

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON OCTOBER 31, 1996

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 1

TO

FORM 10/A

GENERAL FORM FOR REGISTRATION OF SECURITIES

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

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

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

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

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

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

TITLE OF EACH CLASS
TO BE SO REGISTERED

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

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

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

NONE

November , 1996

Dear Shareowner:

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

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

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

is acting as distribution agent and will be responsible for mailing NCR share certificates or making book-entry credits to holders of record. NO ACTION IS REQUIRED BY AT&T SHAREOWNERS IN ORDER TO RECEIVE NCR SHARES. A shareowner vote is not required in connection with the matter and, accordingly, your proxy is not being sought. Questions about NCR and other matters relating to the distribution should be addressed to , number: .

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

Sincerely,

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

PRELIMINARY COPY DATED OCTOBER 31, 1996

-- FOR INFORMATION ONLY --

INFORMATION STATEMENT

NCR CORPORATION

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

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

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

There is currently no public market for NCR Common Stock, although it is expected that a "when-issued" trading market may develop on or about the Record Date. An application is expected to be filed to list shares of NCR Common Stock on the New York Stock Exchange (the "NYSE"), under the symbol "NCR."

WE ARE NOT ASKING YOU FOR A PROXY
AND YOU ARE REQUESTED NOT TO
SEND US A PROXY.

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

The date of this Information Statement is November , 1996.

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AVAILABLE INFORMATION

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

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

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

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

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

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

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

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

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

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

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

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

SUMMARY

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

THE DISTRIBUTION

- Distributing Company..... AT&T Corp., a New York corporation.
- Shares to be Distributed... Approximately million shares of NCR Common Stock, representing all of the outstanding shares of NCR Common Stock. All such shares are currently held by AT&T.
- Distribution Ratio..... One share of NCR Common Stock for each shares of AT&T Common Stock. Cash will be paid in lieu of any fractional interest in a share of NCR Common Stock to any holder who receives certificates for NCR shares or who would be entitled to less than one whole share of NCR. No payment need be made by shareowners of AT&T for the shares of NCR Common Stock to be received by them in the Distribution, nor will they be required to surrender or exchange shares of AT&T Common Stock in order to receive NCR Common Stock. See "The Distribution -- Manner of Effecting the Distribution." Shareowners who hold fewer than shares of AT&T Common Stock will receive a cash payment in lieu of a fractional share and will not receive any shares of NCR Common Stock.
- Federal Income Tax
Consequences..... The Distribution is subject to receipt of a ruling from the Internal Revenue Service ("IRS") to the effect that for United States federal income tax purposes no gain or loss will be recognized by holders of AT&T Common Stock upon receipt of NCR Common Stock in the Distribution, except with respect to cash received in lieu of fractional interests in shares of NCR Common Stock, and that no gain or loss will be recognized by AT&T or NCR in respect of the Distribution. The IRS has issued a private letter ruling to the effect described above. AT&T shareowners are urged to consult their own tax advisors as to the specific tax consequences of the Distribution to them. See "The Distribution -- Certain Federal Income Tax Consequences of the Distribution."
- Risk Factors..... Shareowners should consider certain factors discussed under "Risk Factors."
- Background of and Reasons
for the Distribution..... The Distribution to AT&T shareowners of all the outstanding shares of NCR Common Stock will complete the restructuring announced by AT&T on September 20, 1995. Pursuant to the restructuring, AT&T has split into three separate companies: NCR; Lucent Technologies Inc., a Delaware corporation ("Lucent"), which engages in the telecommunications systems, software and products businesses; and the continuing AT&T, which engages in the communications services and credit card businesses. Earlier this year, Lucent was separated from AT&T by means of an initial public offering of approximately 17.6% of the Lucent common stock (the "Lucent Common Stock") on April 10, 1996,

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

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

Trading Market..... There is currently no public market for NCR Common Stock, although a "when-issued" trading market is expected to develop prior to the Distribution Date. An application is expected to be filed to list the NCR Common Stock on the NYSE, under the symbol "NCR." See "Risk Factors -- Absence of a Public Market for NCR Common Stock" and "-- Possibility of Substantial Sales of NCR Common Stock" and "The Distribution -- Listing and Trading of NCR Common Stock."

Record Date..... December , 1996.

Distribution Date..... Expected to be December 31, 1996 (the "Distribution Date"). Commencing on or about the Distribution Date, (the "Distribution Agent") will commence mailing share certificates or making book-entry credits for shares of NCR Common Stock to holders of AT&T Common Stock on the Record Date. AT&T shareowners will not be required to make any payment or to take any other action to receive the NCR Common Stock to which they are entitled in the Distribution. See "The Distribution -- Manner of Effecting the Distribution."

Distribution Agent..... will be the Distribution Agent for the Distribution.

Conditions to the Distribution..... The Distribution is conditioned upon, among other things: (a) the receipt of a ruling from the IRS to the effect that the Distribution qualifies as a tax-free distribution under Section 355 of the Internal Revenue Code of 1986, as amended (the "Code"); (b) the receipt of any material governmental approvals and third party consents necessary to consummate the Distribution; (c) the absence of any order, injunction, decree or other legal restraint or prohibition preventing the consummation of the Distribution; (d) no other event occurring that

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

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

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

NCR CORPORATION

NCR Corporation.....

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

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

NCR's offerings cover a broad range of its customers' information technology needs: from consumers' interaction and data collection, with products including point of sale workstations, barcode scanning equipment, and self-service devices such as ATMs; through data processing, with NCR's High Availability Transaction Processing solutions; to data storage, manipulation, and usage, with NCR's Teradata relational

database management system and Scalable Data Warehousing offerings. NCR's computing platforms and associated products span midrange servers, massively parallel processing computer systems, computer network servers and software systems, imaging and payment systems, workstations and peripherals, business forms, ink ribbons, customized paper rolls, and other consumable supplies and processing media.

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

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

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

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

fects." The Rights Plan will also make more difficult an acquisition of control of NCR in a transaction not approved by NCR's Board of Directors. See "Certain Antitakeover Effects -- Rights Plan."

Post-Distribution Dividend Policy.....

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

Transfer Agent and Registrar.....

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

SUMMARY HISTORICAL FINANCIAL DATA

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

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

NCR CORPORATION

SUMMARY HISTORICAL FINANCIAL DATA
(DOLLARS IN MILLIONS)

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

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

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

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

(4) 1994 other income, net includes a gain on sale of certain assets of \$110.

(5) The fiscal year-end for locations outside the U.S. was changed from November to December in 1994 to conform the domestic and international reporting periods. This change increased reported revenues in 1994 by \$223, however the effect on loss from operations was not significant.

(6) 1993 operating expenses include restructuring and other charges of \$219. (See Note 5 of Notes to Consolidated Financial Statements.)

(7) NCR changed its methods of accounting for postretirement benefits, postemployment benefits, and income taxes effective in 1993. (See Note 3 of Notes to Consolidated Financial Statements.)

INTRODUCTION

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

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

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

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

RISK FACTORS

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

HISTORICAL LOSSES

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

RISKS RELATING TO IMPLEMENTATION OF NEW BUSINESS STRATEGY

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

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

FUTURE CAPITAL REQUIREMENTS; ABSENCE OF AT&T FUNDING

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

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

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

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

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

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

DEPENDENCE ON NEW PRODUCT DEVELOPMENT

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

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

RELIANCE ON SUPPLIERS AND PARTNERS

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

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

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

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

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

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

COMPETITION

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

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

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

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

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

SEASONALITY

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

RELIANCE ON AT&T ENTITIES; INDUSTRY FOCUS

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

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

December 31, 1999, subject to certain conditions. Pursuant to the Lucent Volume Purchase Agreement, Lucent has committed to purchase an aggregate of at least \$150 million of offerings from NCR during the three-year period ending December 31, 1998. As of September 30, 1996, approximately \$106 million of such commitment had been purchased by Lucent. See "Arrangements Among AT&T, NCR and Lucent -- Purchase Agreements."

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

RISK OF FOREIGN OPERATIONS AND FOREIGN EXCHANGE

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

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

CERTAIN LEGAL MATTERS; POTENTIAL ENVIRONMENTAL LIABILITIES

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

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

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

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

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

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

party indemnitors have agreed to pay any amounts and management believes that collectibility of such amounts is probable, the amounts are reflected as receivables in the consolidated financial statements.

RISK OF INTELLECTUAL PROPERTY INFRINGEMENT CLAIMS

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

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

LIMITED RELEVANCE OF HISTORICAL FINANCIAL INFORMATION

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

ABSENCE OF HISTORY AS A STAND-ALONE COMPANY

NCR has not operated as a stand-alone company since its merger with a wholly owned subsidiary of AT&T in September 1991. In recent years, NCR's working capital and cash flow requirements have been substantial. Since 1991, NCR's working capital, research and development, capital expenditures, and other financing requirements have been met by AT&T's corporate-wide cash management and funding policies. Net cash transfers from AT&T were \$1,034 million, \$770 million, and \$425 million for the years ended December 31, 1995, 1994, and 1993, respectively, and \$638 million for the nine months ended September 30, 1996. After the Distribution, AT&T will no longer provide such funds to finance NCR's operations or for any other purpose. See "-- Future Capital Requirements; Absence of AT&T Funding." In addition, after the Distribution, AT&T will have no obligation to provide assistance to NCR or any of its subsidiaries except as described in "Arrangements Among AT&T, NCR and Lucent -- Purchase Agreements." Furthermore, AT&T will have no obligation to enter into new arrangements with NCR as the existing arrangements expire.

ABSENCE OF A PUBLIC MARKET FOR NCR COMMON STOCK

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

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

POSSIBILITY OF SUBSTANTIAL SALES OF NCR COMMON STOCK

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

CERTAIN ANTI-TAKEOVER EFFECTS

The Charter and Bylaws, the Rights Plan, and applicable sections of the Maryland General Corporation Law (the "GCL") contain several provisions that may make more difficult the acquisition of control of NCR without the approval of the NCR Board of Directors. Certain provisions of NCR's Charter and the Bylaws, among other things: (i) classify the NCR Board of Directors into three classes, each of which serve for staggered three-year terms; (ii) provide that a director of NCR may be removed by the stockholders only for cause by the vote of 80% of the stock entitled to vote generally in the election of directors (the "Voting Stock"); (iii) provide that only the NCR Board of Directors or President or the holders of at least a majority of the Voting Stock may call special meetings of the stockholders; (iv) provide that the stockholders may take action without a meeting of stockholders only by unanimous written consent (which as a practical matter makes action by written consent impossible in a public corporation such as NCR after the Distribution); (v) provide that stockholders must comply with certain advance notice procedures in order to nominate candidates for election to the NCR Board of Directors or to place stockholders' proposals on the agenda for consideration at meetings of the stockholders; and (vi) provide that the stockholders may amend or repeal any of the foregoing provisions of the Charter or the Bylaws only by a vote of 80% of the Voting Stock. The Rights Plan would cause substantial dilution to a person or group that attempts to acquire NCR on terms not approved in advance by the NCR Board of Directors. The GCL generally imposes certain restrictions on mergers and other business combinations between NCR and any holder of 10% or more of the NCR Common Stock if the holder's acquisition of such position was not approved in advance by the NCR Board of Directors. In addition, under the GCL, the affirmative vote of the holders of two-thirds of the NCR Common Stock is required to approve any merger or similar business combination involving NCR, with certain exceptions. See

"Description of NCR Capital Stock" and "Certain Antitakeover Effects." In addition, certain of the equity-based incentive plans of NCR are expected to contain provisions providing for the acceleration or modification of benefits upon a Change of Control (as defined) of NCR. See "Management."

THE DISTRIBUTION

BACKGROUND OF AND REASONS FOR THE DISTRIBUTION

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

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

MANNER OF EFFECTING THE DISTRIBUTION

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

No certificates or scrip representing fractional interests in a share of NCR Common Stock will be issued to AT&T shareowners who receive certificates for NCR shares or who would be entitled to less than one whole share of NCR Common Stock as part of the Distribution. In lieu of receiving fractional interests in shares, each such holder of AT&T Common Stock who would otherwise be entitled to receive a fractional interest in a share of NCR Common Stock will receive cash for such fractional interest. The Distribution Agent will, as soon as practicable after the Distribution Date, aggregate and sell all such fractional interests in shares at then prevailing prices and distribute the net proceeds to stockholders entitled thereto. See "-- Certain Federal Income Tax Consequences of the Distribution."

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

CERTAIN FEDERAL INCOME TAX CONSEQUENCES OF THE DISTRIBUTION

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

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

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

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

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

THE FOREGOING SUMMARY OF THE FEDERAL INCOME TAX CONSEQUENCES OF THE DISTRIBUTION IS FOR GENERAL INFORMATION ONLY AND MAY NOT APPLY TO AT&T SHAREOWNERS WHO ACQUIRED THEIR SHARES IN CONNECTION WITH THE GRANT OF A SHARE OF RESTRICTED STOCK OR OTHERWISE AS COMPENSATION, WHO ARE NOT CITIZENS OR RESIDENTS OF THE UNITED STATES, OR WHO ARE OTHERWISE SUBJECT TO SPECIAL TREATMENT UNDER THE CODE. ALL AT&T SHAREOWNERS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES OF THE DISTRIBUTION TO THEM, INCLUDING THE APPLICATION OF STATE, LOCAL AND FOREIGN TAX LAWS.

