement.

Section 16. Agreement of Right Holders. Every holder of a Right, by accepting the same, consents and agrees with the Company and the Rights Agent and with every other holder of a Right that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of the Common Shares;

(b) after the Distribution Date, the Right Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office of the Rights Agent, duly endorsed or accompanied by a proper instrument of transfer; and

(c) the Company and the Rights Agent may deem and treat the person in whose name the Right Certificate (or, prior to the Distribution Date, the associated Common Shares certificate) is registered as the absolute owner thereof and of the Rights evidenced thereby (notwithstanding any notations of ownership or writing on the Right Certificates or the associated Common Shares certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary.

Section 17. Right Certificate Holder Not Deemed a Stockholder. No holder, as such, of any Right Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the Preferred Shares or any other securities of the

Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Right Certificate be construed to confer upon the holder of any Right Certificate, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in Section 25 hereof), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Right Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent. The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time, on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, or expense, incurred without gross negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability in the premises.

The Rights Agent shall be protected and shall incur no liability for, or in respect of any action taken, suffered or omitted by it in connection with, its administration of this Agreement in reliance upon any Right Certificate or certificate for the Preferred Shares or Common Shares or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document believed by it to be

genuine and to be signed, executed and, where necessary, verified or acknowledged, by the proper person or persons, or otherwise upon the advice of counsel as set forth in Section 20 hereof.

Section 19. Merger or Consolidation or Change of Name of Rights Agent. Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the stock transfer or corporate trust powers of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto; provided, that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Right Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Right Certificates so countersigned; and in case at that time any of the Right Certificates shall not have been countersigned, any successor Rights Agent may countersign such Right Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

In case at any time the name of the Rights Agent shall be changed and at such time any of the Right Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Right Certificates so countersigned; and in case at that time any of the Right Certificates shall

not have been countersigned, the Rights Agent may countersign such Right Certificates either in its prior name or in its changed name; and in all such cases such Right Certificates shall have the full force provided in the Right Certificates and in this Agreement.

Section 20. Duties of Rights Agent. The Rights Agent undertakes the duties and obligations imposed by this Agreement upon the following terms and conditions, by all of which the Company and the holders of Right Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Treasurer or the Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder to the Company and any other Person only for its own gross negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Right Certificates (except its countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Right Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Right Certificate; nor shall it be responsible for any change in the exercisability of the Rights (including the Rights becoming void pursuant to Section 11(a)(ii) hereof) or any adjustment in the terms of the Rights (including the manner, method or amount thereof) provided for in Section 3, 11, 13, 23 or 24, or the ascertaining of the existence of facts that would require any such change or adjustment (except with respect to the exercise of Rights evidenced by Right Certificates after actual notice that such change or adjustment is required); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any Preferred Shares to be issued pursuant to this Agreement or any Right Certificate or as to whether any Preferred Shares will, when issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman of the Board, the Chief Executive Officer, the President, any Vice President, the Secretary or the Treasurer of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered by it in good faith in accordance with instructions of any such officer or for any delay in acting while waiting for those instructions.

(h) The Rights Agent and any stockholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(i) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act, default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

Section 21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon 30 days' notice in writing mailed to the Company and to each transfer agent of the Common Shares or Preferred Shares by registered or certified mail. The Company may remove the Rights Agent or any successor Rights Agent upon 30 days' notice in writing,

mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the Common Shares or Preferred Shares by registered or certified mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of 30 days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Right Certificate (who shall, with such notice, submit his Right Certificate for inspection by the Company), then the registered holder of any Right Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a corporation organized and doing business under the laws of the United States or of the State of New York (or of any other state of the United States so long as such corporation is authorized to do business as a banking institution in the State of New York), in good standing, having an office in the State of New York, which is authorized under such laws to exercise corporate trust or stock transfer powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$50 million. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the Common Shares or Preferred Shares. Failure to give any notice provided for in this Section 21, however, or any defect

therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Right Certificates. Notwithstanding any of the provisions of this Agreement or of the Rights to the contrary, the Company may, at its option, issue new Right Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price and the number or kind or class of shares or other securities or property purchasable under the Right Certificates made in accordance with the provisions of this Agreement.

Section 23. Redemption. (a) The Board of Directors of the Company may, at its option, at any time prior to such time as any Person becomes an Acquiring Person, redeem all but not less than all the then outstanding Rights at a redemption price of \$.01 per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"). The redemption of the Rights by the Board of Directors may be made effective at such time, on such basis and with such conditions as the Board of Directors in its sole discretion may establish.

(b) Immediately upon the action of the Board of Directors of the Company ordering the redemption of the Rights pursuant to paragraph (a) of this Section 23, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price. The Company shall promptly give public notice of any such redemption; provided, however, that the failure to give, or any defect in, any such notice shall not affect the validity of such redemption. Within 10 days after such action of the Board of Directors ordering the redemption of the Rights, the Company shall mail a notice of

redemption to all the holders of the then outstanding Rights at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the transfer agent for the Common Shares. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made. Neither the Company nor any of its Affiliates or Associates may redeem, acquire or purchase for value any Rights at any time in any manner other than that specifically set forth in this Section 23 or in Section 24 hereof, and other than in connection with the purchase of Common Shares prior to the Distribution Date.

Section 24. Exchange. (a) The Board of Directors of the Company may, at its option, at any time after any Person becomes an Acquiring Person, exchange all or part of the then outstanding and exercisable Rights (which shall not include Rights that have become void pursuant to the provisions of Section 11(a)(ii) hereof) for Common Shares at an exchange ratio of one Common Share per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such exchange ratio being hereinafter referred to as the "Exchange Ratio"). Notwithstanding the foregoing, the Board of Directors shall not be empowered to effect such exchange at any time after any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or any such Subsidiary, or any entity holding Common Shares for or pursuant to the terms of any such plan), together with all Affiliates and Associates of such Person, becomes the Beneficial Owner of 50% or more of the Common Shares then outstanding.

(b) Immediately upon the action of the Board of Directors of the Company ordering the exchange of any Rights pursuant to paragraph (a) of this Section 24

and without any further action and without any notice, the right to exercise such Rights shall terminate and the only right thereafter of a holder of such Rights shall be to receive that number of Common Shares equal to the number of such Rights held by such holder multiplied by the Exchange Ratio. The Company shall promptly give public notice of any such exchange; provided, however, that the failure to give, or any defect in, such notice shall not affect the validity of such exchange. The Company promptly shall mail a notice of any such exchange to all of the holders of such Rights at their last addresses as they appear upon the registry books of the Rights Agent. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of exchange will state the method by which the exchange of the Common Shares for Rights will be effected and, in the event of any partial exchange, the number of Rights which will be exchanged. Any partial exchange shall be effected pro rata based on the number of Rights (other than Rights which have become void pursuant to the provisions of Section 11(a)(ii) hereof) held by each holder of Rights.

(c) In the event that there shall not be sufficient Common Shares issued but not outstanding or authorized but unissued to permit any exchange of Rights as contemplated in accordance with this Section 24, the Company shall take all such action as may be necessary to authorize additional Common Shares for issuance upon exchange of the Rights. In the event the Company shall, after good faith effort, be unable to take all such action as may be necessary to authorize such additional Common Shares, the Company shall substitute, for each Common Share that would otherwise be issuable upon exchange of a Right, a number of Preferred Shares or fraction thereof such that the current per share market price of one Preferred Share multiplied by such number or fraction is equal to the current per share market price of one Common Share as of the date of issuance of such Preferred Shares or fraction thereof.

(d) The Company shall not be required to issue fractions of Common Shares or to distribute certificates which evidence fractional Common Shares. In lieu of such fractional Common Shares, the Company shall pay to the registered holders of the Right Certificates with regard to which such fractional Common Shares would otherwise be issuable an amount in cash equal to the same fraction of the current market value of a whole Common Share. For the purposes of this paragraph (d), the current market value of a whole Common Share shall be the closing price of a Common Share (as determined pursuant to the second sentence of Section 11(d)(i) hereof) for the Trading Day immediately prior to the date of exchange pursuant to this Section 24.

Section 25. Notice of Certain Events. (a) In case the Company shall propose (i) to pay any dividend payable in stock of any class to the holders of its Preferred Shares or to make any other distribution to the holders of its Preferred Shares (other than a regular quarterly cash dividend), (ii) to offer to the holders of its Preferred Shares rights or warrants to subscribe for or to purchase any additional Preferred Shares or shares of stock of any class or any other securities, rights or options, (iii) to effect any reclassification of its Preferred Shares (other than a reclassification involving only the subdivision of outstanding Preferred Shares), (iv) to effect any consolidation or merger into or with, or to effect any sale or other transfer (or to permit one or more of its Subsidiaries to effect any sale or other transfer), in one or more transactions, of 50% or more of the assets or earning power of the Company and its Subsidiaries (taken as a whole) to, any other Person, (v) to effect the liquidation, dissolution or winding up of the Company, or (vi) to declare or pay any dividend on the Common Shares payable in Common Shares or to effect a subdivision, combination or consolidation of the Common Shares (by reclassification or otherwise than by payment of dividends in Common Shares), then, in each such case, the Company shall give to each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of such proposed action, which

shall specify the record date for the purposes of such stock dividend, or distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the Common Shares and/or Preferred Shares, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least 10 days prior to the record date for determining holders of the Preferred Shares for purposes of such action, and in the case of any such other action, at least 10 days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Common Shares and/or Preferred Shares, whichever shall be the earlier.

(b) In case the event set forth in Section 11(a)(ii) hereof shall occur, then the Company shall as soon as practicable thereafter give to each holder of a Right Certificate, in accordance with Section 26 hereof, a notice of the occurrence of such event, which notice shall describe such event and the consequences of such event to holders of Rights under Section 11(a)(ii) hereof.

Section 26. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Right Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

NCR Corporation
1700 South Patterson Blvd.
Dayton, Ohio 45479
Attention: Corporate Secretary

Subject to the provisions of Section 21 hereof, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Right Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

The First National Bank of Boston
150 Royal Street
Canton, Massachusetts 02021
Attention: Corporate Secretary

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Right Certificate shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 27. Supplements and Amendments. The Company may from time to time supplement or amend this Agreement without the approval of any holders of Right Certificates in order to cure any ambiguity, to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, or to make any other provisions with respect to the Rights which the Company may deem necessary or desirable, any such supplement or amendment to be evidenced by a writing signed by the Company and the Rights Agent; provided, however, that from and after such time as any Person becomes an Acquiring Person, this Agreement shall not be amended in any manner which would adversely affect the interests of the holders of Rights. Without limiting the foregoing, the Company may at any time prior to such time as any Person becomes an Acquiring Person amend this Agreement to lower the thresholds set forth in Sections 1(a) and 3(a) to not less than the greater of (i) the sum of .001% and the largest percentage of the outstanding Common Shares then known by the

Company to be beneficially owned by any Person (other than the Company, any Subsidiary of the Company, any employee benefit plan of the Company or any Subsidiary of the Company, or any entity holding Common Shares for or pursuant to the terms of any such plan) and (ii) 10%.

Section 28. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 29. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any person or corporation other than the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares) any legal or equitable right, remedy or claim under this Agreement; but this Agreement shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Right Certificates (and, prior to the Distribution Date, the Common Shares).

Section 30. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 31. Governing Law. This Agreement and each Right Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Maryland and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

Section 32. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 33. Descriptive Headings. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

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

NCR CORPORATION

Attest:

By /s/ Laura K. Nyquist
Title: Secretary

By /s/ Jon S. Hoak
Title: Senior Vice President

Attest:

THE FIRST NATIONAL BANK OF BOSTON

By /s/ Gordon Stevenson
Title: Attorney-In-Fact

By /s/ Ken Theva
Title: Attorney-In-Fact

FORM
of
ARTICLES SUPPLEMENTARY
of
SERIES A JUNIOR PARTICIPATING PREFERRED STOCK
of
NCR CORPORATION
(Pursuant to Section 2-208 of the
Maryland General Corporation Law)

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 (hereinafter called the "Corporation"), hereby certifies to the State Department of Assessments and Taxation of Maryland that the following resolution was adopted by the Board of Directors of the Corporation by unanimous written consent on December __, 1996:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation (hereinafter called the "Board of Directors" or the "Board") in accordance with the provisions of the Articles of Amendment and Restatement of the Charter of the Corporation, the Board of Directors hereby creates a series of Preferred Stock, par value \$.01 per share (the "Preferred Stock"), of the Corporation and hereby states the designation and number of shares, and fixes the relative rights, preferences, and limitations thereof as follows:

Series A Junior Participating Preferred Stock:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Junior Participating Preferred Stock" (the "Series A Preferred Stock") and the number of shares constituting the Series A Preferred Stock shall be 1,500,000. Such number of shares may be increased or decreased by resolution of the Board of Directors; provided, that no decrease shall reduce the number of shares of Series A Preferred Stock to a number less than the number of shares then outstanding plus the number of shares reserved for issuance upon the exercise of outstanding options, rights or warrants or upon the conversion of any outstanding securities issued by the Corporation convertible into Series A Preferred Stock.

Section 2. Dividends and Distributions.

(A) Subject to the rights of the holders of any shares of any series of Preferred Stock (or any similar stock) ranking prior and superior to the Series A Preferred Stock with respect to dividends, the holders of shares of Series A Preferred Stock, in preference to the holders of Common Stock, par value \$.01 per share (the "Common Stock"), of the Corporation, and of any other junior stock, shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for the purpose, quarterly dividends payable in cash on the first day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date"), commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Series A Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$1 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all non-cash dividends or other distributions, other than a dividend payable in shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Series A Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Series A Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$1 per share on the Series A Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Series A Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Series A Preferred Stock entitled to receive a quarterly dividend and before

such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Series A Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Series A Preferred Stock entitled to receive payment of a dividend or distribution declared thereon, which record date shall be not more than 60 days prior to the date fixed for the payment thereof.

Section 3. Voting Rights. The holders of shares of Series A Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Series A Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the stockholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) Except as otherwise provided herein, in any other Articles Supplementary creating a series of Preferred Stock or any similar stock, or by law, the holders of shares of Series A Preferred Stock and the holders of shares of Common Stock and any other capital stock of the Corporation having general voting rights shall vote together as one class on all matters submitted to a vote of stockholders of the Corporation.

(C) Except as set forth herein, or as otherwise provided by law, holders of Series A Preferred Stock shall have no special voting rights and their consent shall not be required (except to the extent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 4. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Series A Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Series A Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends, or make any other distributions, on any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock;

(ii) declare or pay dividends, or make any other distributions, on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except dividends paid ratably on the Series A Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock, provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Series A Preferred Stock; or

(iv) redeem or purchase or otherwise acquire for consideration any shares of Series A Preferred Stock, or any shares of stock ranking on a parity with the Series A Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the Corporation unless the Corporation could, under paragraph (A) of this Section 4, purchase or otherwise acquire such shares at such time and in such manner.

Section 5. **Reacquired Shares.** Any shares of Series A Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and cancelled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock subject to the conditions and restrictions on issuance set forth herein, in the Charter of the Corporation, or in any other Articles Supplementary creating a series of Preferred Stock or any similar stock or as otherwise required by law.

Section 6. **Liquidation, Dissolution or Winding Up.** Upon any liquidation, dissolution or winding up of the Corporation, no distribution shall be made (1) to the holders of shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Series A Preferred Stock unless, prior thereto, the holders of shares of Series A Preferred Stock shall have received \$100 per share, plus an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment, provided that the holders of shares of Series A Preferred Stock shall be entitled to receive an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock, or (2) to the holders of shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Series A Preferred Stock, except distributions made ratably on the Series A Preferred Stock and all such parity stock in proportion to the total amounts

to which the holders of all such shares are entitled upon such liquidation, dissolution or winding up. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Series A Preferred Stock were entitled immediately prior to such event under the proviso in clause (1) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 7. Consolidation, Merger, etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case each share of Series A Preferred Stock shall at the same time be similarly exchanged or changed into an amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination or consolidation of the outstanding shares of Common Stock (by reclassification or otherwise than by payment of a dividend in shares of Common Stock) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Series A Preferred Stock shall be adjusted by multiplying such amount by a fraction, the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 8. No Redemption. The shares of Series A Preferred Stock shall not be redeemable.

Section 9. Rank. The Series A Preferred Stock shall rank, with respect to the payment of dividends and the distribution of assets, junior to all series of any other class of the Corporation's Preferred Stock.

Section 10. Amendment. The Charter of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Series A Preferred Stock so as to affect them adversely without the affirmative vote of the holders of at least two-thirds of the outstanding shares of Series A Preferred Stock, voting together as a single class.

IN WITNESS WHEREOF, these Articles Supplementary are executed on behalf of the Corporation by its Chairman of the Board and attested by its Secretary this day of December, 1996.

Chairman of the Board

Attest:

Secretary

Form of Right Certificate

Certificate No. R-

____Rights

NOT EXERCISABLE AFTER DECEMBER 31, 2006 OR EARLIER IF REDEMPTION OR EXCHANGE OCCURS. THE RIGHTS ARE SUBJECT TO REDEMPTION AT \$.01 PER RIGHT AND TO EXCHANGE ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT.

Right Certificate

NCR CORPORATION

This certifies that _____, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement, dated as of December 31, 1996 (the "Rights Agreement"), between NCR Corporation, a Maryland corporation (the "Company"), and The First National Bank of Boston (the "Rights Agent"), to purchase from the Company at any time after the Distribution Date (as such term is defined in the Rights Agreement) and prior to 5:00 P.M., New York City time, on December 31, 2006 at the principal office of the Rights Agent, or at the office of its successor as Rights Agent, one one-hundredth of a fully paid non-assessable share of Series A Junior Participating Preferred Stock, par value \$.01 per share (the "Preferred Shares"), of the Company, at a purchase price of \$150 per one one-hundredth of a Preferred Share (the "Purchase Price"), upon presentation and surrender of this Right Certificate with the Form of Election to Purchase duly executed. The number of Rights evidenced by this Right Certificate (and the number of one one-hundredths of a Preferred Share which may be purchased upon exercise hereof) set forth above, and the Purchase Price set forth above, are the number and Purchase Price as of _____, 1996, based on the Preferred Shares as constituted at such date. As provided in the Rights Agreement, the Purchase Price and the number of one one-hundredths of a Preferred Share which may be purchased upon the exercise of the Rights evidenced by this Right Certificate are subject to modification and adjustment upon the happening of certain events.

This Right Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the rights, limitations of rights, obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Right Certificates. Copies of the Rights Agreement are on file at the principal executive offices of the Company and the above-mentioned offices of the Rights Agent.

This Right Certificate, with or without other Right Certificates, upon surrender at the principal office of the Rights Agent, may be exchanged for another Right Certificate or Right Certificates of like tenor and date evidencing Rights entitling the

holder to purchase a like aggregate number of Preferred Shares as the Rights evidenced by the Right Certificate or Right Certificates surrendered shall have entitled such holder to purchase. If this Right Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Right Certificate or Right Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate (i) may be redeemed by the Company at a redemption price of \$.01 per Right or (ii) may be exchanged in whole or in part for Preferred Shares or shares of the Company's Common Stock, par value \$.01 per share.

No fractional Preferred Shares will be issued upon the exercise of any Right or Rights evidenced hereby (other than fractions which are integral multiples of one one-hundredth of a Preferred Share, which may, at the election of the Company, be evidenced by depositary receipts), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Right Certificate shall be entitled to vote or receive dividends or be deemed for any purpose the holder of the Preferred Shares or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a stockholder of the Company or any right to vote for the election of directors or upon any matter submitted to stockholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting stockholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by this Right Certificate shall have been exercised as provided in the Rights Agreement.

This Right Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officers of the Company and its corporate seal. Dated as of _____, 1996.

ATTEST: NCR CORPORATION

_____ By _____

Countersigned:

THE FIRST NATIONAL BANK OF BOSTON

By _____
Authorized Signature

Form of Reverse Side of Right Certificate

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Right Certificate.)

FOR VALUE RECEIVED _____

hereby sells, assigns and transfers unto _____

(Please print name and address of transferee)

this Right Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint ___ Attorney, to transfer the within Right Certificate on the books of the within-named Company, with full power of substitution.

Dated: _____, 1996

Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

The undersigned hereby certifies that the Rights evidenced by this Right Certificate are not beneficially owned by an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

Signature

FORM OF ELECTION TO PURCHASE

(To be executed if holder desires to exercise Rights represented by the Right Certificate.)

To: NCR CORPORATION

The undersigned hereby irrevocably elects to exercise _____ Rights represented by this Right Certificate to purchase the Preferred Shares issuable upon the exercise of such Rights and requests that certificates for such Preferred Shares be issued in the name of:

Please insert social security or other identifying number

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Right Certificate, a new Right Certificate for the balance remaining of such Rights shall be registered in the name of and delivered to:

Please insert social security or other identifying number

(Please print name and address)

Dated: _____, 1996

Signature

Signature Guaranteed:

Signatures must be guaranteed by a member firm of a registered national securities exchange, a member of the National Association of Securities Dealers, Inc., or a commercial bank or trust company having an office or correspondent in the United States.

The undersigned hereby certifies that the Rights evidenced by this Right Certificate are not beneficially owned by an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement).

Signature

NOTICE

The signature in the Form of Assignment or Form of Election to Purchase, as the case may be, must conform to the name as written upon the face of this Right Certificate in every particular, without alteration or enlargement or any change whatsoever.

In the event the certification set forth above in the Form of Assignment or the Form of Election to Purchase, as the case may be, is not completed, the Company and the Rights Agent will deem the beneficial owner of the Rights evidenced by this Right Certificate to be an Acquiring Person or an Affiliate or Associate thereof (as defined in the Rights Agreement) and such Assignment or Election to Purchase will not be honored.

SUMMARY OF RIGHTS TO PURCHASE
PREFERRED SHARES

On December , 1996, the Board of Directors of NCR Corporation (the "Company") declared a dividend of one preferred share purchase right (a "Right") for each outstanding share of common stock, par value \$.01 per share (the "Common Shares"), of the Company. The dividend is payable on December 31, 1996 (the "Record Date") to the stockholders of record on that date (immediately after the distribution of all of the outstanding Common Shares by AT&T Corp. to its shareowners). Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock, par value \$.01 per share (the "Preferred Shares"), of the Company at a price of \$150 per one one-hundredth of a Preferred Share (the "Purchase Price"), subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement (the "Rights Agreement") between the Company and The First National Bank of Boston, as Rights Agent (the "Rights Agent").

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 Common Shares or (ii) 10 business days (or such later date as may be determined by action of the Board of Directors prior to such time as any person or group of affiliated persons 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 the outstanding Common Shares (the earlier of such dates being called the "Distribution Date"), the Rights will be evidenced, with respect to any of the Common Share certificates outstanding as of the Record Date, by such Common Share certificate with a copy of this Summary of Rights attached thereto.

The Rights Agreement provides that, until the Distribution Date (or earlier redemption or expiration of the Rights), the Rights will be transferred with and only with the Common Shares. Until the Distribution Date (or earlier redemption or expiration of the Rights), new Common Share certificates issued after the Record Date upon transfer or new issuance of Common Shares will contain a notation incorporating the Rights Agreement by reference. Until the Distribution Date (or earlier redemption or expiration of the Rights), the surrender for transfer of any certificates for Common Shares outstanding as of the Record Date, even without such notation or a copy of this Summary of Rights being attached thereto, will also constitute the transfer of the Rights associated with the Common Shares represented by such certificate. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights ("Right Certificates") will be mailed to holders of record of the Common Shares as of the close of business on the Distribution Date and such separate Right Certificates alone will evidence the Rights.

The Rights are not exercisable until the 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 the Company, in each case, as described below.

The Purchase Price payable, and the number of Preferred Shares or other securities or property issuable, upon exercise of the Rights are 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 Preferred Shares, (ii) upon the grant to holders of the Preferred Shares of certain rights or warrants to subscribe for or purchase Preferred Shares at a price, or securities convertible into Preferred Shares with a conversion price, less than the then-current market price of the Preferred Shares or (iii) upon the distribution to holders of the Preferred Shares of evidences of indebtedness or assets (excluding regular periodic cash dividends paid out of earnings or retained earnings or dividends payable in Preferred Shares) or of subscription rights or warrants (other than those referred to above).

The number of outstanding Rights and the number of one one-hundredths of a Preferred Share issuable upon exercise of each Right are also subject to adjustment in the event of a stock split of the Common Shares or a stock dividend on the Common Shares payable in Common Shares or subdivisions, consolidations or combinations of the Common Shares occurring, in any such case, prior to the Distribution Date.

Preferred Shares purchasable upon exercise of the Rights will not be redeemable. Each Preferred Share will be entitled to a minimum preferential quarterly dividend payment of \$1 per share but will be entitled to an aggregate dividend of 100 times the dividend declared per Common Share. In the event of liquidation, the holders of the 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 Common Share. Each Preferred Share will have 100 votes, voting together with the Common Shares. Finally, in the event of any merger, consolidation or other transaction in which Common Shares are exchanged, each Preferred Share will be entitled to receive 100 times the amount received per Common Share. These rights are protected by customary antidilution provisions.

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

In the event that the Company 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 has become 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. In the event that any person or group of affiliated or associated persons becomes an Acquiring Person, proper provision shall 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 Common Shares having a market value of two times the exercise price of the Right.

At any time after any person or group becomes an Acquiring Person and prior to the acquisition by such person or group of 50% or more of the outstanding Common Shares, the Board of Directors of the Company may exchange the Rights (other than Rights owned by such person or group which will have become void), in whole or in part, at an exchange ratio of one Common Share, or one one-hundredth of a Preferred Share (or of a share of a class or series of the Company's preferred stock having equivalent rights, preferences and privileges), per Right (subject to adjustment).

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price. No fractional Preferred Shares will be issued (other than fractions which are integral multiples of one one-hundredth of a Preferred Share, which may, at the election of the Company, be evidenced by depositary receipts) and in lieu thereof, an adjustment in cash will be made based on the market price of the Preferred Shares on the last trading day prior to the date of exercise.

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 outstanding Common Shares, the Board of Directors of the Company 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 with such conditions as the 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 Rights will be to receive the Redemption Price.

The terms of the Rights may be amended by the Board of Directors of the Company without the consent of the holders of the Rights, including an amendment to lower certain thresholds described above to not less than the greater of (i) the sum of .001% and the largest percentage of the outstanding Common Shares then known to the Company to be beneficially owned by any person or group of affiliated or associated persons and (ii) 10%, except 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 the Company, including, without limitation, the right to vote or to receive dividends.

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to a Registration Statement on Form 10 dated September 26, 1996. A copy of the Rights Agreement is available free of charge from the Company. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is hereby incorporated herein by reference.

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:

Schedule I
AT&T Executive Benefit Plans

AT&T Deferral Accounts AT&T Deferred Severance Accounts AT&T Excess Benefit and Compensation Plan AT&T Financial Counseling Tax Allowance AT&T Long Term Incentive Plans AT&T Mid-Career Pension Plan AT&T Non-Qualified Pension Plan AT&T Savings Plan Lost Company Match Reimbursement and Tax Allowance
AT&T Senior Management Basic Life Insurance Program AT&T Senior Management Financial Counseling Program AT&T Senior Management Ground Transportation Program AT&T Senior Management Incentive Award Deferral Plan AT&T Senior Management Individual Life Insurance Program AT&T Senior Management Long-Term Disability and Survivor Protection Plan
AT&T Senior Management Telephone Reimbursement Program
AT&T Short Term Incentive Plan
AT&T Special Executive Deferral Accounts
AT&T Tax Allowance for Senior Manager Perquisites

Schedule II
Individual Agreements

NCR Individual Agreements:

Letter dated June 7, 1996 to Lars Nyberg from Harold W. Burlingame on behalf of AT&T
Letter dated April 18, 1995 to Lars Nyberg from Harold W. Burlingame on behalf of AT&T

Employment Agreement dated as of September 23, 1991 by and among AT&T, NCR and John L. Giering, as amended as of November 1, 1996

Letter dated February 18, 1994 to Robert Carpenter from Richard F. Brenner on behalf of NCR

Phantom Share Arrangement for Anthony Fano dated March 1, 1994, as amended as of April 18, 1995

Phantom Share Arrangement for Mark V. Hurd dated August 8, 1994, as amended as of February 13, 1995

Phantom Share Arrangement for Werner Sulzer dated July 4, 1995 Agreement and Release dated as of December 1, 1995, by and between AT&T, NCR and Richard F. Brenner

Letter effective September 3, 1993 to Richard Brenner from Jerre L. Stead on behalf of NCR

Letter dated July 31, 1992 to Richard F. Brenner from Harold W. Burlingame on behalf of AT&T

AT&T Individual Agreements:

Letter dated July 23, 1996 to Ronald L. Fowinkle from Harold W. Burlingame on behalf of AT&T

Employment Agreement dated as of March 2, 1992, by and between AT&T and Robert R. Carpenter

Schedule III
NCR Executive Benefit Plans

NCR Executive Retirement, Death and Disability Plan
NCR Financial Counseling Program
NCR Individual Agreements
NCR Long Term Incentive Program
NCR Management Incentive Plan
NCR Mid-Career Hire Supplemental Pension Plan
NCR Nonqualified Excess Plan
Retirement Plan for Officers of NCR
NCR Supplemental Pension Plan for Transfers Between AT&T and NCR

Schedule IV
Individuals to be Transferred to NCR

John Curran
Richard H. Evans

Schedule V
Assets Referred to in Section 3.1(b)

The facilities leased to NCR that are located in:

Mount Joy, Pa. (owned by NACAR of Pennsylvania, Inc.)

Viroqua, Wisc. (owned by NACAR of Viroqua, Inc.)

Schedule VI
Selection of Assets to be Transferred
to Trustee(s) of NCR Pension Plans

The assets transferred to the trustee(s) of the NCR Pension Plans shall represent a portfolio consisting of the following:

Specific dollar amounts (in millions) to be transferred:

| | |
|---------------------------------|---------|
| U.S. Equities | |
| Invesco | \$350.0 |
| State Street Russell 1000 Index | 540.0 |
| Kennedy Capital | 50.0 |
| Axe Houghton | 50.0 |
| Fixed Income | |
| Mellon Bond* | \$400.0 |
| STIF | \$ 30.0 |

Entire accounts to be transferred:

| | |
|-------------------------------|--|
| U.S. Equities | |
| Columbus Circle Mid Cap | |
| Columbus Circle Small Cap | |
| Saratoga II | |
| Belmont II | |
| Oxford Venture Fund | |
| International Equities | |
| J.P. Morgan Japan | |
| Fixed Income | |
| Equitable (Alliance) | |
| Real Estate | |
| NACAR (Viroqua and Mount Joy) | |

Remainder of assets in the following approximate proportions:

| |
|-----------------|
| 1/3 BZW Low Cap |
| 2/3 SSGA Index |

- - - - -
*Mellon Bond account represents the Salomon Bros. Core +5 Index modified to hold the same sector weights, i.e., Treasuries, Mortgages and Corporates as the Salmon BIG Index.

Schedule VII
AT&T Awards Not to Be Replaced with NCR Awards

35,000 Restricted Stock Units granted to Lars Nyberg in September of 1995

Schedule VIII
AT&T Liabilities Under Individual Agreements

Obligation to Lars Nyberg pursuant to Section (5) of the letter dated June 7, 1996 to Mr. Nyberg from Harold W. Burlingame on behalf of AT&T, relating to the buyout of his special pension arrangement

Schedule IX
Reimbursement of NCR

AT&T shall reimburse NCR for any payments that may become due pursuant to the gross-up provisions of Section 14 of the Employment Agreement dated as of September 23, 1991 by and among AT&T, NCR and John L. Giering. [CONFIRM THAT NCR HAS PAID AND AT&T REIMBURSED NCR FOR, RECORD ACCOUNT PURSUANT TO SECTION 4 AND TAX EQUALIZATIONS PAYMENT PURSUANT TO SECTION 13 OF SUCH AGREEMENT.]

Schedule X
Reimbursement of AT&T

NCR shall reimburse AT&T for the amount of cash paid, plus the fair market value on the date of delivery of any shares of AT&T Common Stock delivered, to Ronald L. Fowinkle pursuant to the AT&T Performance Shares referred to in the third paragraph of the section entitled "Long Term Incentive" of the Letter to Mr. Fowinkle from Harold W. Burlingame dated July 23, 1996.