LISTING AND TRADING OF NCR COMMON STOCK

There is currently no public market for NCR Common Stock. Although NCR expects to apply to list the NCR Common Stock on the NYSE, there can be no assurance as to the prices at which trading in NCR Common Stock will occur after the Distribution. Until NCR Common Stock is fully distributed and an

orderly trading market develops, the prices at which trading in such stock occurs may fluctuate significantly. There can be no assurance that an active trading market in NCR Common Stock will develop or be sustained in the future.

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

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

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

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

CONDITIONS; TERMINATION

The Distribution is conditioned upon, among other things: (a) the receipt of a ruling from the IRS to the effect that the Distribution qualifies as a tax-free distribution under Section 355 of the Code; (b) the receipt of any material governmental approvals and third party consents necessary to consummate the Distribution; (c) the absence of any order, injunction, decree or other legal restraint or prohibition preventing the consummation of the Distribution; (d) no other event occurring that prevents the consummation of the Distribution; (e) the acceptance for listing on a mutually agreed stock exchange or quotations system, which is expected to be the NYSE, subject to notice of issuance, of the NCR Common Stock (and related Rights); and (f) the formal approval by the AT&T Board of the Distribution. The IRS has issued a private letter ruling to the effect described in clause (a) above. The AT&T Board may, but has no obligation to, waive any of these conditions. In addition, regardless of whether these conditions are satisfied, the AT&T Board has reserved the right to abandon, defer or modify the Distribution and the related transactions described herein at any time prior to the Distribution Date. See "Arrangements Among AT&T, NCR and Lucent -- NCR Distribution Agreement."

DIVIDEND POLICY

NCR does not anticipate the payment of any cash dividends on NCR Common Stock in the foreseeable future. Payment of dividends on NCR Common Stock is also expected to be subject to such limitations as

may be imposed by NCR's credit facilities. The declaration of dividends will be subject to the discretion of the Board of Directors of NCR.

FINANCING

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

BUSINESS

OVERVIEW

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

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

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

RESTRUCTURING AND TURNAROUND

BACKGROUND EVENTS -- SEPTEMBER 1991 TO JUNE 1995

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

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

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

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

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

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

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

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

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

TURNAROUND PLAN -- JUNE 1995 TO SEPTEMBER 1996

In June 1995, Lars Nyberg was hired as Chief Executive Officer to assess the NCR business, to prepare a turnaround plan, and to restore the Company to competitive levels of profitability. In September of that year, a restructuring of the Company was announced. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Restructuring." As discussed below, the plan and related restructuring

activities were based on five key initiatives: focus, accountability, expense level reduction, process improvements, and a sense of urgency.

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

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

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

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

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

Expense Level Reduction. In order to reduce expenses, a plan for a significantly reduced expense structure was designed and implemented. As part of this plan, NCR is consolidating facilities globally and is reducing the Company's employment (including contractors) by approximately 8,500. NCR has also significantly reduced selling, general and administrative expenses. The decision to exit both PC manufacturing and the high volume indirect channel PC business led to significant expense reductions. See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Restructuring."

Process Improvements. Process improvement initiatives were implemented to address structural issues within the Company, including extensive use of operational, customer satisfaction, employee satisfaction, and financial metrics. Processes were implemented to drive towards best-in-class quality, and product cost reductions were targeted through continued supply line management improvements. The sales process has

been revised and is being implemented, with the goal of improving the suitability of solutions proposed to customer requirements, increasing sales productivity and improving the focus on customers. Support services processes have also been revised and are being implemented. Pricing processes and compensation plans were modified, and product development processes were standardized to help ensure that new offerings effectively meet customer requirements and cost targets.

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

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

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

STRATEGY

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

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

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

Ongoing investment in research and development is a key requirement for NCR's future success, and the Company will seek to make investments in research and development in product and service offerings that will allow the Company to remain competitive. As such, the Company expects that research and development spending will grow at a faster rate than selling, general and administrative spending.

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

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

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

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

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

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

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

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

BUSINESS UNIT OVERVIEW

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

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

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

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

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

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

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

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

RETAIL SYSTEMS GROUP

OFFERINGS

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

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

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

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

The Retail Systems Group also provides in-store and enterprise-level decision support solutions (such as Scalable Data Warehousing) based on products and systems developed by NCR's Computer Systems Group. These solutions allow a retailer to consolidate and analyze the individual transaction data generated by the point of sale systems in order to determine trends in buyer preferences and product sales. Analysis of this detailed data allows the retailer to make better decisions about inventory, purchases, and distribution, which in turn should help the retailer more accurately meet the needs of its customers.

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

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

TARGET MARKET

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

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

BUSINESS STRATEGY

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

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

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

NCR believes retailers are realizing productivity improvements through use of NCR's point of sale/point of service terminals that are easy to use, readily reconfigurable through software, and are networked to in-store or enterprise-level servers for timely data capture and analysis and scanner-based price verifiers that allow customers to check for themselves prices on individual products.

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

DISTRIBUTION CHANNELS

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

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

MANUFACTURING

The Retail Systems Group designs, develops and manufactures barcode scanners and point of sale terminals at its headquarters facility in Atlanta, Georgia. In addition, point of sale terminals are assembled at the NCR facility in Dublin, Ireland. Receipt printers and low-end point of sale terminals are sourced via OEM

arrangements. Network servers and Scalable Data Warehousing solutions are supplied by NCR's Computer System Group.

COMPETITION

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

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

FINANCIAL SYSTEMS GROUP

OFFERINGS

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

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

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

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

this transition can include improving risk management processes, implementing marketing programs tailored for specific customer profiles, or allowing the pricing of services based on the customer's transaction and balance history.

TARGET MARKET

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

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

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

BUSINESS STRATEGY

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

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

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

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

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

DISTRIBUTION CHANNELS

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

MANUFACTURING

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

COMPETITION

NCR faces significant competition in the financial industry in all geographic areas where it operates. The bases of competition can vary but typically include the industry knowledge of the vendor, the economic justification behind implementing the solution, the vendor's ability to provide and support a total end-to-end solution, the vendor's ability to integrate new and existing systems, and the fit of the vendor's strategic vision with the customer's strategic direction. Competitors also vary by product line and geographic area. NCR's primary competitors include Diebold, Incorporated, Fujitsu, SNI, and Omron Electronics Inc. in ATMs, IBM and BancTec, Inc. in image/item processing, and SNI, Hewlett-Packard, and Unisys Corporation ("Unisys") in data warehousing. See "Risk Factors -- Competition."

COMPUTER SYSTEMS GROUP

OFFERINGS

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

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

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

warehouses containing terabytes of information -- all within the same hardware and software platform. The Scalable Data Warehousing solutions also serve as the foundation for a number of NCR's offerings to the communications industry.

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

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

TARGET MARKET

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

BUSINESS STRATEGY

The majority of the Computer Systems Group's customers provide products and services to individual consumers. NCR believes these consumers are becoming more educated, are placing less focus on brand loyalty, and are expecting service to be provided anytime, anywhere. NCR believes that information technology advancements are helping fuel this change in consumer behavior and that, as information technology becomes more broadly available and affordable, it will further enable consumers to connect to each other and to the information and services they want and need. Taken together, these changing consumer demographics and technology advancements are in turn placing demands on information technology infrastructures to extend their reach and connect directly to end consumers.

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

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

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

According to International Data Corporation ("IDC"), a computer industry research company, NCR has the highest market share in the strategic business analysis market segment, which consists of data warehousing. NCR believes it has more experience in data warehousing (12 years) than any firm in the industry. NCR has over 500 installed Scalable Data Warehousing customers worldwide, ranging in size from

small data warehouses to the world's largest commercial enterprise data warehouse. Through its Computer Systems Group, NCR offers scalable computers, the powerful Teradata relational database, software and service partnerships, and programs to assist customers in the many aspects of building a data warehouse. In addition, NCR's Professional Services organization provides business and technical services needed to implement these solutions.

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

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

DISTRIBUTION CHANNELS

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

MANUFACTURING

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

COMPETITION

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

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

include servers. In the data warehousing market, NCR competes primarily with IBM, Digital, Tandem, Sequent, Pyramid, Hewlett-Packard, and Sun Microsystems.

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

WORLDWIDE SERVICES

OFFERINGS

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

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

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

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

TARGET MARKET

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

BUSINESS STRATEGY

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

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

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

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

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

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

COMPETITION

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

SYSTEMEDIA GROUP

PRODUCTS

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

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

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

TARGET MARKET

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

BUSINESS STRATEGY

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

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

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

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

DISTRIBUTION CHANNELS

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

MANUFACTURING

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

COMPETITION

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

RESEARCH AND DEVELOPMENT

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

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

BACKLOG

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

SOURCES AND AVAILABILITY OF RAW MATERIALS

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

PATENT AND TRADEMARKS

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

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

EMPLOYEES

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

LEGAL PROCEEDINGS AND ENVIRONMENTAL MATTERS

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

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

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

In February 1996, NCR received notice from the USF&WS that it considers NCR a PRP under the FWPCA and CERCLA with respect to alleged natural resource restoration and damages to the Fox River System due to, among other things, sediment contamination in the Fox River System allegedly resulting from liability arising out of NCR's former carbonless paper manufacturing operations at Appleton and Combined Locks, Wisconsin. USF&WS has also notified a number of other manufacturing companies of their status as PRPs under the FWPCA and CERCLA for natural resource restoration and damages in the Fox River System resulting from their ongoing or former paper manufacturing operations in the Fox River Valley. USF&WS and two Indian Tribes have stated their intention to conduct a Natural Resource Damage Assessment to determine and quantify the nature and extent of alleged injury to natural resources. In addition, NCR has been identified, along with a number of other companies, by the WDNR with respect to alleged liability arising out of alleged past discharges that have contaminated sediments in the Fox River System.

NCR is also actively pursuing discussions with the WDNR regarding the Company's alleged liability. NCR's share, if any, of such cleanup costs or natural resource restoration and damages liability cannot be predicted with certainty at this time due to (i) the unknown magnitude, scope, and source of any alleged contamination, (ii) the absence of identified remedial objectives and methods, and (iii) the uncertainty of the amount and scope of any alleged natural resource restoration and damages. At this point, NCR believes that there are additional PRPs who may be liable for such natural resource damages and remediation costs. Further, in 1978, NCR sold the business to which the claims apply and believes the claims described above are the responsibility of the buyer and its former parent company pursuant to the terms of the sales agreement. In this connection, the Company has commenced litigation against the buyer to enforce its position.

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

PROPERTIES

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

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

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

At September 30, 1996, NCR operated 38 manufacturing sites, of which 11 were located in the United States, occupying in excess of 4.8 million square feet, of which approximately .6 million square feet were leased. The 27 manufacturing sites outside of the United States were located in 18 countries, occupying in excess of 2.7 million square feet, of which approximately .4 million square feet were leased.

At September 30, 1996, NCR operated 10 research and development sites, of which nine were located in the United States, occupying in excess of 1.0 million square feet, of which approximately .6 million square feet were leased. The one research and development site outside of the United States was located in the Netherlands, occupying in excess of 3,000 square feet, all of which was leased.

At September 30, 1996, NCR operated 105 warehouse sites, of which 41 were located in the United States, occupying in excess of 2.0 million square feet, of which approximately 1.1 million square feet were leased. The 64 warehouse sites outside of the United States were located in 31 countries, occupying in excess of .8 million square feet, of which approximately .6 million square feet were leased.

At September 30, 1996, NCR operated 390 Service Center sites, of which 95 were located in the United States, occupying in excess of 1.7 million square feet, of which approximately 1.2 million square feet were leased. The 295 Service Center sites outside of the United States were located in 32 countries, occupying in excess of 1.0 million square feet, of which approximately .8 million square feet were leased.

At September 30, 1996, NCR operated 34 Rework and Repair sites, of which none were located in the United States, occupying in excess of .1 million square feet, of which almost all were leased.

At September 30, 1996, NCR operated 301 office sites, of which 97 were located in the United States, occupying in excess of 8.2 million square feet, of which approximately 3.4 million square feet were leased. The 204 office sites outside of the United States were located in 72 countries, occupying in excess of 4.3 million square feet, of which approximately 1.9 million square feet were leased.

At September 30, 1996, NCR operated 150 other sites, of which 59 were located in the United States, occupying in excess of 1.9 million square feet, of which approximately .8 million square feet were leased. The 91 other sites outside of the United States were located in 25 countries, occupying in excess of .6 million square feet, of which approximately .4 million square feet were leased.

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

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

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

CAPITALIZATION

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

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

	AT SEPTEMBER 30, 1996 (UNAUDITED)	
	HISTORICAL	AS ADJUSTED

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

NOTES:

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

SELECTED FINANCIAL DATA

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

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

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

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

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

- (3) The decrease in revenues beginning in the fourth quarter of 1995 and through the nine months ended September 30, 1996 is due largely to the Company's decision in September 1995 to discontinue selling PCs through high volume indirect channels.
- (4) 1994 other income, net includes a gain on sale of certain assets of \$110.
- (5) The fiscal year-end for locations outside the U.S. was changed from November to December in 1994 to conform the domestic and international reporting periods. This change increased reported revenues in 1994 by \$223, however the effect on loss from operations was not significant.
- (6) 1993 operating expenses include restructuring and other charges of \$219. (See Note 5 of Notes to Consolidated Financial Statements.)
- (7) NCR changed its methods of accounting for postretirement benefits, postemployment benefits, and income taxes effective in 1993. (See Note 3 of Notes to Consolidated Financial Statements.)

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

OVERVIEW

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

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

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

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

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

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

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

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

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

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

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the period reported. Actual results could differ from those estimates. Estimates are used for allowances for uncollectible accounts receivable, inventory obsolescence, product warranties, asset depreciation and amortization, employee benefit plan amounts, income taxes, restructuring charges, and environmental and other contingencies among others. In addition, there are certain risks and uncertainties inherent in operating the business, including the matters discussed below under "-- Results of Operations -- Seasonality" and "-- Legal Proceedings and Environmental Matters." Other areas where estimates and judgments are required are discussed in Notes to Consolidated Financial Statements included elsewhere in this Information Statement.

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

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

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

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

RESTRUCTURING

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

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

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

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

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

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

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

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

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

RESULTS OF OPERATIONS

GENERAL

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

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

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

	NINE MONTHS ENDED SEPTEMBER 30			YEARS ENDED DECEMBER 31				
	1996	1995	1995	1995	1995	1994	1993	1993
		(AS ADJUSTED)	(AS ADJUSTED)	(AS ADJUSTED)			(AS ADJUSTED)	
Sales revenue.....	55.6%	63.0%	63.0%	63.0%	63.0%	65.3%	61.4%	61.4%
Services and rentals revenue...	44.4	37.0	37.0	37.0	37.0	34.7	38.6	38.6
Total revenue.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Sales gross margin.....	30.0%	19.7%	2.6%	20.9%	8.5%	32.4%	37.7%	37.3%
Services and rentals gross margin.....	24.2	23.0	10.6	23.2	13.5	26.5	30.3	27.1
Total gross margin.....	27.4	20.9	5.6	21.8	10.4	30.3	34.8	33.4
Selling, general and administrative expenses.....	21.8	25.1	35.1	24.7	32.2	25.6	28.1	29.4
Research and development expenses.....	5.5	5.7	7.5	5.9	7.2	5.9	7.6	7.9
Operating income (loss).....	0.1%	(9.9)%	(37.0)%	(8.8)%	(29.0)%	(1.2)%	(0.9)%	(3.9)%

SEASONALITY

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

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

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

	FIRST QUARTER -----	SECOND QUARTER -----	THIRD QUARTER (1) -----	FOURTH QUARTER (2)(3) -----	NINE MONTHS ENDED SEPT. 30 -----
	(DOLLARS IN MILLIONS)				
1996					
Total revenues.....	\$ 1,586	\$ 1,679	1,658		\$ 4,923
Gross margin.....	405	464	482		1,351
Operating income (loss).....	(37)	11	29		3
					YEARS ENDED DECEMBER 31 -----
1995					
Total revenues.....	\$ 1,818	\$ 2,042	\$ 2,033	\$2,269	\$ 8,162
Gross margin.....	420	416	(509)	519	846
Operating income (loss).....	(172)	(218)	(1,794)	(187)	(2,371)
1994					
Total revenues.....	\$ 1,527	\$ 2,011	\$ 1,979	\$2,944	\$ 8,461
Gross margin.....	479	610	580	898	2,567
Operating income (loss).....	(84)	(12)	(26)	20	(102)

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

FINANCIAL CONDITION, LIQUIDITY AND CAPITAL RESOURCES

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

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

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

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

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

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

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

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

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

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

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

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

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

The Company has entered into discussions with the Pension Benefit Guaranty Corporation ("PBGC") concerning the possibility of providing additional support for the Company's domestic defined benefit pension plans. While the Company and the PBGC have not finalized their discussions, the Company may provide security interests in certain collateral, among other terms and conditions, in support of such pension plans. The Company does not believe that any contemplated arrangements with respect to such plans would have a material effect on its financial condition, results of operations, or cash flows. For further information with respect to NCR's employee benefit plans, see Note 8 of Notes to Consolidated Financial Statements.

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

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

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

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

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

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

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

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

IMPAIRMENT OF LONG-LIVED ASSETS

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

STOCK-BASED COMPENSATION

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

PRODUCTS AND TECHNOLOGY

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

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

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

LEGAL PROCEEDINGS AND ENVIRONMENTAL MATTERS

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

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

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

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

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

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

FORWARD LOOKING STATEMENTS

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

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS OF NCR

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Director until 1995. Prior to 1992, Mr. Solla was Area Director, ICL Spain, a computer and telecommunications systems company.

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

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

COMMITTEES OF THE NCR BOARD OF DIRECTORS

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

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

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

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

COMPENSATION OF DIRECTORS

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

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

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

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

ANNUAL MEETING

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

STOCK OWNERSHIP OF EXECUTIVE OFFICERS AND DIRECTORS

No present or future executive officer or director currently owns any shares of NCR Common Stock, all of which are currently owned by AT&T. Such executive officers and directors will receive shares of NCR Common Stock in the Distribution in respect of shares of AT&T Common Stock held by them on the Record Date. In addition, with certain exceptions, existing incentive plan awards under NCR and AT&T incentive plans based on AT&T Common Stock will be converted into comparable awards based on NCR Common Stock under the NCR Management Stock Plan (the "NCR Stock Plan") as described below. See "-- NCR Stock Incentive Plans" and "Arrangements Among AT&T, NCR and Lucent -- Employee Benefits Agreement." The following table sets forth the number of shares of AT&T Common Stock beneficially owned on November 1, 1996 by each of NCR's directors, the executive officers named in the Summary Compensation Table below, and all directors and executive officers of NCR as a group. Except as otherwise noted, the individual director or executive officer or his or her family members had sole voting and investment power with respect to such securities.

NAME	BENEFICIALLY OWNED(1)(2)
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Lars Nyberg.....	
Raymond G. Carlin.....	
Robert R. Carpenter(3).....	
Anthony Fano.....	
John L. Giering.....	
Directors and Executive Officers as a Group (16 persons).....	

- (1) No individual director, director nominee or named executive officer beneficially owns 1% or more of the outstanding AT&T Common Stock, nor do the directors and executive officers as a group.
- (2) Includes beneficial ownership of the following number of shares of AT&T Common Stock which may be acquired within 60 days of _____, 1996 pursuant to stock options awarded under employee incentive compensation plans of AT&T. Mr. Nyberg - _____; Mr. Carlin - _____; Mr. Carpenter - _____; Mr. Fano - _____; Mr. Giering - _____; and all other executive officers as a group - _____.
- (3) Does not include share units representing _____ shares of AT&T Common Stock held in elective deferred compensation accounts.

To the knowledge of AT&T and NCR, no person or entity beneficially owns more than 5% of the outstanding AT&T Common Stock. Options to purchase NCR Common Stock and other awards based on NCR Common Stock are expected to be granted in the future to NCR directors, officers and employees under

NCR's benefit plans. See "-- NCR Stock Incentive Plans" and "Arrangements Among AT&T, NCR and Lucent -- Employee Benefits Agreement."

EXECUTIVE COMPENSATION

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

SUMMARY COMPENSATION TABLE

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

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

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

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

(4) (a) During 1995, awards classified as performance share awards were granted to Messrs. Nyberg, Carlin, Carpenter, Fano, and Giering. At the time of such grant, the payout of such awards was tied to achieving specified levels of performance, customer satisfaction, or employee satisfaction. The target amount would have been earned if 100% of each participant's specific objectives was achieved over a three-year period. Awards are distributed as common stock, or as cash equal to the value of these shares, or partly in common stock and partly in cash. At its December 1995 meeting, the Compensation Committee of the AT&T Board recommended and approved that the performance amounts for the 1995-1997 performance cycle be deemed to have been met at the target level. This action was taken in acknowledgment that AT&T's restructuring had rendered the original performance criteria inapplicable and of the difficulty of

establishing revised criteria while the restructuring was in process. As a result of such action, this award will vest in one installment and be payable in the first quarter of 1998 if the participant remains in the employ of NCR for the three full years ending December 31, 1997, with certain exceptions in the case of death, disability, or retirement. Dividend equivalents on such awards are paid in cash. The number of shares of AT&T Common Stock represented by the awards made for the 1995-1997 performance cycle for Messrs. Nyberg, Carlin, Carpenter, Fano, and Giering, respectively, were 10,555, 2,123, 1,798, 2,291, and 3,104. The value of such awards at the date of grant is reflected in the table above.

A similar determination was made by such Compensation Committee with respect to the 1994-1996 cycle for similar awards. Accordingly, such awards will vest in one installment and be payable in the first quarter of 1997 if the participant remains in the employ of NCR through December 31, 1996, subject to the same exceptions described above. The number of shares of AT&T Common Stock represented by the 1994-96 awards for Messrs. Nyberg, Carlin, Carpenter, Fano, and Giering, respectively, were 8,783, 1,364, 1,553, 1,705, and 2,818. The value of such awards at the date of grant is reflected in the table above.

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

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

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

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

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

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

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

OPTION GRANTS IN LAST FISCAL YEAR

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

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

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

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

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

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

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

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

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

EMPLOYMENT AGREEMENTS

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

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

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

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

AT&T and NCR entered into an employment agreement with John L. Giering on September 23, 1991, which provides for Mr. Giering's employment as Senior Vice President, Finance and Administration of NCR, commencing on the date of the agreement and ending on December 31, 1996. Thereafter, Mr. Giering's employment with NCR will be "at will" and upon such terms and conditions as NCR and Mr. Giering may agree. Pursuant to the terms of the employment agreement, Mr. Giering is entitled to receive a lump sum payment of \$2,275,000 plus interest, within 45 business days following December 31, 1996.

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

SAVINGS PLAN

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

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

A participant's contributions to the Savings Plan are always fully vested; matching contributions by NCR vest in one-fifth increments over a five-year period which begins on the first day of the employee's employment and vest no later than the employee's attainment of age 65. Also, in the event of death, disability or termination of employment due to a reduction-in-force, a participant becomes fully vested in all matching contributions made by NCR and is entitled to full distribution of all amounts held for his or her account under the Savings Plan. If a participant's employment is terminated for any other reason, all non-vested NCR matching contributions will be forfeited. Subject to a tax penalty, withdrawals may be made from the Savings Plan during a participant's employment in the case of a "hardship" (as defined in the Savings Plan). A participant may receive a loan from his or her vested account balances of up to the lesser of \$50,000 or 50% of the vested account balances.

RETIREMENT BENEFITS

Employees of NCR are covered by a variety of retirement plans. The NCR Pension Plan (the "Pension Plan") is a qualified, non-contributory defined benefit plan which provides retirement benefits to most employees based in the United States who are not covered by a collective bargaining agreement, including executive officers of NCR, who have completed one year of service and meet certain age requirements. Benefits payable under the Pension Plan are funded solely by contributions made by NCR on an actuarial basis to a trust. Generally, benefits are based on a participant's years of credited service with NCR and its subsidiaries and the participant's Modified Average Pay (as defined in the Pension Plan). For each year of credited service, a participant receives between 1.3% and 1.7% of his or her Modified Average Pay. Benefits payable under the Pension Plan will vest after a participant has completed five years of service with NCR or its subsidiaries. In addition, all benefits vest at age 65. The Pension Plan also provides an additional benefit (the "PensionPlus benefits") equivalent to 1.5% of a participant's Compensation (as defined in the Pension Plan) paid in each month since January 1, 1992 and 2% of Compensation paid in 1991.

NCR also sponsors several qualified, non-contributory defined benefit plans for non-exempt employees at certain manufacturing locations and for certain employees represented by collective bargaining units. Benefits under these plans are generally based upon a specific dollar amount and years of service.

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

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

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

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

any reason thereafter. The change in control provision was triggered when NCR's stockholders approved the merger of NCR with a wholly owned subsidiary of AT&T.

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

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

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

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

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

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

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

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

NCR STOCK INCENTIVE PLANS

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

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

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

The NCR Stock Plan contains a formula for establishing an annual limit on the number of shares of NCR Common Stock that may be awarded (or with respect to which non-stock Awards may be made) in any given year, except that Substitute Awards will not be counted against such limit. Subject to customary anti-dilution adjustments, the total number of shares of NCR Common Stock available for grant under the NCR Stock Plan is % for 1997 and % in each calendar year thereafter of the total outstanding shares of NCR Common Stock as of the first day of such year for which the NCR Stock Plan is in effect; provided that such

number will be increased in any year by the number of shares of NCR Common Stock available for grant under the NCR Stock Plan in previous years but not covered by Awards granted thereunder in such years; provided, further, that, subject to certain conditions, if any shares of NCR Common Stock subject to an Award (including a Substitute Award) are forfeited or if any Award (including a Substitute Award) based on shares of NCR Common Stock is otherwise terminated without issuance of such shares or other consideration in lieu of such shares, the shares of NCR Common Stock subject to such Award will, to the extent of such forfeiture or termination, again be available for Awards; provided, further, that no more than million shares of NCR Common Stock will be cumulatively available for the grant of ISOs. Any shares of NCR Common Stock issued by NCR throughout the assumption or substitution of outstanding grants from an acquired company ("Rollover Awards") will not reduce the number of shares of NCR Common Stock available for grants thereunder. In addition, no one individual may be granted Awards with respect to more than shares of NCR Common Stock in any one year (not including Substitute Awards or Rollover Awards).