Schedule XI
Agreements Establishing Phantom Share Accounts

Phantom Share Arrangement for Anthony Fano dated March 1, 1994, as amended as of April 18, 1995

Phantom Share Arrangement for Mark V. Hurd dated August 8, 1994, as amended as of February 13, 1995

Phantom Share Arrangement for Werner Sulzer dated July 4, 1995

Exhibit A

RECEIPT AND RELEASE

[FORM FOR FIRST TRANSFER]

WHEREAS, AT&T Investment Management Corporation ("ATTIMCO") is the named fiduciary of the Long-Term Investment Trust (the "LTIT") established pursuant to 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 (the "LTIT Agreement"); and

WHEREAS, AT&T Corp. ("AT&T") is the named fiduciary of the AT&T Master Pension Trust (the "MPT" and, together with the LTIT and any successors to either of them (other than [NCR TRUSTS] (the "Receiving Trusts")), the "Distributing Trusts") established pursuant to 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 (the "MPT Agreement"); and

WHEREAS, The NCR Pension Plan and The Retirement Plan for Employees of NCR Corporation at Dayton, Ohio Represented by the Independent Union of NCR Corporation Guards (together, the "NCR Pension Plans") are Participating Plans (as defined in the MPT Agreement) in the MPT; and

WHEREAS, pursuant to that certain Employee Benefits Agreement (the "EBA") dated as of November 20, 1996, by and between AT&T and NCR Corporation, AT&T and NCR have agreed that the allocable share of the NCR Pension Plans in the LTIT and the MPT shall be redeemed and withdrawn on terms and conditions set forth in the EBA (references herein to "NCR" shall be deemed to refer to NCR Corporation

AT&T PROPRIETARY (RESTRICTED)
SOLELY FOR THOSE PERSONS HAVING A NEED TO KNOW
USE PURSUANT TO COMPANY INSTRUCTIONS

and the entities that are, as of the date hereof, NCR Controlled Persons as defined in the EBA); and

WHEREAS, in compliance with the above-described provisions of the EBA, AT&T, in its capacity as Authorized Fiduciary (within the meaning of the LTIT Agreement) for the MPT, has directed ATTIMCO, in its capacity as named fiduciary of the LTIT, to cause Citibank, N.A. (hereinafter referred to in its capacity as trustee of the LTIT as the "Distributing Trustee") to distribute the property described in Exhibit I hereto (the "Distributive Property") to the MPT, and AT&T, in its capacity as named fiduciary of the MPT, has caused the Distributive Property to be distributed to Citibank, N.A. as trustee of the Receiving Trust (hereinafter referred to in its capacity as trustee of the Receiving Trust as the "Receiving Trustee").

NOW, THEREFORE, NCR and the Receiving Trustee do hereby acknowledge that the Receiving Trustee has received the Distributive Property, and in consideration of the premises and of the distribution described herein, they do hereby covenant and agree as follows:

1. The Receiving Trustee does hereby acknowledge receipt of, and NCR does hereby acknowledge that the Receiving Trustee has received, the Distributive Property, and each of them does hereby agree that the Distributive Property constitutes all the property to which the Receiving Trustee is entitled pursuant to the First Transfer, and that such Distributive Property is accepted as is and in full satisfaction of the obligations of AT&T to effect the First Transfer pursuant to the EBA.

2. The Receiving Trustee does hereby acknowledge and confirm that the Receiving Trust is a qualified trust under Section 401(a) of the Internal Revenue Code of

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AT&T PROPRIETARY (RESTRICTED)
SOLELY FOR THOSE PERSONS HAVING A NEED TO KNOW
USE PURSUANT TO COMPANY INSTRUCTIONS

1986, as amended, that the Distributive Property is received by it, not individually, but as trustee pursuant to the agreements creating the Receiving Trust, and that it will hold and administer the Distributive Property in accordance with the terms and provisions of the Receiving Trust.

3. (a) The Receiving Trustee, individually and as trustee of the Receiving Trust and on behalf of the NCR Pension Plans, and NCR, individually and as sponsor of the NCR Pension Plans, do each hereby remise, release and forever discharge the Released Parties (as defined below) from any and all Liabilities (as defined below) against, in respect of, relating to, arising out of or in any other way connected with the Distributive Property (all of which are hereinafter collectively referred to as the "Released Claims").

(b) "Released Parties" means: (i) the Distributing Trusts; (ii) AT&T, individually and as trustee and fiduciary of the MPT and of AT&T's Participating Plans(s) in the MPT (as defined in the MPT Agreement) (the "AT&T Plans"); (iii) ATTIMCO, individually and as trustee and fiduciary of the LTIT, the MPT and the AT&T Plans; (iv) all of their respective past, present and future affiliates (other than NCR and Persons who are, as of the date hereof, NCR Controlled Persons), successors and assigns; and (v) all persons who at any time prior to the date hereof have been shareholders, directors, officers, agents or employees of any Persons described in clause (ii), (iii) or (iv), in each case, in their respective capacities as such, and their respective heirs, executors, administrators, successors and assigns.

(c) "Liabilities" means any and all losses, claims, charges, debts, demands, actions, causes of action, suits, damages, obligations, payments, costs and expenses, sums of money, accounts, reckonings, bonds, specialties, indemnities and similar obligations, exonerations, covenants, contracts, controversies, agreements, promises, doings, omissions,

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AT&T PROPRIETARY (RESTRICTED)
SOLELY FOR THOSE PERSONS HAVING A NEED TO KNOW
USE PURSUANT TO COMPANY INSTRUCTIONS

variances, guarantees, make whole agreements and similar obligations, and other liabilities, including all contractual obligations, whether absolute or contingent, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whenever arising, and including those arising under any law, rule, regulation, action, threatened or contemplated action (including the costs and expenses of demands, assessments, judgments, settlements and compromises relating thereto and attorneys' fees and any and all costs and expenses (including allocated costs of in-house counsel and other personnel), whatsoever reasonably incurred in investigating, preparing or defending against any such actions or threatened or contemplated actions), order or consent decree of any governmental authority or any award of any arbitrator or mediator of any kind, and those arising under any contract, commitment or undertaking.

4. The Receiving Trustee, solely in its capacity as trustee of the Receiving Trust, and not individually, does hereby agree that if any Distributing Trust shall hereafter be required to pay any claims or obligations of any kind which shall properly be chargeable in whole or in part against the Distributive Property, the Receiving Trustee will immediately pay to the appropriate trustee of such Distributing Trust the amount of such claims or obligations by such Distributing Trust.

5. The Receiving Trustee, solely in its capacity as Trustee of the Receiving Trust, and not individually, and NCR, do each hereby agree to indemnify and save and hold the Released Parties harmless from and against any and all Released Claims which any of them may at any time or from time to time sustain or incur or become liable for, except as to any Released Party with respect to any action or inaction on the part of such Released Party constituting breach of fiduciary duty.

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AT&T PROPRIETARY (RESTRICTED)
SOLELY FOR THOSE PERSONS HAVING A NEED TO KNOW
USE PURSUANT TO COMPANY INSTRUCTIONS

6. To the best knowledge of the Receiving Trustee and NCR, there is not, as of the date hereof, any default, claim or other action which the Receiving Trustee or NCR may claim or make against any Released Party based upon breach of fiduciary duty.

7. The Receiving Trustee and NCR do each represent and warrant to the Released Parties that it has full power and authority to grant the rights, releases, indemnifications and other actions set forth in this Release.

IN WITNESS WHEREOF, the Receiving Trustee and NCR have each caused these presents to be executed by its duly authorized officers and its corporate seal to be hereunto affixed as of the _____ day of _____, 1997.

[Receiving Trustee]

By: _____
Name:
Title:

ATTEST:
BY: _____
Name:
Title:

NCR CORPORATION
By: _____
Name:
Title:

ATTEST:
By: _____
Name:
Title:

Exhibit I

Distributive Property
Distributed on [DATE OF FIRST TRANSFER]

[DESCRIBE]

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AT&T PROPRIETARY (RESTRICTED)
SOLELY FOR THOSE PERSONS HAVING A NEED TO KNOW
USE PURSUANT TO COMPANY INSTRUCTIONS

EXHIBIT B

RECEIPT AND RELEASE

[FORM FOR SECOND TRANSFER]

WHEREAS, AT&T Investment Management Corporation ("ATTIMCO") IS the named fiduciary of the Long-Term Investment Trust (the "LTIT") established pursuant to 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, 1966 (the "LTIT Agreement"); and

WHEREAS, AT&T Corp. ("AT&T") is the named fiduciary of the AT&T Master Pension Trust (the "MPT" and, together with the LTIT and any successors to either of them (other than [NCR TRUSTS] (the "Receiving Trusts")), the "Distributing Trusts") established pursuant to 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 (the "MPT Agreement"); and

WHEREAS, The NCR Pension Plan and The Retirement Plan for Employees of NCR Corporation at Dayton, Ohio Represented by the Independent Union of NCR Corporation Guards (together, the "NCR Pension Plans") are Participating Plans (as defined in the MPT Agreement) in the MPT; and

WHEREAS, pursuant to that certain Employee Benefits Agreement (the "EBA") dated as of November 20, 1996, by and between AT&T and NCR Corporation, AT&T and NCR have agreed that the allocable share of the NCR Pension Plans in the LTIT and the MPT shall be redeemed and withdrawn on terms and conditions set forth in the EBA (references herein to "NCR" shall be deemed to refer to NCR Corporation

AT&T PROPRIETARY (RESTRICTED)
SOLELY FOR THOSE PERSONS HAVING A NEED TO KNOW
USE PURSUANT TO COMPANY INSTRUCTIONS

and the entities that are, as of the date hereof, NCR Controlled Persons as defined in the EBA); and

WHEREAS, in compliance with the above-described provisions of the EBA, AT&T, in its capacity as Authorized Fiduciary (within the meaning of the LTIT Agreement) for the MPT, has directed ATTIMCO, in its capacity as named fiduciary of the LTIT, to cause Citibank, N.A. (hereinafter referred to in its capacity as trustee of the LTIT as the "Distributing Trustee") to distribute the property described in Exhibit I and II hereto (the "Distributive Property") to the MPT, and AT&T, in its capacity as named fiduciary of the MPT, has caused the Distributive Property to be distributed to Citibank, N.A. as trustee of the Receiving Trust (hereinafter referred to in its capacity as trustee of the Receiving Trust as the "Receiving Trustee").

NOW, THEREFORE, NCR and the Receiving Trustee do hereby acknowledge that the Receiving Trustee has received the Distributive Property, and in consideration of the premises and of the distribution described herein, they do hereby covenant and agree as follows:

1. The Receiving Trustee does hereby acknowledge receipt of, and NCR does hereby acknowledge that the Receiving Trustee has received, the Distributive Property, and each of them does hereby agree that the Distributive Property constitutes all the property to which the Receiving Trustee is entitled pursuant to the withdrawal of the NCR Pension Plans from the MPT, and that such Distributive Property is accepted as is and in full satisfaction of the obligations of AT&T to effect such withdrawal pursuant to the EBA.

2. The Receiving Trustee does hereby acknowledge and confirm that the Receiving Trust is a qualified trust under Section 401(a) of the Internal Revenue Code of

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AT&T PROPRIETARY (RESTRICTED)
SOLELY FOR THOSE PERSONS HAVING A NEED TO KNOW
USE PURSUANT TO COMPANY INSTRUCTIONS

1986, as amended, that the Distributive Property is received by it, not individually, but as trustee pursuant to the agreements creating the Receiving Trust, and that it will hold and administer the Distributive Property in accordance with the terms and provisions of the Receiving Trust.

3. (a) The Receiving Trustee, individually and as trustee of the Receiving Trust and on behalf of the NCR Pension Plans, and NCR, individually and as sponsor of the NCR Pension Plans, do each hereby remise, release and forever discharge the Released Parties (as defined below) from any and all Liabilities (as defined below) against, in respect of, relating to, arising out of or in any other way connected with the Distributive Property (all of which are hereinafter collectively referred to as the "Released Claims").

(b) "Released Parties" means: (i) the Distributing Trusts; (ii) AT&T, individually and as trustee and fiduciary of the MPT and of AT&T's Participating Plan(s) in the MPT (as defined in the MPT Agreement) (the "AT&T Plans"); (iii) ATTIMCO, individually and as trustee and fiduciary of the LTIT, the MPT and the AT&T Plans; (iv) all of their respective past, present and future affiliates (other than NCR and Persons who are, as of the date hereof, NCR Controlled Persons), successors and assigns; and (v) all persons who at any time prior to the date hereof have been shareholders, directors, officers, agents or employees of any Person described in clause (ii), (iii) or (iv), in each case, in their respective capacities as such, and their respective heirs, executors, administrators, successors and assigns.

(c) "Liabilities" means any and all losses, claims, charges, debts, demands, actions, causes of action, suits, damages, obligations, payments, costs and expenses, sums of money, accounts, reckonings, bonds, specialties, indemnities and similar obligations, exonerations, covenants, contracts, controversies, agreements, promises, doings, omissions, variances, guarantees, make whole agreements and similar obligations, and other liabilities,

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AT&T PROPRIETARY (RESTRICTED)
SOLELY FOR THOSE PERSONS HAVING A NEED TO KNOW
USE PURSUANT TO COMPANY INSTRUCTIONS

including all contractual obligations, whether absolute or contingent, matured or unmatured, liquidated or unliquidated, accrued or unaccrued, known or unknown, whenever arising, and including those arising under any law, rule, regulation, action, threatened or contemplated action (including the costs and expenses of demands, assessments, judgments, settlements and compromises relating thereto and attorneys' fees and any and all costs and expenses (including allocated costs of in-house counsel and other personnel), whatsoever reasonably incurred in investigating, preparing or defending against any such actions or threatened or contemplated actions), order or consent decree of any governmental authority or any award of any arbitrator or mediator of any kind, and those arising under any contract, commitment or undertaking.

4. The Receiving Trustees, solely in its capacity as trustee of the Receiving Trust, and not individually, does hereby agree that if any Distributing Trust shall hereafter be required to pay any claims or obligations of any kind which shall properly be chargeable in whole or in part against the Distributive Property, the Receiving Trustee will immediately pay to the appropriate trustee of such Distributing Trust the amount of such claims or obligations by such Distributing Trust.

5. The Receiving Trustee, solely in its capacity as Trustee of the Receiving Trust, and not individually, and NCR, do each hereby agree to indemnify and save and hold the Released Parties harmless from and against any and all Released Claims which any of them may at any time or from time to time sustain or incur or become liable for, except as to any Released party with respect to any action or inaction on the part of such Released Party constituting breach of fiduciary duty.

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AT&T PROPRIETARY (RESTRICTED)
SOLELY FOR THOSE PERSONS HAVING A NEED TO KNOW
USE PURSUANT TO COMPANY INSTRUCTIONS

6. To the best of knowledge of the Receiving Trustee and NCR, there is not, as of the date hereof, any default, claim or other action which the Receiving Trustee or NCR may claim or make against any Released Party based upon breach of fiduciary duty.

7. The Receiving Trustee and NCR do each represent and warrant to the Released Parties that it has full power and authority to grant the rights, releases, indemnifications and other actions set forth in this Release.

8. Concurrent with the execution and delivery of this Release, NCR shall cease to be an Employing Company and the NCR Pension Plans shall cease to be Participating Plans (as such terms are defined in the MPT) in the MPT, and NCR and the NCR Pension Plans shall have no further rights, in, to or with respect to the Distributing Trusts.

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AT&T PROPRIETARY (RESTRICTED)
SOLELY FOR THOSE PERSONS HAVING A NEED TO KNOW
USE PURSUANT TO COMPANY INSTRUCTIONS

IN WITNESS WHEREOF, the Receiving Trustee and NCR have each caused these presents to be executed by its duly authorized officers and its corporate seal to be hereunto affixed as of the _____ day of _____, 1997.

[RECEIVING TRUSTEE]

By: _____
Name:
Title:

ATTEST:

By: _____
Name:
Title:

NCR CORPORATION

By: _____
Name:
Title:

ATTEST:

By: _____
Name:
Title:

Exhibit I

Distributive Property
Distributed on [date of First Transfer]

[describe]

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AT&T Proprietary (Restricted)
Solely for Those Persons Having a Need to Know
Use Pursuant to Company Instructions

Exhibit II

Distributive Property
Distributed on [date of Second Transfer]

[describe]

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AT&T Proprietary (Restricted)
Solely for Those Persons Having a Need to Know
Use Pursuant to Company Instructions

Exhibit C

Form of:

FOREIGN EMPLOYEE BENEFITS AGREEMENT

among

AT&T CORP.,

LUCENT TECHNOLOGIES INC.

and

NCR CORPORATION

Dated as of

, 1996

AT&T Proprietary (Restricted)
Solely for Those Persons Having a Need to Know
Use Pursuant to Company Instructions

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FOREIGN EMPLOYEE BENEFITS AGREEMENT
AMONG
AT&T CORP.,
LUCENT TECHNOLOGIES INC.
AND
NCR CORPORATION

This FOREIGN EMPLOYEE BENEFITS AGREEMENT dated as of _____, 1996, is by and among AT&T Corp. ("AT&T"), Lucent Technologies Inc. ("Lucent") and NCR 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, NCR and Lucent have executed and delivered the Separation and Distribution Agreement (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 defined in the Separation and Distribution Agreement) governing certain additional matters relating to the Lucent Distribution;

WHEREAS, the Ancillary Agreements include an Employee Benefits Agreement between AT&T and Lucent, dated as of February 1, 1996 and amended and restated as of March 29, 1996 (the "AT&T/Lucent EBA") allocating assets, liabilities and responsibilities with respect to certain employee compensation and benefit plans and programs between AT&T and Lucent;

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, 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;

WHEREAS, such other agreements include an Employee Benefits Agreement between AT&T and NCR dated as of November 20, 1996 (the "AT&T/NCR EBA") allocating assets, liabilities and responsibilities with respect to certain employee compensation and benefit plans and programs between AT&T and NCR and their respective Affiliates;

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WHEREAS, the AT&T/Lucent EBA and the AT&T/NCR EBA each contemplate that the parties thereto will enter into an agreement regarding the treatment of employee benefit plans maintained for the benefit of employees outside the U.S.

WHEREAS, AT&T, Lucent and NCR wish to enter into this Agreement for that purpose.

NOW, THEREFORE, the parties, intending to be legally bound, agree as follows:

ARTICLE I
 DEFINITIONS

1.1 AFFILIATES is defined in the Distribution Agreement.

1.2 ANCILLARY AGREEMENTS is defined in the fourth paragraph of the preamble in this Agreement.

1.3 AT&T is defined in the first paragraph of the preamble of this Agreement.

1.4 AT&T CONTROLLED PERSON is defined in the AT&T/NCR EBA.

1.5 AT&T INDIVIDUALS is defined in the AT&T/NCR EBA.

1.6 AT&T/LUCENT EBA is defined in the fifth paragraph of the preamble of this Agreement.

1.7 AT&T/NCR EBA is defined in the eighth paragraph of the preamble of this Agreement.

1.8 AT&T TRANSFERRED EMPLOYEE is defined in the AT&T/Lucent EBA.

1.9 CLOSE OF THE LUCENT DISTRIBUTION DATE means the "Close of the Distribution Date" as defined in the AT&T/Lucent EBA.

1.10 CLOSE OF THE NCR DISTRIBUTION DATE is defined in the AT&T/NCR EBA.

1.11 DISTRIBUTION AGREEMENT is defined in the seventh paragraph of the preamble of this Agreement.

1.12 FOREIGN PLAN means any Plan for the benefit of employees outside the 50 United States and the District of Columbia.

1.13 IMMEDIATELY AFTER THE LUCENT DISTRIBUTION DATE means "Immediately after the Distribution Date" as defined in the AT&T/Lucent EBA.

1.14 LEGALLY PERMITTED means permitted under the laws of the country, the labor union, works council, or collective agreement, including mandated waiting periods before which working conditions (including benefits) cannot be changed, and upon receiving required agreement from individual employees and/or Plan trustees, foundation boards and

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members, and any other organizations having a recognized right to determine or affect benefits and/or funding of the Foreign Plan in question.

1.15 LUCENT is defined in the first paragraph of the preamble of this Agreement.

1.16 LUCENT INDIVIDUAL is defined in the AT&T/Lucent EBA.

1.17 NCR is defined in the first paragraph of the preamble of this Agreement.

1.18 NCR CONTROLLED PERSON is defined in the AT&T/NCR EBA.

1.19 NCR INDIVIDUAL is defined in the AT&T/NCR EBA.

1.20 OVERLAPPING PLAN means a Foreign Plan in which, as of the relevant date, the [active] participants include employees of more than one of: (a) AT&T and Persons who are then AT&T Controlled Persons; (b) Lucent and the Lucent Entities; and (c) NCR and Persons who are then NCR Controlled Persons.
 [SUBSEQUENT PROVISIONS MAY NEED REVISION IF BRACKETED LANGUAGE IS KEPT.]

1.21 OVERLAPPING DB PLANS is defined in Section 4.3(a).

1.22 OVERLAPPING DC PLANS is defined in Section 4.2.

1.23 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 or any of its past or present Affiliates (including Lucent and its Affiliates and NCR and its Affiliates).

1.24 SEPARATE PLAN means a Foreign Plan which is not an Overlapping Plan.

1.25 SEPARATION AND DISTRIBUTION AGREEMENT is defined in the third paragraph of the preamble of this Agreement.

1.26 Transferred Individuals is defined in the AT&T/Lucent EBA.

ARTICLE II GENERAL EFFECT OF THIS AGREEMENT

The purpose of this Agreement is to specify the manner in which AT&T, Lucent and NCR will ensure that all Foreign Plans become Separate Plans as soon as practicable after the date hereof, and in particular to provide for any asset transfers that are necessary or appropriate in connection therewith. Except as specifically provided herein, no provision of this Agreement shall be construed as amending in any respect any provision of the AT&T/Lucent EBA (other than Exhibit B thereto) or of the AT&T/NCR EBA.

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AT&T PROPRIETARY (RESTRICTED)
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ARTICLE III
SEPARATE PLANS

3.1 EFFECT OF LUCENT DISTRIBUTION. Effective Immediately after the Lucent Distribution Date or such later date as may be required by applicable law, union or works council agreement, all Separate Plans and Overlapping Plans in which no Transferred Individuals participate shall be the sole responsibility of AT&T and the Persons who are then AT&T Controlled Persons (including NCR and the Persons who are then NCR Controlled Persons), and neither Lucent nor any Lucent Entity shall have any Liability with respect thereto; and all other Separate Plans shall be the sole responsibility of Lucent and the Lucent Entities, and none of AT&T and the Persons who are then AT&T Controlled Persons (including NCR and the Persons who are then NCR Controlled Persons) shall have any Liability with respect thereto.

3.2 EFFECT OF NCR DISTRIBUTION. Effective Immediately after the NCR Distribution Date or such later date as may be required by applicable law, union or works council agreement, any Separate Plan that covers only AT&T Individuals shall be the sole responsibility of AT&T and the Persons that are then AT&T Controlled Persons, and neither NCR nor any Person that is then an NCR Controlled Person shall have any Liability with respect thereto; and any Separate Plan that covers only NCR Individuals shall be the sole responsibility of NCR and the Persons that are then NCR Controlled Persons, and neither AT&T nor any Person that is then an AT&T Controlled Person shall have any Liability with respect thereto.

ARTICLE IV
OVERLAPPING PLANS

4.1 ESTABLISHMENT OF SEPARATE PLANS. Each of AT&T, Lucent and NCR shall take all steps necessary or appropriate to establish, or cause to be established, such new Foreign Plans and/or to amend existing Foreign Plans as may be necessary to ensure that, no later than Immediately after the NCR Distribution Date, no Foreign Plans are Overlapping Plans. Any new Separate Plan that is so established shall, to the extent it provides the same type of benefits to the same individuals as the corresponding Overlapping Plan in which such individuals participated immediately before such establishment, be substantially identical in all Material Features to such Overlapping Plan.

4.2 OVERLAPPING DEFINED CONTRIBUTION PLANS. In each of the following jurisdictions, one or more Overlapping Plans that are individual account, defined contribution plans (the "Overlapping DC Plans") have been maintained: [LIST IS SUBJECT TO REVISION] China; Costa Rica; Hong Kong; India; New Zealand; Puerto Rico; Thailand; United Kingdom; and Venezuela. AT&T, Lucent and NCR shall take all steps necessary or appropriate so that their respective Separate Plans corresponding to such Overlapping DC Plans (i) assume all Liabilities to or with respect to AT&T Individuals, Transferred Individuals and NCR Individuals, respectively, and (ii) receive transfers of corresponding assets from such Overlapping DC Plans.

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4.3 OVERLAPPING DEFINED BENEFIT PLAN.

(a) GENERAL. In each of the following jurisdictions, one or more Overlapping Plans that are defined benefit plans (the "Overlapping DB Plans") have been maintained: [LIST IS SUBJECT TO REVISION] Austria; Germany; Ireland; Japan; the Netherlands; the Philippines; Switzerland; and Taiwan. In addition, in Hong Kong NCR maintains the NCR Hong Kong Pension Plan, which is both an individual account, defined contribution plan and a defined benefit plan. AT&T, Lucent and NCR shall take all steps necessary or appropriate so that their respective Separate Plans corresponding to such Overlapping DB Plans and the NCR Hong Kong Pension Plan (i) except as specifically provided in Section 4.3(f) below, assume all Liabilities to or with respect to AT&T Individuals, Transferred Individuals and NCR Individuals, respectively, and (ii) receive transfers of assets from such Overlapping DB Plans that are funded and from the NCR Hong Kong Pension Plan, in each case in accordance with the provisions of this Section 4.3.

(b) GERMANY. AT&T and Lucent shall take all steps necessary or appropriate so that as soon as practicable after the date of this Agreement, the insurance contracts providing partial funding for the AT&T Deutschland Pension Plan that insure the lives of Transferred Individuals are transferred to the corresponding Separate Plan established by Lucent.

(c) HONG KONG. Lucent and NCR shall take all steps necessary or appropriate so that, effective no later than Immediately, after the NCR Distribution Date: (i) all assets funding the benefits of Transferred Individuals in the defined contribution portion of the NCR Hong Kong Pension Plan are transferred to the Lucent Hong Kong Provident Fund; and (ii) [ALL ASSETS FUNDING THE BENEFITS OF TRANSFERRED INDIVIDUALS IN THE DEFINED BENEFIT PORTION OR THE NCR HONG KONG PENSION PLAN ARE TRANSFERRED TO THE LUCENT HONG KONG PROVIDENT FUND] [ALL VESTED BENEFITS OF TRANSFERRED INDIVIDUALS UNDER THE NCR HONG KONG PENSION FUND ARE PAID TO SUCH TRANSFERRED INDIVIDUALS.] [IF ASSETS ARE TO BE TRANSFERRED, NEED TO SPECIFY BASIS FOR DETERMINING THE AMOUNT OF ASSETS. IF BENEFITS ARE CASHED OUT, MAKE CLEAR THAT LUCENT ASSUMES ALL RESIDUAL LIABILITIES].

(d) IRELAND. Lucent and NCR shall take all steps necessary or appropriate so that, effective no later than Immediately after the NCR Distribution Date, there shall be transferred from the NS Ireland Pension Plan to the NCR Ireland Pension Plan, in accordance with Schedule I hereto, assets having an aggregate value equal to the accrued benefit obligation to each participant in the NS Ireland Pension Plan who is an NCR Individual (such value and obligations determined as of the Close of the Lucent Distribution Date, and adjusted as appropriate to reflect income, and realized gains and losses and benefit payments between the Close of the Lucent Distribution Date and the date of the transfer).

(e) JAPAN. AT&T and Lucent shall take all steps necessary or appropriate so that, effective as soon as practicable after the date of this Agreement, there shall be transferred from the Lucent Japan Pension Plan to the corresponding Separate Plan established by AT&T, assets having a value equal to the accrued benefit obligation to each participant in the Lucent Japan Pension Plan who is not a Transferred Individual, as determined by Nippon Life, subject to the approval of AT&T (which approval shall not be unreasonably withheld).

(f) THE NETHERLANDS. Lucent and NCR shall take all steps necessary or appropriate so that: (i) as soon as practicable after the date hereof, and effective as of Immediately after the Lucent Distribution Date, all Transferred Individuals who were active members of the NCR Netherlands Pension Scheme shall cease to be active members of that scheme and shall become active members of the corresponding Separate Plan established by Lucent (the "Lucent Netherlands Plan"); (ii) as soon as practicable after the Close of the NCR Distribution Date, if any such Transferred Individual consents in accordance with applicable law, the Lucent Netherlands Plan shall assume all Liabilities to or with respect to such Transferred Individual relating to, arising out of or resulting from the NCR Netherlands Pension Scheme, and shall receive a transfer of assets from the NCR Netherlands Pension Scheme in connection with such assumption of Liabilities as required by applicable law, as determined by the administrators and actuaries of the NCR Netherlands Pension Scheme, subject to the approval of NCR (which approval shall not be unreasonably withheld). Lucent shall use the reasonable best efforts to obtain the consent of all such Transferred Individuals to the assumption of liabilities and transfer of assets described in the preceding sentence. [TREATMENT OF NONACTIVE MEMBERS WHO ARE TRANSFERRED INDIVIDUALS TO BE DETERMINED.]

(g) THE PHILIPPINES. AT&T and Lucent shall take all steps necessary or appropriate so that, effective as soon as practicable after the date of this Agreement, there shall be transferred from the Lucent Philippines Pension Plan to the corresponding Separate Plan established by AT&T, assets having a value equal to the projected benefit obligation to each participant in the Lucent Philippines Pension Plan who is not a Transferred Individual, determined in accordance with Schedule II hereto, subject to the approval of AT&T (which approval shall not be unreasonably withheld).

(h) SWITZERLAND. [NOT YET DETERMINED.]

(i) TAIWAN. AT&T and Lucent shall take all steps necessary or appropriate so that, effective as soon as practicable after the date of this Agreement, each of them shall have established a Separate Plan corresponding to the Taiwan retirement indemnity fund administered by Taiwan First Investment Trust (the "Taiwan Overlapping Plan"), and the assets of the Taiwan Overlapping Plan shall be divided between and transferred to such Separate Plans, with 87% of such assets being transferred to Lucent's Separate Plan and 13% of such assets being transferred to AT&T's Separate Plan.

4.4 OTHER FUNDED PLANS. [TO COME]

ARTICLE V SEVERANCE ISSUES

If under applicable law, any Lucent Individual, Transferred Individual, NCR Individual or AT&T Transferred Employee employed outside the U.S. is deemed to have incurred a termination of employment as a result of the Lucent Distribution or the NCR Distribution or any other transaction contemplated by the Separation and Distribution Agreement, the Distribution Agreement, the AT&T/Lucent EBA, the AT&T/NCR EBA or any other Ancillary Agreement, which entitles such individual to receive any payment or benefit

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under any Foreign Plan, governmental plan or arrangement or pursuant to any law or regulation, including severance benefits, notwithstanding such individual's continued employment by AT&T, a Person that is then an AT&T Controlled Person, Lucent, a Lucent Entity, NCR or a Person that is then an NCR Controlled Person, then notwithstanding any other provision hereof, to the extent Legally Permitted, appropriate adjustments shall be made to the treatment of such individual during such continued employment, including not giving such individual credit for prior service and/or treating such individual as having been newly hired immediately after such deemed termination, for purposes of all applicable Foreign Plans.

ARTICLE VI
GENERAL

6.1 SHARING OF PARTICIPANT INFORMATION. AT&T, Lucent 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, their respective Foreign Plans. AT&T, Lucent 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 of the Close of the Lucent Distribution Date, unless otherwise agreed to by the parties involved.

6.2 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 as a whole (including all of the Schedules and Exhibits hereto) and not to any particular provision of this Agreement. Article, Section, Exhibit, and Schedule references are to the Articles, Sections, Exhibits, and Schedules to this Agreement unless otherwise specified. The word "including" and words of similar import when used in this Agreement shall mean "including, without limitation," unless the context otherwise requires or unless otherwise specified. The word "or" shall not be exclusive.

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

AT&T CORP.

By: _____
Name:
Title:

LUCENT TECHNOLOGIES, INC.

By: _____
Name:
Title:

NCR CORPORATION

By: _____
Name:
Title:

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ATTORNEY WORK PRODUCT
ADVICE OF COUNSEL
PRIVILEGED AND CONFIDENTIAL
DRAFT OF 11/20/96

Schedule I
Ireland Pension Asset Split

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ATTORNEY WORK PRODUCT
ADVICE OF COUNSEL
PRIVILEGED AND CONFIDENTIAL
DRAFT OF 11/20/96

Schedule II
Philippines Pension Asset Split

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EXHIBIT D

FORM OF:
INTERCHANGE AGREEMENT
AMONG
AT&T CORP.,
LUCENT TECHNOLOGIES INC.
AND
NCR CORPORATION

DATED AS OF
_____, 1996

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INTERCHANGE AGREEMENT
AMONG
AT&T CORP.,
LUCENT TECHNOLOGIES INC.
AND
NCR CORPORATION

This INTERCHANGE AGREEMENT dated as of _____, 1996, is by and among AT&T Corp. ("AT&T"), Lucent Technologies Inc. ("Lucent") and NCR 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, NCR and Lucent have executed and delivered the Separation and Distribution Agreement (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 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 defined in the Separation and Distribution Agreement) governing certain additional matters relating to the Lucent Distribution;

WHEREAS, the Ancillary Agreements include an Employee Benefits Agreement between AT&T and Lucent, dated as of February 1, 1996 and amended and restated as of March 29, 1996 (the "AT&T/Lucent EBA") allocating assets, liabilities and responsibilities with respect to certain employee compensation and benefit plans and programs between AT&T and Lucent;

WHEREAS, pursuant to the AT&T/Lucent EBA, AT&T and Lucent have also executed and delivered a Management Interchange Agreement dated as of April 8, 1996 (the "AT&T/Lucent Management Interchange Agreement") and an Occupational Interchange Agreement dated as of April 8, 1996 (the "AT&T/Lucent Occupational Interchange Agreement"), in each case providing for (among other things) the portability of benefits and mutual recognition of service during a limited transition period with respect to certain individuals who terminate employment, or who have terminated employment, with one party or its Affiliates (as defined in the Separation and Distribution Agreement) and who become employees of the other party or its Affiliates;

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, in furtherance of the foregoing, AT&T and NCR have entered into a Distribution Agreement, dated as of November 20, 1996 (the "Distribution Agreement").