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

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

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

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

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

NCR intends to grant nonstatutory stock options, or substitute benefits where deemed necessary by the Administrator in foreign jurisdictions, to substantially all NCR's employees following the Distribution Date for a number of shares of NCR Common Stock with a value as of the Distribution Date of \$3,000, or of \$4,500 if certain performance goals for NCR are met in 1996. Such options will have an exercise price of the market value of the NCR Common Stock on the Distribution Date and will have a five-year term. Subject to certain conditions, participants will be fully vested and able to exercise their options one year after the date of grant. Subject to certain conditions, awards under the WorldShares Plan will vest upon a Change in Control (as defined in the WorldShares Plan).

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

OTHER BENEFIT PLANS

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

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

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

ARRANGEMENTS AMONG AT&T, NCR AND LUCENT

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

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

NCR DISTRIBUTION AGREEMENT

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

CONDITIONS; TERMINATION

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

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

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

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

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

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

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

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

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

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

RELEASES AND INDEMNIFICATION

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

Pursuant to the NCR Distribution Agreement, NCR has agreed to indemnify, defend and hold harmless AT&T and each other AT&T Indemnitee from and against any and all Liabilities of the AT&T Indemnitees relating to, arising out of or resulting from any of the following, in each case whether arising before, on or after the Distribution Date: (i) the failure of NCR or any other member of the NCR Group or any other Person to pay, perform or otherwise promptly discharge any Liabilities of any member of the NCR Group in accordance with their respective terms, whether prior to or after the Distribution Date or the date thereof; (ii) the NCR Business, any Liability of any member of the NCR Group or any NCR Covered Liability; (iii) any Asset (including contracts, agreements, real property and leasehold interests) of any member of the NCR Group at any time (other than Assets transferred to any member of the AT&T Services Group prior to the Distribution Date), and contracts, agreements, letters of credit or other commitments or obligations for which NCR has primary responsibility; (iv) the operation of the NCR Business, as conducted at any time prior to, on or after the Distribution Date (including any Liability relating to, arising out of or resulting from any act or failure to act by any director, officer, employee, agent or representative (whether or not such act or failure to act is or was within such Person's authority)); (v) any guarantee, indemnity, representation, warranty or other Liability of or made by any member of the AT&T Services Group in respect of any Liability or alleged Liability of any member of the NCR Group; (vi) any breach by NCR or any member of the NCR Group of the NCR Distribution Agreement, the Separation and Distribution Agreement, any Ancillary Agreement or any of the NCR Ancillary Agreements; (vii) any Liabilities relating to, arising out of or resulting from the NCR Business (including any NCR Covered Liabilities) for which AT&T has agreed to indemnify and hold harmless the Lucent Indemnitees pursuant to the Separation and Distribution Agreement; (viii) actions taken by any member of the AT&T Group on behalf of any member of the NCR Group pursuant to the Separation and Distribution Agreement or any Ancillary Agreement; (ix) any untrue statement or alleged untrue statement of a material fact or omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, with respect to all information contained in this Information Statement or the Form 10; and (x) any Liability relating to, arising out of or resulting from any actual or threatened Action or other claim alleging that any Liability was improperly allocated to the

NCR Group or that any Asset was improperly withheld from the NCR Group, in each case pursuant to any of the Transaction Agreements.

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

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

NO REPRESENTATIONS OR WARRANTIES

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

QUALIFICATION AS TAX-FREE DISTRIBUTION

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

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

AMENDMENTS; FURTHER ASSURANCES

No provision of the NCR Distribution Agreement or any NCR Ancillary Agreement will be deemed waived, amended, supplemented or modified by any party, unless such waiver, amendment, supplement or modification is in writing and signed by the authorized representative of the party against whom it is sought to enforce such waiver, amendment, supplement or modification.

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

FRACTIONAL SHARES

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

ADDITIONAL CAPITAL CONTRIBUTIONS

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

SEPARATION AND DISTRIBUTION AGREEMENT

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

RELEASES AND INDEMNIFICATION

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

Except as provided in the Separation and Distribution Agreement, Lucent has agreed to indemnify, defend and hold harmless each of AT&T and NCR, each member of the AT&T Group and the NCR Group, and each of their respective directors, officers and employees, from and against all Liabilities relating to, arising out of or resulting from (i) the failure of Lucent or any member of the Lucent Group or any other

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

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

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

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

CONTINGENT LIABILITIES AND CONTINGENT GAINS

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

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

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

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

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

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

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

The Separation and Distribution Agreement provides that Lucent, AT&T and NCR will have the exclusive right to any benefit received with respect to any Contingent Gain that primarily relates to the business of, or that is expressly assigned to, Lucent, AT&T or NCR, respectively (an "Exclusive Contingent Gain"). Each of Lucent, AT&T and NCR will have sole and exclusive authority to manage, control and otherwise determine all matters whatsoever with respect to an Exclusive Contingent Gain that primarily relates to its respective business. The parties have agreed to share any benefit that may be received from any Contingent Gain that is not an Exclusive Contingent Gain (a "Shared Contingent Gain"), with AT&T receiving 75%, Lucent receiving 22% and NCR receiving 3% of any such benefit. The parties have agreed that AT&T will have the sole and exclusive authority to manage, control and otherwise determine all matters whatsoever with respect to any Shared Contingent Gain. Pursuant to the Separation and Distribution Agreement, each of Lucent and NCR acknowledges that AT&T may elect not to pursue any Shared Contingent Gain for any reason whatsoever (including a different assessment of the merits of any Action, claim or right than Lucent or NCR or any business reasons that are in the best interests of AT&T or a member of the AT&T Services Group, without regard to the best interests of any member of Lucent Group or

the NCR Group) and that no member of the AT&T Group will have any liability to any Person (including any member of Lucent Group or the NCR Group) as a result of any such determination.

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

DISPUTE RESOLUTION

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

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

CERTAIN BUSINESS TRANSACTIONS

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

EMPLOYEE BENEFITS AGREEMENT

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

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

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

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

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

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

PURCHASE AGREEMENTS

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

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

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

INTERIM SERVICES AND SYSTEMS REPLICATION AGREEMENT

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

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

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

PATENT LICENSES AND RELATED MATTERS

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

The patent license agreement entered into by Lucent, AT&T and NCR provides for cross-licenses to each company, under each of the other company's patents that are covered by the licenses, to use, lease, sell

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

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

TECHNOLOGY LICENSES AND RELATED MATTERS

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

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

TAX AGREEMENTS

TAX ALLOCATION AGREEMENTS

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

TAX SHARING AGREEMENT

The Tax Sharing Agreement, by and among Lucent, AT&T and NCR (the "Tax Sharing Agreement"), governs contingent tax liabilities and benefits, tax contests and other tax matters with respect to tax returns

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

REAL ESTATE AGREEMENTS

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

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

OTHER AGREEMENTS

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

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

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

DESCRIPTION OF NCR CAPITAL STOCK

AUTHORIZED CAPITAL STOCK

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

COMMON STOCK

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

PREFERRED STOCK

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

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

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

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

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

CERTAIN ANTITAKEOVER EFFECTS

BOARD OF DIRECTORS

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

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

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

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

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

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

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

ADVANCE NOTICE PROCEDURES

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

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

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

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

AMENDMENT

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

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

RIGHTS PLAN

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

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

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

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

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

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

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

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

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

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

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

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

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

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

MARYLAND BUSINESS COMBINATION STATUTE

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

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

GCL BUSINESS COMBINATION VOTE REQUIREMENTS

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

CONTROL SHARE ACQUISITION STATUTE

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

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

LIABILITY OF DIRECTORS AND OFFICERS; INDEMNIFICATION

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

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

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

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

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

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

NCR CORPORATION

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholder of NCR Corporation:

We have audited the consolidated balance sheets of NCR Corporation and subsidiaries (NCR) at December 31, 1995 and 1994 and the related consolidated statements of operations, changes in shareholder's equity, and cash flows for the three years ended December 31, 1995. We have also audited the financial statement schedule of NCR appearing on page S-1 of this Form 10. These financial statements and financial statement schedule are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of NCR at December 31, 1995 and 1994, and the consolidated results of their operations, changes in their shareholder's equity, and their cash flows for the three years ended December 31, 1995, in conformity with generally accepted accounting principles. In addition, in our opinion the financial statement schedule referred to above, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

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

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

NCR CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(DOLLARS IN MILLIONS)

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

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

NCR CORPORATION
 CONSOLIDATED BALANCE SHEETS
 (DOLLARS IN MILLIONS)

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

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

NCR CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(DOLLARS IN MILLIONS)

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

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

NCR CORPORATION

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(DOLLARS IN MILLIONS)

1. COMPANY OPERATIONS AND BASIS OF PRESENTATION

Company Operations

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

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

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

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

Basis of Presentation

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

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

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

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

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

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

Interim Information (Unaudited)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation

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

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and revenue and expenses during the period reported. Actual results could differ from those estimates. Estimates are used when accounting for allowance for uncollectible accounts receivable, inventory obsolescence, product warranty, depreciation and amortization, employee benefit plans, taxes, restructuring charges, and environmental and other contingencies, among others.

Foreign Currency Translation

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

Derivative Financial Instruments

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

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

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

Revenue Recognition

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

Research and Development Expenses

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

Income Taxes

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

Cash and Cash Equivalents

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

Inventories

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

Property, Plant and Equipment and Service Parts

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

3. CHANGES IN ACCOUNTING PRINCIPLES

Postretirement Benefits Other Than Pensions

NCR adopted Statement of Financial Accounting Standards (SFAS) No. 106, "Employers' Accounting for Postretirement Benefits Other Than Pensions," effective January 1, 1993. This standard requires accrual of estimated future retiree benefits other than pensions during the years employees are working and accumulating these benefits. Previously, health care benefits were expensed as claims were incurred and life insurance

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

benefits were expensed as plans were funded. NCR recorded a one-time pre-tax charge for the estimated liability of \$351 (\$220 after taxes) at the beginning of 1993. This change in accounting did not affect cash flows.

Postemployment Benefits

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

Income Taxes

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

Impairment of Long-Lived Assets

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

Stock-Based Compensation

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

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

4. SUPPLEMENTARY BALANCE SHEET INFORMATION

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

5. BUSINESS RESTRUCTURINGS

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

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

The pre-tax total of \$1,649 for 1995 was recorded as \$636 cost of sales, \$294 cost of services, \$616 selling, general and administrative expenses, and \$103 research and development expenses. The charges include \$676 for employee separations and related charges; \$549 for asset write-downs; \$147 for closing, selling and consolidating facilities; \$227 for contract settlements and related charges; and \$50 for other items.

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

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

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

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

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

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

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

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

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

6. INCOME TAXES

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

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

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

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

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

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

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

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

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

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

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

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

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

7. DEBT OBLIGATIONS

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

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

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

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

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

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

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

8. EMPLOYEE BENEFIT PLANS

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

PLANS WITH ASSETS IN EXCESS OF THE
ACCUMULATED BENEFIT OBLIGATION

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

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

PLANS WITH ASSETS LESS THAN THE
ACCUMULATED BENEFIT OBLIGATION

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

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

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

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

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

SAVINGS PLANS

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

9. POSTRETIREMENT BENEFITS

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

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

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

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

The postretirement benefit cost included the following components;

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

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

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

10. SEGMENT INFORMATION

Industry Segment

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

Concentrations

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

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

Geographic Segments

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

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

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

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

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

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

11. FINANCIAL INSTRUMENTS

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

Concentration of Credit Risk

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

Letters of Credit

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

Foreign Currency Exchange Contracts

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

Fair Value of Financial Instruments Including Derivative Financial Instruments

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

13. CONTINGENCIES

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

Legal Proceedings

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

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

Environmental Matters

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

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

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

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

14. LEASES

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

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

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

15. SUBSEQUENT EVENTS (UNAUDITED)

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

Separation and Distribution Agreement

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

NCR Distribution Agreement

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

Federal, State and Local Tax Allocation Agreements

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

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

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

Tax Sharing Agreement

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

Purchase Agreements

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

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

Interim Services and Systems Replication Agreement; Real Estate Sharing

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

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

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

Technology Access and Development Project Agreement

Pursuant to the Technology Access and Development Project Agreement dated as of February 1, 1996 between Lucent and NCR, NCR will have access to the results of certain Bell Labs research and development activities, and Bell Labs will perform specific research and development projects on a contract basis for NCR. NCR will pay a periodic retainer fee for such access and an additional fee for each research and development project. Such agreement will terminate on December 31, 1999, but is subject to renewal by mutual consent.

Patent Licenses and Related Agreements

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

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

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

Technology Licenses and Related Agreements

NCR, Lucent and AT&T have executed and delivered assignments and other agreements, including the Technology License Agreement, related to technology previously owned or controlled by AT&T and its subsidiaries, including copyrights, mask works and other intellectual property other than trademarks, trade names, trade dress, service marks and patent rights. The technology assignments divide ownership of technology among NCR, Lucent and AT&T, with NCR owning technology that was developed by or for, or

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

purchased by, NCR. The Technology License Agreement provides for royalty-free cross-licenses to each company to use certain of the other companies' technology.