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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;

WHEREAS, such other agreements include an Employee Benefits Agreement dated as of November 20, 1996 (the "AT&T/NCR EBA") allocating assets, liabilities and responsibilities with respect to certain employee compensation and benefit plans and programs between AT&T and NCR and their respective Affiliates;

WHEREAS, AT&T and NCR have previously entered into an Interchange Agreement dated as of September 20, 1991 (the "AT&T/NCR Interchange Agreement") providing for (among other things) mutual recognition for certain purposes of service credit earned and accrued by personnel who are transferred, hired or rehired between AT&T and NCR;

WHEREAS, AT&T and AG Communication Systems Corporation, a majority owned subsidiary of Lucent, have previously entered into a Second Amended and Restated Interchange Agreement effective as of January 1, 1994 (the "AT&T/AGCS Interchange Agreement");

WHEREAS, Lucent and AG Communication Systems Corporation have previously entered into an Interchange Agreement effective as of October 1, 1996 (the "Lucent/AGCS Interchange Agreement");

WHEREAS, it is necessary and appropriate to clarify the interaction between the among certain of the respective provisions of the AT&T/Lucent EBA, the AT&T/NCR EBA, the AT&T/Lucent Management Interchange Agreement, the AT&T/Lucent Occupational Interchange Agreement, the AT&T/NCR Interchange Agreement, the AT&T/AGCS Interchange Agreement and the Lucent/AGCS Interchange Agreement and the effect thereon of the Lucent Distribution and the NCR Distribution;

WHEREAS, AT&T, Lucent and NCR wish to enter into this Agreement for that purpose.

NOW, THEREFORE, the parties, intending to be legally bound, agree as follows:

ARTICLE I
DEFINITIONS

1.1 AFFILIATES is defined in the Separation and Distribution Agreement.

1.2 AT&T is defined in the first paragraph of the preamble of this Agreement.

1.3 AT&T ENTITIES is defined in the AT&T/Lucent EBA.

1.4 AT&T/AGCS INTERCHANGE AGREEMENT is defined in the eleventh paragraph of the preamble of this Agreement.

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1.5 AT&T/LUCENT EBA is defined in the fifth paragraph of the preamble of this Agreement.

1.6 AT&T/LUCENT MANAGEMENT INTERCHANGE AGREEMENT is defined in the sixth paragraph of the preamble of this Agreement.

1.7 AT&T/LUCENT OCCUPATIONAL INTERCHANGE AGREEMENT is defined in the sixth paragraph of the preamble of this Agreement.

1.8 AT&T/NCR EBA is defined in the ninth paragraph of the preamble of this Agreement.

1.9 AT&T/NCR INTERCHANGE AGREEMENT is defined in the tenth paragraph of the preamble of this Agreement.

1.10 CLOSE OF THE LUCENT DISTRIBUTION DATE means the "Close of the Distribution Date" as defined in the AT&T/Lucent EBA.

1.11 CLOSE OF THE NCR DISTRIBUTION DATE is defined in the AT&T/NCR EBA.

1.12 DISTRIBUTION AGREEMENT is defined in the eight paragraph of the preamble of this Agreement.

1.13 LUCENT is defined in the first paragraph of the preamble of this Agreement.

1.14 LUCENT ENTITIES is defined in the AT&T/Lucent EBA.

1.15 LUCENT/AGCS INTERCHANGE AGREEMENT is defined in the twelfth paragraph of the preamble of this Agreement.

1.16 NCR is defined in the first paragraph of the preamble of this Agreement.

1.17 NCR CONTROLLED PERSONS is defined in the AT&T/NCR EBA.

1.18 NCR EXECUTIVE BENEFIT PLANS is defined in the AT&T/NCR EBA.

1.19 NCR INDIVIDUALS is defined in the AT&T/NCR EBA.

1.20 NCR PENSION PLAN means any "NCR Pension Plan" or the "NCR Successor Pension Plan" as defined in the AT&T/NCR EBA.

1.21 NCR PLANS is defined in the AT&T/NCR EBA.

1.22 NCR SAVINGS PLAN is defined in the AT&T/NCR EBA.

1.23 NCR SERPs is defined in the AT&T/NCR EBA.

1.24 NCR SHORT TERM INCENTIVE PLANS is defined in the AT&T/NCR EBA.

1.25 SEPARATION AND DISTRIBUTION AGREEMENT is defined in the third paragraph of the preamble of this Agreement.

1.26 SERP means an "employee pension benefit plan" within the meaning of Section 3(2) of ERISA that is not qualified under Section 401(a) of the Code.

ARTICLE II
 AT&T/LUCENT EBA

2.1 GENERAL. The purpose of this Article II is to clarify the application of certain provisions of the AT&T/Lucent EBA with respect to the NCR Plans and to former employees of NCR and the NCR Controlled Persons who are Transferred Individuals within the meaning of the AT&T/Lucent EBA, in a manner consistent with the provisions of the AT&T/NCR EBA. To the extent the provisions of this Article II are inconsistent with the AT&T/LUCENT EBA, AT&T and Lucent hereby agree that the AT&T/Lucent EBA is amended hereby. Capitalized terms used in this Article II and not defined in this Article II or elsewhere in this Agreement shall have the meanings assigned to them in the AT&T/Lucent EBA.

2.2 LIABILITIES UNDER PLANS. The Liabilities assumed by Lucent and the Lucent Entities pursuant to the AT&T/Lucent EBA shall not include (i) any Liabilities relating to, arising out of or resulting from NCR Plans that are not NCR Executive Benefit Plans, nor (ii) any Liabilities relating to, arising out of or resulting from the NCR SERPs.

2.3 ASSET TRANSFERS. No assets shall be transferred from or to any NCR Plan pursuant to the AT&T/Lucent EBA. Benefits accrued under NCR Executive Benefit Plans shall not be taken into account in determining the amount of assets to be transferred pursuant to Section 6.8 of the AT&T/Lucent EBA.

2.4 HEALTH AND WELFARE PLANS. The AT&T Health and Welfare Plans shall not include any NCR Plan. Accordingly, the provisions of Article V of the AT&T/Lucent EBA shall have no application to any NCR Plan. (NEED TO CONFIRM WITH SUBJECT MATTER EXPERTS.)

2.5 SHORT TERM INCENTIVE PLANS. Lucent shall be solely responsible for all Liabilities to NCR Individuals under the Lucent Short Term Incentive Plan for the 1996 performance year, to the extent they participated therein. NCR shall be solely responsible for all Liabilities to Transferred Individuals under the NCR Short Term Incentive Plans for the 1996 performance year, to the extent they participated therein. (NEED TO CONFIRM WITH SUBJECT MATTER EXPERTS.)

ARTICLE III
 AT&T/LUCENT MANAGEMENT INTERCHANGE AGREEMENT

3.1 GENERAL. The purpose of this Article III is to clarify the application of certain provisions of the AT&T/Lucent Management Interchange Agreement with respect to NCR, the NCR Controlled Persons, NCR Plans and certain other AT&T Entities and Lucent Entities. To the extent the provisions of this Article III are inconsistent with the AT&T/

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Lucent Management Interchange Agreement, AT&T and Lucent hereby agree that the AT&T/Lucent Management Interchange Agreement is amended hereby. Capitalized terms used in this Article III and not defined in this Article III or elsewhere in this Agreement shall have the meanings assigned to them in the AT&T/Lucent Management Interchange Agreement.

3.2 RULES OF INTERPRETATION.

(a) The parties acknowledge that until the Close of the NCR Distribution Date, NCR and the NCR Controlled Persons will be "AT&T Entities" within the meaning of the AT&T/Lucent Management Interchange Agreement. Accordingly, the provisions of Article II of the AT&T/Lucent Management Interchange Agreement, requiring recognition of service, compensation and other benefit determining factors with respect to Transition Individuals, apply with respect to NCR Plans, whether NCR or an NCR Controlled Person is the Hiring Company or the Prior Company, provided that the transfer of employment from or to NCR or an NCR Controlled Person occurs on or before the Close of the NCR Distribution Date.

(b) For purposes of determining whether an individual is a Transition Individual within the meaning of the AT&T/Lucent Management Interchange Agreement by reason of becoming an employee of NCR or an NCR Controlled Person as described in Section 1.38(a) or 1.38(d), such individual shall be considered to be a "Management Employee" of NCR or such NCR Controlled Person if he or she was a "Management Employee" of Lucent. If an individual is a Transition Individual by reason of becoming a Management Employee of NCR or an NCR Controlled Person (as described in Section 1.38(a) or 1.38(d) of the AT&T/Lucent Management Interchange Agreement), then the provisions of the AT&T/Lucent Management Interchange Agreement referred to below shall apply to such Transition Individual in a manner consistent with the following:

- (i) the AT&T Pension Plans, Savings Plans and ESOPs shall be treated as the Hiring Company's Pension Plans, Savings Plans and ESOPs for purposes of carrying out the transfer of assets and assumption of liabilities from the Prior Company's (i.e., Lucent's) Pension Plans, Savings Plans and ESOPs pursuant to, and the other provisions of, Articles III and IV;
- (ii) no transfer of recordkeeping accounts from the Prior Company's (i.e., Lucent's) Stock Purchase Plan shall be made to any Stock Purchase Plan sponsored by AT&T or NCR pursuant to Article V;
- (iii) the provisions of Section 6.1 shall be inapplicable to such Transferred Individual's participation in any health or welfare plan that is an NCR Plan, nor shall any Liabilities or assets be assumed or transferred pursuant to Section 6.3; [NEED TO CONFIRM WITH SUBJECT MATTER EXPERTS] and
- (iv) the AT&T SERPs shall be treated as the Hiring Company's SERPs for purposes of the assumption of Liabilities under the Prior Company's (i.e., Lucent's) Executive Benefit Plans pursuant to Section 7.1 [NEED TO CONFIRM WITH SUBJECT MATTER EXPERTS]

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AT&T PROPRIETARY (RESTRICTED)
 SOLELY FOR THOSE PERSONS HAVING A NEED TO KNOW
 USE PURSUANT TO COMPANY INSTRUCTIONS

[CHECK THE FOLLOWING WITH SUBJECT MATTER EXPERTS:
 TREATMENT OF RABBI TRUST ASSETS, COLI AND SPLIT
 DOLLAR INSURANCE.]

(c) If an individual is a Transition Individual by reason of Section 1.38(b) or Section 1.38(c) OF THE AT&T/Lucent Management Interchange Agreement and was an employee of NCR or an NCR Controlled Person, then the provisions of the AT&T/Lucent Management Interchange Agreement shall apply to such Transition Individual in a manner consistent with the following:

- (i) neither the NCR Pension Plans nor the NCR Savings Plan shall be treated as the Prior Company's Pension Plans or Savings Plan, but the AT&T Pension Plans, Savings Plans and ESOPs (to the extent the Transition Individual has accrued any benefits thereunder) shall be treated as the Prior Company's Pension Plans, Savings Plans and ESOPs, for purposes of carrying out the transfer of assets and assumption of liabilities to the Hiring Company's (i.e., Lucent's) Pension Plans, Savings Plans and ESOPs pursuant to, and the other provisions of, Articles III and IV;
- (ii) no transfer of recordkeeping accounts from any Stock Purchase Plan sponsored by NCR shall be made to any Hiring Company Stock Purchase Plan pursuant to Article V;
- (iii) the provisions of Section 6.1 shall be inapplicable with respect to any health or welfare plan that is an NCR Plan in which such Transition Individual may have participated before becoming a Management Employee of Lucent or a Lucent Entity, nor shall any Liabilities or assets be transferred from any funding vehicle relating to an NCR Plan pursuant to Section 6.3; [NEED TO CONFIRM WITH SUBJECT MATTER EXPERTS] AND
- (iv) the Liabilities under the Prior Company's Executive Benefit Plans referred to in Section 7.1 to be assumed by the Hiring Company's (i.e., Lucent's) Executive Benefit Plans shall not include Liabilities under the NCR SERPs, which shall remain the sole responsibility of NCR and its Affiliates, but the AT&T SERPs (to the extent the Transition Individual has accrued any benefits thereunder) shall be treated as the Prior Company's SERPs for purposes of the assumption of Liabilities by the Hiring Company's (i.e., Lucent's) Executive Benefit Plans pursuant to Section 7.1. [NEED TO CONFIRM WITH SUBJECT MATTER EXPERTS.]

(d) For purposes of determining whether an individual is a Transition Individual within the meaning of the AT&T/Lucent management Interchange Agreement by reason of becoming an employee of a Lucent Entity or an AT&T Entity (other than NCR or an NCR Controlled Person) that is not a participating employer in the Lucent Pension Plans or the AT&T Pension Plans, respectively, the status of such individual as a "Management Employee" shall be determined as if such individual's employer were a participating employer in the Lucent Pension Plans or the AT&T Pension Plans, respectively. If an individual is a Transition Individual by reason of becoming a Management Employee of an

AT&T Entity (other than NCR or an NCR Controlled Person) that is not a participating employer in the applicable AT&T Pension Plans, Savings Plans and/or ESOPs, the AT&T Pension Plans, Savings Plans and ESOPs shall nonetheless be treated as the Hiring Company's Pension Plans, Savings Plans and ESOPs for purposes of carrying out the transfer of assets and assumption of liabilities from the Prior Company's (i.e., Lucent's) Pension Plans, Savings Plans and ESOPs pursuant to, and the other provisions of, Articles III and IV. If an individual is a Transition Individual by reason of becoming a Management Employee of a Lucent Entity that is not a participating employer in the applicable Lucent Pension Plans, Savings Plans and ESOPs, the Lucent Pension Plans, Savings Plans and ESOPs shall nonetheless be treated as the Hiring Company's Pension Plans, Savings Plans and ESOPs for purposes of carrying out the transfer of assets and assumption of liabilities from the Prior Company's (i.e., AT&T's) Pension Plans, Savings Plans and ESOPs pursuant to, and the other provisions of, Articles III and IV.

ARTICLE IV
AT&T/LUCENT OCCUPATIONAL INTERCHANGE AGREEMENT

4.1 GENERAL. The purpose of this Article IV is to clarify the application of certain provisions of the AT&T/Lucent Occupational Interchange Agreement with respect to NCR, the NCR Controlled Persons, NCR Plans and certain AT&T Entities and Lucent Entities. To the extent the provisions of this Article IV are inconsistent with the AT&T/Lucent Occupational Interchange Agreement, AT&T and Lucent hereby agree that the AT&T/Lucent Occupational Interchange Agreement is amended hereby. Capitalized terms used in this Article IV and not defined in this Article IV or elsewhere in this Agreement shall have the meanings assigned to them in the AT&T/Lucent Occupational Interchange Agreement.

4.2 RULES OF INTERPRETATION.

(a) The parties acknowledge that until the Close of the NCR Distribution Date, NCR and the NCR Controlled Persons will be "AT&T Entities" within the meaning of the AT&T/Lucent Occupational Interchange Agreement. Accordingly, the provisions of Article II of the AT&T/Lucent Occupational Interchange Agreement, requiring recognition of service, compensation and other benefit determining factors with respect to Transition Individuals, apply with respect to NCR Plans, whether NCR or an NCR Controlled Person is the Hiring Company or the Prior Company, provided that the transfer of employment from or to NCR or an NCR Controlled Person occurs on or before the Close of the NCR Distribution Date.

(b) For purposes of determining whether an individual is a Transition Individual within the meaning of the AT&T/Lucent Occupational Interchange Agreement by reason of becoming an employee of NCR or an NCR Controller Person as described in Section 1.30(a) or 1.30(d), such individual shall be considered to be an "Occupational Employee" of NCR or such NCR Controller Person if he or she was an "Occupational Employee" of Lucent. If an individual is a Transition Individual by reason of becoming an Occupational Employee of NCR or an NCR Controlled Person (as described in Section 1.30(a) or 1.30(d) of the AT&T/Lucent Occupational Interchange Agreement), then the provisions of the AT&T/Lucent Occupational Interchange Agreement referred to below shall apply to such Transition Individual in a manner consistent with the following:

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AT&T PROPRIETARY (RESTRICTED)
SOLELY FOR THOSE PERSONS HAVING A NEED TO KNOW
USE PURSUANT TO COMPANY INSTRUCTIONS

- (i) the AT&T Pension Plans, Savings Plans and ESOPs shall be treated as the Hiring Company's Pension Plans, Savings Plans and ESOPs for purposes of carrying out the transfer of assets and assumption of liabilities from the Prior Company's (i.e., Lucent's) Pension Plans, Savings Plans and ESOPs pursuant to, and the other provisions of, Articles III and IV;
- (ii) no transfer of recordkeeping accounts from the Prior Company's (i.e., Lucent's) Stock Purchase Plan shall be made to any Stock Purchase Plan sponsored by AT&T or NCR pursuant to Article V; and
- (iii) the provisions of Section 6.1 shall be inapplicable to such Transferred Individual's participation in any health or welfare plan that is an NCR Plan, nor shall any Liabilities or assets be assumed or transferred pursuant to Section 6.3. [NEED TO CONFIRM WITH SUBJECT MATTER EXPERTS.]

(c) If an individual is a Transition Individual by reason of Section 1.30(b) or Section 1.30(c) of the AT&T/Lucent Occupational Interchange Agreement and was an employee or former employee of NCR or an NCR Controlled Person, then the provisions of the AT&T/Lucent Occupational Interchange Agreement shall apply to such Transition Individual in a manner consistent with the following:

- (i) neither the NCR Pension Plans nor the NCR Savings Plan shall be treated as the Prior Company's Pension Plans and Savings Plan, but the AT&T Pension Plans, Savings Plans and ESOPs (to the extent the Transition Individual has accrued any benefits thereunder) shall be treated as the Prior Company's Pension Plans, Savings Plans and ESOPs, for purposes of carrying out the transfer of assets and assumption of liabilities to the Hiring Company's (i.e., Lucent's) Pension Plans, Savings Plans and ESOPs pursuant to, and the other provisions of, Articles III and IV;
- (ii) no transfer of recordkeeping accounts from any Stock Purchase Plan sponsored by NCR shall be made to any Hiring Company Stock Purchase Plan pursuant to Article V; and
- (iii) the provisions of Section 6.1 shall be inapplicable with respect to any health or welfare plan that is an NCR Plan in which such Transition Individual may have participated before becoming a Occupational Employee of Lucent or a Lucent Entity, nor shall any Liabilities or assets be transferred from any funding vehicle relating to an NCR Plan pursuant to Section 6.3. [NEED TO CONFIRM WITH SUBJECT MATTER EXPERTS.]

(d) For purposes of determining whether an individual is a Transition Individual within the meaning of the AT&T/Lucent Occupational Interchange Agreement by reason of becoming an employee of a Lucent Entity or an AT&T Entity (other than NCR or an NCR Controlled Person) that is not a participating employer in the Lucent Pension Plans or the AT&T Pension Plans, respectively, the status of such individual as an "Occupational

Employee" shall be determined as if such individual's employer were a participating employer in the Lucent Pension Plans or the AT&T Pension Plans, respectively. If an individual is a Transition Individual by reason of becoming an Occupational Employee of an AT&T Entity (other than NCR or an NCR Controlled Person) that is not a participating employer in the applicable AT&T Pension Plans, Savings Plans and/or ESOPs, the AT&T Pension Plans, Savings Plans and ESOPs shall nonetheless be treated as the Hiring Company's Pension Plans, Savings Plans and ESOPs for purposes of carrying out the transfer of assets and assumption of liabilities from the Prior Company's (i.e., Lucent's) Pension Plans, Savings Plans and ESOPs pursuant to, and the other provisions of, Articles III and IV. If an individual is a Transition Individual by reason of becoming an Occupational Employee of a Lucent Entity that is not a participating employer in the applicable Lucent Pension Plans, Savings Plans and ESOPs, the Lucent Pension Plans, Savings Plans and ESOPs shall nonetheless be treated as the Hiring Company's Pension Plans, Savings Plans and ESOPs for purposes of carrying out the transfer of assets and assumption of liabilities from the Prior Company (i.e., AT&T's) Pension Plans, Savings Plans and ESOPs pursuant to, and the other provisions of, Articles III and IV.

ARTICLE V
 AT&T/NCR INTERCHANGE AGREEMENT

Until the earlier of December 31, 1996 and the date the AT&T/NCR Interchange Agreement terminates, Lucent and its subsidiaries and affiliates shall continue to be considered affiliates of AT&T for purposes of the AT&T/NCR Interchange Agreement designated by AT&T to be covered thereby, with the result that references therein to AT&T shall be deemed to refer to Lucent and its subsidiaries and affiliates as applicable, and Lucent and its subsidiaries and affiliates shall be considered Transferee or Transferor Companies thereunder as applicable.

ARTICLE VI
 LUCENT/AGCS INTERCHANGE AGREEMENT

Until the earlier of December 31, 1996 and the date the Lucent/AGCS Interchange Agreement terminates, AT&T and its subsidiaries and affiliates (including, until the Close of the NCR Distribution Date, NCR and its subsidiaries and affiliates) shall be considered to be affiliates of Lucent for purposes of the Lucent/AGCS Interchange Agreement designated by Lucent to be covered thereby, with the result that references therein to "Lucent Technologies" shall be deemed to refer to AT&T and its subsidiaries and affiliates (including, until the Close of the NCR Distribution Date, NCR and its subsidiaries and affiliates) as applicable.

ARTICLE VII
 SHARING OF PARTICIPANT INFORMATION

AT&T, Lucent 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

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AT&T PROPRIETARY (RESTRICTED)
 SOLELY FOR THOSE PERSONS HAVING A NEED TO KNOW
 USE PURSUANT TO COMPANY INSTRUCTIONS

administration of, compliance with laws and regulations applicable to, and response to inquiries by governmental authorities regarding, their respective employee benefit plans. AT&T, Lucent 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 of the Close of the Lucent Distribution Date, unless otherwise agreed to by the parties involved.

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

AT&T CORP.

By: _____
Name:
Title:

LUCENT TECHNOLOGIES, INC.

By: _____
Name:
Title:

NCR CORPORATION

By: _____
Name:
Title:

VOLUME PURCHASE AGREEMENT

THIS Volume Purchase Agreement ("Agreement") dated 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 NCR 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 for 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 Entity's resale of NCR products and services is part of a sale of 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 obligations 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:

$$\begin{array}{r}
 \text{(Revised Forecasted Spending)} \\
 \text{(----- X \$350 million)} \\
 \text{(Initial forecasted Spending)}
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) \\
)
 \end{array}
 \begin{array}{l}
 \text{(other adjustments)} \\
 \text{(to Commitment)} \\
 \text{(per section 7)}
 \end{array}
 = \text{adjusted Commitment}$$

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) of 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 fulfillment achieved during that year and the remaining balance of unfulfilled Commitment. If the parties are unable to reach agreement during that 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:

$$\begin{aligned}
 & \$350 \text{ million} - \left(\begin{array}{l} \text{adjustments to} \\ \text{Commitment} \\ \text{per Section 7} \\ \text{through 12/31/99} \end{array} \right) - \left(\begin{array}{l} \text{Commitment} \\ \text{fulfillment} \\ \text{through 12/31/99} \end{array} \right) = \left(\begin{array}{l} \text{unfulfilled} \\ \text{Commitment} \\ \text{as of 1/1/00} \end{array} \right) \\
 & \left(\begin{array}{l} \text{unfulfilled} \\ \text{Commitment} \\ \text{as of 1/1/00} \end{array} \right) \times 1.05 = \text{Year 2000 Increased Commitment}
 \end{aligned}$$

(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:

$$\begin{aligned}
 & \text{(adjustments to)} \\
 & \text{(Year) (Year)} \\
 & \text{(2000) (2000)} \quad \text{(unfulfilled)} \\
 \text{Year 2000 Commitment - } & \text{(Commitment) - (Commitment) = (Commitment)} \\
 & \text{(per Section 7) (fulfillment) (as of 1/1/01)} \\
 & \text{(from 1/01/00) (through 12/31/00)} \\
 & \text{(through 12/31/00)} \\
 \\
 & \text{(unfulfilled)} \\
 & \text{(Commitment)} \times 1.10 = \text{Year 2001 increased Commitment} \\
 & \text{(as of 1/1/01)}
 \end{aligned}$$

(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 (hereinabove 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: _____ |

FIRST AMENDMENT TO
INTERIM SERVICES AND SYSTEMS REPLICATION AGREEMENT
BY AND AMONG
AT&T CORP., LUCENT TECHNOLOGIES INC. AND NCR CORPORATION

THIS FIRST AMENDMENT TO THE INTERIM SERVICES AND SYSTEMS REPLICATION AGREEMENT (this "Amendment"), is effective as of September 1, 1996, by and among AT&T Corp., a New York corporation ("AT&T"), Lucent Technologies Inc., a Delaware corporation ("Lucent Technologies"), and NCR Corporation, a Maryland corporation ("NCR").

WHEREAS AT&T, Lucent Technologies and NCR (collectively, the "Companies") are parties to the Interim Services and Systems Replication Agreement (the "Agreement") effective as of February 1, 1996; and

WHEREAS AT&T, Lucent Technologies and NCR desire to amend the Agreement to replace or delete certain Exhibits or add new Exhibits and establish procedures for subsequent de minimus changes as more fully described below.

NOW, THEREFORE, in consideration of the premises and for other good and valid consideration, the receipt and adequacy of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

1. The following changes to the Agreement may be made by mutual agreement of persons duly authorized by each of the parties to make such changes without regard to the modification and amendment procedures set forth in Section 3.7 of the Agreement.

A. Changes in payment obligations of \$25,000.00 (twenty five thousand dollars) or less; and

B. Changes resulting in an extension or reduction of the service period of up to 6 months or anytime within the calendar year 1996, whichever is longer.

Changes satisfying the above mentioned conditions require notice to each companies' Law and CFO Divisions.

2. The following Exhibits to the Agreement are hereby amended as set forth below:

C. Exhibit TC-1. Exhibit TC-1 is amended and will bear the title "Exhibit TC-1a" and, in the form attached hereto as Appendix C, will replace TC-1 in its entirety.

D. Exhibit TC-2. Exhibit TC-2 is amended and will bear the title "Exhibit TC-2a" and, in the form attached hereto as Appendix D, will replace TC-2 in its entirety.

E. Exhibit TC-4. Exhibit TC-4 is amended and will bear the title "Exhibit TC-4a" and, in the form attached hereto as Appendix E, will replace TC-4 in its entirety.

F. Exhibit TC-6. Exhibit TC-6 is amended to change the "Expiration" to "SERVICES TO TERMINATE ON AGREED UPON CUTOVER DATE, NOT TO EXTEND BEYOND DECEMBER 31, 1996". The amended exhibit will bear the title "Exhibit TC-6a" and, in the form attached hereto as Appendix F, will replace TC-6 in its entirety.

G. Exhibit TC-8. Exhibit TC-8 is amended to change the "Expiration" to "SERVICES TO TERMINATE ON AGREED UPON CUTOVER DATE, NOT TO EXTEND BEYOND DECEMBER 31, 1996". The amended exhibit will bear the title "Exhibit TC-8a" and, in the form attached hereto as Appendix G, will replace TC-8 in its entirety.

H. Exhibit CS-004 (CFO). Exhibit CS-004(CFO) is amended to change the "Name of Service" to "PENSION PAYROLL DEVELOPMENT AND PRODUCTION PROCESSING COSTS". Exhibit CS-004(CFO) is amended to change the description of "Charge" to "\$472,000 FOR 1996" and "SYSTEM DEVELOPMENT SUPPORT COST IS \$24,465.20 PER MONTH" and "PRODUCTION PROCESSING COST IS \$18,958.33 PER MONTH. TOTAL OF \$43,423.53 PER MONTH, NOT TO EXCEED \$521,082.36 FOR 1997". Exhibit CS-004(CFO) is amended to add under "Charge" the following: "THIS SERVICE AGREEMENT REPRESENTS SERVICES PERFORMED BY AT&T ON BEHALF OF LUCENT TECHNOLOGIES FOR THE PERIOD JANUARY 1, 1997 THROUGH DECEMBER 31, 1997. THE MONTHLY CHARGE FOR SYSTEM DEVELOPMENT SUPPORT IS BASED UPON ACTUAL HEADCOUNT PERFORMING THIS FUNCTION. PRODUCTION PROCESSING COST IS BASED UPON THE ESTIMATED ANNUAL RUN RATE SUPPLIED BY THE C-ITS ORGANIZATION. BOTH CHARGES REPRESENT 70 PERCENT OF THE TOTAL DEVELOPMENT AND PRODUCTION PROCESSING CHARGES FOR PENSION PAYROLL. AS OF AUGUST 13, 1996, 70 PERCENT OF THE 172,556 PENSIONERS AND ANNUITANTS BELONG TO LUCENT TECHNOLOGIES". Exhibit CS-004(CFO) is amended to change the "Expiration" to "DECEMBER 31, 1997". Exhibit CS-004(CFO) is amended to add under "Other Special Terms" the following: "THIS AGREEMENT CAN BE TERMINATED BY AT&T AND LUCENT TECHNOLOGIES AT ANY TIME IN 1997 IF MUTUALLY AGREED UPON BY BOTH COMPANIES AND WITH 60 DAYS ADVANCE NOTICE". The amended exhibit will bear the title "Exhibit CS-004a(CFO)" and, in the form attached hereto as Appendix H, will replace Exhibit CS-004(CFO) in its entirety.

I. Exhibit CS-005 (CFO). Exhibit CS-005(CFO) is amended to change the "Name of Service" to "PENSION PAYROLL OPERATIONS". Exhibit CS-005(CFO) is amended to change the description of "Charge" to "\$1,650,000 FOR 1996" and "PENSION PAYROLL OPERATIONS CHARGE IS \$36,989.19 PER MONTH, NOT TO EXCEED

\$443,870.28 FOR 1997". Exhibit CS-005(CFO) is amended to add under "Charge" the following: "THIS SERVICE AGREEMENT REPRESENTS SERVICES PERFORMED BY LUCENT TECHNOLOGIES ON BEHALF OF AT&T FOR THE PERIOD JANUARY 1, 1997 THROUGH DECEMBER 31, 1997. THE MONTHLY CHARGE IS BASED UPON ACTUAL HEADCOUNT PERFORMING THIS FUNCTION. THE CHARGE REPRESENTS 30 PERCENT OF THE TOTAL PENSION PAYROLL OPERATIONS COST. AS OF AUGUST 13, 1996, 30 PERCENT OF THE 172,556 PENSIONERS AND ANNUITANTS BELONG TO AT&T". Exhibit CS- 005(CFO) is amended to change the "Expiration" to "DECEMBER 31, 1997". Exhibit CS-005(CFO) is amended to add under "Other Special Terms" the following: "THIS AGREEMENT CAN BE TERMINATED BY AT&T AND LUCENT TECHNOLOGIES AT ANY TIME IN 1997 IF MUTUALLY AGREED UPON BY BOTH COMPANIES AND WITH 60 DAYS ADVANCE NOTICE". The amended exhibit will bear the title "Exhibit CS-005a(CFO)" and, in the form attached hereto as Appendix I, will replace Exhibit CS-005(CFO) in its entirety.

J. Exhibit CS-028 (CFO). Exhibit CS-028(CFO) is amended to change the amount of "Charge" to "\$186,230". The amended exhibit will bear the title "Exhibit CS-028a(CFO)" and, in the form attached hereto as Appendix J, will replace Exhibit CS-028(CFO) in its entirety.

K. Exhibit CS-044(CFO). Exhibit CS-044(CFO) is amended to change the "Expiration" to "SEPTEMBER 30, 1996". Exhibit CS-044(CFO) is amended to change the "Charge" to "ESTIMATED TOTAL CHARGE IS \$40,000." The amended exhibit will bear the title "Exhibit CS-044a(CFO)" and, in the form attached hereto as Appendix K, will replace CS-044(CFO) in its entirety.

L. Exhibit CS-045(CFO). Exhibit CS-045(CFO) is amended to change the "Expiration" to "SEPTEMBER 30, 1996". Exhibit CS-045(CFO) is amended to change the "Charge" to "ESTIMATED TOTAL CHARGE IS \$133,336." The amended exhibit will bear the title "Exhibit CS-045a(CFO)" and, in the form attached hereto as Appendix L, will replace CS-045(CFO) in its entirety.

M. Exhibit CS-046(CFO). Exhibit CS-046(CFO) is amended to change the "Description of Service" to "FEBRUARY 1996 -- SEPTEMBER 1996: THIS SERVICE OR PORTIONS OF THIS SERVICE ARE PROVIDED FOR CP, GBCS, NETWORK SYSTEMS, GRE AND BELL LABS. OCTOBER 1996 - DECEMBER 1996: REMITTANCE PROCESSING INCLUDING STANDARD PAYMENT PROCESSING, EXCEPTION PAYMENT PROCESSING, ABP APPLICATIONS AND PAYMENTS OPERATIONS SUPPORT; RESOLUTION OF MISDIRECTED BILL PAYMENT; APPLICATION OF BILL PAYMENT TO CUSTOMER'S ACCOUNT; RECONCILIATION OF PAYMENT DATA TRANSMISSIONS. THIS SERVICE WILL BE PROVIDED FOR CP ONLY. NOTE: BANK FEES AND BANK FEE MANAGEMENT IS RESIDENT IN LUCENT TREASURY, EFFECTIVE OCTOBER 1, 1996.". Exhibit CS-046(CFO) is amended to change the "Charge" to "FEBRUARY 1996 - SEPTEMBER 1996: \$640,583 PER MONTH. ESTIMATED TOTAL CHARGE IS \$5,124,664. OCTOBER 1996 - DECEMBER 1996: \$188,225 PER MONTH. ESTIMATED TOTAL CHARGE IS \$564,675. THE CHARGE

INCLUDES LABOR AND SYSTEM PROCESSING CHARGES." Exhibit CS-046(CFO) is amended to change the "Expiration" to "DECEMBER 31, 1996." The amended exhibit will bear the title "Exhibit CS-046a(CFO)" and, in the form attached hereto as Appendix M, will replace CS-046(CFO) in its entirety.