AT&T Capital Corporation Agreement

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

Stock Based Plans

Prior to the Distribution, eligible employees of NCR and its subsidiaries participated in the AT&T equity-based plans, under which they received stock options and other equity-based awards. On the Distribution Date, with certain exceptions, such awards are expected to be converted into comparable awards based on NCR Common Stock (the "Substitute Awards") under NCR equity-based plans as summarized below. In addition, as of the Distribution, NCR intends to adopt the NCR Management Stock Plan (the "NCR Stock Plan").

The NCR Stock Plan will provide for the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock awards, performance awards, other stock unit awards and other rights, interests or options relating to shares of NCR Common Stock or other securities of NCR. The total number of shares of NCR Common Stock available for grant under the NCR Stock Plan is expected to be % of the outstanding shares of NCR Common Stock in the 1997 calendar year and % of the outstanding shares of NCR Common Stock in each calendar year thereafter, with certain exceptions and subject to certain adjustments. Shares issuable pursuant to Substitute Awards are not included in the foregoing limits.

NCR also intends to adopt the NCR WorldShares Plan ("WorldShares Plan") effective as of the Distribution Date. The WorldShares Plan provides for the grant of nonstatutory stock options to substantially all NCR's employees in the United States and abroad. The number of shares of NCR Common Stock available for grant under the WorldShares Plan is expected to be approximately % of the outstanding shares of NCR Common Stock. NCR intends to grant each participant an option to purchase a number of shares of NCR Common Stock with a value as of the Distribution Date of three thousand dollars or of four thousand five hundred dollars if certain performance goals for NCR are met in 1996. Such options will have an exercise price of the market value of the NCR Common Stock on the Distribution Date and will have a five year expiration period. Subject to certain conditions, participants will be fully vested and able to exercise their options one year after the date of grant.

Employee Benefits Agreement

AT&T and NCR expect to enter into an Employee Benefits Agreement (the "Employee Benefits Agreement") pursuant to which NCR will assume or retain, and to indemnify AT&T against, with certain exceptions, all liabilities to or relating to past, current and future NCR employees and benefit plans. The Employee Benefits Agreement also provides that NCR will use its reasonable best efforts to take all actions

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

necessary or appropriate so that, with certain exceptions, each outstanding Award granted under any AT&T Long Term Incentive Plan held by any NCR employee will be replaced with an Award based on NCR Common Stock otherwise containing the same terms. Pursuant to the Employee Benefits Agreement, each Award consisting of an AT&T Option that is outstanding and held by an NCR employee as the close of the Distribution Date will be replaced, effective immediately after the Distribution Date, with an NCR option. Such NCR option will provide for the purchase of a number of shares of NCR Common Stock equal to the number of shares of AT&T Common Stock subject to such AT&T Option as of the close of the Distribution Date, multiplied by the Ratio (as defined below), and then rounded down to the nearest whole share. The per-share exercise price of such NCR option will equal the per-share exercise price of such AT&T Option as of the close of the Distribution Date divided by the Ratio.

Each Award consisting of AT&T performance shares or AT&T stock units that is outstanding and held by an NCR employee as of the close of the Distribution Date will be replaced, effective immediately after the Distribution Date, with a new performance share award or a new stock unit award, as the case may be, consisting of a number of NCR performance shares or NCR stock units, as the case may be, equal to the number of AT&T performance shares or AT&T stock units, as the case may be, constituting such Award as of the close of the Distribution Date, multiplied by the Ratio, and then rounded down to the nearest whole share.

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

If, at any time after the close of the Distribution Date, AT&T is required to deliver shares of AT&T Common Stock, or shares of AT&T Common Stock vest, pursuant to an Award that NCR does not replace as summarized above NCR will be required to pay AT&T specified amounts determined pursuant to the Employee Benefits Agreement. For purposes of the replacements described above, the "Ratio" means the amount obtained by dividing (a) the average of the daily high and low per-share prices of the AT&T Common Stock during each of the five trading days immediately preceding the Distribution Date by (b) the average of the daily high and low per-share prices of the NCR Common Stock on a when-issued basis during each of the five trading days immediately preceding the

Distribution Date.

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

16. QUARTERLY INFORMATION (UNAUDITED)

	FIRST -----	SECOND -----	THIRD -----	FOURTH -----	TOTAL -----
1995					
Total revenues.....	\$1,818	\$2,042	\$ 2,033	\$2,269	\$ 8,162
Gross margin.....	420	416	(509)	519	846
Net income (loss).....	(146)	(243)	(1,585)	(306)	(2,280)
1994					
Total revenues.....	\$1,527	\$2,011	\$ 1,979	\$2,944	\$ 8,461
Gross margin.....	479	610	580	898	2,567
Net income (loss).....	(94)	(77)	(41)	9	(203)

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- (1) First quarter of 1995 includes a pre-tax gain on the sale of the Microelectronics components business of \$51
 - (2) Third quarter of 1995 includes a pre-tax charge of \$1,597 to cover restructuring and other costs (See Note 5 of Notes to Consolidated Financial Statements)
 - (3) Fourth quarter of 1995 includes a pre-tax charge of \$52 to cover restructuring and other costs (See Note 5 of Notes to Consolidated Financial Statements)
 - (4) Fourth quarter of 1994 includes revenue of \$223 for an additional month of international sales, resulting from the change to conform international and domestic reporting periods
 - (5) Fourth quarter of 1994 includes a pre-tax gain of \$110 for gain on sale of assets

EXHIBIT NO.	DESCRIPTION
2	Form of Distribution Agreement, dated as of _____, 1996, by and between AT&T Corp. and NCR Corporation**
3.1	Form of Amended and Restated Charter of NCR Corporation**
3.2	Form of Bylaws of NCR Corporation
4.1	Form of Common Stock Certificate of NCR Corporation
4.2	Form of Preferred Share Purchase Rights Plan of NCR Corporation**
10.1	Separation and Distribution Agreement, dated as of February 1, 1996 and amended and restated as of March 29, 1996 (incorporated by reference to Exhibit 10.1 to the Lucent Technologies Inc. Registration Statement on Form S-1 (No. 333-00703) dated April 3, 1996 (the "Lucent Registration Statement"))
10.2	Form of Employee Benefits Agreement, dated as of _____, 1996, by and between AT&T Corp. and NCR Corporation*
10.3	Form of Volume Purchase Agreement, dated as of _____, 1996, by and between AT&T Corp. and NCR Corporation*
10.4	Patent License Agreement, effective as of March 29, 1996, by and among AT&T Corp., NCR Corporation and Lucent Technologies Inc. (incorporated by reference to Exhibit 10.7 to the Lucent Registration Statement)
10.5	Amended and Restated Technology License Agreement, effective as of March 29, 1996, by and among AT&T Corp., NCR Corporation and Lucent Technologies Inc. (incorporated by reference to Exhibit 10.8 to the Lucent Registration Statement)
10.6	Tax Sharing Agreement, dated as of February 1, and amended and restated as of March 29, 1996, by and among AT&T Corp., NCR Corporation and Lucent Technologies Inc. (incorporated by reference to Exhibit 10.6 to the Lucent Registration Statement)
10.7	Interim Service and Systems Replication Agreement by and among AT&T Corp., Lucent Technologies Inc. and NCR Corporation, dated as of February 1, 1996 (incorporated by reference to Exhibit 10.4 to the Lucent Registration Statement)
10.8	Form of NCR Management Stock Plan
10.9	Form of NCR WorldShares Plan*
10.10	NCR Senior Executive Retirement, Death & Disability Plan
10.11	The Retirement Plan for Officers of NCR
10.12	Employment Agreements with Lars Nyberg
10.13	Employment Agreement with John L. Giering
10.14	Employment Agreement with Robert R. Carpenter
21	Subsidiaries of NCR Corporation
27	Financial Data Schedule

- - - - -
* To be filed by amendment.

** Previously filed.

SIGNATURE

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized.

NCR CORPORATION

By /s/ Lars Nyberg

Name: Lars Nyberg
Title: Chairman of the Board,
Chief Executive Officer
and President

October 30, 1996

NCR CORPORATION

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS
(DOLLARS IN MILLIONS)

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	ADDITIONS		DEDUCTIONS	BALANCE AT END OF PERIOD
		CHARGED TO COSTS & EXPENSES	CHARGED TO OTHER ACCOUNTS		
Year Ended December 31, 1995					
Allowance for doubtful accounts...	\$ 65	\$ 61	\$ --	\$ 58	\$ 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...	\$ 43	\$ 38	\$ --	\$ 16	\$ 65
Deferred tax asset valuation allowance.....	449	--	--	44	405
Inventory valuation reserves.....	54	59	--	49	64
Reserves related to business restructuring.....	196	--	--	125	71
Year Ended December 31, 1993					
Allowance for doubtful accounts...	\$ 39	\$ 27	\$ --	\$ 23	\$ 43
Deferred tax asset valuation allowance.....	304	145	--	--	449
Inventory valuation reserves.....	37	54	--	37	54
Reserves related to business restructuring.....	99	219	--	122	196

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

EXHIBIT INDEX

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* To be filed by amendment.

** Previously filed.

FORM OF
NCR CORPORATION

BYLAWS

AS AMENDED AND RESTATED ON _____, 1996

ARTICLE I.

STOCKHOLDERS

Section 1. The Corporation shall hold annually a regular meeting of its stockholders for the election of the Board of Directors and for the transaction of general business at such place within the United States as the Board of Directors shall determine and shall cause to be stated in the notice of such meeting, on any business day during the 31-day period beginning on the third Wednesday of April of each year. Such annual meetings shall be general meetings, that is to say, open for the transaction of any business within the powers of the Corporation without special notice unless otherwise required by statute, by the Charter (which term, as used in these Bylaws, shall include all amendments to the Charter and all Articles Supplementary) or by these Bylaws. Failure to hold an annual meeting at the designated time shall not, however, invalidate the corporate existence or affect otherwise valid corporate acts.

Section 2. At any time in the interval between annual meetings, special meetings of the stockholders may be called as provided in any Articles Supplementary, by the President, by the Board of Directors or by the holders of a majority of the then outstanding shares of common stock of the Corporation. All such meetings shall be held within the United States.

Section 3. Written or printed notice of every annual or special meeting of the stockholders shall be given to each stockholder entitled to vote at such meeting, by leaving the same with him or at his residence or usual place of business, or by mailing it, postage prepaid, and addressed to him at his address, as it appears upon the books of the corporation, at least ten days and not more than ninety days before such meeting. Notice of every special meeting shall state the place, day and hour of such meeting and the business proposed to be transacted thereat; and no business shall be transacted at such meeting except that specifically named in the notice. Failure to give notice of any annual meeting, or any irregularity in such notice, shall not affect the validity of any annual meeting if held at time and place fixed by Section 1 of this Article I, or the validity of any proceedings at any such meeting (other than proceedings of which special notice is required by statute, by the Charter or by the Bylaws). No notice of an adjourned meeting of stockholders need be given.

Section 4. The Chairman of any special or annual meeting of stockholders may adjourn or postpone the meeting from time to time, whether or not a quorum is present. No notice of the time and place of adjourned meetings need be given except as required by law. The stockholders present at a duly called meeting at which a quorum is present may continue to transact business until adjournment or postponement, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. At any such adjourned or postponed meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the meeting as originally notified.

Section 5. Any stockholder entitled to vote at any meeting of stockholders may vote either in person or by proxy, but no proxy which is dated more than eleven months before the meeting at which it is offered shall be accepted, unless such proxy shall, on its face, name a longer or shorter period for which it is to remain in force. Every proxy shall be in writing, subscribed by the stockholder or his duly authorized attorney, and dated, but need not be sealed, witnessed or acknowledged.

Section 6. At any meeting of the stockholders, the polls shall be opened and closed, the proxies and ballots shall be received, and all questions touching the qualification of voters and the validity of proxies and the acceptance or rejection of votes, shall be decided by the Chairman of the Meeting.

Section 7. At each meeting of the stockholders, a full, true and complete list in alphabetical order, or in alphabetical order by classes or series of stock, of all stockholders entitled to vote at such meeting, indicating the number and classes or series of shares held by each, shall be furnished by the Secretary.

Section 8. (a) Annual Meetings of Stockholders. (1) Nominations of persons for election to the Board of Directors of the Corporation and the proposal of business to be considered by the stockholders may be made at an annual meeting of stockholders (a) pursuant to the Corporation's notice of meeting pursuant to these Bylaws, (b) by or at the direction of the Board of Directors, or (c) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in this Bylaw, who is entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw.

(2) For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of paragraph (a)(1) of this Bylaw, the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation and such other business must otherwise be a proper matter for stockholder action. To be timely, a stockholder's notice shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 90th calendar day nor earlier than the close of business on the 120th calendar day prior to the first anniversary of the preceding year's annual meeting; provided, however, that in the event that the date of the annual meeting is more than 30 calendar days before or more than 60 calendar days after such anniversary date, notice by the stockholder to be timely must be so delivered not earlier than the close of business on the 120th calendar day prior to such annual meeting and not later than the close of business on the later of the 90th calendar day prior to such annual meeting or the 10th calendar day following the calendar day on which public announcement of the date of such meeting is first made by the Corporation. For purposes of determining whether a stockholder's notice shall have been delivered in a timely manner for the annual meeting of stockholders in 1997, the first anniversary of the previous year's meeting shall be deemed to be April 16, 1997. In no event shall the public announcement of an adjournment of an annual meeting commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors in an election contest, or is otherwise required, in each case pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "Exchange Act") and Rule 14a-11 thereunder (including such person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected); (b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, the reasons for conducting such business at the meeting and any material interest in such business of

such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; and (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner and (ii) the class and number of shares of the Corporation which are owned beneficially and of record by such stockholder and such beneficial owner.