N. Exhibit CS-048(CFO). Exhibit CS-048(CFO) is amended to change the "Expiration" to "MAY 31, 1996". The amended exhibit will bear the title "Exhibit CS-048a(CFO)" and, in the form attached hereto as Appendix N, will replace CS-048(CFO) in its entirety.

O. Exhibit CS-224(HR). Exhibit CS-224(HR) is amended to change the "Description of Service" to "PROVIDING COMPANY SHALL PROVIDE STUDENT RECORDS, TRANSACTION BILLING AND TRAINING ACTIVITY REPORTS". Exhibit CS-224(HR) is amended to change the "Charge" to "\$6.00 (PER STUDENT BILL), \$35.00 (PER MISCELLANEOUS BILL) AND AS NEGOTIATED (TELEMARKETING AND AD HOC REPORTS AS REQUESTED). ESTIMATED TOTAL CHARGE IS \$500,000 (INCLUDES AT&T SCHOOL OF BUSINESS AND TECHNICAL EDUCATION CENTER). COST OF SERVICE BILLED TO P24104000". Exhibit CS-224(HR) is amended to change the "Expiration" to "JULY 1, 1996 -- DECEMBER 31, 1996". The amended exhibit will bear the title "Exhibit CS-224a(HR)" and, in the form attached hereto as Appendix O, will replace Exhibit CS-224(HR) in its entirety.

P. Exhibit CS-256(HR). Exhibit CS-256(HR) is amended to change the "Name of Service" to "LEARNING AND PERFORMANCE CENTER TRAINING SERVICES FOR ASSOCIATES". Exhibit CS-256(HR) is amended to change the "Description of Service" to "PROVIDING COMPANY SHALL PROVIDE EDUCATION AND TRAINING SERVICES". Exhibit CS-256(HR) is amended to change the "Charge" to "RATES AS PUBLISHED IN THE SECOND HALF 1996 SCHEDULES". Exhibit CS-256(HR) is amended to change the "Expiration" to "JULY 1, 1996 -- DECEMBER 31, 1996". The amended exhibit will bear the title "Exhibit CS-256a(HR)" and, in the form attached hereto as Appendix P, will replace Exhibit CS-256(HR) in its entirety.

Q. Exhibit CS-258(HR). Exhibit CS-258(HR) is amended to change the "Expiration" to "DECEMBER 31, 1996". The amended exhibit will bear the title "Exhibit CS-258a(HR)" and, in the form attached hereto as Appendix Q, will replace Exhibit CS-258(HR) in its entirety.

3. The Agreement is hereby amended to add the following exhibits, which are attached as Appendices hereto:

R. Exhibit TC-17. Exhibit TC-17, covering VOICE NETWORK SERVICES (U.S.), is added in the form attached hereto as Appendix R.

S. Exhibit CS-057(CFO). Exhibit CS-057(CFO), covering TELECOM, ITALIA FRAUD CONSULTANCY PROJECT - PHASE II, is added in the form attached hereto as Appendix S.

T. Exhibit CS-058(CFO). Exhibit CS-058(CFO), covering CORPORATE TAX DEVELOPMENT - MAITLAND, FLORIDA, is added in the form attached hereto as Appendix T.

U. Exhibit CS-059(CFO). Exhibit CS-059(CFO), covering PAYROLL AND TIME REPORTING DEVELOPMENT SUPPORT, is added in the form attached hereto as Appendix U.

V. Exhibit CS-060(CFO). Exhibit CS-060(CFO), covering INTERNATIONAL RISK ASSESSMENT AND TRAVEL, is added in the form attached hereto as Appendix V.

W. Exhibit CS-061(CFO). Exhibit CS-061(CFO), covering DEVELOPMENT SUPPORT OF THE DASHBOARD EIS, is added in the form attached hereto as Appendix W.

X. Exhibit CS-266(HR). Exhibit CS-266(HR), covering UNIVERSITY PROGRAMS SERVICE, is added in the form attached hereto as Appendix X.

Y. Exhibit CS-267(HR). Exhibit CS-267(HR), covering SHARED DEVELOPMENT OF NEW EDUCATION PROGRAMS, is added in the form attached hereto as Appendix Y.

Z. Exhibit CS-268(HR). Exhibit CS-268(HR), covering THE PROJECT MANAGEMENT CURRICULUM, is added in the form attached hereto as Appendix Z.

AA. Exhibit CS-269(HR). Exhibit CS-269(HR), covering MILLION LINE TENDOR PROJECT AFRICA, is added in the form attached hereto as Appendix AA.

BB. Exhibit CS-270(HR). Exhibit CS-270(HR), covering AT&T EDUCATION AND TRAINING, is added in the form attached hereto as Appendix BB.

CC. Exhibit CS-339(GPO). Exhibit CS-339(GPO), covering GLOBAL DATA WAREHOUSE, is added in the form attached hereto as Appendix CC.

DD. Exhibit CS-607(PR). Exhibit CS-607(PR), covering AT&T ADVERTISING SERVICES - AT&T TEAM '96 NETWORK SYSTEMS, is added in the form attached hereto as Appendix DD.

EE. Exhibit CS-608(PR). Exhibit CS-608(PR), covering AT&T ADVERTISING SERVICES - AT&T TEAM '96 GLOBAL BUSINESS COMMUNICATIONS SYSTEMS, is added in the form attached hereto as Appendix EE.

FF. Exhibit CS-609(PR). Exhibit CS-609(PR), covering AT&T ADVERTISING SERVICES - AT&T TEAM '96 CONSUMER PRODUCTS, is added in the form attached hereto as Appendix FF.

GG. Exhibit CS-715(E&S). Exhibit CS-715(E&S), covering INTERNATIONAL REGIONAL EH&S SUPPORT - CENTRAL AND LATIN AMERICA, is added in the form attached hereto as Appendix GG.

HH. Exhibit CS-719(E&S). Exhibit CS-719(E&S), covering INTERNATIONAL REGIONAL EH&S SUPPORT - AUSTRIA, INDIA AND JAPAN, is added in the form attached hereto as Appendix HH.

II. Exhibit SR-810(BL). Exhibit SR-810(BL), covering SECURITY COMPUTER RESOURCE EXCHANGE, is added in the form attached hereto as Appendix II.

JJ. Exhibit CS-825(BL). Exhibit CS-825(BL), covering INFORMATION SYSTEMS REENGINEERING CENTER, is added in the form attached hereto as Appendix JJ.

KK. Exhibit CS-828(BL). Exhibit CS-828(BL), covering CORE MANAGEMENT SERVICES, WHICH INCLUDE: FINANCIAL SERVICES, INTELLECTUAL PROPERTY REVIEW BOARD AND MWBE, is added in the form attached hereto as Appendix KK.

LL. Exhibit CS-829(BL). Exhibit CS-829(BL), covering THEORY OF CONSTRAINTS TRAINING, is added in the form attached hereto as Appendix LL.

4. The Agreement is hereby amended to delete the following exhibit:

MM. Exhibit CS-014(CFO). Exhibit CS-014(CFO), covering LUCENT TECHNOLOGIES INC. CONTROLLERSHIP.

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5. This Amendment may be executed in any number of counterparts, each of which shall be an original, but all of which together shall constitute one instrument.

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

AT&T CORP.

By: _____
Name: _____
Title: _____

LUCENT TECHNOLOGIES INC.

By: _____
Name: _____
Title: _____

NCR CORPORATION

By: _____
Name: _____
Title: _____

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 "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.

2.10 "EXCHANGE ACT" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

2.11 "FAIR MARKET VALUE" means, unless otherwise determined by the Committee, 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 preceding such date.

2.12 "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.

2.13 "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.

2.14 "NONSTATUTORY STOCK OPTION" means an Option granted under Article 6, Stock Options, that is not intended to be an Incentive Stock Option.

2.15 "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.

2.16 "OTHER STOCK UNIT AWARD" means any right granted to a Participant by the Committee pursuant to Article 10, Other Stock Unit Awards.

2.17 "PARTICIPANT" means an Employee who is selected by the Committee to receive an Award under the Plan.

2.18 "PERFORMANCE AWARD" means any Award of Performance Shares or Performance Units pursuant to Article 9, Performance Awards.

2.19 "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.

2.20 "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.

2.21 "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.

2.22 "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.

2.23 "RESTRICTED STOCK AWARD" means an award of Restricted Stock under Article 8, Restricted Stock.

2.24 "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.

2.25 "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.

2.26 "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.

2.27 "SUBSTITUTE AWARD" is defined in Article 5.1, Available Shares.

ARTICLE 3 PARTICIPATION

3.1 PARTICIPATION. Any Employee 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 officers appointed by the Board 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 to a Board-appointed officer 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.

Notwithstanding the above, the Chairman and Chief Executive Officer shall have full power and authority to select Employees other than the officers appointed by the Board of the Company and its Affiliates to whom Awards may from time to time be granted hereunder, and to determine the number of Shares to be covered by such Awards.

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% for each calendar year thereafter, of the total outstanding Shares as of the first day of 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 are forfeited or if any Award based on Shares 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 ten million 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 two million 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 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 recipients

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, other than Article 14, Change in Control, 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.

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.

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) 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, 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 hereinafter be 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, 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 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.

(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:

(i) 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.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed on this 20th day of December, 1996.

FOR NCR CORPORATION

By: /s/ Richard H. Evans

Richard H. Evans
Senior Vice President, Global Human Resources

NCR WORLDSHARES PLAN

1. PURPOSE: The purpose of the NCR WorldShares 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" shall mean 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 6.6% of the total authorized shares, subject to adjustment under Section 9 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 applicable Withholding Tax (as defined in Section 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 applicable Withholding Tax;

(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 Withholding Tax. 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) All payments under all of the methods indicated in (b) above shall be paid in U.S. dollars.

(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 so terminated (other than by Retirement, Disability or death) prior to the first anniversary of the grant date, the option will be forfeited, except as provided in Section 11. For purposes of this Subsection (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 or Disability, 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) within 59 days after a termination of employment described in the first sentence of 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 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"), as set forth in Section 5 or otherwise, subject to Section 10 hereof.

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 or 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 sub-plans, modified option exercise procedures and other terms and procedures to the extent such actions may be necessary or advisable. Any sub-plans 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 Board or the Committee in their 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 (as defined below) all then outstanding options under this Plan shall become immediately nonforfeitable and exercisable notwithstanding any provisions of the Plan to the contrary. For the purpose of this Plan a "Change in Control" shall mean 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, 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 (as defined in the following paragraph) 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, 2007, 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 effective as of January 1, 1997.

FOR NCR CORPORATION

By: /s/ Richard H. Evans

Richard H. Evans
Senior Vice President, Global Human Resources

APPENDIX A

SUB-PLAN FOR FRANCE

Pursuant to Section 10 of the NCR WorldShares Plan, the following shall constitute the plan document for a sub-plan that applies to Employees in France. The plan document for the NCR WorldShares Plan shall be attached as an Appendix to the following French sub-plan.

RULES OF THE NCR WORLDSHARES PLAN
FOR FRENCH EMPLOYEES

1. INTRODUCTION.

The shareholders of NCR Corporation (the "Company") have established the Company's WorldShares Plan (the "U.S. Plan") for the benefit of certain employees of the Company, its parent and subsidiary companies, including its French subsidiary, NCR France, S.A. (the "Subsidiary") of which the Company holds directly 100% of the capital. Section 10 of the U.S. Plan specifically authorizes the Board of Directors of the Company (the "Board") to establish rules applicable to options granted under the U.S. Plan (including those in France) as the Board deems advisable. The Board has determined that it is advisable to establish a sub-plan for the purposes of permitting such options to qualify for favorable local tax and social treatment. The Board, therefore, intends to establish a sub-plan of the U.S. Plan for the purpose of granting options which qualify for the favorable tax and social treatment in France applicable to options granted under the Law n(degree)70-1322 of December 31, 1970, as subsequently amended, to qualifying employees who are resident in France for French tax purposes. The terms of the U.S. Plan, as adopted effective January 1, 1997 and as set out in Appendix 1 hereto, shall, subject to the modifications in the following rules, constitute the NCR WorldShares Plan for French Employees (the "French Plan").

2. DEFINITIONS.

Terms used in the French Plan shall have the same meanings as set forth in the U.S. Plan.

In addition, the term "Option" shall have the following meaning:

- a. Purchase options, that are rights to acquire shares repurchased by the Company prior to the grant of said options; or
- b. Subscription options, that are rights to subscribe newly issued shares.

3. ENTITLEMENT TO PARTICIPATE.

Any individual who is an employee or corporate executive of the Subsidiary shall be eligible to receive options under the French Plan provided that he or she also satisfies the eligibility conditions of Section 5 of the U.S. Plan. Options may not be issued under the French Plan to employees or executives owning more than ten percent (10%) of the Company's capital shares or to individuals other than employees and corporate executives of the Subsidiary.

4. OPTION PRICE.

The option price per share of common stock payable pursuant to options issued hereunder shall be fixed by the Compensation Committee of the Board (the "Committee") on the date the option is granted, but in no event shall the option price per share be less than the greater of:

- a. with respect to purchase options over the common stock, the higher of either 95% of the average quotation price of such common stock during the 20 days of quotation immediately preceding the grant date or 95% of the average purchase price paid for such common stock by the Company;
- b. with respect to subscription options over the common stock, 95% of the average quotation price of such common stock during the 20 days of quotation immediately preceding the grant date; and
- c. the minimum option exercise price permitted under the U.S. Plan.

EXERCISE OF AN OPTION.

Upon exercise of an option, the full option price will have to be paid either by check or credit transfer.

The shares acquired upon exercise of an option will be recorded in an account in the name of the shareholder.

CHANGES IN CAPITALIZATION.

In compliance with French law, the option price shall not be modified during the option's duration. Adjustments to the option exercise price or number of shares subject to an option issued hereunder shall be made to preclude the dilution or enlargement of benefits under such option only in the case of one or more of the following transactions by the Company:

- a. an increase of corporate capital by cash contribution;
- b. an issuance of convertible or exchangeable bonds;
- c. a capitalization of retained earnings, profits, or issuance premiums;

- d. a distribution of retained earnings by payment in cash or shares;
and
- e. a reduction of corporate capital by set off against losses.

7. DEATH.

In the event of the death of a French Optionee, said individual's heirs may exercise the option within six months following the death, but any option which remains unexercised shall expire six months following the date of the Optionee's death.

8. INTERPRETATION.

It is intended that options granted under the French Plan shall qualify for the favorable tax and social treatment applicable to stock options granted under the Law n(degree)70-1322 of December 31, 1970, as subsequently amended, and in accordance with the relevant provisions set forth by French tax law and the French tax administration. The terms of the French Plan shall be interpreted accordingly.

9. AMENDMENTS.

Subject to the terms of the U.S. Plan, the Board and the Committee reserves the right to amend or terminate the French Plan at any time.

10. ADOPTION.

The French Plan was adopted by the Board of Directors of NCR Corporation effective as of January 1, 1997.

FOR NCR CORPORATION

By: /s/ Richard H. Evans

Richard H. Evans
Senior Vice President, Global Human Resources

APPENDIX B

MODIFICATION FOR HONG KONG

Pursuant to Section 10 of the NCR WorldShares Plan, the following modification shall apply to employees working in Hong Kong:

Notwithstanding any terms or conditions contained herein, no acceleration of vesting shall occur upon termination of employment (including, without limitation, death, Disability, Retirement or Change in Control) with respect to employees working in Hong Kong at the time of grant or upon termination of employment. With regard to such employees working in Hong Kong, if the employee's employment terminates with the Company or its Hong Kong subsidiary, for any reason after the anniversary of the grant date, an unexercised option may thereafter be exercised during the period ending 3 months after the date of such termination of employment, but only to the extent to which the option was vested at the time of such termination of employment.

FOR NCR CORPORATION

By: /s/ Richard H. Evans

Richard H. Evans
Senior Vice President, Global Human Resources

APPENDIX C TO WORLDSHARES PLAN

SUB-PLAN FOR UNITED KINGDOM

Pursuant to Section 10 of the NCR WorldShares Plan, the following shall constitute the plan document for a sub-plan that applies to Employees in the United Kingdom. The plan document for the NCR WorldShares Plan shall be attached as an Appendix to the following United Kingdom sub-plan.

RULES OF UK SUB-PLAN OF NCR WORLDSHARES
STOCK OPTION PLAN

1. ADOPTION OF THE UK SUB-PLAN.

NCR Corporation ("the Company") has established this UK Sub-Plan ("the UK Sub-Plan") of the NCR Worldshares Stock Option Plan ("the US Plan") for the purpose of granting rights to acquire shares of common stock of the Company ("Options") to employees of it and its subsidiaries in the United Kingdom. The UK Sub-Plan is intended to qualify as an approved share option plan under Schedule 9 to the Income and Corporation Taxes Act 1988. The UK Sub-Plan shall not permit the grant of stock appreciation rights in lieu of Options or otherwise.

2. THE US PLAN.

The US Plan attached as an Appendix to these Rules shall apply to the UK Sub-Plan subject to the additional restrictions and amendments specified below. References to Schedule 9 are to Schedule 9 to the Income and Corporation Taxes Act 1988.

3. SHARES.

The shares of common stock of the Company in respect of which Options may be granted under the UK Sub-Plan must satisfy the conditions specified in paragraphs 10 to 14 inclusive of Schedule 9 both at the time of grant and at the time of exercise.

4. MARKET VALUE.

For all purposes of the UK Sub-Plan, the Fair Market Value of shares of common stock of the Company shall mean:

- a. on any day when the shares are listed on the New York Stock Exchange, the average of the high and low sale prices of a share on that day or, if there were no trades on that day, on the day on which a trade occurred next preceding that day;

- b. on any day when the shares are not listed on the New York Stock Exchange, the market value of a share determined in accordance with the provisions of Part VIII of the Taxation of Chargeable Gains Act 1992 and agreed in advance for the purposes of the UK Sub-Plan with the Inland Revenue Shares Valuation Division.

5. ELIGIBILITY.

5.1 The description of eligible persons in Section 2 (g) of the US Plan shall not include any person who is precluded by paragraph 8 of Schedule 9 from participating in a UK Revenue approved share scheme. In addition an eligible person who is a director must be required to devote to his or her duties at least 25 hours per week excluding meal breaks.

5.2 The Affiliates and Subsidiaries of the Company referred to in Section 2 (a) and (k) of the US Plan shall include, for purposes of the UK Sub-Plan, only those Affiliates and Subsidiaries of which the Company has control within the meaning of Section 840 of the Income and Corporation Taxes Act 1988.

5.3 The grant of Options under the UK Sub-Plan shall be subject to the restriction that no Option shall be granted to an individual under the UK Sub-Plan or any other UK Revenue approved share option plan operated by the Company (not being a UK Revenue approved savings related share option plan) if immediately following such grant the individual would hold Options with an aggregate Market Value in excess of (pound)30,000, determined on the basis of the Market Value of shares of common stock of the Company at the date(s) of grant of the relevant Options.

6. CONDITIONS.

No conditions may be imposed by the Committee pursuant to the third sentence in Section 6 (a) of the US Plan to the extent that they affect the UK Sub-Plan without the approval of the Board of Inland Revenue. If such conditions involve the satisfaction of performance criteria, those criteria must be of an objective nature.

7. CONSIDERATION

The first sentence of Section 6(b)(4) of the U.S. Plan shall not apply for purposes of the UK Sub-Plan. The second sentence of Section 6(b)(4) shall be modified as follows:

"No option shall be exercisable until after the completion of one year's employment with the Company or one of its Subsidiaries or Affiliates following the date of grant."

8. ADJUSTMENTS UPON CHANGES IN CAPITALIZATION.

8.1 The provisions of section 8 of the US Plan concerning the adjustment of Options shall be subject to the requirement that all such adjustments must be certified in writing by the Company's auditors for the time being as being fair and reasonable and that no adjustment in respect of

subsisting Options or of Options to be granted in future under the UK Sub-Plan shall take effect without the prior approval of the Board of Inland Revenue.

8.2 No adjustment may be made under the UK Sub-Plan pursuant to Section 8 of the US Plan in relation to a spin-off, stock dividend, merger, liquidation or other similar changes in capitalization and class of securities.

9. EXCLUSION.

The provision in Section 10 of the US Plan for the grant of stock appreciation rights in lieu of Options shall not apply for purposes of the UK Sub-Plan.

10. EXERCISE OF OPTIONS.

10.1 The provisions of Section 6(5) of the US Plan relating to the exercise of Options shall be subject to the additional restriction that no Option may be exercised by an Option holder at any time when he is precluded by paragraph 8 of Schedule 9 from participating in the UK Sub-Plan.

10.2 Rule 6(b)(5)(iii) of the US Plan shall not apply for purposes of the UK Sub-Plan.

10.3 For purposes of options granted under the UK Sub-Plan, the provisions of Section 6(b)(10) of the US Plan relating to the exercise of options after the death of an optionee shall be subject to the proviso that no option may be exercised more than 12 months after the death of an optionee.

10.4 Shares must be allotted within 30 days after the date of exercise.

10.5 Shares acquired on the exercise of Options shall, except for any rights determined by reference to a date preceding the date of allotment, rank pari passu with other shares of the same class in issue at the date of allotment.

11. AMENDMENTS.

11.1 No amendment to the US Plan or the UK Sub-Plan which is made pursuant to Section 12 of the US Plan and which affects the UK Sub-Plan shall take effect in respect of the UK Sub-Plan until it has been approved by the Board of Inland Revenue.

11.2 No amendment to the Stock Option Statement approved by the Board of Inland Revenue for use in connection with the UK Sub-Plan shall take effect until it has been approved by the Board of Inland Revenue.

12. RELEASE OF OPTIONS ON CHANGE OF CONTROL.

12.1 In the event of any company ("the Acquiring Company") obtaining control of the Company as a result of making a general offer to acquire the whole of the issued ordinary share

capital of the Company which is made on a condition such that if it is satisfied the person making the offer will have control of the Company, or to acquire all the shares in the Company which are of the same class as the shares subject to a subsisting Option granted under the UK Sub-Plan ("the Old Option"), the Option holder (or the Company on behalf of the Option holder) may seek the agreement of the Acquiring Company and, if such agreement is obtained, the Option holder may release the Old Option in consideration of the grant of a new option ("the New Option") which satisfies the following conditions:

- 12.1.1 a. it is over shares in the Acquiring Company or in a company which has control of the Acquiring Company which satisfy the conditions specified in paragraphs 10 to 14 inclusive of Schedule 9 to the Income and Corporation Taxes Act 1988;
- 12.1.2 b. is a right to acquire such number of such shares as has on acquisition of the New Option an aggregate Fair Market Value equal to the aggregate Fair Market Value of the shares subject to the Old Option on its disposal;
- 12.1.3 c. has an option price per share such that the aggregate price payable on complete exercise equals the aggregate price which would have been payable on complete exercise of the Old Option; and
- 12.1.4 d. is otherwise identical in terms of the Old Option.

12.2 The New Option shall, for all other purposes of the UK Sub-Plan, be treated as having been acquired at the same time as the Old Option which is released in consideration for the grant of the New Option.

12.3 Where any New Option is granted pursuant to this Rule 11, the provisions of the UK Sub- Plan shall, in relation to the New Option, be construed as if references to the Company and the shares were references to the Acquiring Company or, as the case may be, to the other company to whose shares the New Option relates and to the shares in that other company.

12.4 The release of the Old Option and the grant of a New Option under this Rule 12 will take place within the period of six months beginning with the time when the person making the offer has obtained control of the Company and any conditions subject to which the offer is made are satisfied.

FOR NCR CORPORATION

By: /s/ Richard H. Evans

Richard H. Evans
Senior Vice President, Global Human Resources

APPENDIX D TO WORLDSHARES PLAN

MODIFICATION FOR THE NETHERLANDS

Pursuant to Section 10 of the NCR WorldShares Plan, the following modification shall apply to employees working in The Netherlands:

Notwithstanding any terms or conditions contained herein, options shall be fully vested and exercisable at grant, however, if exercised during the first year after grant, the stock received upon exercise cannot be sold until the first anniversary of the date of grant.

FOR NCR CORPORATION

By: /s/ Richard H. Evans

Richard H. Evans
Senior Vice President, Global Human Resources

FIRST AMENDMENT TO THE
NCR WORLDSHARES PLAN

AMENDMENT TO THE NCR WORLDSHARES PLAN (the "Plan") as adopted effective January 1, 1997 by NCR Corporation (the "Company").

WHEREAS, the Company desires to amend the Plan to provide the Compensation Committee with discretion to determine the fair market value of common stock of the Company for purpose of grants under the Plan;

NOW, THEREFORE, the Company does hereby amend the Plan as follows:

1. Section 2(i) of the Plan is hereby amended in its entirety to read as follows:

"Fair Market Value" shall mean, unless otherwise determined by the Committee, 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 preceding such date.'

IN WITNESS WHEREOF, the Company has caused this amendment to the Plan to be executed effective as of January 1, 1997.

FOR NCR CORPORATION

By: /s/ Richard H. Evans

Richard H. Evans
Senior Vice President, Global Human Resources

NCR CHANGE-IN-CONTROL SEVERANCE PLAN
FOR EXECUTIVE OFFICERS

ADOPTED EFFECTIVE JANUARY 1, 1997

PREAMBLE

The NCR Change-in-Control Severance Plan for Executive Officers ("Plan") is adopted effective January 1, 1997 by NCR Corporation ("Company").

The purpose of the Plan is to provide severance benefits to executive officers who become covered under the Plan.

The Plan is intended to comply with the Employee Retirement Income Security Act of 1974, as amended, and other applicable law.

The Plan is a sub-plan of the NCR Workforce Redeployment Plan, which is a component of the NCR Group Benefits Plan for Active Associates, plan number 502. To the extent the separation pay portion of the Plan is a pension plan, it qualifies for exemption from Parts II, III and IV of ERISA as a plan maintained primarily for the purpose of providing deferred compensation for a select group of management or highly compensated employees under Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA.

The purpose of the Plan is to assure that the Company will have the continued dedication of covered employees, notwithstanding the possibility, threat or occurrence of a Change-in-Control (as defined below) of the Company. The Board believes it is imperative to diminish the inevitable distraction by the personal uncertainties and risks created by a pending or threatened Change-in-Control and to encourage the full attention and dedication of the covered Employees to the Company currently and in the event of any threatened or pending Change-in-Control, and to provide them with compensation and benefits arrangements upon a Change-in-Control which ensure that their compensation and benefits expectations will be satisfied and are competitive with those of other corporations. Therefore, to accomplish these objectives, the Board of Directors has caused the Company to adopt this Plan.

ARTICLE 1

DEFINITIONS

The following terms when used herein shall have the following meanings, unless a different meaning is plainly required by the context. Capitalized terms are used throughout the Plan text for terms defined by this and other sections.

- 1.1 Cause is defined in Section 2.4, Definition of Cause.
- 1.2 Change-in-Control is defined in Section 4.1, Change-in-Control.
- 1.3 Change-in-Control Benefits means the benefits described in ARTICLE 3, which are payable to a Participant who becomes entitled to benefits under the Plan as provided in Section 2.3, Entitlement to Benefits.
- 1.4 Code means the Internal Revenue Code of 1986, as amended.
- 1.5 Committee means the committee responsible for administration of the Plan, as provided in Section 6.1, Plan Committee.
- 1.6 Company means NCR Corporation, a Maryland corporation, and its U.S. subsidiaries.
- 1.7 ERISA means the Employee Retirement Income Security Act of 1974, as amended, and including all regulations thereunder.
- 1.8 Executive Officer means an individual serving as an officer of the Company who has been designated by the Board as a "Section 16 officer." "Executive Officer" does not include the Secretary, Treasurer, or any Assistant Secretaries or Assistant Treasurers.
- 1.9 Good Reason is defined in Section 2.5, Definition of Good Reason.
- 1.10 Participant means an Executive Officer who satisfies the requirements to participate in the Plan, as set forth in Section 2.2, Participation.
- 1.11 Pension Plans means the tax-qualified defined benefit pension plans sponsored by the Company.
- 1.12 Plan means this NCR Change-in-Control Severance Plan for Executive Officers, either in its present form or as amended from time to time.
- 1.13 Salary means the annual base pay of an Executive Officer in effect on the date of termination of employment, or the date of the Change-in-Control if greater.

"Salary" includes any lump sum merit increase, but does not include any overtime, commissions, bonuses, or other special pay.

ARTICLE 2

ELIGIBILITY AND PARTICIPATION

2.1 Eligibility

Executive Officers are eligible to participate in the Plan as of the day of appointment as an Executive Officer.

2.2 Participation

An individual serving as an Executive Officer at any time during the three month period immediately preceding the date of a Change-in-Control becomes a Participant in the Plan on the date of such Change-in-Control.

2.3 Entitlement to Benefits

A Participant becomes entitled to the Change-in-Control Benefits if his or her employment with the Company is terminated during the three year period beginning on the date of a Change-in-Control, either:

- (a) involuntarily, except for Cause, or
- (b) voluntarily due to Good Reason.

A Participant will also become entitled to the Change-in-Control Benefits if he or she voluntarily terminates employment with the Company for any reason during the thirteenth month following the month in which a Change-in-Control occurs.

To be entitled to the Change-in-Control Benefits, the Participant must also execute a release of all employment-related claims against the Company and its subsidiaries and affiliates existing as of the date of execution, in the standard form used by the Company without material modification, addition or deletion.

Change-in-Control Benefits will not be payable if a Participant's employment with the Company terminates for reasons other than those listed above, including but not limited to involuntary termination for Cause, voluntary termination not supported by Good Reason and not occurring in the thirteenth month following the Change-in-Control, death or long term disability. For this purpose, "long term disability" means the Participant is entitled to receive benefits from the NCR Long Term Disability Plan or another long term disability plan sponsored by the Company.

The Change-in-Control Benefits are payable in lieu of any benefits the Participant might be entitled to receive under the NCR Workforce Redeployment Plan.

2.4 Definition of "Cause"

For the purpose of this Plan, "Cause" shall mean:

- (a) the willful and continued failure of the Participant to perform substantially the appropriate duties of the Participant's position with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), for a period of at least 30 days after a written demand for substantial performance is delivered to the Participant by the Board or the Chief Executive Officer of the Company which specifically identifies the manner in which the Board or the Chief Executive Officer believes that the Participant has not substantially performed the Participant's duties, or
- (b) the willful engaging by the Participant in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on the part of the Participant, shall be considered "willful" unless it is done, or omitted to be done, by the Participant in bad faith or without reasonable belief that the Participant's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or upon the instructions of the Chief Executive Officer or a senior officer of the Company or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Participant in good faith and in the best interests of the Company. The termination of employment of the Participant shall not be deemed to be for Cause unless and until there shall have been delivered to the Participant a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to the Participant and the Participant is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Participant is guilty of the conduct described in subsection (a) or (b) above, and specifying the particulars thereof in detail.

2.5 Definition of "Good Reason"

For the purpose of this Plan, "Good Reason" shall mean:

- (a) the assignment to the Participant of any duties inconsistent in any respect with the Participant's position (including status, offices, titles and reporting

requirements), authority, duties or responsibilities, as in effect immediately prior to a Change-in-Control, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by the Participant;

- (b) any reduction in the Participant's annual base salary as in effect immediately before the Change-in-Control,
- (c) the failure to pay incentive compensation to which the Participant is otherwise entitled under the terms of the Company's Management Incentive Plan for Executive Officers ("MIP") or Long Term Incentive Program ("LTIP"), or any successor incentive compensation plans, at the time at which such awards are usually paid or as soon thereafter as administratively feasible, unless the failure to pay the incentive compensation is because of the failure to meet objectives based on quantitative performance;
- (d) the provision to the Participant of an opportunity to earn a target annual bonus under the MIP or a target performance award under the LTIP or any successor incentive compensation plans substantially less in amount than the target opportunities for such Participant for the last complete fiscal year of the Company ending prior to the Change-in-Control;
- (e) the failure by the Company to continue in effect any stock option plan in which the Participant participates immediately prior to the Change-in-Control, unless a substantially equivalent alternative compensation arrangement (embodied in an ongoing substitute or alternative plan) has been provided to the Participant, or the failure by the Company to continue the Participant's participation in any such stock option plan on substantially the same basis, both in terms of the amount of benefits provided and the level of such Participant's participation relative to other participants, as existed immediately prior to the Change-in-Control;
- (f) Except as required by law, the failure by the Company to continue to provide to the Participant employee benefits substantially equivalent, in the aggregate, to those enjoyed by the Participant under the qualified and nonqualified employee benefit and welfare plans of the Company, including, without limitation, the pension, life insurance, medical, dental, health and accident, disability retirement, and savings plans, in which the Participant was eligible to participate immediately prior to the Change-in-Control, or the failure by the Company to provide the Participant with the number of paid vacation days to which such Participant is entitled under the Company's vacation policy immediately prior to the Change-in-Control;

- (g) the Company's requiring the Participant to be based at any office or location other than the principal place of the Participant's employment in effect immediately prior to the Change-in-Control that is more than 35 miles distant from the location of such principal place of employment, unless the relocation is part of a relocation, for bona fide business reasons, of the business unit in which the Participant was employed prior to the Change-in-Control, or the Company's requiring the Participant to travel on Company business to a substantially greater extent than required immediately prior to the Change-in-Control; or
- (h) any failure by the Company to comply with Section 8.1 Successors.