(3) Notwithstanding anything in the second sentence of paragraph (a)(2) of this Bylaw to the contrary, in the event that the number of directors to be elected to the Board of Directors of the Corporation is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least 100 calendar days prior to the first anniversary of the preceding year's annual meeting, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th calendar day following the day on which such public announcement is first made by the Corporation.

(b) Special Meetings of Stockholders. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to Section 2 of Article I of these Bylaws. Nominations of persons for election to the Board of Directors may be made at a special meeting of stockholders at which directors are to be elected pursuant to the Corporation's notice of meeting (a) by or at the direction of the Board of Directors, (b) provided that the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice provided for in this Bylaw, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in this Bylaw. In the event the Corporation calls a special meeting of stockholders for the purpose of electing one or more directors to the Board of Directors, any stockholder may nominate a person or persons (as the case may be), for election to such position(s) as specified in the Corporation's notice of meeting pursuant to such clause (b), if the stockholder's notice required by paragraph (a)(2) of this Bylaw shall be delivered to the Secretary at the principal executive offices of the Corporation not earlier than the close of business on the 120th calendar day prior to such special meeting and not later than the close of business on the later of the 90th calendar day prior to such special meeting or the 10th calendar day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting. In no event shall the public announcement of an adjournment of a special meeting commence a new time period for the giving of a stockholder's notice as described above.

(c) General.

(1) Only such persons who are nominated in accordance with the procedures set forth in this Bylaw shall be eligible to serve as directors and only such business shall be conducted at a meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this Bylaw. Except as otherwise provided by law, the Charter or these Bylaws, the Chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in this Bylaw and, if any proposed nomination or business is not in compliance with this Bylaw, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this Bylaw, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national

news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Bylaw, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth in this Bylaw. Nothing in this Bylaw shall be deemed to affect any rights (i) of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of Preferred Stock to elect directors under an applicable Articles Supplementary (as defined in the Corporation's Charter).

Section 9. No matter shall be considered at any meeting of the stockholders except upon a motion duly made and seconded. Any motion or second of a motion shall be made only by a natural person present at the meeting who either is a stockholder of the Company or is acting on behalf of a stockholder of the Company, provided, that if the person is acting on behalf of a stockholder, he or she must present a written statement executed by the stockholder or the duly authorized attorney of the stockholder on whose behalf he or she purports to act.

Section 10. At each meeting of the stockholders, the order of business and the procedures to be followed in conducting such business shall be determined by the presiding officer at the meeting in accordance with the law, the Charter and these Bylaws. The presiding officer at each meeting shall be appointed by the Board of Directors prior to the meeting.

Section 11. The acquisition of shares of common stock of the Company by any existing or future shareholders or their affiliates or associates shall be exempt from all of the provisions of Subtitle 7 (entitled "Voting Rights of Certain Control Shares") of title 3 of the Maryland General Corporation Law, as amended.

ARTICLE II.

BOARD OF DIRECTORS

Section 1. Subject to the restrictions contained in the Charter and these Bylaws, the general management and control of the business and property of the Corporation shall be vested in its Board of Directors, which may exercise all the powers of the Corporation except such as by statute, by the Charter, or by these Bylaws, are conferred upon or reserved to the stockholders. The Board of Directors shall have the power to fix the compensation of its members and shall provide for the payment of the expenses of Directors in attending meetings of the Board of Directors and of any committee of the Board of Directors.

Section 2. Subject to removal, death, resignation or retirement of a director, a director shall hold office until the annual meeting of the stockholders for the year in which such director's term expires and until a successor shall be elected and qualified, except as provided in Section 7.1(d) of the Charter.

Section 3. (a) From time to time, the number of Directors may be increased to not more than 20, or decreased to not less than 3, upon resolution approved by a

majority of the total number of directors which the Corporation would have if there were no vacancies (the "Whole Board"). The directors, other than those who may be elected in accordance with the terms of any Articles Supplementary, shall be divided into three classes. Each such class shall consist, as nearly as may be possible, of one-third of the total number of directors, and any remaining directors shall be included with such group or groups as the Board of Directors shall designate. At the annual meeting of the stockholders of the Corporation for 1996, a class of directors shall be elected for a one-year term, a class of directors shall be elected for a two-year term, and a class of directors shall be elected for a three-year term. At each succeeding annual meeting of stockholders, beginning with 1997, successors to the class of directors whose term expires at that annual meeting shall be elected for a three-year term. If the number of directors is changed, any increase or decrease shall be apportioned among the classes so as to maintain the number of directors in each class as nearly equal as possible, but in no case shall a decrease in the number of directors shorten the term of any incumbent director.

(b) Except as provided by law with respect to directors elected by stockholders of a class or series, any director or the entire Board of Directors may be removed for cause by the affirmative vote of the holders of not less than 80% of the voting power of all Voting Stock (as defined in the Charter) then outstanding, voting together as a single class. Subject to such removal, or the death, resignation or retirement of a director, a director shall hold office until the annual meeting of the stockholders for the year in which such director's term expires and until a successor shall be elected and qualified, except as provided in Section 7.1(d) of the Charter.

(c) Except as provided by law with respect to directors elected by stockholders of a class or series, a vacancy on the Board of Directors which results from the removal of a director may be filled by the affirmative vote of the holders of not less than 80% of the voting power of the then outstanding Voting Stock, voting together as a single class, and a vacancy which results from any such removal or from any other cause may be filled by a majority of the remaining directors, whether or not sufficient to constitute a quorum. Any director so elected by the Board of Directors shall hold office until the next annual meeting of stockholders and until his successor is elected and qualified and any director so elected by the stockholders shall hold office for the remainder of the term of the removed director. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

Section 4. The Board of Directors shall meet for the election of officers and for the transaction of any other business as soon as practicable after the annual meeting of stockholders. Other regular meetings of the Board of Directors shall be held at such times and from time to time as may be fixed by the Board of Directors, and on not less than 48 hours' notice, given in such manner as the Board of Directors may determine. Special meetings of the Board of Directors shall be held at such times and from time to time pursuant to call of the Chairman of the Board or of the President, if the President is also a Director, with notice thereof given in writing or by telephonic or other means of communication in such manner as the Chairman of the Board or the President, as the case may be, may determine.

Section 5. Regular and special meetings of the Board of Directors may be held at such place or places within or without the State of Maryland as the Board of Directors may from time to time determine.

Section 6. A majority of the Board of Directors shall constitute a quorum for the transaction of business, but if, at any meeting of the Board of Directors, there shall be less than a quorum present, the Directors present at the meeting, without further notice,

may adjourn the same from time to time, not exceeding ten days at any one time, until a quorum shall attend. Except as required by statute, or as provided in the Charter or these Bylaws, a majority of the Directors present at any meeting at which a quorum is present shall decide any questions that may come before the meeting.

ARTICLE III.

COMMITTEES OF THE BOARD OF DIRECTORS

EXECUTIVE COMMITTEE

Section 1. The Board of Directors may elect an Executive Committee consisting of three or more Directors. If such a Committee is established, the Board of Directors shall appoint one of the members of the Executive Committee to the office of Chairman of the Executive Committee. The Chairman and other members of the Executive Committee shall hold office until the election of the Board of Directors next succeeding their respective elections or until removed by the Board of Directors or until they shall cease to be Directors. Vacancies in the Executive Committee or in the office of Chairman of the Executive Committee shall be filled by the Board of Directors.

Section 2. If such a Committee is established, all the powers of the Board of Directors in the management of the business and affairs of the Corporation, except as otherwise provided by the Maryland General Corporation Law, the Charter and the Bylaws, shall vest in the Executive Committee, when the Board of Directors is not in session.

AUDIT AND FINANCE COMMITTEE

Section 3. The Board of Directors may elect an Audit and Finance committee consisting of three or more Directors. The Board of Directors shall appoint one of the members of the Audit and Finance Committee to the office of Chairman of the Audit and Finance Committee. The Chairman and other members of the Audit and Finance Committee shall hold office until the election of the Board of Directors next succeeding their respective elections or until removed by the Board of Directors or until they shall cease to be Directors. Vacancies in the Audit Committee or in the office of Chairman of the Audit and Finance Committee shall be filled by the Board of Directors.

COMPENSATION COMMITTEE

Section 4. The Board of Directors may elect a Compensation Committee consisting of three or more Directors. The Board of Directors shall appoint one of the members of the Compensation Committee to the office of Chairman of the Compensation Committee. The Chairman and other members of the Compensation Committee shall hold office until the election of the Board of Directors next succeeding their respective elections or until removed by the Board of Directors or until they shall cease to be Directors. Vacancies in the Compensation Committee or in the office of Chairman of the Compensation Committee shall be filled by the Board of Directors.

COMMITTEE ON DIRECTORS

Section 5. The Board of Directors may elect a Committee on Directors consisting of three or more Directors. The Board of Directors shall appoint one of the members of the Committee on Directors to the office of Chairman of the Committee on

Directors. The Chairman and other members of the Committee on Directors shall hold office until the election of the Board of Directors next succeeding their respective elections or until removed by the Board of Directors or until they shall cease to be Directors. Vacancies in the Committee on Directors or in the office of Chairman of the Committee on Directors shall be filled by the Board of Directors.

OTHER COMMITTEES

Section 6. The Board of Directors may, by resolution adopted by a majority of the entire Board, designate one or more additional committees, each of which shall consist of three or more Directors of the Corporation, and if it elects such a committee, shall appoint one of the members of the committee to be Chairman thereof.

MEETINGS OF COMMITTEES

Section 7. The Executive Committee and each other committee shall meet from time to time on call of its Chairman or on call of any one or more of its members or the Chairman of the Board for the transaction of any business.

Section 8. At any meeting, however called, of the Executive Committee and each other committee, a majority of its members shall constitute a quorum for the transaction of business. A majority of such quorum shall decide any matter that may come before the meeting.

Section 9. The Executive Committee and each other committee shall keep minutes of its proceedings.

ARTICLE IV.

OFFICERS

Section 1. The Board of Directors shall appoint one of their number as Chairman of the Board and may appoint one of their number as Honorary Chairman of the Board. In addition, the Board of Directors may appoint one of their number as Acting Chairman of the Board. All of the duties and powers of the Chairman of the Board shall be vested in the Acting Chairman of the Board in the event of the absence of the Chairman or in the event that the Chairman ceases, for any reason, to be a member of the Board and the Board has not yet elected a successor. The Board of Directors shall appoint a President who may also be a Director, and a Treasurer and a Secretary, neither of whom need to be a Director. The Board of Directors may also appoint one or more Senior Vice Presidents, Vice Presidents, Assistant Secretaries and Assistant Treasurers, who need not be Directors, and such other officers and agents with such powers and duties as the Board of Directors may prescribe. All said officers shall hold office until the first meeting of the Board of Directors following the annual meeting of the stockholders, and until their successors are appointed and qualify. Any two of said offices, except those of President and Senior Vice President or Vice President, may at the discretion of the Board of Directors, be held by the same person. The Chairman or the President may appoint, fix the compensation of and remove one or more Assistant Vice Presidents and Assistant Controllers with such powers and duties as may be prescribed from time to time.

Section 2. Subject to any supervisory duties that may be given to the Chairman of the Board by the Board of Directors, the President shall have direct supervision and authority over the affairs of the Corporation. If the President is also a

Director, and in the absence of the Chairman of the Board, the President shall preside at all meetings of the Board of Directors at which he shall be present. He shall make a report of the operation of the Corporation for the preceding fiscal year to the stockholders at their annual meeting and shall perform such other duties as are incident to his office, or as from time to time may be assigned to him by the Board of Directors or the Executive Committee, or by the Bylaws.

Section 3. The Chairman of the Board shall preside at all meetings of the Board of Directors at which he shall be present and shall have such other powers and duties as from time to time may be assigned to him by the Board of Directors or the Executive Committee or by the Bylaws.

Section 4. The Chairman of the Executive Committee shall preside at all meetings of the Executive Committee at which he shall be present and, in the absence of the Chairman of the Board and the President, if the President is also a Director, shall preside at all meetings of the Board of Directors at which he shall be present.

Section 5. Except as otherwise provided in the Bylaws, the Senior Vice Presidents shall perform the duties and exercise all the functions of the President in his absence or during his inability to act. The Senior Vice Presidents and Vice Presidents shall have such other powers, and perform such other duties, as may be assigned to him or them by the Board of Directors, the Executive Committee, the Chairman of the Executive Committee, the President, or the Bylaws.

Section 6. The Secretary shall issue notices for all meetings, shall keep the minutes of all meetings, shall have charge of the records of the Corporation, and shall make such reports and perform such other duties as are incident to his office or are properly required of him by the Board of Directors, the Chairman of the Board, the Executive Committee, the Chairman of the Executive Committee or the President, or the Bylaws.