Any good faith determination of "Good Reason" made by a Participant shall be conclusive.

ARTICLE 3

BENEFITS

3.1 Benefits

A Participant who becomes eligible to receive benefits under the Plan pursuant to Section 2.3, Entitlement to Benefits, shall be entitled to receive the Change-in-Control Benefits described in the following sections of this ARTICLE 3.

3.2 Separation Pay

The Change-in-Control Benefits include separation pay equal to three times the Participant's Salary. The separation pay shall be paid in a single lump sum within 60 days after termination of employment. The separation pay will be considered to include payment for vacation accrued and unused as of the termination date, and no additional payment will be made for vacation.

3.3 Incentive Pay

The Change-in-Control Benefits include payment in a single lump sum within 60 days after termination of employment, of incentive pay, as follows:

- (a) the incentive pay earned under the Management Incentive Plan, or any successor plan ("MIP") for the calendar year in which termination of employment occurs, at the greater of target for the year of termination of employment or the actual cash payment for the preceding year, pro-rated in 1/12 increments for the portion of the calendar year prior to the last day of the month in which termination of employment occurs.
- (b) three years of incentive pay under the MIP at the greater of target for the year of termination of employment or the actual cash payment for the preceding year.
- (c) Cash payment for performance cycles under the Long Term Incentive Program ("LTIP") that commenced prior to the date of termination of employment and have not been paid out. For performance cycles for which the cash value of the award has been determined (either by the issuance of restricted stock units or otherwise), the cash payment will equal the actual cash value of the award. For performance cycles for which the cash value of the award is not yet determinable, the cash payment will be calculated using the target award amount. The cash payment for the performance cycle beginning with the calendar year in which termination of employment

occurs will be prorated in 1/12 increments for the portion of the performance cycle prior to the last day of the month in which termination of employment occurs.

3.4 Extended Health Care and Insurance Coverage

The Change-in-Control Benefits include coverage for the Participant and his or her eligible dependents under the following Company welfare plans at no cost to the Participant for the three years following the Participant's termination of employment with the Company:

- (a) Coverage under the NCR Health Care Plan at the Choice 2 level (20% co-payment).
- (b) Coverage under the NCR Dental Plan at the Choice 2 level.
- (c) Life insurance coverage at two times Salary.
- (d) Accidental death and dismemberment coverage at two times Salary.

A Participant who is enrolled in Health Care Choice 1 or an HMO immediately prior to termination of employment may continue this coverage in lieu of the Health Care Choice 2 by paying the difference in cost between the current coverage and Health Care Choice 2. A Participant may continue health care and dental benefits for eligible special dependents (as defined in the Company's Benefits Handbook) in effect at the time of termination of employment, by paying the full cost of the coverages.

The coverages described in this Section 3.4 will not terminate if the Participant becomes employed by an unrelated company, but will be secondary to any coverage as an active employee. Extended health care and dental care coverage runs concurrently with COBRA continuation coverage rights, so no additional coverage under COBRA is available after the three year severance period, unless the Participant qualifies for extended COBRA coverage because of disability.

3.5 Financial Counseling

The Change-in-Control Benefits include continuation of executive financial counseling benefits as in effect under the Company's policy on the date of the Change-in-Control, for three years following termination of employment.

3.6 Outplacement Assistance

The Change-in-Control Benefits include the Company's executive outplacement assistance program, provided by Wright Associates or a similar organization, as in effect

under the Company's policy on the date of the Change-in-Control, for three years following termination of employment.

3.7 Tax Gross-Up

- (a) If it is determined that any payment or distribution by the Company to or for the benefit of the Participant (whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise, but determined without regard to any additional payments required under this Section 3.7) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by the Participant with respect to such excise tax (such excise tax, together with any such interest and penalties, hereinafter collectively referred to as the "Excise Tax"), then the Change-in-Control Benefits shall include an additional payment ("Gross-Up Payment") in an amount such that after payment by the Participant of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any federal and state income taxes (and any interest and penalties imposed with respect thereto), the Medicare portion of FICA, and excise taxes imposed upon the Gross-Up Payment, the Participant retains an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the payments.
- (b) Subject to the provisions of Subsection (c), all determinations required to be made under this Section 3.7, including whether and when a Gross-Up Payment is required, the amount of such Gross-Up Payment and the assumptions to be utilized in arriving at such determination, shall be made by Price Waterhouse (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and the Participant within 15 business days of the receipt of notice from the Participant that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change-in-Control, the Participant shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this Section 3.7, shall be paid by the Company to the Participant within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and the Participant. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made

hereunder. In the event that the Company exhausts its remedies pursuant to Subsection (c) and the Participant thereafter is required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to or for the benefit of the Participant.

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

- (i) give the Company any information reasonably requested by the Company relating to such claim,
- (ii) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with respect to such claim by an attorney reasonably selected by the Company,
- (iii) cooperate with the Company in good faith in order effectively to contest such claim, and
- (iv) permit the Company to participate in any proceedings relating to such claim;

provided, however, that the Company shall bear and pay directly all costs and expenses (including additional interest and penalties) incurred in connection with such contest and shall indemnify and hold the Participant harmless, on an after-tax basis, for any Excise Tax or federal or state income tax (including interest and penalties with respect thereto) and Medicare portion of FICA imposed as a result of such representation and payment of costs and expenses. Without limitation on the foregoing provisions of this Subsection (c), the Company shall control all proceedings taken in connection with such contest and, at its sole option, may pursue or forgo any and all administrative appeals, proceedings, hearings and conferences with the taxing authority in respect of such claim and may, at

its sole option, either direct the Participant to pay the tax claimed and sue for a refund or contest the claim in any permissible manner, and the Participant agrees to prosecute such contest to a determination before any administrative tribunal, in a court of initial jurisdiction and in one or more appellate courts, as the Company shall determine; provided, however, that if the Company directs the Participant to pay such claim and sue for a refund, the Company shall advance the amount of such payment to the Participant, on an interest-free basis and shall indemnify and hold the Participant harmless, on an after-tax basis, from any Excise Tax or income tax (including interest or penalties with respect thereto) imposed with respect to such advance or with respect to any imputed income with respect to such advance; and further provided that any extension of the statute of limitations relating to payment of taxes for the taxable year of the Participant with respect to which such contested amount is claimed to be due is limited solely to such contested amount. Furthermore, the Company's control of the contest shall be limited to issues with respect to which a Gross-Up Payment would be payable hereunder and the Participant shall be entitled to settle or contest, as the case may be, any other issue raised by the Internal Revenue Service or any other taxing authority.

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

3.8 Death Benefits

If a Participant dies after becoming entitled to the Change-in-Control Benefits but before receiving payment, the Change-in-Control benefits will be paid to the Participant's estate. The Participant's eligible dependents will continue coverage under the Health Care Plan and Dental Plan for the remainder of the three year period.

3.9 Legal Fees

The Company will pay as incurred, to the full extent permitted by law, all legal fees and expenses which a Participant may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, the Participant or others of the validity or enforceability of, or liability under, any provision of this Plan or any guarantee of performance thereof (whether such contest is between the Company and the Participant or between either the Company or the Participant and any third party), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Internal Revenue Code, unless, in the case of a legal action brought by the Participant or in his or her name, a court finally determines that such action was not brought in good faith.

3.10 Stock Awards

Stock options and other stock awards under the NCR Management Stock Plan will vest and become payable upon the occurrence of a Change-in-Control, as provided in that plan.

ARTICLE 4

CHANGE-IN-CONTROL

4.1 Change-in-Control

For the purpose of this Plan a "Change-in-Control" shall mean any of the following events:

- (a) 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 (i) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (ii) 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 (i), (ii) and (iii) of Subsection (c) below; or
- (b) 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

- (c) 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 (i) 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 (as defined below) 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, (ii) 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 (i) 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 (iii) 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 (i) above is satisfied in connection with the applicable Corporate Transaction, of the Parent Company); or
- (d) 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.

ARTICLE 5

TRUST

5.1 Establishment of Trust

The Compensation Committee may establish a trust with a bank trustee, for the purpose of paying benefits under this Plan, the NCR Change-in-Control Severance Plan for Key At-Risk Associates, and the Change-in-Control Letter Agreement with the CEO of the Company (collectively the "CIC Plans"). The trust may be a grantor trust subject to the claims of the Company's creditors.

ARTICLE 6

ADMINISTRATION

6.1 Plan Committee

This Plan shall be administered by a committee ("Plan Committee" or "Committee"), which shall have full power and authority to construe, interpret and administer the Plan and may delegate to one or more officers and/or employees of the Company such duties in connection with the administration of the Plan as it may deem necessary, advisable or appropriate. Prior to a Change-in-Control, the Plan Committee shall consist of the members of the Compensation Committee. If, at any time following a Change-in-Control, at least a majority of the Compensation Committee shall not consist of members of the Incumbent Board (as defined in Section 4.1(b)), then the Plan Committee shall consist of at least five individuals, a majority of whom are officers of the Company and who also were such prior to the Change-in-Control, to be designated by the Compensation Committee.

6.2 Duties of Plan Committee

The Committee shall administer the Plan in a nondiscriminatory manner for the exclusive benefit of Participants and their beneficiaries. The Committee shall perform all such duties as are necessary to supervise the administration of the Plan and to control its operation in accordance with its terms.

6.3 Authority of Plan Committee

The Committee shall have all powers necessary or appropriate to carry out its duties, including the discretionary authority to interpret the provisions of the Plan and the facts and circumstances of eligibility for Plan participation and claims for benefits. Any interpretation or construction of or action by the Committee with respect to the Plan and its administration shall be binding upon any and all parties and persons affected thereby, subject to the exclusive appeal procedure set forth in Section 6.4.

6.4 Claim Procedure

If any person eligible to receive benefits under the Plan, or claiming to be so eligible, believes he or she is entitled to benefits in an amount greater than those which he or she has received, he or she may file a claim in writing with the Company's Global Performance and Remuneration Management Department ("GPRM"), or its successor. The GPRM shall review the claim and, within 90 days after the claim is filed, shall give written notice to the claimant of the decision. If the claim is denied, the notice shall give the reason for the denial, the pertinent provisions of the Plan on which the denial is based, a description of any additional material or information necessary for the claimant to

perfect the claim and an explanation of why such material or information is necessary, and an explanation of the claim review procedure under the Plan.

Any person who has had a claim for benefits denied GPRM shall have the right to request review by the Committee. Such request must be in writing, and must be made within 60 days after such person is advised of the denial of benefits. If written request for review is not received within such 60 day period, the claimant shall forfeit his or her right to review.

The Committee shall review claims that are appealed, and may hold a hearing if it deems necessary, and shall issue a written notice of the final decision. Such notice shall include specific reasons for the decision and specific references to the pertinent Plan provisions on which the decision is based. The decision shall be final and binding upon the claimant and the Committee and all other persons involved.

6.5 Arbitration

Any dispute or controversy arising under or in connection with this Plan shall be settled exclusively by arbitration in the City of Dayton, Ohio in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

ARTICLE 7

TERM OF THE PLAN

7.1 Three-Year Term

This Plan shall continue in effect through December 31, 2000; provided, however, that commencing on January 1, 1998, and on each January 1 thereafter, the term of this Plan shall automatically be extended for one additional year beyond its original or extended termination date so that, unless notice shall have been given as provided in Section 7.2, on each January 1, this Plan shall have an unexpired term of three years.

7.2 Termination

The Board of Directors of the Company may, not later than November 30 of any year, by resolution duly adopted by a majority of the entire membership of the Board, determine that the Plan shall not be extended, in which event the Plan shall expire at the end of the three-year term which began on the January 1 immediately preceding such November 30.

7.3 Termination After A Change-in-Control

Notwithstanding any resolution of the Board not to extend the term of the Plan, if a Change-in-Control shall have occurred during the original or any extended term of the Plan, the Plan shall continue in effect for three years after the date of the Change-in-Control.

7.4 Accrued Rights Not Affected

No termination or expiration of this Plan shall affect any rights, obligations or liabilities of either party that shall have accrued on or prior to the date of such termination or expiration.

7.5 Amendment of Plan

The Board of Directors may amend this Plan with respect to an eligible Executive Officer with the written consent of such Executive Officer.

ARTICLE 8

SUCCESSORS

8.1 Successors

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform under this Plan in the same manner and to the same extent that the Company or a subsidiary (as appropriate) is required to perform. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall entitle each officer eligible to participate in the Plan who terminates employment during the period of time the Plan would have been in effect had the Company complied with the first sentence of this Section 8.1, to compensation from the Company in the same amount and on the same terms as such officer would be entitled hereunder if he or she had terminated employment for Good Reason following a Change-in-Control.

ARTICLE 9

GENERAL PROVISIONS

9.1 Separation Pay

Separation pay paid pursuant to this Plan shall be considered severance pay paid after termination of employment. A Participant receiving separation pay through the normal payroll cycle shall not thereby be considered an active employee for any purpose. Accordingly, benefits available to active employees will cease as of the date of termination, including short term disability coverage and long term disability coverage. Separation pay will not be eligible for contribution to the NCR Savings Plan, the NCR Employee Stock Purchase Plan or to the NCR health care or dependent day care spending accounts.

Separation pay will be subject to all applicable FICA and tax withholding.

9.2 No Additional Rights

No person shall have any rights under the Plan except as, and only to the extent, expressly provided for in the Plan. Neither the establishment or amendment of the Plan nor any action of the Company or the Committee shall be held or construed to confer upon any person any right to be continued as an employee, or, upon dismissal, any right or interest in any account or fund other than as herein provided. The Company expressly reserves the right to discharge any employee at any time, subject to such employment agreements as may be in effect with particular employees.

9.3 Severability

If any provision of this Plan is held illegal or invalid for any reason, such determination shall not affect the remaining provisions of this Plan, which shall be construed as if the illegal or invalid provision had never been included.

9.4 Governing Law

This Plan shall be construed in accordance with applicable federal law and the laws of the State of Ohio, to the extent not preempted by ERISA.

9.5 Facility of Payment

In the event any benefit under this Plan shall be payable to a person who is under legal disability or is in any way incapacitated so as to be unable to manage his or her financial affairs, the Senior Vice President, Global Human Resources, may direct payment of such benefit to a duly appointed guardian, committee or other legal representative of

such person, or in the absence of a guardian or legal representative, to any relative of such person by blood or marriage, for such person's benefit. Any payment made in good faith pursuant to this provision shall fully discharge the Company and the Plan of any liability to the extent of such payment.

9.6 Correction of Errors

In the event an incorrect amount is paid to or on behalf of a Participant or beneficiary, any remaining payments may be adjusted to correct the error. The Committee may take such other action as it deems necessary and equitable to correct any such error.

IN WITNESS WHEREOF, the NCR Change-in-Control Severance Plan for Executive Officers is adopted effective January 1, 1997.

NCR CORPORATION

By: /s/ Richard H. Evans

Richard H. Evans
Senior Vice President, Global Human Resources

CHANGE-IN-CONTROL
AGREEMENT

AGREEMENT by and between NCR Corporation, a Maryland corporation (the "Company") and Lars Nyberg, effective as of January 1, 1997.

The Board of Directors of the Company (the "Board") has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have your continued dedication, notwithstanding the possibility, threat or occurrence of a Change-in-Control (as defined below) of the Company. The Board believes it is imperative to diminish your inevitable distraction by the personal uncertainties and risks created by a pending or threatened Change-in-Control and to encourage your full attention and dedication to the Company currently and in the event of any threatened or pending Change-in-Control, and to provide you with compensation and benefits arrangements upon a Change-in-Control which ensure that your compensation and benefits expectations will be satisfied and are competitive with those of other corporations. Therefore, to accomplish these objectives, the Board has caused the Company to enter into this Agreement.

In order to induce you to remain in the employ of the Company, the Company agrees that you shall receive the severance benefits set forth in this Agreement in the event your employment with the Company is terminated subsequent to a Change-in-Control in the circumstances hereinafter described.

1. Entitlement to Benefits

If your employment with the Company is terminated during the three-year period beginning on the date of a Change-in-Control, either (a) involuntarily, except for Cause, or (b) voluntarily, due to Good Reason, you will be entitled to receive the benefits described in Section 3 ("Change-in-Control Benefits"), provided you execute a release of all employment-related claims against the Company and its subsidiaries and affiliates existing as of the date of execution, in the standard form used by the Company without material modification, addition or deletion. You will also become entitled to the Change-in-Control Benefits if you voluntarily terminate employment with the Company for any reason during the thirteenth month following the month in which a Change-in-Control occurs, provided a release of claims is executed. You will not receive such benefits if your employment with the Company terminates due to any other reason, such as death or your becoming disabled to the extent that you qualify for benefits from the NCR Long Term Disability Plan. The Change-in-Control Benefits are payable in lieu of any benefits you might be entitled to receive under the NCR Workforce Redeployment Plan.

2. Change-in-Control Benefits

The Change-in-Control Benefits consist of the following:

(a) Separation Pay. A lump sum payment of three times your annual base pay in effect on the date of termination of employment, or the date of the Change-in-Control if higher, paid within 60 days after termination of employment.

(b) Incentive Pay. The Change-in-Control Benefits include a lump sum payment made within 60 days after termination of employment equal to the following incentive pay:

- (i) The incentive pay earned under the Management Incentive Plan for Executive Officers, or any successor plan ("MIP") for the calendar year in which termination of employment occurs, at the greater of target for year of termination of employment or the actual cash payment for the preceding year, pro-rated in 1/12 increments for the portion of the calendar year prior to the last day of the month in which termination of employment occurs.
- (ii) Three times the greater of (A) the target MIP award for the calendar year in which termination of employment occurs, or (B) the actual cash MIP award for the preceding calendar year.
- (iii) Cash payment for performance cycles under the Long Term Incentive Program ("LTIP") that commenced prior to the date of termination of employment and have not been paid out. For performance cycles for which the cash value of the award has been determined (either by the issuance of restricted stock units or otherwise), the cash payment will equal the actual cash value of the award. For performance cycles for which the cash value of the award is not yet determinable, the cash payment will be calculated using the target award amount. The cash payment for the performance cycle beginning with the calendar year in which termination of employment occurs will be prorated in 1/12 increments for the portion of the performance cycle prior to the last day of the month in which termination of employment occurs.
- (iv) Three times the greater of the following: (A) the target LTIP award for the performance cycle beginning in the calendar year in which termination of employment occurs, or (B) the cash value of the most recent actual LTIP award received by you.

(c) Health Care and Insurance Coverage. Coverage for you and your eligible dependents under the following Company welfare plans at no cost to you for the separation pay period: (i) Coverage under the NCR Health Care Plan at the Choice 2 level (20% co-payment); (ii) Coverage under the NCR Dental Plan at the Choice 2 level;

(iii) Life insurance coverage at two times base pay; and (iv) Accidental death and dismemberment coverage at two times base pay.

If you are enrolled in Health Care Choice 1 or an HMO immediately prior to termination of employment, you may continue this coverage in lieu of the Health Care Choice 2 by paying the difference in cost between the current coverage and Health Care Choice 2.

The coverages described in this subparagraph (c) will not terminate if you become employed by an unrelated company, but will be secondary to any coverage as an active employee. Extended health care and dental care coverage runs concurrently with COBRA continuation coverage rights, so no additional coverage under COBRA is available after the three-year severance period.

(d) Financial Counseling Continuation of executive financial counseling benefits as in effect under the Company's policy on the date of the Change-in-Control, for three years following termination of employment.

(e) Outplacement Assistance The Change-in-Control Benefits include the Company's executive outplacement assistance program for three years following termination of employment, provided by Wright Associates or a similar organization, as in effect under the Company's policy on the date of the Change-in-Control.

(f) Tax Gross-Up

(i) If it is determined that any payment or distribution by the Company to you or for your benefit (whether paid or payable or distributed or distributable pursuant to the terms of this Plan or otherwise, but determined without regard to any additional payments required under this subsection (f)) (a "Payment") would be subject to the excise tax imposed by Section 4999 of the Code or any interest or penalties are incurred by you with respect to such excise tax (such excise tax, together with any such interest and penalties, hereinafter collectively referred to as the "Excise Tax"), then the Change-in-Control Benefits shall include an additional payment ("Gross-Up Payment") in an amount such that after payment by you of all taxes (including any interest or penalties imposed with respect to such taxes), including, without limitation, any federal and state income taxes (and any interest and penalties imposed with respect thereto), the Medicare portion of FICA, and excise taxes imposed upon the Gross-Up Payment, you retain an amount of the Gross-Up Payment equal to the Excise Tax imposed upon the payments.

(ii) Subject to the provisions of subsection (iii), all determinations required to be made under this subsection (f), including whether and when a Gross-Up Payment is required and the amount of such Gross-Up Payment and the

assumptions to be utilized in arriving at such determination, shall be made by Price Waterhouse (the "Accounting Firm"), which shall provide detailed supporting calculations both to the Company and you within 15 business days of the receipt of notice from you that there has been a Payment, or such earlier time as is requested by the Company. In the event that the Accounting Firm is serving as accountant or auditor for the individual, entity or group effecting the Change-in-Control, you shall appoint another nationally recognized accounting firm to make the determinations required hereunder (which accounting firm shall then be referred to as the Accounting Firm hereunder). All fees and expenses of the Accounting Firm shall be borne solely by the Company. Any Gross-Up Payment, as determined pursuant to this subsection (f), shall be paid by the Company to you within five days of the receipt of the Accounting Firm's determination. Any determination by the Accounting Firm shall be binding upon the Company and you. As a result of the uncertainty in the application of Section 4999 of the Code at the time of the initial determination by the Accounting Firm hereunder, it is possible that Gross-Up Payments which will not have been made by the Company should have been made ("Underpayment"), consistent with the calculations required to be made hereunder. In the event that the Company exhausts its remedies pursuant to subsection (iii) and you thereafter are required to make a payment of any Excise Tax, the Accounting Firm shall determine the amount of the Underpayment that has occurred and any such Underpayment shall be promptly paid by the Company to you or for your benefit.

- (iii) You shall notify the Company in writing of any claim by the Internal Revenue Service that, if successful, would require the payment by the Company of the Gross-Up Payment. Such notification shall be given as soon as practicable but no later than ten business days after you are informed in writing of such claim and shall apprise the Company of the nature of such claim and the date on which such claim is requested to be paid. You shall not pay such claim prior to the expiration of the 30-day period following the date on which you give such notice to the Company (or such shorter period ending on the date that any payment of taxes with respect to such claim is due). If the Company notifies you in writing prior to the expiration of such period that it desires to contest such claim, you shall:
- (A) give the Company any information reasonably requested by the Company relating to such claim,
 - (B) take such action in connection with contesting such claim as the Company shall reasonably request in writing from time to time, including, without limitation, accepting legal representation with

respect to such claim by an attorney reasonably selected by the Company,

- (C) cooperate with the Company in good faith in order effectively to contest such claim, and
- (D) permit the Company to participate in any proceedings relating to such claim;

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

- (iv) If, after the receipt by the Participant of an amount advanced by the Company pursuant to subsection (f), you become entitled to receive any refund with respect to such claim, you shall (subject to the Company's complying with the requirements of subsection (iii)) promptly pay to the Company the amount of such refund (together with any interest paid or credited thereon after taxes applicable thereto). If, after the receipt by you of an amount advanced by the Company pursuant to subsection (iii), a

determination is made that you shall not be entitled to any refund with respect to such claim and the Company does not notify you in writing of its intent to contest such denial of refund prior to the expiration of 30 days after such determination, then such advance shall be forgiven and shall not be required to be repaid and the amount of such advance shall offset, to the extent, thereof, the amount of Gross-Up Payment required to be paid.

3. Death Benefits

If you die after becoming entitled to the Change-in-Control Benefits but before receiving payment, the Change-in-Control Benefits will be paid to your estate. Your eligible dependents will continue coverage under the Health Care Plan and Dental Plan for the remainder of the three-year coverage period.

4. Trust

The Compensation Committee may establish a trust with a bank trustee (the "Trust") for the purpose of paying benefits under this Agreement, as well as the NCR Change-in-Control Severance Plan for Executive Officers and the NCR Change-in-Control Severance Plan for At-Risk Associates. The trust may be a grantor trust subject to the claims of the Company's creditors.

5. Term of Agreement

This Agreement shall commence on December 31, 1996 and shall continue in effect through December 31, 2000; provided, however, that commencing on January 1, 1998, and on each January 1 thereafter, the term of this Agreement shall automatically be extended for one additional year beyond its original or extended termination date so that, unless notice shall have been given as provided in the following paragraph, on each January 1, this Plan shall have an unexpired term of three years.

The Board of Directors of the Company may, not later than November 30 of any year, by resolution duly adopted by a majority of the entire membership of the Board, determine that this Agreement shall not be extended, in which event this Agreement shall expire at the end of the three-year term which began on the January 1 immediately preceding such November 30.

Notwithstanding any resolution of the Board not to extend the term of this Agreement, if a Change-in-Control shall have occurred during the original or any extended term of the Agreement, the Agreement shall continue in effect for three years after the date of the Change-in-Control.

6. Successors

The Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to expressly assume and agree to perform under this Agreement in the same manner and to the same extent that the Company or a subsidiary (as appropriate) is required to perform. Failure of the Company to obtain such assumption and agreement prior to the effectiveness of any such succession shall entitle you, if you terminate employment during the period of time the Agreement would have been in effect had the Company complied with the first sentence of this Paragraph 6, to compensation from the Company in the same amount and on the same terms as you would be entitled hereunder if you had terminated employment for Good Reason following a Change-in-Control.

7. Definitions

(a) "Cause" means:

- (i) your willful and continued failure to perform substantially the appropriate duties of your position with the Company or one of its affiliates (other than any such failure resulting from incapacity due to physical or mental illness), for a period of at least 30 days after a written demand for substantial performance is delivered to you by the Board which specifically identifies the manner in which the Board believes that you have not substantially performed your duties, or
- (ii) you willfully engage in illegal conduct or gross misconduct which is materially and demonstrably injurious to the Company.

For purposes of this provision, no act or failure to act, on your part, shall be considered "willful" unless it is done, or omitted to be done, in bad faith or without reasonable belief that your action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board or based upon the advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done in good faith and in the best interests of the Company. The termination of your employment shall not be deemed to be for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted by the affirmative vote of not less than three-quarters of the entire membership of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided to you and you are given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, you are guilty of the conduct described in subsection (i) or (ii) above, and specifying the particulars.

- (b) "Change-in-Control" means 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, 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 (as defined below) 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.

- (c) "Good Reason" means:
- (i) the assignment to you of any duties inconsistent in any respect with your position (including status, offices, titles and reporting requirements), authority, duties or responsibilities, as in effect immediately prior to a Change-in-Control, excluding for this purpose an isolated, insubstantial and inadvertent action not taken in bad faith and which is remedied by the Company promptly after receipt of notice thereof given by you;
 - (ii) any reduction in your annual base salary as in effect immediately before the Change-in-Control,
 - (iii) the failure to pay incentive compensation to which you are otherwise entitled under the terms of the Company's Management Incentive Plan for Executive Officers ("MIP") or Long Term Incentive Program ("LTIP"), or any successor incentive compensation plans at the time at which such awards are usually paid or as soon thereafter as administratively feasible, unless the failure to pay the incentive compensation is because of the failure to meet objectives based on quantitative performance;
 - (iv) the provision to you of an opportunity to earn a target annual bonus under the MIP or a target performance award under the LTIP or any successor incentive compensation plans substantially less in amount than your target opportunities for the last complete fiscal year of the Company ending prior to the Change-in-Control;
 - (v) the failure by the Company to continue in effect any incentive stock option plan in which you participate immediately prior to the Change-in-Control, unless a substantially equivalent alternative compensation arrangement (embodied in an ongoing substitute or alternative plan) has been provided to you, or the failure by the Company to continue your participation in any such stock option plan on substantially the same basis, both in terms of the amount of benefits provided and the level of your participation relative to other participants, as existed immediately prior to the Change-in-Control;
 - (vi) Except as required by law, the failure by the Company to continue to provide to you employee benefits substantially equivalent, in the aggregate, to those enjoyed by you under the qualified and nonqualified employee benefit and welfare plans of the Company, including, without limitation, the pension, life insurance, medical, dental, health and accident, disability retirement, and savings plans, in which you were eligible to participate immediately prior to the Change-in-Control, or the failure by the Company to provide you with the number of paid vacation days to which you were entitled under the Company's vacation policy immediately prior to the Change-in-Control.

- (vii) the Company's requiring you to be based at any office or location other than the principal place of your employment in effect immediately prior to the Change-in-Control that is more than 35 miles distant from the location of such principal place of employment, unless the relocation is part of a relocation, for bona fide business reasons, of the Company, or the Company's requiring you to travel on Company business to a substantially greater extent than required immediately prior to the Change-in-Control;
- (viii) any failure by the Company to comply with Paragraph 6, Successors.

Any good faith determination of "Good Reason" made by you shall be conclusive.

8. Legal Fees

The Company agrees to pay as incurred, to the full extent permitted by law, all legal fees and expenses which you may reasonably incur as a result of any contest (regardless of the outcome thereof) by the Company, you or others of the validity or enforceability of, or liability under, any provision of this Agreement or any guarantee of performance thereof (whether such contest is between the Company and you or between either of us and any third party), plus in each case interest on any delayed payment at the applicable Federal rate provided for in Section 7872(f)(2)(A) of the Internal Revenue Code, unless, in the case of a legal action brought by you or in your name, a court finally determines that such action was not brought in good faith.

9. Arbitration

Any dispute or controversy arising under or in connection with this Plan shall be settled exclusively by arbitration in the City of Dayton, Ohio in accordance with the rules of the American Arbitration Association then in effect. Judgment may be entered on the arbitrator's award in any court having jurisdiction.

10. Miscellaneous

No provision of this Agreement may be modified, waived or discharged unless such waiver, modification or discharge is agreed to in writing and signed by you and such officer as may be specifically designated by the Board or the Compensation Committee. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any condition or provision of this Agreement to be performed by such other party shall be deemed a waiver of similar or dissimilar provisions or conditions at the same or at any prior or subsequent time. No agreements or representations, oral or otherwise, express or implied, with respect to the subject matter hereof have been made by either party which are not expressly set forth in this Agreement. This Agreement shall be subject to the laws of the State of Ohio. Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state or local law. The

obligations of the Company under Paragraphs 3 and 4 shall survive the expiration of the term of this Agreement. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement, which shall remain in full force and effect.

NCR CORPORATION

By: /s/ Richard H. Evans

Richard H. Evans
Senior Vice President, Global HR

Lars Nyberg
Chairman and CEO

Date: 3/7/97

Date: _____

NCR DIRECTOR COMPENSATION PROGRAM

EFFECTIVE JANUARY 1, 1997

PREAMBLE

This NCR Director Compensation Program ("Program") is adopted effective January 1, 1997.

The Program is approved and adopted by the Compensation Committee of the Board of Directors of NCR Corporation ("Company") pursuant to its authority under Section 4.2 of the NCR Management Stock Plan to determine the terms and conditions of grants and awards to participants in the Management Plan, including the extent to which cash and shares payable under the Management Plan may be deferred at the election of a participant.

The Program is intended to provide competitive remuneration to individuals serving as non-employee members of the Board of Directors of the Company, and to align the interests of the Directors with the interests of the Company's shareholders.

ARTICLE I

Definitions

- 1.1 Committee means the Compensation Committee of the Board of Directors of NCR Corporation.
- 1.2 Common Stock means the common stock of NCR Corporation, par value \$.01 per share.
- 1.3 Company means NCR Corporation, a Maryland corporation.
- 1.4 Director means a member of the Board of Directors of NCR Corporation who is not an employee of the Company.
- 1.5 Fair Market Value of a share of Common Stock as of a specified date means the average of the high and low sales prices of a share of Common Stock on the New York Stock Exchange on such date, or if there were no trades on such date, on the day on which a trade occurred next preceding such date.
- 1.6 Management Plan means the NCR Management Stock Plan, adopted effective as of January 1, 1997.

- 1.7 Participant means a Director, and any former Director entitled to payment of a benefit from the Program.
- 1.8 Year of Service means the approximately 12 month period beginning on the date of an annual shareholders' meeting of the Company and ending on the day before the Company's annual shareholders' meeting of the next following year, during which an individual serves as a Director.

ARTICLE II

Compensation

- 2.1 Annual Compensation. For each Year of Service as a Director, a Director will receive the compensation described in Sections 2.2 through 2.4 below.
- 2.2 Annual Retainer. For each Year of Service, a Director will receive an annual retainer set by the Committee, which shall initially be \$30,000. A Director may elect to receive the retainer in cash, in Common Stock, or as a Deferred Stock Award, as described in ARTICLE III. If no election is made, the retainer will be paid in cash. If paid in cash or Common Stock, payment of 25% of the annual amount will be made on June 30, September 30, December 31, and March 31, provided the individual is serving as a Director on such dates. If the individual is not serving as a Director on any such date, the remaining amount of the retainer shall be forfeited.

If paid in Common Stock, the number of shares of Common Stock to be paid shall be determined by dividing the cash amount of the retainer due to the Director by the Fair Market Value of the Common Stock on the date the payment is due, with a cash payment for any fractional share amount.