Section 7. The Treasurer shall have charge of all monies and securities of the Corporation and shall cause regular books of account to be kept. The Treasurer shall perform all duties incident to his office or that are required by him by the Board of Directors, the Chairman of the Board, the Executive Committee, the Chairman of the Executive Committee, the President or the Bylaws, and may be required to give bond for the faithful performance of his duties in such sum and with such surety as may be required by the Board of Directors or the Executive Committee.

ARTICLE V.

ANNUAL STATEMENT OF AFFAIRS AND FISCAL YEAR

Section 1. There shall be prepared annually a full and correct statement of the affairs of the Corporation, to include a balance sheet and a financial statement of the operations for the preceding fiscal year. The statement of affairs shall be submitted at the annual meeting of the stockholders and not more than twenty (20) days after the meeting, placed on file at the Corporation's principal office. Such statement shall be prepared or caused to be prepared by such executive officer of the Corporation as may be designated by the Board of Directors. If no other executive officer is so designated, it shall be the duty of the President to prepare or cause to be prepared such statement.

Section 2. The fiscal year of the Corporation shall end on the thirty-first day of December in each year, or on such other day as may be fixed from time to time by the Board of Directors.

ARTICLE VI.

SEAL

The Board of Directors shall provide (with one or more duplicates) a suitable seal, containing the name of the Corporation, which shall be in the charge of the Secretary or Assistant Secretaries.

ARTICLE VII.

STOCK

Section 1. Certificates of stock shall be issued in such form as may be approved by the Board of Directors and shall be signed by the President, the Chairman of the Board, a Senior Vice President or a Vice President, and also by one of the following: the Treasurer, an Assistant Treasurer, the Secretary or an Assistant Secretary; and shall be sealed with the seal of the Corporation.

Section 2. The Board of Directors shall have power and authority to make all such rules and regulations as it may deem expedient concerning the issue and registration of certificates of stock, provided, however, that it shall conform to all requirements of any stock exchange upon which any class of its stock is listed.

Section 3. The Board of Directors at any time by resolution may direct that the stock transfer books be closed for a period not exceeding twenty days immediately preceding any annual or special meeting of the stockholders, or the payment of any dividend or any allotment of rights. In lieu of providing for the closing of the books against transfers of stock as aforesaid the Board of Directors may fix a date, not less than ten days nor more than ninety days preceding the date of any meeting of stockholders, and not more than ninety days preceding any dividend payment date or the date of any allotment of rights, as a record date for the determination of the stockholders entitled to notice of and to vote at such meeting, or entitled to receive such dividends or rights, as the case may be.

Section 4. In case any certificate of stock is lost, stolen, mutilated or destroyed, the Board of Directors shall authorize the issue of a new certificate in place thereof upon such terms and conditions as it may deem advisable.

ARTICLE VIII.

EXECUTION OF INSTRUMENTS

All checks, drafts, bills of exchange, acceptances, debentures, bonds, coupons, notes or other obligations or evidences of indebtedness of the corporation and also all deeds, mortgages, indentures, bills of sale, assignments, conveyances or other instruments of transfer, contracts agreements, licenses, endorsements, stock powers,

dividend orders, powers of attorney proxies, waivers, contents returns, reports, applications, appearances, complaints, declarations, petitions, stipulations, answers, denials, certificates, demands, notices or documents, instruments or writings of any nature shall be signed, executed, verified, acknowledged and delivered by such officers, agents or employees of the Corporation, or any one of them, and in such manner, as from time may be determined by the Board of Directors or by the Executive Committee, except as provided by statute, by the Charter or by the Bylaws.

ARTICLE IX.

WAIVER OF NOTICE OF MEETINGS

Section 1. Notice of the time, place and/or purposes of any meeting of stockholders shall not be required to be given to any stockholder who shall attend such meeting in person or by proxy; if any stockholder shall, in writing filed with the records of the meeting either before or after the holding thereof, waive notice of any stockholders meeting, notice thereof need not be given to him.

Section 2. Notice of any meeting of the Board of Directors need not be given to any Director if he shall, in writing filed with the records of the meeting either before or after the holding thereof, waive such notice; and any meeting of the Board of Directors shall be a legal meeting without notice thereof having been given, if all the Directors shall be present thereat.

ARTICLE X.

AMENDMENT TO BYLAWS

Section 1. The Bylaws may be altered or repealed and new Bylaws may be adopted (1) at any annual or special meeting of stockholders by the affirmative vote of the holders of a majority of the voting power of the stock issued and outstanding and entitled to vote thereat, provided, however, that to the extent set forth in the Charter any proposed alteration or repeal of, or the adoption of, any Bylaw shall require the affirmative vote of the holders of at least 80% of the voting power of all Voting Stock then outstanding, voting together as a single class, and provided, further, however, that, in the case of any such stockholder action at a special meeting of stockholders, notice of the proposed alteration, repeal or adoption of the new Bylaw or Bylaws must be contained in the notice of such special meeting, or (2) by the affirmative vote of a majority of the Whole Board.

ARTICLE XI.

INDEMNIFICATION

Section 1. The provisions of Section 2-418 of the Maryland General Corporation Law, as in effect from time to time, and any successor thereto, are hereby incorporated by reference in these Bylaws.

Section 2. Subject to the provisions of Section 4 of this Article XI, the Corporation (a) shall indemnify its directors and officers, whether serving the Corporation or at its request any other entity, to the full extent required or permitted by the General

Laws of the State of Maryland now or hereafter in force, including the advance of expenses under the procedures set forth in Section 3 hereof and to the full extent permitted by law and (b) may indemnify other employees and agents to such extent, if any, as shall be authorized by the Board of Directors and be permitted by law, and may advance expenses to employees and agents under the procedures set forth in Section 5 hereof. For purposes of this Article XI, the "advance of expenses" shall include the providing by the Corporation to a director, officer, employee or agent who has been named a party to a proceeding, of legal representation by, or at the expense of, the Corporation.

Section 3. Any indemnification of an officer or director or advance of expenses to an officer or director in advance of the final disposition of any proceeding, shall be made promptly, and in any event within sixty (60) days, upon the written request of the director or officer entitled to request indemnification. A request for advance of expenses shall contain the affirmation and undertaking described in Section 5 hereof and be delivered to the General Counsel of the Corporation or to the Chairman of the Board. The right of an officer or director to indemnification and advance of expenses hereunder shall be enforceable by the officer or director entitled to request indemnification in any court of competent jurisdiction, if (i) the Corporation denies such request, in whole or in part or (ii) no disposition thereof is made within sixty (60) days. The costs and expenses incurred by the officer or director entitled to request indemnification in connection with successfully establishing his or her right to indemnification, in whole or in part, in any such action shall, subject to Section 4 hereof, also be indemnified by the Corporation. All rights of an officer or director to indemnification and advance of expenses hereunder shall be deemed to be a contract between the corporation and each director or officer of the Corporation who serves or served in such capacity at any time while this Article XI is in effect.

Section 4. Anything in this Article XI to the contrary notwithstanding except in circumstances where indemnification is required under the General Laws of the State of Maryland now or hereafter in force, no indemnification of a director or officer may be made hereunder unless a determination has been made in accordance with the procedures set forth in section 2-418(a) of the Maryland General Corporation Law, as in effect from time to time and any successor thereto, that the officer or director requesting indemnification has met the requisite standard of conduct. An officer or director requesting indemnification shall have met the requisite standard of conduct unless it is established that: (a) The act or omission of the director or officer was material to the matter giving rise to the proceeding; and (i) was committed in bad faith; or (ii) was the result of active and deliberate dishonesty; or (b) The director or officer actually received an improper benefit in money, property or services; or (c) In the case of a criminal proceeding, the director or officer had reasonable cause to believe the act or omission was unlawful.

Section 5. The Corporation may advance expenses, prior to the final disposition of any proceeding, to or on behalf of an employee or agent of the Corporation who is a party to a proceeding as to action while employed by or on behalf of the Corporation and who is neither an officer nor director of the Corporation upon (i) the submission by the employee or agent to the General Counsel of the Corporation of a written affirmation that it is such employee's or agent's good faith belief that such employee or agent has met the standard of conduct as set forth in Section 4 hereof and an undertaking by such employee or agent to reimburse the Corporation for the advance of expenses by the Corporation to or on behalf of such employee or agent if it shall ultimately be determined that the standard of conduct has not been met and (ii) the determination by the General Counsel, in his discretion, that advance of expenses to the employee or agent is appropriate in light of all of the circumstances, subject to such additional conditions and restrictions not inconsistent with this Article XI as the General Counsel shall impose.

Section 6. The indemnification and advance of expenses provided by this Article XI (i) shall not be deemed exclusive of any other rights to which a person requesting indemnification or advance of expenses may be entitled under any law (common or statutory), or any agreement, vote of stockholders or disinterested directors or other provision that is not contrary to law, both as to action in his or her official capacity and as to action in another capacity while holding office or while employed by or acting as agent for the Corporation, (ii) shall continue in respect of all events occurring while a person was a director, officer, employee or agent of the Corporation, and (iii) shall inure to the benefit of the estate, heirs, executors and administrators of such person.

Section 7. This Article XI shall be effective from and after the date of its adoption and shall apply to all proceedings arising prior to or after such date, regardless of whether relating to facts or circumstances occurring prior to or after such date. Subject to Article X of these Bylaws nothing herein shall prevent the amendment of this Article XI, provided that no such amendment shall diminish the rights of any person hereunder with respect to events occurring or claims made before the adoption of such amendment or as to claims made after such adoption in respect of events occurring before such adoption.

Section 8. The Board of Directors may take such action as is necessary to carry out the indemnification provisions of this Article XI and is expressly empowered to adopt, approve and amend from time to time such resolutions or contracts implementing such provisions or such further indemnification arrangements as may be permitted by law.

COMMON STOCK
Par Value \$.01

THIS CERTIFICATE IS TRANSFERABLE
IN BOSTON, MA AND NEW YORK, NY

NUMBER

SHARES

NCR

[NCR LOGO]

[PHOTO]

NCR Corporation

John H. Patterson-Founder

A MARYLAND CORPORATION

CUSIP 628862 10 4

SEE REVERSE FOR
CERTAIN DEFINITIONS

THIS IS TO CERTIFY THAT

IS THE OWNER OF

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

NCR Corporation, transferable in 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)

[NCR CORPORATION SEAL
1926
MARYLAND]

/s/ Lars Nyberg

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

TRANSFER AGENT
AND REGISTRAR

/s/ Laura K. Nyquist

SECRETARY

BY

AUTHORIZED SIGNATURE

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 IN SERIES 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	UNIF GIFT MIN ACT-	_____Custodian_____
TEN ENT-	as tenants by the entireties	(Cust)	(Minor)
JT TEN-	as joint tenants with right of survivorship and not as tenants in common		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

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

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: _____

X _____
X _____

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.

[RIGHT SIDE LEGEND READS AS FOLLOWS: 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.]

FORM OF
NCR MANAGEMENT STOCK PLAN
ADOPTED EFFECTIVE JANUARY 1, 1997

ARTICLE 1
PURPOSE

The purposes of the NCR Management Stock Plan (the "Plan") are to encourage selected key employees of NCR Corporation (the "Company") and its Affiliates to acquire a proprietary and vested interest in the growth and performance of the Company, to generate an increased incentive to contribute to the Company's future success and prosperity, thus enhancing the value of the Company for the benefit of share owners, and to enhance the ability of the Company and its Affiliates to attract and retain individuals of exceptional managerial talent upon whom, in large measure, the sustained progress, growth and profitability of the Company depends.

ARTICLE 2
DEFINITIONS

As used in the Plan, the following terms shall have the meanings set forth below:

2.1 "AFFILIATE" means (i) any Person that directly, or through one or more intermediaries, controls, or is controlled by, or is under common control with, the Company or (ii) any entity in which the Company has a significant equity interest, as determined by the Committee. For purposes of this Article 2.1, "Person" means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, limited liability company, other entity or government or political subdivision thereof.

2.2 "AWARD" means any Option, Stock Appreciation Right, Restricted Stock Award, Performance Share, Performance Unit, Dividend Equivalent, Other Stock Unit Award, or any other right, interest, or option relating to Shares or other securities of the Company granted pursuant to the provisions of the Plan.

2.3 "AWARD AGREEMENT" means any written agreement, contract, or other instrument or document evidencing any Award granted by the Committee hereunder and signed by both the Company and the Participant.

2.4 "BOARD" means the Board of Directors of the Company.

2.5 "CODE" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

2.6 "COMMITTEE" means the Compensation Committee of the Board, composed of no fewer than three directors, each of whom is a Non-Employee Director and an "outside director" within the meaning of Section 162(m) of the Code.

2.7 "COMPANY" means NCR Corporation, a Maryland corporation.

2.8 "DIVIDEND EQUIVALENT" means any right granted pursuant to Article 13.8, Deferrals.

2.9 "EFFECTIVE DATE" means January 1, 1997.

2.10 "EMPLOYEE" means any employee of the Company or of any Affiliate. Unless otherwise determined by the Committee in its sole discretion, for purposes of the Plan, an Employee shall be considered to have terminated employment and to have ceased to be an Employee if his or her employer ceases to be an Affiliate, even if he or she continues to be employed by such employer.