Notwithstanding the above, the retainer for the partial Plan Year beginning January 1, 1997 and ending on April 19, 1997, will be \$10,000, with payment of \$5,000 due on January 19, 1997, and \$5,000 on March 31, 1997, provided the individual is serving as a Director on such dates. If the individual is not serving as a Director on any such date, the remaining amount of the retainer shall be forfeited.

- 2.3 Initial Stock Grant. On the date of first election to the Board, each Director will receive an initial grant under the Management Plan of a number of whole shares of Common Stock determined by multiplying the dollar amount of the annual retainer by two, then dividing the result by the Fair Market Value of one share of Common Stock on the date of grant, rounded up to the next whole share. A Director may elect to receive such Common Stock as a Deferred Stock Grant as provided in ARTICLE IV. A Director will receive only one initial stock grant for any

continuous period served as a Director. If a Director ceases to serve as a Director for a period of at least three years and is later again elected as a Director, he or she will receive a second initial stock grant for the second period served as a Director.

- 2.4 Annual Option Grant. At each annual shareholders' meeting of the Company, each individual then serving as a Director or newly elected as a Director shall receive a grant of nonqualified stock options under the Management Plan with a present value equal to the amount of the annual retainer. The options shall be for a number of shares of Common Stock determined by dividing the dollar amount of the annual retainer by an accepted formula, and then dividing the result by the Fair Market Value of one share of Common Stock on the date of grant, rounded up to the next whole share. The exercise price for each optioned share will be the Fair Market Value of one share of Common Stock on the grant date. The stock options will be fully vested and exercisable at grant, and will have a term of ten years from the date of grant.

ARTICLE III

Deferred Cash or Stock Awards

- 3.1 Election to Defer. For each Plan Year, a Director may elect to defer receipt of the retainer described in Section 2.2 and receive it instead as a Deferred Stock Award. The election must be made prior to the first day of the Year of Service for which the retainer will be paid. The election shall be irrevocable for the Plan Year for which it is effective. A new election must be made for each Year of Service.
- 3.2 Form of Election. The election to defer must be made in writing on a form similar to Attachment A hereto.
- 3.3 Deferral Periods. A Director may elect to receive the Deferred Stock Award at one of the following times:
- (a) on the date of termination as a Director,
 - (b) on the date either five or ten years from the date of grant, or
 - (c) in one to five equal annual installments, payable on April 30 of each year, beginning either on the next following April 30 after the retainer is earned, or the April 30 next following the date of termination as a Director.
- 3.4 Deferred Stock Awards. If a Director elects to receive the annual retainer as a Deferred Stock Award, the Company will maintain a deferred stock account credited, as of the date a payment of 25% the retainer would have otherwise been paid, with a number of stock units equal to the shares of Common Stock (including fractions of a share) that could have been purchased with the amount of the

retainer deferred as of such date at the Fair Market Value of the Common Stock on such date. As of the date any dividend is paid to shareholders of Common Stock, the Director's deferred stock account shall also be credited with an additional number of stock units equal to the number of shares of Common Stock (including fractions of a share) that could have been purchased at the Fair Market Value on such date with the dividend paid on the number of shares of Common Stock equivalent to the number of share units credited to the Director's deferred stock account. In case of dividends paid in property, the dividend shall be deemed to be the fair market value of the property at the same time of distribution of the dividend, as determined by the Committee.

- 3.5 Distribution of Deferred Stock Award. Payment of a Director's Deferred Stock Award shall be made at the times elected by the Director at the time of deferral. Distribution shall be made in cash unless a Participant elects in writing delivered to the Company no later than 60 days prior to the date of distribution (or the date of the first distribution, if made in installments) that all or any designated portion of the deferred stock account be paid in shares of Common Stock. The amount of a cash distribution shall be determined by multiplying the number of shares attributable to the payment by the Fair Market Value of the Common Stock on the date the payment is to be made. If distribution is to be made in shares of Common Stock, the Participant shall receive the number of whole shares of Common Stock to which the distribution is equivalent plus cash for any fractional share.

ARTICLE IV

Deferred Stock Grants

- 4.1 Election to Defer. A Director may elect to defer receipt of the Common Stock subject to the initial stock grant described in Section 2.3. The election must be made prior to election as a Director. If no deferral election is made, the Common Stock subject to the stock grant will be issued to the Director within a reasonable time after election to the Board.
- 4.2 Form of Election. The election to defer must be made in writing on a form similar to Attachment B hereto.
- 4.3 Deferral Periods. A Director may elect to receive the Common Stock at one of the times specified in Section 3.3 above.
- 4.4 Deferred Stock Accounts. If a Director elects to defer receipt of the Common Stock subject to the initial stock grant, the Company will maintain a deferred stock account credited, as of the date of election to the Board, with a number of stock units equal to the shares of Common Stock the Director was entitled to receive as the initial stock grant. As of the date any dividend is paid to shareholders of

Common Stock, the Director's deferred stock account shall also be credited with an additional number of stock units equal to the number of shares of Common Stock (including fractions of a share) that could have been purchased at the Fair Market Value on such date with the dividend paid on the number of shares of Common Stock equivalent to the number of share units credited to the Director's deferred stock account. In case of dividends paid in property, the dividend shall be deemed to be the fair market value of the property at the same time of distribution of the dividend, as determined by the Committee.

- 4.5 Distribution of Deferred Stock Grant. Payment of a Director's Deferred Stock Award shall be made at the times elected by the Director at the time of deferral, in shares of Common Stock. The Participant shall receive the number of whole shares of Common Stock to which the amount of the distribution is equivalent plus cash for any fractional share.

ARTICLE V

Distribution Upon Death

- 5.1 Distribution Upon Death. In the event of the death of a Participant, whether before or after termination of employment, any Deferred Cash Award or Deferred Stock Award to which he or she was entitled shall be converted to cash and distributed in a lump sum to the Participant's designated beneficiary, or if no beneficiary is designated, to the Participant's estate.
- 5.2 Designation of Beneficiary. A Participant may designate an individual or entity as his or her beneficiary to receive payment of any benefits due and unpaid on the date of the Participant's death, by delivering a written designation to the Company. A Participant may from time to time revoke or change any such designation in writing delivered to the Company. If there is no unrevoked designation on file with the Company at the time of the Participant's death, or if the designated beneficiary has predeceased the Participant or otherwise ceased to exist, such distribution shall be made in accordance with the Participant's will or in the absence of a will, to the administrator of the Participant's estate. Distribution shall be made as soon as practicable following notification of the Company of the Participant's death. A Participant's deferred stock account shall be converted to cash by multiplying the number of whole and fractional shares of Common Stock to which the Participant's deferred stock account is equivalent by the Fair Market Value of the Common Stock on the date of death.

ARTICLE VI

Administration

- 6.1 Withholding Taxes. The Company shall deduct from all distributions under the Program any taxes required to be withheld by federal, state or local governments. In case distributions are made in shares of Common Stock, the Company shall have the right to retain the value of sufficient shares equal to the amount of the tax required to be withheld with respect to such distributions. In lieu of withholding the value of shares, the Company may require a recipient of a distribution in Common Stock to reimburse the Company for any such taxes required to be withheld upon such terms and conditions as the Company may prescribe.
- 6.2 Unfunded Nature of Program. This Program shall be unfunded. The funds used for payment of benefits hereunder shall, until such actual payment, continue to be part of the general funds of the Company, and no person other than NCR shall, by virtue of this Program, have any interest in any such funds. Nothing contained herein shall be deemed to create a trust of any kind or create any fiduciary relationship. To the extent that any person acquires a right to receive payments from the Company under this Program, such right shall be no greater than the right of any unsecured general creditor of the Company.
- 6.3 Non-alienation of Benefits. No benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, including assignment pursuant to a domestic relations order, and any attempt to do so shall be void. No such benefit shall, prior to receipt thereof by the Participant, be in any manner liable for or subject to the debts, contracts, liabilities, or torts of the Participant.
- 6.4 Amendment or Termination of the Program. The Compensation Committee at any time may amend or terminate the Program, provided that no such action shall adversely affect the right of any Participant or Beneficiary to a benefit to which he or she has become entitled pursuant to the Program.

ATTACHMENT A

NCR BOARD OF DIRECTORS
ANNUAL RETAINER ELECTION

As provided in the NCR Directors Compensation Program, I hereby elect to receive my annual retainer for 1997 as follows:

- ___ In shares of NCR Common Stock, payable at same times as cash retainer
- ___ As a Deferred Stock Award

If I have elected a Deferred Stock Award, I elect to receive the deferred amounts at the following time(s):

- ___ on the date of my termination as a Director
- ___ April 16, 2002 (five year deferral)
- ___ April 16, 2007 (ten year deferral)
- ___ in ___ (1,2,3,4, or 5) annual installments, beginning on April 30, 1998
- ___ in ___ (1,2,3,4, or 5) annual installments, beginning on the April 30 following my termination as a Director.

I designate _____ as beneficiary of my Deferred Cash Award and/or Deferred Stock Award, to receive any vested, unpaid amounts at my death. (Multiple beneficiaries may be listed on an attached sheet.)

Signature

Date

ATTACHMENT B
NCR BOARD OF DIRECTORS
INITIAL STOCK GRANT ELECTION

As provided in the NCR Directors Compensation Program, I hereby elect to receive my initial stock grant as a Deferred Stock Award.

I elect to receive my Deferred Stock Award at the following time(s):

___ on the date of my termination as a Director

___ April 16, 2002 (five year deferral)

___ April 16, 2007 (ten year deferral)

___ in ___ (1,2,3,4, or 5) annual installments, beginning on April 30, 1998

___ in ___ (1,2,3,4, or 5) annual installments, beginning on the April 30 following my termination as a Director.

I designate _____ as beneficiary of my Deferred Stock Grant, to receive any vested, unpaid amounts at my death. (Multiple beneficiaries may be listed below.)

Signature

Date

NCR LONG TERM INCENTIVE PROGRAM

EFFECTIVE JANUARY 1, 1997

PREAMBLE

This NCR Long Term Incentive Program ("Program") is adopted effective January 1, 1997.

The Program is approved and adopted by the Compensation Committee of the Board of Directors of NCR Corporation ("Company") pursuant to its authority under Section 4.2 of the NCR Management Stock Plan to determine the terms and conditions of awards to participants in the Management Plan.

ARTICLE I

Definitions

- 1.1 Award means an award of Restricted Stock Units granted under the NCR Management Stock Plan, pursuant to the terms of this Program as described herein.
- 1.2 Committee means the Compensation Committee of the Board of Directors of NCR Corporation.
- 1.3 Common Stock means the common stock of NCR Corporation, par value \$.01 per share.
- 1.4 Company means NCR Corporation, a Maryland corporation.
- 1.5 Disability means a total and permanent disability that causes a Participant to be eligible to receive long term disability benefits from the NCR Long Term Disability Plan, or any similar plan or program sponsored by a subsidiary or branch of the Company that covers the Participant.
- 1.6 Executive Officers means Board-appointed officers of the Company who are designated by the Board as "Section 16 officers."
- 1.7 Fair Market Value has the meaning as defined in the Management Plan.
- 1.8 Key Employees means senior managers and other employees of the Company, other than Executive Officers, who, in the opinion of the Chief Executive Officer,

by virtue of their decision-making and administrative responsibilities affect significantly the long-term strategies, performance and profitability of the Company.

- 1.9 Management Plan means the NCR Management Stock Plan, adopted effective as of January 1, 1997.
- 1.10 Participant means an Executive Officer or Key Employee who is designated to participate in the Program for a particular Performance Cycle pursuant to ARTICLE II, and any former Executive Officer or Key Employee entitled to payment of an Award from the Program.
- 1.11 Performance Cycle means each of the three-year periods beginning on January 1, 1996 and each January 1 thereafter.
- 1.12 Program means this NCR Long Term Incentive Program.
- 1.13 Restricted Stock Units means an award pursuant to Article 10 (Other Stock Unit Awards) of the Management Plan of units valued by reference to a designated amount of shares of Common Stock, subject to restrictions as described in a Restricted Stock Unit Statement, which are payable in shares of Common Stock or cash upon expiration of the applicable restrictions.
- 1.14 Retirement means termination of employment with NCR when a Participant is eligible to immediately receive pension benefits (other than PensionPlus benefits or any similar pension benefits payable upon any termination of employment) from any NCR pension plan.

ARTICLE II

Eligibility and Participation

- 2.1 Eligibility. Executive Officers and Key Employees of the Company are eligible to receive awards under the Program.
- 2.2 Participation. During the first quarter of each calendar year, the Committee shall designate the Executive Officers, and the Chief Executive Officer shall designate the Key Employees, who will participate in the Program for the Performance Cycle beginning in that calendar year. As provided in Section 4.1 New Participants Mid- Year, the Committee or the Chief Executive Officer, as applicable, may also designate as a Participant an individual who is newly hired, promoted or transferred into a position eligible for participation in the Program.

ARTICLE III

Awards

- 3.1 Awards. Each Award granted under the Program shall be in the form of Restricted Stock Units, and shall relate to a specified Performance Cycle.

The amount of award to an Executive Officer shall be determined by the Chairman and Chief Executive Officer and the Committee, based on their evaluation of each Executive Officer's performance for the first calendar year of each Performance Cycle, taking into consideration (1) performance objectives for each Executive Officer established by the Committee at the beginning of the calendar year, (2) comparative data on compensation practices of similar companies, and (3) any other factors determined by the Chairman and Chief Executive Officer and the Committee to be relevant to assessing the performance of the Executive Officers.

The amount of award to a Key Employee shall be determined by the Chairman and Chief Executive Officer, based on his evaluation of each Key Employee's performance for the first calendar year of each Performance Cycle, taking into consideration (1) performance objectives for each Key Employee established by the Chairman and Chief Executive Officer at the beginning of the calendar year, (2) comparative data on compensation practices of similar companies, and (3) any other factors determined by the Chairman and Chief Executive Officer to be relevant to assessing the performance of the Key Employees.

- 3.2 Maximum Award. The Compensation Committee shall establish the maximum amount of Award under the Plan that can be paid to each Executive Officer for each calendar year.

- 3.3 Award of Restricted Stock Units. Awards earned for the first calendar year of each Performance Cycle shall be determined and paid by awarding Restricted Stock Units during the first quarter of the next following calendar year. The number of Restricted Stock Units awarded with respect to each Award shall be determined by dividing the dollar amount of the Award by the Fair Market Value of one share of Common Stock on the date the Restricted Stock Units are awarded, or if no trading occurs on such date, on the preceding trading day, rounded up to the nearest whole share.

Restricted Stock Units awarded pursuant to the Program shall be subject to the terms and conditions described in a Restricted Stock Unit Statement provided to each Participant who becomes entitled to an Award, in the form as attached as Appendix A to this Program, with such minor modifications as the Chief Executive Officer or the Senior Vice President, Global Human Resources, may approve from time to time, which shall set out the terms and conditions of each Award issued under the Program.

- 3.5 Rights of Stockholder. A Participant shall not be, or have any of the rights and privileges of, a stockholder of the Company with respect to any shares of Common Stock issuable under this Program unless and until the shares have been credited to the Participant by the Company's Transfer Agent and Stock Registrar.
- 3.7 Issuance of Shares. The Restricted Stock Units will vest and become payable if the Participant remains employed by the Company until the end of the Performance Cycle with respect to which such Restricted Stock Units were awarded. At the time the Restricted Stock Units become vested, the Company will transfer to the Participant a number of shares of Common Stock equal to the number of vested Restricted Stock Units. The Company may offer each Participant the opportunity to elect to receive all or a portion of the Award in cash.

ARTICLE IV

Hires, Promotions, Re-Assignments and Terminations During a Performance Cycle

- 4.1 New Participants Mid-Year. If an individual is newly hired, promoted or transferred during a calendar year into a position eligible for participation in the Program, he or she shall be eligible for an Award under the Plan for the calendar year, subject to the maximum Award established by the Compensation Committee, prorated for the portion of the calendar year following the date of eligibility for the Plan.
- 4.2 Re-Assignment of Participant. If an individual currently participating in the Program is re-assigned during a calendar year to a non-participating position, as determined by the Chief Executive Officer, he or she will not be eligible for additional Awards under the Program, but shall be entitled to receive an Award for the Performance Cycle that began on January 1 of such calendar year, and shall continue to vest in any Restricted Stock Units received for other Performance Cycles while employment with the Company continues.
- 4.3 Retirement or Disability. A Participant who terminates employment with the Company due to Retirement or Disability shall be eligible to receive an Award for the Performance Cycle that began on January 1 of

the calendar year in which termination of employment occurs, subject to the maximum Award established by the Compensation Committee, prorated for the portion of the calendar year prior to the termination of employment, and shall be fully vested in the Restricted Stock Units received for the Performance Cycle beginning in such calendar year and any previous years.

4.4 Termination of Employment. If a Participant terminates employment with the Company for a reason other than Retirement, Disability or death, no Award shall be payable with respect to the calendar year in which such termination occurs, and any unvested Restricted Stock Units issued pursuant to the Program shall be forfeited.

4.6 Death. If a Participant dies while employed by the Company, any unvested Restricted Stock Units issued pursuant to the Program shall become vested and nonforfeitable, and shall be paid in cash to a beneficiary designated in writing by the Participant for such purpose, or if no such beneficiary is designated, the Participant's estate. The Chairman and Chief Executive Officer may in his discretion, subject to approval by the Compensation Committee, determine that an Award for the calendar year in which death occurs shall be payable to the Participant's estate.

ARTICLE V

Administration

5.1 Withholding Taxes. The Company shall deduct from all distributions under the Program any taxes required to be withheld by federal, state or local governments. When distributions are made in shares of Common Stock, the Company shall have the right to retain the value of sufficient shares equal to the amount of the tax required to be withheld with respect to such distributions. In lieu of withholding the value of shares, the Company may require a recipient of a distribution in Common Stock to reimburse the Company for any such taxes required to be withheld upon such terms and conditions as the Company may prescribe.

5.2 Non-alienation of Benefits. No benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, including assignment pursuant to a domestic relations order, and any attempt to do so shall be void. No such benefit shall, prior to receipt thereof by the Participant, be in any manner liable for or subject to the debts, contracts, liabilities, or torts of the Participant.

5.3 Amendment or Termination of the Program. The Compensation Committee at any time may amend or terminate the Program, provided that no such

action shall adversely affect the right of any Participant to a benefit to which he or she has become entitled pursuant to the Program.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed on this _____ day of _____, 1997.

NCR CORPORATION

By: _____
Richard H. Evans
Senior Vice President, Global Human Resources

NCR MANAGEMENT INCENTIVE PLAN

FOR EXECUTIVE OFFICERS

EFFECTIVE JANUARY 1, 1997

PREAMBLE

This NCR Management Incentive Plan for Executive Officers ("Plan") is adopted effective January 1, 1997, by the Compensation Committee of the Board of Directors of NCR Corporation ("Company").

ARTICLE I

Definitions

- 1.1 Award means an award of incentive compensation pursuant to the Plan.
- 1.2 Committee means the Compensation Committee of the Board of Directors of NCR Corporation.
- 1.3 Company means NCR Corporation, a Maryland corporation.
- 1.4 Disability means a total and permanent disability that causes a Participant to be eligible to receive long term disability benefits from the NCR Long Term Disability Plan, or any similar plan or program sponsored by a subsidiary or branch of the Company.
- 1.5 Executive Officers means Board-appointed officers of the Company who are designated by the Board as "Section 16 officers."
- 1.6 Participant means an Executive Officer, and any former Executive Officer entitled to payment of an Award from the Program.
- 1.7 Plan means this NCR Management Incentive Plan for Executive Officers.
- 1.8 Retirement means termination of employment with NCR when a Participant is eligible to immediately receive pension benefits (other than PensionPlus benefits or any similar pension benefits payable upon any termination of employment) from any NCR pension plan.

ARTICLE II

Eligibility and Participation

- 2.1 Eligibility and Participation. Executive Officers of the Company are eligible to receive Awards under the Plan.

ARTICLE III

Terms of Awards

- 3.1 Awards. Each Award under the Plan shall be paid in cash, the amount of which shall be determined by the Chairman and Chief Executive Officer and the Committee, based on their evaluation of each Participant's performance for the calendar year, taking into consideration (1) performance objectives for each Executive Officer established by the Compensation Committee at the beginning of the calendar year, (2) comparative data on compensation practices of similar companies, and (3) any other factors determined by the Chairman and Chief Executive Officer and the Committee to be relevant to assessing the performance of the Executive Officers.
- 3.2 Maximum Award. The Committee shall establish the maximum amount of Award under the Plan that can be paid for each calendar year.

ARTICLE IV

New Hires, Promotions and Terminations

- 4.1 New Participants Mid-Year. If an individual is newly hired or promoted during a calendar year into a position eligible for participation in the Plan, he or she shall be eligible for an Award under the Plan for the calendar year, subject to the maximum Award established by the Compensation Committee, prorated for the portion of the calendar year following the date of eligibility for the Plan.
- 4.2 Retirement or Disability. A Participant who terminates employment with the Company due to Retirement or Disability shall be eligible to receive an Award for the portion of the calendar year prior to termination of employment, subject to the maximum Award established by the Compensation Committee, prorated for the portion of the calendar year prior to termination of employment.
- 4.3 Termination of Employment. If a Participant terminates employment with the Company for a reason other than Retirement, Disability or death, no Award shall be payable with respect to the calendar year in which such termination occurs.

4.4 Death. If a Participant dies while employed by the Company, the Chairman and Chief Executive Officer may in his discretion, subject to approval by the Compensation Committee, determine that an Award for the calendar year in which death occurs shall be payable to the Participant's estate.

ARTICLE V

Administration

5.1 Withholding Taxes. The Company shall deduct from all distributions under the Program any taxes required to be withheld by federal, state or local governments.

5.2 Non-alienation of Benefits. No benefit under the Plan shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge, including assignment pursuant to a domestic relations order, and any attempt to do so shall be void. No such benefit shall, prior to receipt thereof by the Participant, be in any manner liable for or subject to the debts, contracts, liabilities, or torts of the Participant.

5.3 Administration. The Committee shall administer the Plan, interpret the terms of the Plan, amend and rescind rules relating to the Plan, and determine the rights and obligations of Participants under the Plan. The Committee may delegate any of its authority as it solely determines. All decisions of the Committee shall be final and binding upon all parties including the Company, its stockholders, and the Participants.

5.4 Amendment or Termination of the Program. The Compensation Committee at any time may amend or terminate the Plan, provided that no such action shall adversely affect the right of any Participant to a benefit to which he or she has become entitled pursuant to the Plan.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed on this ____ day of _____, 1997.

NCR CORPORATION

By: _____
Richard H. Evans
Senior Vice President,
Global Human Resources

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SELECTED FINANCIAL DATA
Dollars in millions,
except per share amounts

| | YEARS ENDED DECEMBER 31 | | | | |
|---|-------------------------|------------|----------|------------|----------|
| | 1996 | 1995 | 1994 | 1993 | 1992 |
| RESULTS OF OPERATIONS | | | | | |
| Revenues(1) | \$ 6,963 | \$ 8,162 | \$ 8,461 | \$ 7,265 | \$ 7,139 |
| Operating expenses(2) | | | | | |
| Cost of revenues | 4,997 | 7,316 | 5,894 | 4,839 | 4,378 |
| Selling, general, and administrative expenses | 1,458 | 2,632 | 2,169 | 2,136 | 1,938 |
| Research and development expenses | 378 | 585 | 500 | 571 | 568 |
| Income (loss) from operations | 130 | (2,371) | (102) | (281) | 255 |
| Interest expense | 56 | 90 | 44 | 41 | 77 |
| Other (income), net | (36) | (45) | (130) | (42) | (77) |
| Income (loss) before income taxes and cumulative effects of accounting changes | 110 | (2,416) | (16) | (280) | 255 |
| Income tax expense (benefit) | 219 | (136) | 187 | 138 | 157 |
| Income (loss) before cumulative effects of accounting changes | (109) | (2,280) | (203) | (418) | 98 |
| Cumulative effects of accounting changes(3) | -- | -- | -- | (869) | -- |
| Net income (loss) | \$ (109) | \$ (2,280) | \$ (203) | \$ (1,287) | \$ 98 |
| Net loss per common share | \$ (1.07) | \$ (22.49) | | | |
| FINANCIAL POSITION AND OTHER DATA | | | | | |
| Cash and short-term investments | \$ 1,203 | \$ 338 | \$ 661 | \$ 343 | \$ 436 |
| Accounts receivable, net | 1,457 | 1,908 | 1,860 | 1,288 | 1,228 |
| Inventories | 439 | 621 | 952 | 781 | 620 |
| Rental equipment and service parts, net | 277 | 258 | 228 | 227 | 256 |
| Property, plant, and equipment, net | 930 | 957 | 1,234 | 1,143 | 1,026 |
| Total assets | 5,280 | 5,256 | 5,836 | 4,664 | 4,565 |
| Short-term borrowings | 28 | 45 | 73 | 40 | 118 |
| Long-term debt | 48 | 330 | 642 | 115 | 142 |
| Shareholders' equity | 1,396 | 358 | 1,690 | 1,032 | 1,831 |
| Headcount (employees and contractors) | 38,600 | 41,100 | 50,000 | 52,500 | 53,800 |

(1) The majority of the decrease in revenues for the year ended December 31, 1996 is due to NCR's decision in September 1995 to discontinue selling personal computers through high-volume indirect channels.

(2) Operating expenses include restructuring and other charges of \$(55), \$1,649, and \$219 in 1996, 1995, and 1993, respectively. (See Note 4 of Notes to Consolidated Financial Statements.)

(3) The cumulative effects of accounting changes in 1993 of \$869 were for postretirement benefits, postemployment benefits, and income taxes.

The consolidated financial data for each of the years ended 1996, 1995, 1994, and 1993 are derived from NCR's audited consolidated financial statements.

OVERVIEW

Effective December 31, 1996, AT&T Corporation (AT&T) distributed to its shareholders 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 (the Distribution). The Distribution resulted in 101.4 million shares of NCR common stock outstanding as of December 31, 1996. NCR common stock is listed on the NYSE and trades under the symbol "NCR." From September 19, 1991 to the date of Distribution, NCR was a wholly owned subsidiary of AT&T; previously NCR was a publicly traded company.

NCR's consolidated financial statements reflect the results of operations, financial position, changes in shareholders' equity, and cash flows of NCR as if NCR was a separate stand-alone entity for all periods presented. The consolidated financial statements of NCR have been derived from the financial statements of AT&T using the historical results of operations, assets, and liabilities of the businesses operated by NCR. Management believes the assumptions underlying NCR's financial statements are reasonable. There can be no assurances that the financial information included herein would be the same if NCR had operated as a separate stand-alone entity during the periods presented.

RESTRUCTURING

In September 1995, NCR implemented a restructuring plan based on five key principles: focus, accountability, expense level reduction, process improvements, and a sense of urgency. A key component of the recovery strategy was to focus on NCR's areas of strength. As part of this increased focus, NCR decided to exit the PC manufacturing business and to no longer sell PC/entry level server products through high-volume indirect channels. NCR reduced the number of industries for which detailed industry solutions were offered, focusing on three industries (retail, financial, and communications) rather than six. In addition, NCR's plan to reduce expenses resulted in the separation of 8,500 employees and contractors worldwide. This headcount reduction was substantially completed by December 31, 1996. Operating expenses in 1995 included restructuring and other charges of \$1,649 million, and operating expenses in 1996 included a release of restructuring reserves of \$55 million. (See Note 4 of Notes to Consolidated Financial Statements.)

The business restructuring and turnaround strategy implemented in 1995 significantly contributed to the increase in operating income in 1996. Gross margins improved by 6.3 percentage points of revenue and operating expenses declined by \$619 million (both before the effects of restructuring in 1996 and 1995). Cash flows from operations improved by \$1,192 million in 1996.

RESULTS OF OPERATIONS

The following table displays NCR's revenues by product line. The Other category includes businesses sold and other products and services not directly associated with a product line.

| DOLLARS IN MILLIONS | YEARS ENDED DECEMBER 31 | | | | |
|-----------------------------------|-------------------------|---------------------------|----------------|---------------------------|----------------|
| | 1996 | % INCREASE/ (DECREASE) | 1995 | % INCREASE/ (DECREASE) | 1994 |
| Retail products | \$ 428 | 1 | \$ 424 | -- | \$ 422 |
| Financial products | 1,007 | (2) | 1,026 | (1) | 1,037 |
| Computer products | 1,398 | 30 | 1,078 | (12) | 1,219 |
| PC/entry level server products | 503 | (71) | 1,724 | 5 | 1,649 |
| Systemedia products | 551 | (5) | 577 | 4 | 553 |
| Customer support services | 2,238 | 3 | 2,174 | 5 | 2,074 |
| Professional services | 616 | (3) | 638 | 10 | 578 |
| Data services | 123 | (26) | 167 | (19) | 206 |
| Other | 99 | (72) | 354 | (51) | 723 |
| Total | \$6,963 | (15) | \$8,162 | (4) | \$8,461 |

The following table displays selected components of NCR's consolidated statements of operations, expressed as a percentage of revenue. The years ended December 31, 1996 and 1995, as adjusted, exclude the effects of restructuring and other charges:

| | YEARS ENDED DECEMBER 31 | | | | |
|-----------------------|-------------------------|---------------|---------------|---------------|---------------|
| | 1996 | 1995 | 1996 | 1995 | 1994 |
| | (AS ADJUSTED) | | (AS REPORTED) | | |
| Sales revenue | 56.7% | 63.0% | 56.7% | 63.0% | 65.3% |
| Services revenue | 43.3 | 37.0 | 43.3 | 37.0 | 34.7 |
| Total revenue | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Sales gross margin | 30.6% | 20.9% | 30.3% | 8.5% | 32.4% |
| Services gross margin | 24.8 | 23.2 | 25.6 | 13.5 | 26.5 |

| | | | | | |
|---|------|--------|------|---------|--------|
| Total gross margin | 28.1 | 21.8 | 28.2 | 10.4 | 30.3 |
| Selling, general, and administrative expenses | 21.4 | 24.7 | 20.9 | 32.2 | 25.6 |
| Research and development expenses | 5.6 | 5.9 | 5.4 | 7.2 | 5.9 |
| ----- | | | | | |
| Operating income (loss) | 1.1% | (8.8)% | 1.9% | (29.0)% | (1.2)% |
| ===== | | | | | |

REVENUE

Total revenues decreased 15% from 1995 to 1996, principally due to NCR's decision to no longer sell PC/entry level server products through high-volume indirect channels. When PC/entry level server products and businesses sold are excluded from both years, revenues in NCR's core set of businesses increased by 1% in 1996. When adjusted for the unfavorable impact of year-to-year changes in foreign currency exchange rates (particularly the Japanese yen) revenues in core businesses increased by 3%.

Total revenues decreased by 4% from 1994 to 1995. In 1994, an additional month of international revenues was reported in order to align international organizations with the United States fiscal calendar, and in the first quarter of 1995 NCR's microelectronics business was sold. When both periods are adjusted for these factors, 1995 revenues increased by 3%. Fluctuations in foreign exchange rates did not have a significant impact on the 1995 to 1994 comparison.

[graph]

RETAIL PRODUCTS

1996.....\$428 million
 1995.....\$424 million
 For legend see p.15

Revenues from retail products increased 1% in 1996, following flat revenues in 1995. Gains in revenues from retail scanner products more than offset a decline in revenue from retail terminals in 1996, driven principally by softness in the Europe/Middle East/Africa region. In 1995, increased revenues from retail bar code scanner products to customers in the Europe/Middle East/Africa and Asia/Pacific geographic regions offset declines in the United States.

[graph]

FINANCIAL PRODUCTS

1996.....\$1,007 million
 1995.....\$1,026 million
 For legend see p.15

Revenues from financial products decreased 2% in 1996, following a decrease of 1% in 1995. In 1996, very significant increases in ATM demand in the United States were offset by declines in the Europe/Middle East/Africa and Asia/Pacific geographic regions. These declines were primarily due to general softness in the European banking and financial services markets, and a transition in NCR's product offerings in Japan. In 1995, declines in ATM revenues, principally in the United States, were offset by increases in sales to customers in international geographic regions.

[graph]

COMPUTER PRODUCTS

1996.....\$1,398 million
 1995.....\$1,078 million
 For legend see p.15

Revenues from computer products increased 30% in 1996 compared to a decrease of 12% in 1995. This increase in 1996 was driven principally by growth in sales of NCR's WorldMark(TM) product line. All geographic regions reported growth in the year-to-year comparisons as NCR continued to focus on high-end computer systems for scalable data warehousing and high availability transaction processing, areas in which NCR is a market leader. In 1995, the decrease in revenues 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 line to the new WorldMark products.

Revenues from PC/entry level server products decreased 71% in 1996, following an increase of 5% in 1995. The decrease in 1996 was primarily due to NCR's decision to no longer sell these products through high-volume indirect channels. NCR continues to offer its customers PC/entry level server products sourced from third parties as part of overall solution sales.

[graph]

SYSTEMEDIA PRODUCTS

1996.....\$551 million
 1995.....\$577 million
 For legend see p.15

Sales of systemedia products decreased 5% in 1996, compared to an increase of 4% in 1995. In 1996, the decrease was largely attributable to the unfavorable impact of the strengthening of the U.S. dollar, a decline in paper prices, and the sale of certain international businesses. The increase in 1995 was primarily attributable to increases in sales of custom paper rolls in markets outside of the United States and in sales of stock and fax paper products and thermal transfer ribbons in the United States.

[graph]

SERVICES

1996.....\$2,977 million
1995.....\$2,979 million
For legend see p.15

Revenues from the services businesses were flat in 1996, following an increase of 4% in 1995. In 1996, the 3% growth in revenues from customer support services was primarily due to new service offerings and continued expansion of multivendor services. This increase was offset by a decline of 26% in data services revenue due principally to NCR's sale of its

data services business in Switzerland at the beginning of 1996. Revenues from professional services decreased 3% in 1996, reflecting the continued focus on scalable data warehousing and high availability transaction processing solutions and the phaseout of certain general consulting offerings. In 1995, the 4% increase in total services revenue was driven by a 10% increase in professional services revenues resulting from new service offerings, including information technology consulting, networking, scalable data warehousing, and project management services. 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 total services revenue increase in 1995. This growth was primarily due to NCR's increased focus on nontraditional hardware maintenance services, including multivendor services, implementation and installation services, software services, and parts and cabling. The decline in data services revenues in 1995 was principally due to a shrinking customer base for these offerings.

OPERATING EXPENSES

The effects of restructuring and other charges in 1996 and 1995 have been excluded from the discussion of operating expenses below. (See As Adjusted columns in previous table.) The pre-tax total of restructuring reserve releases of \$55 million for 1996 was recorded as a \$12 million increase to cost of sales, with corresponding decreases of \$24 million, \$31 million, and \$12 million to cost of services, selling, general, and administrative expenses, and research and development expenses, respectively. The pre-tax total of restructuring and other charges of \$1,649 million for 1995 was recorded as \$636 million cost of sales, \$294 million cost of services, \$616 million selling, general, and administrative expenses, and \$103 million research and development expenses.

Gross margin as a percentage of revenue increased 6.3 percentage points in 1996, compared to a gross margin decline of 8.5 percentage points in 1995. The gross margin improvement in 1996 consisted of a 9.7 percentage point improvement in sales gross margin, and a 1.6 percentage point improvement in services gross margin. The increase in sales gross margins in 1996 reflects improvements in margins in all NCR products and a change in product mix, as revenues from lower-margin PC/entry level server products as a percentage of total sales revenues declined. The increase in services gross margins reflects improvements in the margins on all NCR services. The gross margin decline of 8.5 percentage points in 1995 was due to lower margins on both sales and services. Sales gross margins in 1995 declined due to lower margins on certain products and a higher mix of PC/entry level server products, which carried lower gross margins than other products offered by NCR. These lower gross margins on PC/entry level server products were largely due to competitive pricing pressures and market price erosion in excess of cost reductions. Services gross margins in 1995 were impacted by the utilization of higher-cost external contractors to assist in the delivery of new service offerings.

Selling, general, and administrative expenses decreased \$527 million or 26% in 1996, compared with a decrease of \$153 million or 7% in 1995. As a percentage of revenue, selling, general, and administrative expenses were 21.4% in 1996 and 24.7% in 1995. The decrease in 1996 was primarily the result of NCR's business restructuring. Specifically, the restructuring included a focus on providing detailed industry solutions to the retail, financial, and communications industries, general cost reductions, and the decision to no longer sell PC/entry level servers through high-volume indirect channels. In addition, the amount of general corporate overhead costs allocated to NCR by AT&T decreased approximately \$88 million in 1996. This decrease was due to the fact that NCR began to manage certain corporate and administrative functions in 1996 which were previously provided substantially by AT&T, including corporate public relations activities, certain human resource functions, financial functions and systems architecture, and brand advertising. The 1995 decrease reflects reduced selling expenses due to the reduction of expenses from the sale of the microelectronics components business in 1995, the sale of the Applied Digital Data Systems terminal business during 1994, and the benefits realized in the fourth quarter of 1995 from the implementation of restructuring plans.

Research and development expenses decreased \$92 million or 19% in 1996, compared with a decrease of \$18 million or 4% in 1995. As a percentage of revenue, research and development expenses were 5.6% in 1996 and 5.9% in 1995. The decrease in 1996 was primarily attributable to NCR's decision to no longer develop and manufacture PCs. In addition, research and development expenses decreased due to the consolidation and elimination of redundant engineering activities and due to a focus of research and development efforts on specific targeted industries using common platforms and technologies. The 1995 decrease in spending was primarily attributable to the sale of the microelectronics components business, which more than offset the increase in research and development for computer products and services offerings. NCR 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 in new technologies and markets being made by competitors throughout the industries in which NCR competes.

INCOME (LOSS) BEFORE INCOME TAXES

NCR reported operating income of \$75 million (excluding a restructuring reserve release of \$55 million) in 1996 compared with operating losses of \$722 million (excluding restructuring and other charges of \$1,649 million) in 1995 and \$102 million in 1994.

Interest expense was \$56 million in 1996, \$90 million in 1995, and \$44 million in 1994. Interest expense includes amounts charged by AT&T on interest-bearing cash advances, which were contributed to NCR by AT&T and included in shareholder's net investment.

Other income, net, was \$36 million in 1996, \$45 million in 1995, and \$130 million in 1994. The 1995 amount includes a gain on sale of NCR's microelectronics components business of \$51 million. In 1994, NCR sold certain

real estate, principally in Hong Kong and Tokyo, which resulted in gains of \$110 million.

NCR reported income before taxes of \$55 million (excluding a restructuring reserve release of \$55 million) in 1996 compared with losses before taxes of \$767 million (excluding restructuring and other charges of \$1,649 million) in 1995 and \$16 million in 1994.

NET INCOME (LOSS)

The provision for income taxes was \$219 million in 1996, a benefit of \$136 million in 1995, and a provision of \$187 million in 1994. NCR's tax provision in 1996 and 1994 results from a normal provision for income taxes in those foreign tax jurisdictions where its subsidiaries are profitable, and an inability on a stand-alone basis to reflect tax benefits from net operating losses and tax credits, primarily in the United States. In addition, the 1996 tax provision includes an adjustment of \$82 million related to international restructuring tax benefits that were originally recorded in 1995 and determined not to be realizable in 1996 as a result of utilization of a larger amount of the overall restructuring reserve within the United States. The benefit of \$136 million in 1995 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.

Net losses were \$109 million in 1996, \$2,280 million in 1995, and \$203 million in 1994. The net loss in 1996 includes an unfavorable impact from restructuring of \$27 million (\$55 million pre-tax benefit). The net loss in 1995 includes restructuring and other charges of \$1,415 million (\$1,649 million pre-tax).

FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

NCR's cash, cash equivalents, and short-term investments totaled \$1,203 million at December 31, 1996 compared with \$338 million at December 31, 1995 and \$661 million at December 31, 1994.

NCR generated cash flows from operations of \$368 million in 1996 while using cash flows in operations of \$824 million and \$613 million during 1995 and 1994, respectively. This increase of \$1,192 million in 1996 was primarily attributable to improvements in NCR's reported operating results and significant declines in accounts receivable and inventories, partially offset by cash payments for restructuring of \$518 million. Receivable balances decreased \$451 million from December 31, 1995 to December 31, 1996, due largely to NCR's decision to no longer sell PC/entry level servers through high-volume indirect channels, a reduction in receivable balances due to the sale of the Switzerland data services business, and overall improvements in receivables management. Inventory balances decreased \$182 million from year-end 1995 to year-end 1996 resulting from exiting the PC manufacturing business, overall improved supply line management, and an increased focus on inventory management practices.

Net cash flows used in investing activities were \$395 million, \$11 million, and \$477 million in 1996, 1995, and 1994, respectively. These net cash flows represent investments in the business (principally capital expenditures), offset by proceeds from sales of NCR assets. 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. Capital expenditures, the largest component of investing activities, were \$423 million, \$498 million, and \$624 million for the years ended 1996, 1995, and 1994, respectively. Capital expenditures generally relate to expenditures for reworkable parts used to service customer equipment, expenditures for equipment and facilities used in manufacturing and research and development, and expenditures for facilities to support sales and marketing activities.

Net cash provided by financing activities was \$895 million, \$696 million, and \$1,330 million for the years ended 1996, 1995, and 1994, respectively. NCR 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. Net cash transfers from AT&T were \$1,194 million, \$1,034 million, and \$770 million in 1996, 1995, and 1994, 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 repaid in 1996. Prior to the date of Distribution, AT&T made decisions regarding NCR's financing activities including cash management and debt structure.

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. 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 a facility. Interest rates charged on borrowings outstanding under the credit facility are based on market rates. In addition, a portion of the credit facility is available for the issuance of letters of credit as required by NCR. No amounts were outstanding under the facility as of December 31, 1996.

NCR believes that cash flows from operations, 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.

FACTORS THAT MAY AFFECT FUTURE RESULTS

Management's Discussion and Analysis and other parts of this Annual Report contain information based on management's beliefs and forward-looking statements that involve a number of risks, uncertainties, and assumptions. There can be no assurances that actual results will not differ materially from the

forward-looking statements as a result of various factors, including but not limited to the following:

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. The ability to successfully

introduce new products and services could have an impact on future results of operations.

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. 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.

A number of NCR's products and systems rely primarily on specific suppliers for microprocessors, operating systems, and other central components. 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 impact future operating results.

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 impact NCR's results of operations.

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 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. Future operating results will depend in part on NCR's ability to mitigate such margin pressure by maintaining a favorable mix of systems, solutions, services, and other revenues and by achieving component cost reductions and operating efficiencies.

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 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.

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 NCR has no control. 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 impact future operating results. NCR attempts to mitigate a portion of such changes through the use of foreign currency contracts. (See Notes 2 and 10 of Notes to Consolidated Financial Statements.)

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 and 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 impact future operating results. (See Note 12 of Notes to Consolidated Financial Statements.)

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENT

In October 1996, the American Institute of Certified Public Accountants issued Statement of Position (SOP) 96-1, "Environmental Remediation Liabilities." This statement provides guidance on the recognition and disclosure of environmental remediation liabilities. The provisions of this SOP are effective for fiscal years beginning after December 15, 1996. The adoption of this statement is not expected to have a material impact on NCR's consolidated results of operations, financial position, or cash flows.

NCR management is responsible for the preparation, integrity, and objectivity of NCR Corporation's consolidated financial statements and other financial information presented in this Annual Report. The accompanying consolidated financial statements were prepared in accordance with generally accepted accounting principles and include certain amounts based on currently available information and management's judgment of current conditions and circumstances.

NCR maintains an internal control structure designed to provide reasonable assurance, at reasonable cost, that NCR's assets are safeguarded, and that transactions are properly authorized, executed, recorded, and reported. This structure is supported by the selection and training of qualified personnel, by the proper delegation of authority and division of responsibility, and through dissemination of written policies and procedures. An ongoing program of internal audits and operational reviews assists management in monitoring the effectiveness of these controls, policies, and procedures. The system of accounting and other controls is modified and improved in response to changes in business conditions and operations, and recommendations made by NCR's independent accountants and internal auditors.

Coopers & Lybrand L.L.P., independent accountants, are engaged to perform audits of NCR's consolidated financial statements. These audits are performed in accordance with generally accepted auditing standards, which include the consideration of NCR's internal control structure.

The Audit and Finance Committee of the Board of Directors, consisting entirely of independent directors who are not employees of NCR, monitors the accounting, reporting, and internal control structure of NCR. The independent accountants, internal auditors, and management have complete and free access to the Audit and Finance Committee, which periodically meets directly with each group to ensure that their respective duties are being properly discharged.

/s/ Lars Nyberg

LARS NYBERG
Chairman of the Board and
Chief Executive Officer

/s/ John L. Giering

JOHN L. GIERING
Senior Vice President and
Chief Financial Officer

REPORT OF INDEPENDENT ACCOUNTANTS

TO
THE SHAREHOLDERS AND BOARD OF DIRECTORS OF NCR CORPORATION

We have audited the accompanying consolidated balance sheets of NCR Corporation and subsidiaries (NCR) at December 31, 1996 and 1995, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1996. These financial statements 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, 1996 and 1995, and the consolidated results of its operations, changes in shareholders' equity, and cash flows for each of the three years in the period ended December 31, 1996, in conformity with generally accepted accounting principles.

/s/ Coopers & Lybrand L.L.P.

COOPERS & LYBRAND L.L.P.
Dayton, Ohio
January 21, 1997

CONSOLIDATED STATEMENTS OF OPERATIONS

Dollars in millions,
except per share amounts

| | YEARS ENDED DECEMBER 31 | | |
|--|-------------------------|------------|----------|
| | 1996 | 1995 | 1994 |
| Revenues | | | |
| Sales | \$ 3,946 | \$ 5,138 | \$ 5,524 |
| Services | 3,017 | 3,024 | 2,937 |
| Total Revenues | 6,963 | 8,162 | 8,461 |
| Operating Expenses | | | |
| Cost of sales | 2,751 | 4,699 | 3,736 |
| Cost of services | 2,246 | 2,617 | 2,158 |
| Selling, general, and administrative expenses | 1,458 | 2,632 | 2,169 |
| Research and development expenses | 378 | 585 | 500 |
| Total Operating Expenses | 6,833 | 10,533 | 8,563 |
| Income (Loss) from Operations | 130 | (2,371) | (102) |
| Interest expense | 56 | 90 | 44 |
| Other (income), net | (36) | (45) | (130) |
| Income (Loss) Before Income Taxes | 110 | (2,416) | (16) |
| Income tax expense (benefit) | 219 | (136) | 187 |
| Net Loss | \$ (109) | \$ (2,280) | \$ (203) |
| Net Loss per Common Share | \$ (1.07) | \$ (22.49) | |
| Weighted Average Common Shares Outstanding (in millions) | 101.4 | 101.4 | |

The notes on pages 41 through 52 are an integral part of the consolidated financial statements.

CONSOLIDATED BALANCE SHEETS

Dollars in millions,
except per share amounts

| | At December 31 | |
|--|----------------|----------------|
| | 1996 | 1995 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | \$1,163 | \$ 314 |
| Short-term investments | 40 | 24 |
| Accounts receivable, net | 1,457 | 1,908 |
| Inventories | 439 | 621 |
| Deferred income taxes | 122 | 320 |
| Other current assets | 97 | 131 |
| Total Current Assets | 3,318 | 3,318 |
| Rental equipment and service parts, net | 277 | 258 |
| Property, plant, and equipment, net | 930 | 957 |
| Other assets | 755 | 723 |
| Total Assets | \$5,280 | \$5,256 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities | | |
| Short-term borrowings | \$ 28 | \$ 45 |
| Accounts payable | 352 | 478 |
| Taxes payable | 18 | 118 |
| Payroll and benefits liabilities | 383 | 367 |
| Customers' deposits and deferred service revenue | 348 | 381 |
| Other current liabilities | 838 | 1,532 |
| Total Current Liabilities | 1,967 | 2,921 |
| Long-term debt | 48 | 330 |
| Pension and indemnity liabilities | 300 | 329 |
| Postretirement and postemployment benefit liabilities | 777 | 718 |
| Other liabilities | 503 | 276 |
| Minority interests | 289 | 324 |
| Total Liabilities | 3,884 | 4,898 |
| Commitments and contingencies | | |
| Shareholders' Equity | | |
| Common stock: par value \$.01 per share, 500 million shares authorized, 101.4 million shares issued and outstanding | 1 | -- |
| Paid-in capital | 1,394 | -- |
| Shareholder's net investment | -- | 310 |
| Other | 1 | 48 |
| Total Shareholders' Equity | 1,396 | 358 |
| Total Liabilities and Shareholders' Equity | \$5,280 | \$5,256 |

The notes on pages 41 through 52 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Dollars in millions

| | YEARS ENDED DECEMBER 31 | | |
|---|-------------------------|---------------|---------------|
| | 1996 | 1995 | 1994 |
| OPERATING ACTIVITIES | | | |
| Net loss | \$ (109) | \$(2,280) | \$ (203) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities | | | |
| Restructuring and other charges | (55) | 1,649 | -- |
| Depreciation and amortization | 385 | 350 | 415 |
| Deferred income taxes | 241 | (236) | 73 |
| Net (gain) loss on sale of assets | 13 | (1) | (110) |
| Changes in operating assets and liabilities | | | |
| Receivables | 451 | (102) | (572) |
| Inventories | 182 | (72) | (171) |
| Payables and other current liabilities | (882) | 31 | (202) |
| Other operating assets and liabilities | 142 | (163) | 157 |
| NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES | 368 | (824) | (613) |
| Investing Activities | | | |
| Purchases of short-term investments | (284) | (493) | (875) |
| Sales of short-term investments | 268 | 667 | 820 |
| Expenditures for service parts | (207) | (172) | (253) |
| Expenditures for property, plant, and equipment | (216) | (326) | (371) |
| Proceeds from sale of assets | 98 | 415 | 260 |
| Other investing activities | (54) | (102) | (58) |
| NET CASH USED IN INVESTING ACTIVITIES | (395) | (11) | (477) |
| Financing Activities | | | |
| Short-term borrowings, net | (17) | (35) | 33 |
| Proceeds from issuance of long-term debt | 30 | 9 | 537 |
| Repayments of long-term debt | (312) | (312) | (10) |
| Transfers from AT&T, net | 1,194 | 1,034 | 770 |
| NET CASH PROVIDED BY FINANCING ACTIVITIES | 895 | 696 | 1,330 |
| Effect of exchange rate changes on cash and cash equivalents | (19) | (10) | 23 |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 849 | (149) | 263 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | 314 | 463 | 200 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | \$ 1,163 | \$ 314 | \$ 463 |

The notes on pages 41 through 52 are an integral part of the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES
IN SHAREHOLDERS' EQUITY

Dollars and shares
in millions

| | COMMON STOCK | | SHAREHOLDER'S | | OTHER | TOTAL |
|--|--------------|--------|-----------------|----------------|-------|----------|
| | SHARES | AMOUNT | PAID-IN CAPITAL | NET INVESTMENT | | |
| JANUARY 1, 1994 | | | | \$ 989 | \$ 43 | \$ 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 | 134 | 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 | 48 | 358 |
| Net loss | | | | (109) | -- | (109) |
| Foreign currency translation | | | | -- | (58) | (58) |
| Other, principally additional minimum pension liability | | | | -- | 11 | 11 |
| Transfers from AT&T, net | | | | 1,194 | -- | 1,194 |
| Distribution of NCR common stock by AT&T | 101 | \$ 1 | \$1,394 | (1,395) | -- | -- |
| DECEMBER 31, 1996 | 101 | \$ 1 | \$1,394 | \$ -- | \$ 1 | \$ 1,396 |

NCR has 100 million authorized shares of preferred stock at \$.01 par value per share. No preferred stock is issued or outstanding as of December 31, 1996.

The notes on pages 41 through 52 are an integral part of the consolidated financial statements.

NOTE 1.
COMPANY OPERATIONS AND BASIS OF PRESENTATION

COMPANY OPERATIONS

NCR Corporation and subsidiaries (NCR) design, develop, and market information technology products, services, systems, and solutions worldwide. NCR is a global provider of commercial, open computing systems for scalable data warehousing and high availability transaction processing solutions to customers in a variety of industries. NCR also provides specific information technology solutions to customers in the retail, financial, and communications 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.

Effective December 31, 1996, AT&T Corporation (AT&T) distributed to its shareholders 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 (the Distribution). The Distribution resulted in 101.4 million shares of NCR common stock outstanding as of December 31, 1996. NCR common stock is listed on the New York Stock Exchange and trades under the symbol "NCR." From September 19, 1991 to the Distribution date, NCR was a wholly owned subsidiary of AT&T; previously NCR was a publicly traded company.

BASIS OF PRESENTATION

NCR's consolidated financial statements reflect the results of operations, financial position, changes in shareholders' equity, and cash flows of NCR as if NCR were a separate stand-alone entity for all periods presented. The consolidated financial statements of NCR have been derived from the consolidated financial statements of AT&T using historical results of operations and the historical bases in the assets and liabilities of the business operated by NCR.

Prior to the Distribution, changes in shareholder's net investment represented capital contributions and interest-bearing cash advances made by AT&T to NCR, and the net income (loss) of NCR including cost allocations from AT&T. NCR's financing requirements during AT&T's ownership were primarily provided through capital contributions and interest-bearing cash advances from AT&T. NCR's historical consolidated statements of operations include interest expense relating to such interest-bearing cash advances, which were contributed to NCR by AT&T and included in shareholder's net investment. NCR will begin accumulating its retained earnings effective January 1, 1997.

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 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 shareholders' equity, and cash flows of NCR had NCR been a separate, stand-alone entity during the periods presented.

NOTE 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. NCR changed the fiscal year-end for operations located outside of the U.S. from November to December in 1994 to align the reporting of all operations. This change added \$223 million in revenue to 1994; the effect on the reported loss from operations was not material.

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, the 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 when accounting 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 shareholders' equity.

DERIVATIVE FINANCIAL INSTRUMENTS

In the normal course of business, NCR enters 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. 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 that significant obligations remain or significant uncertainties exist about customer acceptance of products at the time of sale, product sales revenue is not recognized until the obligations are satisfied or the uncertainties are resolved. Services 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 costs. Amortization of software development costs was \$66 million, \$57 million, and \$34 million in 1996, 1995, and 1994, respectively.

INCOME TAXES

NCR's operations have been included in the income tax returns filed by AT&T from September 19, 1991 through the Distribution date. However, income tax expense (benefit) in NCR's consolidated financial statements has been calculated as if NCR had filed separate income 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, rental equipment, and service parts are stated at cost less accumulated depreciation. Reworkable service parts are those service parts that can be reconditioned and rental equipment represents equipment rented to customers under operating leases. Depreciation is computed over the estimated useful lives of the related assets 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.

LOSS PER COMMON SHARE

In connection with the Distribution, AT&T distributed 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. This resulted in 101.4 million shares of NCR common stock outstanding as of December 31, 1996. The net loss per common share, as presented in the consolidated statements of operations, was calculated by dividing the net loss for the years ended December 31, 1996 and 1995 by the 101.4 million shares of common stock, as if such shares were outstanding for both periods. Replacement stock options and awards have not been considered in calculating the net loss per common share since their effect would be antidilutive.

NOTE 3.

SUPPLEMENTARY BALANCE SHEET INFORMATION

| | AT DECEMBER 31 | |
|--|----------------|---------------|
| In millions | 1996 | 1995 |
| ----- | | |
| ACCOUNTS RECEIVABLE | | |
| Trade | \$ 1,403 | \$ 1,592 |
| Other | 108 | 384 |
| ----- | | |
| Allowance for doubtful accounts | 1,511 (54) | 1,976 (68) |
| ----- | | |
| Total accounts receivable | \$ 1,457 | \$ 1,908 |
| ===== | | |
| INVENTORIES | | |
| Finished goods | \$ 297 | \$ 401 |
| Work in process and raw materials | 142 | 220 |
| ----- | | |
| Total inventories | \$ 439 | \$ 621 |
| ===== | | |
| RENTAL EQUIPMENT AND SERVICE PARTS | | |
| Rental equipment and service parts | \$ 652 | \$ 737 |
| Less: accumulated depreciation | (375) | (479) |
| ----- | | |
| Total rental equipment and service parts | \$ 277 | \$ 258 |
| ===== | | |
| PROPERTY, PLANT, AND EQUIPMENT | | |
| Land and improvements | \$ 106 | \$ 80 |
| Buildings and improvements | 819 | 822 |

| | | |
|--------------------------------------|---------|----------|
| Machinery and other equipment | 1,494 | 1,573 |
| | 2,419 | 2,475 |
| Less: accumulated depreciation | (1,489) | (1,518) |
| Total property, plant, and equipment | \$ 930 | \$ 957 |
| ===== | | |
| OTHER ASSETS | | |
| Prepaid pension cost | \$ 503 | \$ 400 |
| Other | 252 | 323 |
| Total other assets | \$ 755 | \$ 723 |
| ===== | | |
| OTHER CURRENT LIABILITIES | | |
| Business restructuring | \$ 179 | \$ 820 |
| Other | 659 | 712 |
| Total other current liabilities | \$ 838 | \$ 1,532 |
| ===== | | |

NOTE 4.
BUSINESS RESTRUCTURINGS

In 1995, a pre-tax charge of \$1,649 million 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, 1996, substantially all of the headcount reductions had been completed. The restructuring charges also included costs associated with early termination of building leases and asset write-downs.

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

The following table presents a rollforward of the liabilities (in millions) incurred in connection with the 1995 business restructurings. These liabilities were reflected as other current and non-current liabilities in NCR's consolidated balance sheets as of December 31, 1996 and 1995.

| TYPE OF COST | BALANCE JAN. 1, 1995 | ADDITIONS | OTHER | PAYMENTS | BALANCE DEC. 31, 1995 |
|----------------------|----------------------------|-----------|-------|----------|-----------------------------|
| Employee separations | - | \$ 589 | - | \$ (98) | \$491 |
| Facility closings | - | 147 | - | (7) | 140 |
| Other | - | 227 | - | (38) | 189 |
| Total | - | \$ 963 | - | \$(143) | \$820 |

| TYPE OF COST | BALANCE JAN. 1, 1996 | ADDITIONS | OTHER | PAYMENTS | BALANCE DEC. 31, 1996 |
|----------------------|----------------------------|-----------|---------|----------|-----------------------------|
| Employee separations | \$491 | - | \$(114) | \$(286) | \$ 91 |
| Facility closings | 140 | - | (3) | (28) | 109 |
| Other | 189 | - | 62 | (204) | 47 |
| Total | \$820 | - | \$ (55) | \$(518) | \$247 |

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

In the fourth quarter of 1996, NCR released \$55 million of 1995 restructuring reserves. The pre-tax total of \$55 million for 1996 was recorded as a \$12 million increase to cost of sales, with corresponding decreases of \$24 million, \$31 million, and \$12 million to cost of services, selling, general, and administrative expenses, and research and development expenses, respectively.

NOTE 5.
INCOME TAXES

The following table presents the principal components (in millions) of the difference between the effective tax rate and the U.S. federal statutory income tax rate for the years ended December 31:

| | 1996 | 1995 | 1994 |
|--|-------|---------|--------|
| Federal income tax expense (benefit) at the U.S. statutory tax rate of 35% | \$ 39 | \$(846) | \$ (6) |
| Foreign income tax differential | (24) | 62 | 10 |
| Net domestic tax losses and credits | 194 | 664 | 181 |
| Other, net | 10 | (16) | 2 |

| | | | |
|------------------------------------|-------|---------|-------|
| Total income tax expense (benefit) | \$219 | \$(136) | \$187 |
|------------------------------------|-------|---------|-------|

NCR's tax provisions include a provision for income taxes in those foreign tax jurisdictions where its subsidiaries are profitable, but reflects no tax benefits related to net domestic tax losses and credits (as well as those of certain foreign subsidiaries) due to an inability to use such amounts on a stand-alone basis. NCR received payments of \$183 million, \$438 million, and \$417 million under its tax allocation agreement with AT&T for the net domestic tax losses and credits it generated during the years ended December 31, 1996, 1995, and 1994, respectively. These payments were recorded in shareholder's net investment.

NCR paid income taxes of \$88 million, \$73 million, and \$92 million for the years ended 1996, 1995, and 1994, respectively.

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

| | 1996 | 1995 | 1994 |
|--|---------------|------------------|----------------|
| INCOME (LOSS) BEFORE INCOME TAXES | | | |
| United States | \$(555) | \$(1,727) | \$(353) |
| Foreign | 665 | (689) | 337 |
| Total income (loss) before income taxes | \$ 110 | \$(2,416) | \$ (16) |
| INCOME TAX EXPENSE (BENEFIT) | | | |
| CURRENT | | | |
| Federal | \$ -- | \$ -- | \$ -- |
| State and local | 11 | 18 | (4) |
| Foreign | (33) | 82 | 118 |
| DEFERRED | | | |
| Federal | -- | 13 | (11) |
| State and local | -- | -- | (2) |
| Foreign | 241 | (249) | 86 |
| Total income tax expense (benefit) | \$ 219 | \$(136) | \$ 187 |

Deferred income tax liabilities are taxes that NCR expects to pay in future periods. Conversely, deferred income tax assets are tax benefits recognized for expected reductions in future taxes payable. Deferred income taxes arise because of differences in the financial reporting and tax bases of certain assets and liabilities. Deferred income tax assets and liabilities (in millions) included in the balance sheet at December 31 were as follows:

| | 1996 | 1995 |
|---|--------------|---------------|
| DEFERRED INCOME TAX ASSETS | | |
| Employee pensions and other benefits | \$ 337 | \$ 326 |
| Business restructurings | 110 | 372 |
| Balance sheet reserves and allowances | 434 | 470 |
| Net operating losses/credit carryforwards | 98 | 199 |
| Other | 161 | 109 |
| Total deferred income tax assets | 1,140 | 1,476 |
| Valuation allowance | (639) | (472) |
| Net deferred income tax assets | 501 | 1,004 |
| DEFERRED INCOME TAX LIABILITIES | | |
| Property, plant, and equipment | 64 | 53 |
| Employee pensions and other benefits | 157 | 124 |
| Taxes on undistributed earnings of foreign subsidiaries | 51 | 244 |
| Other | 175 | 282 |
| Total deferred income tax liabilities | 447 | 703 |
| Total net deferred income tax assets | \$ 54 | \$ 301 |

NCR has recorded a valuation allowance related to its deferred income tax assets due to the uncertainty of the ultimate realization of future benefits from such assets. NCR has foreign net operating loss carryforwards of approximately \$261 million. The net operating loss carryforwards subject to expiration expire in years 1997 through 2006. NCR has not provided for federal income taxes or foreign withholding taxes on approximately \$509 million and \$540 million of undistributed earnings of a foreign subsidiary as of December 31, 1996 and 1995, respectively, because such earnings are intended to be reinvested indefinitely. It is not practicable to determine the amount of applicable taxes that would be due were such earnings distributed.

NCR entered into agreements with AT&T, Lucent Technologies Inc. (Lucent), and AT&T's other domestic subsidiaries that apply to income taxes attributable to the periods before the Distribution date. The agreements set forth principles to be applied in allocating tax liabilities among those entities filing income tax returns on a consolidated or combined basis.

NCR also 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 have ended on the Distribution date. Under this 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.

NOTE 6. DEBT OBLIGATIONS

NCR has foreign bank debt with scheduled maturities within one year of \$28 million and \$45 million as of December 31, 1996 and 1995, respectively. The weighted average interest rate for such debt was 12.74% in 1996 and 12.11% in 1995.

Long-term debt (in millions) consisted of the following at December 31:

| | SCHEDULED MATURITY DATE | 1996 | 1995 |
|--|-------------------------------|-------------|--------------|
| Long-term bank debt | | | |
| 8.50%-LIBOR + 2% | 1998-2000 | \$11 | \$246 |
| Medium-term notes 8.95-9.49% | 2004-2020 | 7 | 80 |
| Notes payable 7.64% | 2001 | 25 | - |
| Other | | 5 | 12 |
| | | 48 | 338 |
| Less current portion of long-term debt | | - | (8) |
| Total long-term debt | | \$48 | \$330 |

The scheduled maturities of outstanding long-term debt during the next five years are \$4 million in 1998, \$2 million in 1999, \$8 million in 2000, \$25 million in 2001, and the remainder thereafter. Interest paid was approximately \$66 million, \$94 million, and \$75 million in 1996, 1995, and 1994, respectively.

As part of the NCR Distribution Agreement, AT&T agreed to contribute cash in an amount sufficient to retire or defease a total of \$68 million of NCR debt (including payment of related expenses). Such cash proceeds from AT&T, less amounts that were provided directly by AT&T to holders of NCR debt instruments, were used to acquire certain investment securities that were contributed to a defeasance trust, resulting in an in-substance defeasance of \$39 million of debt under an arrangement consistent with the provisions of Statement of Financial Accounting Standards (SFAS) No. 76, "Extinguishment of Debt." Accordingly, such debt and the associated assets held in trust have been excluded from the consolidated balance sheet at December 31, 1996. NCR believes that the investments placed in the defeasance trust will be sufficient to satisfy all future debt service requirements for the defeased debt instruments.

In the fourth quarter of 1996, 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. 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 matures 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. In addition, a portion of the credit facility is available for the issuance of letters of credit as required. No amounts were outstanding under the facility as of December 31, 1996.

NCR sponsors both defined benefit and defined contribution plans for substantially all U.S. 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. At December 31, 1996 and 1995, the assets of the defined benefit plans were 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 invested in AT&T and Lucent 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 (in millions) at December 31 was as follows:

| PLANS WITH ASSETS IN EXCESS OF THE ACCUMULATED BENEFIT OBLIGATION | U.S. PLANS | | INTERNATIONAL PLANS | |
|---|------------|-----------|---------------------|----------|
| | 1996 | 1995 | 1996 | 1995 |
| Actuarial present value of plan obligations | | | | |
| Vested benefit obligation | \$(1,614) | \$(1,637) | \$ (520) | \$ (555) |
| Accumulated benefit obligation | \$(1,639) | \$(1,668) | \$ (568) | \$ (597) |
| Projected benefit obligation | \$(1,697) | \$(1,760) | \$ (617) | \$ (655) |
| Plan assets at fair value | 2,199 | 1,993 | 1,107 | 1,059 |
| Plan assets greater than projected benefit obligation | 502 | 233 | 490 | 404 |
| Unrecognized net gain | (360) | (128) | (80) | (89) |
| Unrecognized net prior service cost | 62 | 78 | 6 | 37 |
| Unrecognized net asset at transition | (66) | (78) | (51) | (57) |
| Prepaid pension cost | \$ 138 | \$ 105 | \$ 365 | \$ 295 |

| PLANS WITH ASSETS LESS THAN THE ACCUMULATED BENEFIT OBLIGATION | U.S. PLANS | | INTERNATIONAL PLANS | |
|--|------------|---------|---------------------|----------|
| | 1996 | 1995 | 1996 | 1995 |
| Actuarial present value of plan obligations | | | | |
| Vested benefit obligation | \$ (73) | \$ (80) | \$ (330) | \$ (358) |
| Accumulated benefit obligation | \$ (77) | \$ (81) | \$ (353) | \$ (384) |
| Projected benefit obligation | \$ (83) | \$ (85) | \$ (464) | \$ (498) |
| Plan assets at fair value | - | - | 144 | 160 |
| Plan assets less than projected benefit obligation | (83) | (85) | (320) | (338) |
| Unrecognized net loss | 13 | 17 | 91 | 101 |
| Unrecognized net prior service cost | - | - | 9 | 10 |
| Unrecognized net transition liability | - | - | 7 | 9 |
| Additional minimum liability | (7) | (13) | (26) | (35) |
| Accrued pension liability | \$ (77) | \$ (81) | \$ (239) | \$ (253) |

The pension cost (credit) for the defined benefit plans (in millions) for the years ended December 31 included the following components:

| | 1996 | 1995 | 1994 |
|---|--------|-------|-------|
| Service costs-benefits earned during the period | \$ 71 | \$ 67 | \$ 86 |
| Interest cost on the projected benefit obligation | 205 | 209 | 194 |
| Net amortizations and deferrals | 115 | 165 | (120) |
| Actual return on assets | (392) | (430) | (137) |
| Charges for special programs | - | 80 | - |
| Net pension cost (credit) | \$ (1) | \$ 91 | \$ 23 |

The weighted average rates and assumptions utilized in the calculation of pension cost for these plans for the years ended December 31 were as follows:

| U.S. PLANS | | | INTERNATIONAL PLANS | | |
|------------|------|------|---------------------|------|------|
| 1996 | 1995 | 1994 | 1996 | 1995 | 1994 |

| | | | | | | |
|--|------|------|------|------|------|------|
| Discount rate | 7.5% | 7.0% | 8.7% | 7.2% | 7.3% | 7.5% |
| Rate of increase in future compensation levels | 4.5% | 4.5% | 4.5% | 4.0% | 4.0% | 4.2% |
| Long-term rate of return on plan assets | 9.0% | 9.0% | 9.0% | 9.5% | 9.5% | 9.5% |

NCR entered into an agreement with the Pension Benefit Guaranty Corporation (PBGC) concerning the provision by NCR of additional support for its domestic defined benefit pension plans. Under this agreement, among other terms and conditions, NCR agreed to provide security interests in support of such plans in collateral with an aggregate value (calculated by applying specified discounts to market value) of \$84 million. This collateral is comprised of certain domestic real estate. NCR does not believe that its agreement with the PBGC will have a material effect on its financial condition, results of operations, or cash flows.

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. NCR's matching contributions typically are subject to a maximum percentage or level of compensation. Employee contributions can be pre-tax, post-tax, or a combination thereof. The expense under these plans was \$31 million, \$36 million, and \$33 million for 1996, 1995, and 1994, respectively.

NOTE 8.

POSTRETIREMENT BENEFITS

Substantially all U.S. employees who reach retirement age while working for NCR are eligible to participate in a postretirement benefit plan. The plan provides medical care and life insurance benefits to retirees and their eligible dependents. Non-U.S. employees are typically covered under government sponsored programs, and NCR does not provide postretirement benefits other than pensions to non-U.S. retirees. NCR generally funds these benefits on a pay-as-you-go basis from operations. The funded status of the postretirement benefit plans and the accrued liability (in millions) at December 31 were as follows:

| | 1996 | 1995 |
|--|---------|---------|
| ----- | | |
| Accumulated postretirement benefit obligation | | |
| Retirees | \$(286) | \$(358) |
| Fully eligible active participants | (21) | (18) |
| Other active participants | (70) | (62) |
| ----- | | |
| Unfunded accumulated postretirement benefit obligation | (377) | (438) |
| Unrecognized prior service costs | 32 | 35 |
| Unrecognized net gain | (93) | (36) |
| ----- | | |
| Accrued postretirement benefit obligation | \$(438) | \$(439) |
| ----- | | |

The postretirement benefit cost (in millions) for the years ended December 31 included the following components:

| | 1996 | 1995 | 1994 |
|---|------|------|-------|
| ----- | | | |
| Service costs-benefits earned during the period | \$ 5 | \$ 4 | \$ 6 |
| Interest cost on the projected benefit obligation | 27 | 32 | 31 |
| Net amortizations and deferrals | (1) | - | 3 |
| Charges for special programs | - | 7 | - |
| ----- | | | |
| Net postretirement benefit cost | \$31 | \$43 | \$ 40 |
| ----- | | | |

The discount rate utilized in determining the expenses and liabilities of the postretirement benefit plans was 7.5%, 7.0%, and 8.7% for the years ended December 31, 1996, 1995, and 1994, respectively. For purposes of determining estimated postretirement benefit costs, NCR assumes that the growth in the per capita cost of covered health care benefits (the health care cost trend rate) would gradually decline from 8.5% in 1997 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, 1996 by approximately \$34 million and NCR's 1996 postretirement benefit costs by approximately \$3 million.

NOTE 9.

SEGMENT INFORMATION

INDUSTRY SEGMENT

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

CONCENTRATIONS

No single customer accounts for more than 10% of NCR's consolidated revenue. As of December 31, 1996, 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 its 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 U.S. and foreign operations as shown in Note 5 and as shown in the table below. In the following geographic information, interest income, interest expense, and nonallocable 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.

| In millions | 1996 | 1995 | 1994 |
|---|----------|-----------|----------|
| REVENUE FOR THE YEARS ENDED DECEMBER 31 | | | |
| United States | | | |
| Customer | \$ 2,944 | \$ 3,577 | \$ 4,214 |
| Intercompany | 393 | 697 | 821 |
| | 3,337 | 4,274 | 5,035 |
| Europe/Middle East/Africa | | | |
| Customer | 2,131 | 2,551 | 2,375 |
| Intercompany | 586 | 239 | 222 |
| | 2,717 | 2,790 | 2,597 |
| Japan | | | |
| Customer | 865 | 1,008 | 905 |
| Intercompany | 155 | 66 | 75 |
| | 1,020 | 1,074 | 980 |
| Asia/Pacific (excluding Japan) | | | |
| Customer | 535 | 533 | 478 |
| Intercompany | 64 | 109 | 82 |
| | 599 | 642 | 560 |
| Americas (excluding United States) | | | |
| Customer | 488 | 493 | 489 |
| Intercompany | 141 | 6 | 6 |
| | 629 | 499 | 495 |
| Intercompany eliminations | (1,339) | (1,117) | (1,206) |
| Consolidated revenue | \$ 6,963 | \$ 8,162 | \$ 8,461 |
| INCOME (LOSS) BEFORE TAXES FOR THE YEARS ENDED DECEMBER 31 | | | |
| United States | \$ (271) | \$(1,502) | \$ (232) |
| Europe/Middle East/Africa | 237 | (397) | 208 |
| Japan | 149 | (189) | 63 |
| Asia/Pacific (excluding Japan) | 62 | 12 | 24 |
| Americas (excluding United States) | 13 | (64) | (10) |
| Operating income (loss) before nonallocable expenses | 190 | (2,140) | 53 |
| General corporate expenses, interest, and other income | (80) | (276) | (69) |
| Consolidated income (loss) before income taxes | \$ 110 | \$(2,416) | \$ (16) |
| IN MILLIONS | | | |
| IDENTIFIABLE ASSETS AT DECEMBER 31 | | | |
| United States | \$1,515 | \$1,596 | \$2,447 |
| Europe/Middle East/Africa | 2,168 | 2,246 | 1,698 |
| Japan | 1,005 | 849 | 1,100 |
| Asia/Pacific (excluding Japan) | 378 | 344 | 319 |
| Americas (excluding United States) | 214 | 221 | 272 |
| Consolidated total assets | \$5,280 | \$5,256 | \$5,836 |

Excluding the release of restructuring reserves in 1996, operating income (loss) before nonallocable expenses for the year ended December 31, 1996 was \$(218) million, \$204 million, and \$74 million for the United States, Europe/Middle East/Africa, and Japan, respectively. Excluding restructuring and other charges, operating income (loss) before nonallocable expenses for the year ended December 31, 1995 was \$(747) million, \$161 million, \$43 million, \$53 million, and \$(1) million for the United States, Europe/Middle East/Africa, Japan, Asia/Pacific (excluding Japan), and Americas (excluding United States), respectively.

NOTE 10.
FINANCIAL INSTRUMENTS

In the normal course of business, NCR enters 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 and foreign currency exchange contracts.

CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject NCR to concentrations of credit risk consist primarily of cash and cash equivalents, investments, trade receivables, and certain 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, 1996 and 1995, 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, 1996 or 1995, 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 currency exchange contracts are used to manage exposure to changes in currency exchange rates. The use of foreign currency 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 currency 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 currency exchange contracts that are designated for forecasted transactions are recognized in other income as the exchange rates change.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The tables below present (in millions) 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 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 investment instruments |
| Short-term debt | The carrying amount is a reasonable estimate of fair value |
| Long-term debt | Market quotes of similar debt instruments |
| Letters of credit | Fees paid to obtain the obligations |
| Foreign currency exchange contracts | Market quotes |

| ON BALANCE SHEET | 1996 | | 1995 | |
|---------------------------|-----------------|------------|-----------------|------------|
| | CARRYING AMOUNT | FAIR VALUE | CARRYING AMOUNT | FAIR VALUE |
| Assets | | | | |
| Cash and cash equivalents | \$1,163 | \$1,163 | \$314 | \$314 |
| Short-term investments | 40 | 40 | 24 | 24 |
| Long-term investments | 35 | 35 | 42 | 42 |
| Liabilities | | | | |
| Debt | 76 | 78 | 375 | 389 |

| DERIVATIVE AND OFF BALANCE SHEET INSTRUMENTS | CONTRACT NOTIONAL AMOUNT | CARRYING AMOUNT | | FAIR VALUE | |
|--|--------------------------|-----------------|-----------|------------|-----------|
| | | ASSET | LIABILITY | ASSET | LIABILITY |
| 1996 | | | | | |
| Foreign exchange forward contracts | \$1,342 | \$ 16 | \$26 | \$17 | \$12 |
| Foreign exchange swap contracts | 190 | -- | 23 | -- | 23 |
| Letters of credit | 76 | -- | -- | -- | -- |
| 1995 | | | | | |
| Foreign exchange forward contracts | \$ 890 | \$ 8 | \$ 5 | \$ 7 | \$ 6 |
| Foreign exchange swap contracts | 491 | 1 | 8 | -- | 58 |
| Letters of credit | 82 | -- | -- | -- | -- |

| ADDITIONAL CONTRACT INFORMATION | NOTIONAL AMOUNT | NOTIONAL AMOUNT |
|------------------------------------|--------------------|--------------------|
| Forward contracts | | |
| British pounds | \$ 515 | \$285 |
| German marks | 285 | 118 |
| Canadian dollars | 217 | 109 |
| Swiss francs | 25 | 92 |
| Spanish pesetas | 53 | 75 |
| French francs | 64 | 47 |
| Dutch guilders | 32 | 36 |
| Other | 151 | 128 |
| Total forward contracts | \$1,342 | \$890 |

NOTE 11.
TRANSACTIONS WITH AT&T AND AFFILIATES

For the years ended 1996, 1995, and 1994, NCR had the following revenues (in millions) from sales and services to AT&T and its current and former affiliates:

| | YEARS ENDED DECEMBER 31 | | |
|----------|-------------------------|-------|-------|
| | 1996 | 1995 | 1994 |
| Sales | \$258 | \$415 | \$404 |
| Services | 218 | 215 | 118 |
| Total | \$476 | \$630 | \$522 |

At December 31, 1996 and 1995, related receivables amounted to \$71 million and \$30 million, respectively.

AT&T allocated general corporate overhead expenses to NCR of \$8 million, \$96 million, and \$66 million in 1996, 1995, and 1994, respectively. The amount of general corporate costs allocated to NCR by AT&T decreased in 1996 as NCR began to manage certain additional corporate and administrative functions in 1996 which were previously provided substantially by AT&T, including corporate functions and public relations activities, certain human resource functions, financial functions and systems architecture, and brand advertising. Interest expense charged by AT&T on certain cash advances was \$27 million, \$29 million, and \$20 million for the years ended 1996, 1995, and 1994, respectively. The historical financial statements reflect these interest-bearing cash advances from AT&T in shareholder's net investment.

Additionally, NCR purchased products and services from AT&T and affiliates, primarily for long distance service, Bell Labs services, PBX systems, and miscellaneous inventory of \$103 million, \$157 million, and \$166 million for the years ended December 31, 1996, 1995, and 1994, respectively. Amounts payable to AT&T were \$11 million at December 31, 1996 and 1995.

AT&T's former finance subsidiary, AT&T Capital Corporation (AT&T Capital), provides certain NCR customers with financing and ancillary services arising from the sale of NCR products. Sales to AT&T Capital were \$220 million, \$182 million, and \$290 million for the years ended 1996, 1995, and 1994, respectively.

In connection with the Distribution, NCR, AT&T, and Lucent entered into certain related agreements, which are summarized below.

NCR DISTRIBUTION AGREEMENT

Pursuant to the NCR Distribution Agreement, AT&T made contributions of capital to NCR prior to the Distribution date and contributed certain intercompany advances outstanding from AT&T to NCR. The consolidated financial statements reflect these contributions in shareholders' equity as of December 31, 1996. The capital contributions consisted of \$419 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).

SEPARATION AND DISTRIBUTION AGREEMENT

The Separation and Distribution Agreement 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 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 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.

PURCHASE AGREEMENTS

NCR and AT&T entered into a Volume Purchase Agreement pursuant to which NCR is to provide products and services to AT&T and certain affiliates of AT&T (other than Lucent). The 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 million cumulatively, subject to certain conditions. Certain related agreements set forth the material terms, conditions, and procedures with respect to transactions between NCR and AT&T. NCR and AT&T also entered 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 entered into a Volume Purchase Agreement under which Lucent committed to purchase at least \$150 million of products and services from NCR during the three-year period ending December 31, 1998. A portion of this agreement was satisfied as of December 31, 1996.

OTHER AGREEMENTS

NCR, AT&T, and Lucent have entered into certain other agreements including a technology access and development agreement, which relates to work performed by Bell Labs on NCR's behalf, a patent license agreement, technology license agreements, and certain defensive protection agreements.

NOTE 12.

CONTINGENCIES

In the normal course of business, NCR is subject to various regulations, proceedings, lawsuits, claims, and other matters, including actions under laws and regulations related to the environment and 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 adequate in light of the probable and estimable liabilities, there can be no assurances that the amounts required to discharge alleged liabilities from various lawsuits, claims, legal proceedings, and other matters, and to comply with applicable laws and regulations, will not exceed the amounts reflected in NCR's consolidated financial statements or will not have a material adverse effect on its 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, 1996, cannot be determined.

LEGAL PROCEEDINGS

As of December 31, 1996, there were a number of individual product liability claims pending against NCR alleging that its products, including personal computers, supermarket bar code scanners, cash registers, and check encoders, caused so-called "repetitive strain injuries" or "cumulative trauma disorders," such as carpal tunnel syndrome. As of December 31, 1996, approximately 80 such claims were pending against NCR. In such

lawsuits, the plaintiff typically alleges that the injury was caused by the design of the product at issue or a failure to warn of alleged hazards. These plaintiffs generally 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 NCR may substantially depend on the outcome of similar matters of this type pending in various courts. NCR has denied the merits and basis for the pending claims against it and intends to continue to contest these cases vigorously.

NCR was named as one of the defendants in a purported class-action suit filed in November 1996 in Florida. 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.

ENVIRONMENTAL MATTERS

NCR's facilities and operations are subject to a wide range of environmental protection laws in the U.S. 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 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 government 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 U.S. 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. In addition, NCR has been identified, along with a number of other companies, by the Wisconsin Department of Natural Resources (State Trustee) with respect to alleged liability arising out of alleged past discharges that have contaminated sediments in the Fox River System. In December 1996, USF&WS, two Native American tribes, and other federal agencies (Federal Trustees) invited NCR, the other PRP companies, and the State Trustee to enter into settlement negotiations over these environmental claims. In January 1997, NCR and the other PRP companies reached agreement on an interim settlement with the State Trustee. The Federal Trustees are not party to that agreement, and they have collateral disputes with the State Trustee. In January 1997, the Federal Trustees notified NCR and the other PRPs of the Federal Trustees' intent to commence a natural resource damages lawsuit under CERCLA and the FWPCA within 60 days of the notice, unless a negotiated resolution of their claims is reached. An estimate of NCR's ultimate share, if any, of such cleanup costs or natural resource restoration and damages liability cannot be made 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. 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, 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 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 (in millions) under noncancelable leases as of December 31, 1996 follow:

| | 1997 | 1998 | 1999 | 2000 | 2001 | Later Years | Total |
|------------------|------|------|------|------|------|----------------|-------|
| Operating leases | \$49 | \$42 | \$39 | \$34 | \$24 | \$60 | \$248 |

Total rental expense for all operating leases amounted to \$85 million, \$96 million, and \$81 million in 1996, 1995, and 1994, respectively.

NOTE 14.
STOCK COMPENSATION PLANS

Prior to the Distribution, certain employees of NCR and its subsidiaries participated in AT&T equity-based plans, under which they received stock options and other equity-based awards. On the Distribution date, with certain exceptions, these awards were converted into comparable awards based on NCR common stock under NCR equity-based plans (the substitute stock options). In addition, as of the Distribution date, NCR adopted the NCR Management Stock Plan (NCR Stock Plan).

The NCR Stock Plan provides 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, and options relating to shares of NCR common stock and 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 the substitute awards are not included in the foregoing limits.

The substitute stock options and other awards have the same vesting provisions, option periods, and other terms and conditions as the AT&T options which were replaced. The substitute stock options have the same ratio of exercise price per share to market value per share, and the same aggregate difference between market value and exercise price as the AT&T options. Stock options generally have a ten-year term and vest within four years of the grant date.

NCR has elected to continue to account for its stock-based compensation plans under the guidelines of Accounting Principles Board Opinion No. 25; however, additional disclosure as required under the guidelines of SFAS No. 123, "Accounting for Stock-Based Compensation," is included below. Actual compensation cost charged against income for NCR's stock-based plans was not material in 1996 and 1995. If NCR had elected to recognize stock-based compensation expense based on the fair value of granted options at the grant date (as determined under SFAS No. 123), net loss (in millions) and loss per share for the years ended December 31 would have been as follows:

| | | 1996 | 1995 |
|----------------|-------------|-----------|------------|
| Net loss | As reported | \$ (109) | \$ (2,280) |
| | Pro forma | (144) | (2,284) |
| Loss per share | As reported | \$ (1.07) | \$ (22.49) |
| | Pro forma | (1.42) | (22.52) |

The pro forma amounts in 1996 contain expenses representing the incremental costs of substituting NCR options for AT&T options, computed as the difference between the value of newly granted NCR options and the value of the AT&T options for which they were substituted for all options which were vested as of December 31, 1996. For the year ended December 31, 1996, this cost represents a charge of \$26 million to pro forma net loss and an increase in pro forma loss per share of \$0.26. The incremental fair value of non-vested NCR options will be used in future calculations of pro forma net income and earnings per share, prorated over the remaining years of their respective vesting schedules. The pro forma amounts shown above are not necessarily indicative of the effects on net income and earnings per share in future years.

The above pro forma net loss and loss per share were computed using the fair value of granted AT&T options at the date of grant as calculated by the Black-Scholes option-pricing method. In order to perform this calculation, the following weighted average assumptions were made for 1996 and 1995: dividend yield of 2.4%; risk-free interest rate of 6.59%; expected volatility of 19.4%;

and an expected holding period of 6 years. The incremental fair value of AT&T post-Lucent options substituted for the AT&T options on September 30, 1996 was also used in computing the pro forma figures; this calculation was made using the Black-Scholes model. The weighted average assumptions used in calculating the value of these options at September 30, 1996 were as follows: dividend yield of 2.8%; risk-free interest rate of 6.05%; expected volatility of 21%; and an expected holding period of 4.5 years, adjusted to reflect the remaining period to maturity of the substituted options. The incremental fair value of NCR options substituted for the AT&T post-Lucent options on December 31, 1996 was used in computing the pro forma amounts; this calculation was also made using the Black-Scholes model. The weighted average assumptions used in performing this calculation at December 31, 1996 were as follows: dividend yield of 0.0%; risk-free interest rate of 6.28%; expected volatility of 35%;

and an expected holding period of 4.5 years, adjusted to reflect the remaining period to maturity of the substituted options. The weighted average fair value of NCR stock options calculated using the Black-Scholes option-pricing model for options granted during the years ended December 31, 1996 and 1995 was \$18.79 and \$16.44 per share, respectively.

The status of all NCR options (shares in thousands), substituted for AT&T options outstanding and exercisable at December 31, 1996, is summarized in the following chart:

| RANGE OF EXERCISE PRICES | STOCK OPTIONS OUTSTANDING | | STOCK OPTIONS EXERCISABLE | | |
|--------------------------|---------------------------|---|---------------------------------|--------|---------------------------------|
| | SHARES | WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE | WEIGHTED AVERAGE EXERCISE PRICE | SHARES | WEIGHTED AVERAGE EXERCISE PRICE |
| \$3.95 to \$14.51 | 401 | 3.14 years | \$12.67 | 401 | \$12.67 |
| \$15.28 to \$29.10 | 1,293 | 4.46 years | 22.92 | 1,293 | 22.92 |
| \$30.60 to \$43.15 | 5,177 | 8.04 years | 36.21 | 1,234 | 32.46 |
| Total | 6,871 | | | 2,928 | |

Options to purchase common stock may be granted to certain members of senior management only by the Board of Directors. Option terms as determined by the Board will not exceed ten years as defined in the Internal Revenue Code. The authority to grant options to all other employees has been delegated to the Chief Executive Officer.

NCR adopted the WorldShares Plan effective as of the Distribution date. The plan provides for the grant of nonstatutory stock options to substantially all NCR employees in the United States and abroad. NCR provided each participant with an option to purchase a number of shares of NCR common stock with an aggregate market value as of the Distribution date of \$3,000. Such options have an exercise price of \$33.44, equal to the market value of the NCR common stock on January 2, 1997, and 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 aggregate number of shares of NCR common stock granted under the WorldShares Plan was approximately 3.2 million.

Additional stock option grants were made under the NCR Management Stock Plan subsequent to year-end. Approximately 3 million shares of NCR common stock were granted under these plans. Such options have an exercise price equal to the market value of the NCR common stock on January 2, 1997 and have an expiration period of either five or ten years.

NOTE 15.
QUARTERLY INFORMATION (UNAUDITED)

| IN MILLIONS EXCEPT PER SHARE AMOUNTS | FIRST | SECOND | THIRD | FOURTH | TOTAL |
|--------------------------------------|-----------|-----------|------------|-----------|------------|
| 1996 | | | | | |
| Total revenues | \$ 1,586 | \$ 1,679 | \$ 1,658 | \$ 2,040 | \$ 6,963 |
| Gross margin | 405 | 464 | 482 | 615 | 1,966 |
| Net income (loss) | (65) | (18) | (33) | 7 | (109) |
| Net income (loss) per share | \$ (.64) | \$ (.18) | \$ (.32) | \$.07 | \$ (1.07) |
| 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) |
| Net income (loss) per share | \$ (1.44) | \$ (2.40) | \$ (15.64) | \$ (3.01) | \$ (22.49) |

Net income (loss) per share was calculated by dividing the net income (loss) for each of the quarterly periods in the years ended December 31, 1996 and 1995 by 101.4 million shares of common stock, as if such shares were outstanding for all periods.

1 The fourth quarter of 1996 includes a pre-tax benefit of \$55 million for the release of 1995 restructuring reserves. (See Note 4 of Notes to Consolidated Financial Statements.)

2 The first quarter of 1995 includes a pre-tax gain on the sale of the Microelectronics components business of \$51 million.

3 The third quarter of 1995 includes a pre-tax charge of \$1,597 million to cover restructuring and other costs. (See Note 4 of Notes to Consolidated Financial Statements.)

4 The fourth quarter of 1995 includes a pre-tax charge of \$52 million to cover restructuring and other costs. (See Note 4 of Notes to Consolidated Financial Statements.)

Organized under the
Laws of

Domestic subsidiaries:

| | |
|-------------------------------------|----------|
| Data Pathing Incorporated | Delaware |
| International Investments Inc. | Delaware |
| The National Cash Register Company | Maryland |
| NCR Autotec Inc. | Delaware |
| NCR European Logistics, Inc. | Delaware |
| The NCR Foundation | Ohio |
| NCR Government Systems Corporation | Delaware |
| NCR International, Inc. | Delaware |
| NCR Ivory Coast, Inc. | Delaware |
| NCR Overseas Trade Corporation | Delaware |
| NCR Personnel Services Inc. | Delaware |
| NCR Scholarship Foundation | Ohio |
| North American Research Corporation | Delaware |
| Old River Software Inc. | Delaware |
| Quantor Corporation | Delaware |
| Sparks, Inc. | Ohio |
| Teradata Corporation | Delaware |
| Teradata International Corporation | Delaware |
| The Microcard Corporation | Delaware |

Foreign subsidiaries:

| | |
|--|-----------|
| NCR Argentina S.A. | Argentina |
| NCR Australia Pty. Limited | Australia |
| Century Data Processing Centre Pty. Limited | Australia |
| NCR Superannuation Nominees, Ltd. | Australia |
| NCR Productivity Savings Plan Pty. Ltd. | Australia |
| NCR Oesterreich Ges.m.b.H. | Austria |
| NCR (Bahrain) W.L.L. | Bahrain |
| NCR Belgium & Co. | Belgium |
| Global Assurance Limited | Bermuda |
| NCR Brasil Ltda | Brazil |
| NCR Monydata Ltda. | Brazil |
| Monydata da Amazona Industria e Comercio Ltda | Brazil |
| NCR Bulgaria Ltd. | Bulgaria |
| AT&T Global Information Solutions Cameroon, S.A. | Cameroon |
| NCR Canada Ltd. | Canada |
| NCR de Chile, S.A. | Chile |
| NCR Colombia S.A. | Colombia |

| | |
|---|--------------------|
| NCR Croatia d.o.o. | Croatia |
| NCR (Cyprus) Limited | Cyprus |
| NCR (Middle East) Limited | Cyprus |
| NCR (North Africa) Limited | Cyprus |
| NCR (IRI) Ltd. | Cyprus |
| NCR Danmark A/S | Denmark |
| AT&T Danmark A/S | Denmark |
| NCR Istel Nordic A/S | Denmark |
| NCR Norden A/S | Denmark |
| NCR Dominicana C. por A. | Dominican Republic |
| NCR Finland Oy | Finland |
| AT&T Finland Oy | Finland |
| NCR France S.A. | France |
| AT&T Global Information Solutions Antilles S.A.R.L. | France |
| AT&T Global Information Solutions Gabon S.A.R.L. | Gabon |
| NCR Holding GmbH | Germany |
| NCR GmbH | Germany |
| NCR OEM Europe GmbH | Germany |
| NCR Central and Eastern Europe GmbH | Germany |
| NCR Czeska republika spol. s.r.o. | Czech Republic |
| NCR Ghana Limited | Ghana |
| NCR (Hellas) S.A. | Greece |
| NCR Foreign Sales Corporation | Guam |
| NCR (Hong Kong) Limited | Hong Kong |
| NCR (China) Limited | Hong Kong |
| NCR (Asia) Limited | Hong Kong |
| NCR Parts Depot (Hong Kong) Limited | Hong Kong |
| NCR Magyarorszag Kft. | Hungary |
| NCR Corporation India Private Limited | India |
| NCR Italia S.p.A. | Italy |
| NCR Japan, Ltd. | Japan |
| NCR Japan Sales Co., Ltd. | Japan |
| NCR (Kenya) Limited | Kenya |
| Afrique Investments Ltd. | Kenya |
| Data Processing Printing and Supplies Limited | Kenya |
| NCR Korea Co., Ltd. | Korea |
| NCR (Macau) Limited | Macau |
| NCR (Malaysia) Sdn. Bhd. | Malaysia |
| Compu Search Sdn Bhd | Malaysia |
| NCR de Mexico, S.A. de C.V. | Mexico |
| NCR (Maroc) | Morocco |
| NCR Nederland N.V. | Netherlands |
| NCR European Logistics Center BV | Netherlands |
| NCR (NZ) Limited | New Zealand |
| NCR (Nigeria) PLC | Nigeria |

| | |
|---|----------------|
| NCR Norge A/S | Norway |
| AT&T Global Information Solutions de Centro-America, S.A. | Panama |
| NCR Corporation de Panama, S.A. | Panama |
| NCR del Peru S.A. | Peru |
| NCR Corporation (Philippines) | Philippines |
| NCR Software Corporation (Philippines) | Philippines |
| NCR Polska Sp.z.o.o. | Poland |
| NCR Portugal-Informatica, Lda | Portugal |
| NCR Corporation of Puerto Rico | Puerto Rico |
| NCR A/O | Russia |
| AT&T Global Information Solutions Senegal S.A.R.L. | Senegal |
| NCR Singapore Pte Ltd | Singapore |
| NCR Slovensko spol. s.r.o. | Slovakia |
| Global Information Solutions Servis d.o.o. | Slovenia |
| NCR Espana, S.A. | Spain |
| Sinat Iberia, S.A. | Spain |
| AT&T Global Information Solutions (Lanka) Ltd. | Sri Lanka |
| NCR (Switzerland) | Switzerland |
| National Registrierkassen AG | Switzerland |
| Axeed Informatik AG | Switzerland |
| AT&T Global Information Solutions Taiwan Limited | Taiwan |
| NCR Taiwan Software Ltd | Taiwan |
| NCR (Thailand) Limited | Thailand |
| NCR Tunisia, Societe Anonyme | Tunisia |
| NCR Bilisim Sistemleri, A.S. | Turkey |
| NCR Europe, Ltd. | United Kingdom |
| NCR UK Group Limited | United Kingdom |
| NCR Limited | United Kingdom |
| NCR (Holdings) Ltd | United Kingdom |
| NCR Properties Limited | United Kingdom |
| Express Boyd Limited | United Kingdom |
| NCR Capita Limited | United Kingdom |
| NCR Financial Systems Limited | United Kingdom |
| NCR Treasury Services Limited | United Kingdom |
| Regis Court Management Limited | United Kingdom |
| NCR Capita (May) Limited | United Kingdom |
| Melcombe Court Management (Marylebone) Limited | United Kingdom |
| AT&T Global Information Solutions del Uruguay S.A. | Uruguay |
| NCR (Zambia) Ltd. | Zambia |
| NCR Zimbabwe (Private) Limited | Zimbabwe |
| N Timms & Co. (Private) Limited | Zimbabwe |
| AT&T WINS, Inc. | Japan |
| NCR (Bermuda) Limited | Bermuda |
| NCR Services Limited | Bermuda |

Teradata Australia Pty Limited
TDA Rechner GmbH I. L.
Teradata Europe Ltd
Sharebase Europe Ltd
Teradata UK Ltd

Australia
Germany
United Kingdom
United Kingdom
United Kingdom

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the Registration Statements of NCR Corporation on Form S-8 (File Nos. 333-18797, 333-18799, 333-18801, and 333-18803), of our reports dated January 21, 1997, on our audits of the consolidated financial statements and consolidated financial statement schedule of NCR Corporation at December 31, 1996 and 1995 and for the three years ended December 31, 1996, which reports are included in NCR's Annual Report to Shareholders and in this Annual Report on Form 10-K.

Coopers & Lybrand L.L.P.
Dayton, Ohio
March 10, 1997

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS OF NCR CORPORATION AT DECEMBER 31, 1996 AND 1995 AND THE CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 1996 AND 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000
US DOLLARS

| YEAR | YEAR | | YEAR | |
|-------|-------------|-------------|-------------|-------------|
| | DEC-31-1996 | JAN-01-1996 | DEC-31-1995 | JAN-01-1995 |
| | 1 | 1,163 | 1 | 314 |
| | 40 | | 24 | |
| | 1,457 | | 1,908 | |
| | 0 | | 0 | |
| | 439 | | 621 | |
| | 3,318 | 2,419 | 3,318 | 2,475 |
| | 1,489 | | 1,518 | |
| | 5,280 | | 5,256 | |
| | 1,967 | | 2,921 | |
| | 0 | 48 | 0 | 330 |
| | 0 | 0 | 0 | 0 |
| | 0 | 1 | 0 | 0 |
| | 1,395 | | 358 | |
| 5,280 | | 5,256 | | |
| | 3,946 | | 5,138 | |
| | 6,963 | | 8,162 | |
| | 2,751 | | 4,699 | |
| | 4,997 | | 7,316 | |
| | 1,836 | | 3,217 | |
| | 0 | | 0 | |
| | 56 | | 90 | |
| | 110 | | (2,416) | |
| | 219 | | (136) | |
| (109) | | | (2,280) | |
| | 0 | | 0 | |
| | 0 | | 0 | |
| | 0 | | 0 | |
| | (109) | | (2,280) | |
| | (1.07) | | (22.49) | |
| | 0 | | 0 | |