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

2.12 "FAIR MARKET VALUE" means, with respect to any property, the fair market value of such property determined by such methods or procedures as shall be established from time to time by the Committee.

2.13 "INCENTIVE STOCK OPTION" means an Option granted under Article 6, Stock Options, that is intended to meet the requirements of Section 422 of the Code or any successor provision thereto.

2.14 "NON-EMPLOYEE DIRECTOR" means a member of the Board who qualifies as a Non-Employee Director as defined in Rule 16b-3(b)(3), as promulgated by the Commission under the Exchange Act, or any successor definition adopted by the Commission.

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

2.16 "OPTION" means any right granted to a Participant under the Plan allowing such Participant to purchase Shares at such price or prices and during such period or periods as the Committee shall determine.

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

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

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

2.20 "PERFORMANCE PERIOD" means that period established by the Committee at the time any Performance Award is granted or at any time thereafter during which any performance goals specified by the Committee with respect to such Award are to be measured.

2.21 "PERFORMANCE SHARE" means any grant pursuant to Article 9, Performance Awards, of a unit valued by reference to a designated number of Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, Shares, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

2.22 "PERFORMANCE UNIT" means any grant pursuant to Article 9, Performance Awards, of a unit valued by reference to a designated amount of property other than Shares, which value may be paid to the Participant by delivery of such property as the Committee shall determine, including, without limitation, cash, Shares, or any combination thereof, upon achievement of such performance goals during the Performance Period as the Committee shall establish at the time of such grant or thereafter.

2.23 "PERSON" means any individual, corporation, partnership, association, joint-stock company, trust, unincorporated organization, limited liability company, other entity or government or political subdivision thereof.

2.24 "RESTRICTED STOCK" means any Share issued with the restriction that the holder may not sell, transfer, pledge, or assign such Share and with such other restrictions as the Committee, in its sole discretion, may impose (including, without limitation, any restriction on the right to vote such Share, and the right to receive any cash dividends), which restrictions may lapse separately or in combination at such time or times, in installments or otherwise, as the Committee may deem appropriate.

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

2.26 "SENIOR MANAGER" means any manager of the Company or any Affiliate holding a position above E band or any future salary grade that is the equivalent thereof.

2.27 "SHARES" means the shares of common stock, \$.01 par value, of the Company and such other securities of the Company as the Committee may from time to time determine.

2.28 "STOCK APPRECIATION RIGHT" means any right granted to a Participant pursuant to Article 7, Stock Appreciation Rights, to receive, upon exercise by the Participant, the excess of (i) the Fair Market Value of one Share on the date of exercise or, if the Committee shall so determine in the case of any such right other than one related to

any Incentive Stock Option, at any time during a specified period before the date of exercise over (ii) the grant price of the right on the date of grant, or if granted in connection with an outstanding Option on the date of grant of the related option, as specified by the Committee in its sole discretion, which, other than in the case of Substitute Awards, shall not be less than the Fair Market Value of one Share on such date of grant of the right or the related Option, as the case may be. Any payment by the Company in respect of such right may be made in cash, Shares, other property, or any combination thereof, as the Committee, in its sole discretion, shall determine.

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

ARTICLE 3 PARTICIPATION

3.1 PARTICIPATION. Any Employee (excluding any member of the Committee) shall be eligible to be selected as a Participant.

3.2 PARTICIPATION BY NON-EMPLOYEES. NCR also may permit non-employee directors to be eligible to receive either (or both) discretionary or formula-based Awards under the Plan. The formula may be set forth in a policy or in the Plan.

ARTICLE 4 ADMINISTRATION

4.1 ADMINISTRATION. The Plan shall be administered by the Committee. A majority of the members of the Committee may determine its actions and fix the time and place of its meetings. Decisions of the Committee shall be final, conclusive and binding upon all persons, including the Company, any Participant, any stockholder, and any employee of the Company or of any Affiliate.

4.2 AUTHORITY OF COMMITTEE. The Committee shall have full power and authority, subject to such orders or resolutions not inconsistent with the provisions of the Plan as may from time to time be adopted by the Board, to:

- (a) select the Employees of the Company and its Affiliates to whom Awards may from time to time be granted hereunder;
- (b) determine the type or types of Award to be granted to each Participant hereunder;
- (c) determine the number of Shares to be covered by each Award granted hereunder;

(d) determine the terms and conditions, not inconsistent with the provisions of the Plan, of any Award granted hereunder;

(e) determine whether, to what extent and under what circumstances Awards may be settled in cash, Shares or other property or canceled or suspended;

(f) determine whether, to what extent and under what circumstances cash, Shares and other property and other amounts payable with respect to an Award under this Plan shall be deferred either automatically or at the election of the Participant;

(g) interpret and administer the Plan and any instrument or agreement entered into under the Plan;

(h) establish such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; and

(i) make any other determination and take any other action that the Committee deems necessary or desirable for administration of the Plan.

ARTICLE 5
SHARES SUBJECT TO THE PLAN

5.1 AVAILABLE SHARES. Subject to adjustment as provided in Article 5.3, Adjustments, the total number of Shares available for grant under the Plan for each calendar year shall be ___% 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 (including a Substitute Award) are forfeited or if any Award (including a Substitute Award) based on Shares is otherwise terminated without issuance of such Shares or other consideration in lieu of such Shares, the Shares subject to such Award shall to the extent of such forfeiture or termination, again be available for awards under the Plan if no Participant shall have received any benefits of ownership in respect thereof; and provided further that no more than _____ 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 ___ 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 _____, 1996, as amended, modified or otherwise supplemented, or (ii) through the assumption of, or in substitution or exchange for, employee benefit awards or the right or obligation to make future employee benefit awards, in connection with the acquisition of another corporation or business entity (clauses (i) and (ii) collectively, the

"Substitute Awards") shall not reduce the shares available for grants under the Plan or to a Participant in any calendar year. Any Shares issued hereunder may consist, in whole or in part, of authorized and unissued shares or treasury shares.

5.3 ADJUSTMENTS. In the event of any merger, reorganization, consolidation, recapitalization, stock dividend, stock split, reverse stock split, spin off or similar transaction or other change in corporate structure affecting the Shares, such adjustments and other substitutions shall be made to the Plan and to Awards as the Committee in its sole discretion deems equitable or appropriate, including without limitation such adjustments in the aggregate number, class and kind of Shares which may be delivered under the Plan, in the aggregate or to any one Participant, in the number, class, kind and option or exercise price of Shares subject to outstanding Options, Stock Appreciation Rights or other Awards granted under the Plan, and in the number, class and kind of Shares subject to, Awards granted under the Plan (including, if the Committee deems appropriate, the substitution of similar options to purchase the shares of, or other awards denominated in the shares of, another company) as the Committee may determine to be appropriate in its sole discretion, provided that the number of Shares or other securities subject to any Award shall always be a whole number.

ARTICLE 6 STOCK OPTIONS

6.1 STOCK OPTIONS. Options may be granted hereunder to Participants either alone or in addition to other Awards granted under the Plan. Any Option granted under the Plan shall be evidenced by an Award Agreement in such form as the Committee may from time to time approve. Any such Option shall be subject to the following terms and conditions and to such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall deem desirable:

(a) OPTION PRICE. The purchase price per Share purchasable under an Option shall be determined by the Committee in its sole discretion; provided that except in the case of an Option pursuant to a Substitute Award, such purchase price shall not be less than the Fair Market Value of the Share on the date of the grant of the option.

(b) OPTION PERIOD. The term of each option shall be fixed by the Committee in its sole discretion; provided that no Incentive Stock Option shall be exercisable after the expiration of ten years from the date the Option is granted.

(c) EXERCISABILITY. Options shall be exercisable at such time or times as determined by the Committee at or subsequent to grant. Unless otherwise determined by the Committee at or subsequent to grant, no Incentive Stock Option shall be exercisable during the year ending on the day before the first anniversary date of the granting of the Incentive Stock Option.

(d) METHOD OF EXERCISE. Subject to the other provisions of the Plan and any applicable Award Agreement, any Option may be exercised by the Participant in whole or in part at such time or times, and the Participant may make payment of the option price in such form or forms, including, without limitation, payment by delivery of cash, Shares held for more than six months or other consideration (including, where permitted by law and the Committee, Awards) having a Fair Market Value on the exercise date equal to the total option price, or by any combination of cash, Shares and other consideration as the Committee may specify in the applicable Award Agreement.

(e) INCENTIVE STOCK OPTIONS. In accordance with rules and procedures established by the Committee, the aggregate Fair Market Value (determined as of the time of grant) of the Shares with respect to which Incentive Stock Options held by any Participant which are exercisable for the first time by such Participant during any calendar year under the Plan (and under any other benefit plans of the Company or of any parent or subsidiary corporation of the Company) shall not exceed \$100,000 or, if different, the maximum limitation in effect at the time of grant under Article 422 of the Code, or any successor provision, and any regulations promulgated thereunder. The terms of any Incentive Stock Option granted hereunder shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision, and any regulations promulgated thereunder.

(f) FORM OF SETTLEMENT. In its sole discretion, the Committee may provide, at the time of grant, that the shares to be issued upon an Option's exercise shall be in the form of Restricted Stock or other similar securities, or may reserve the right so to provide after the time of grant.

ARTICLE 7 STOCK APPRECIATION RIGHTS

7.1 STOCK APPRECIATION RIGHTS. Stock Appreciation Rights may be granted hereunder to Participants either alone or in addition to other Awards granted under the Plan and may, but need not, relate to a specific Option granted under Article 6. The provisions of Stock Appreciation Rights need not be the same with respect to each recipient. Any Stock Appreciation Right related to a Nonstatutory Stock Option may be granted at the same time such Option is granted or at any time thereafter before exercise or expiration of such Option. Any Stock Appreciation Right related to an Incentive Stock Option must be granted at the same time such option is granted.

7.2 TERMINATION OF STOCK APPRECIATION RIGHTS. In the case of any Stock Appreciation Right related to any Option, the Stock Appreciation Right or applicable portion thereof shall terminate and no longer be exercisable upon the termination or exercise of the related Option, except that a Stock Appreciation Right granted with respect

to less than the full number of Shares covered by a related Option shall not be reduced until the exercise or termination of the related Option exceeds the number of shares not covered by the Stock Appreciation Right. Any Option related to any Stock Appreciation Right shall no longer be exercisable to the extent the related Stock Appreciation Right has been exercised. The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it shall deem appropriate.

ARTICLE 8 RESTRICTED STOCK

8.1 ISSUANCE. Restricted Stock Awards may be issued hereunder to Participants, for no cash consideration or for such minimum consideration as may be required by applicable law, either alone or in addition to other Awards granted under the Plan. The provisions of Restricted Stock Awards need not be the same with respect to each recipient.

8.2 REGISTRATION. Any Restricted Stock issued hereunder may be evidenced in such manner as the Committee in its sole discretion shall deem appropriate, including, without limitation, book-entry registration or issuance of a stock certificate or certificates. In the event any stock certificate is issued in respect of shares of Restricted Stock awarded under the Plan, such certificate shall be registered in the name of the Participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Award.

8.3 FORFEITURE. Except as otherwise determined by the Committee at the time of grant, upon termination of employment for any reason during the restriction period, all shares of Restricted Stock still subject to restriction shall be forfeited by the Participant and reacquired by the Company, provided that, except as provided in Article 14, Change in Control, in the event of a Participant's retirement, permanent disability, other termination of employment or death, or in cases of special circumstances, the Committee may, in its sole discretion, when it finds that a waiver would be in the best interests of the Company, waive in whole or in part any or all remaining restrictions with respect to such Participant's shares of Restricted Stock. Unrestricted Shares, evidenced in such manner as the Committee shall deem appropriate, shall be issued to the grantee promptly after the period of forfeiture, as determined or modified by the Committee, shall expire.

ARTICLE 9 PERFORMANCE AWARDS

9.1 PERFORMANCE AWARDS. Performance Awards may be issued hereunder to Participants, for no cash consideration or for such minimum consideration as may be required by applicable law, either alone or in addition to other Awards granted under the Plan. The performance criteria to be achieved during any Performance Period and the

length of the Performance Period shall be determined by the Committee upon the grant of each Performance Award. Except as provided in Article 14, Change in Control, Performance Awards will be distributed only after the end of the relevant Performance Period. Performance Awards may be paid in cash, Shares, other property or any combination thereof, in the sole discretion of the Committee at the time of payment. The performance levels to be achieved for each Performance Period and the amount of the Award to be distributed shall be conclusively determined by the Committee. Performance Awards may be paid in a lump sum or in installments following the close of the Performance Period. The maximum value of the property, including cash, that may be paid or distributed to any Participant pursuant to a grant of Performance Units made in any one calendar year shall be two million dollars (\$2,000,000).

ARTICLE 10
OTHER STOCK UNIT AWARDS

10.1 STOCK AND ADMINISTRATION. Other Awards of Shares and other Awards that are valued in whole or in part by reference to, or are otherwise based on, Shares or other property ("Other Stock Unit Awards") may be granted hereunder to Participants, either alone or in addition to other Awards granted under the Plan. Other Stock Unit Awards may be paid in Shares, other securities of the Company, cash or any other form of property as the Committee shall determine. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Employees of the Company and its Affiliates to whom and the time or times at which such Awards shall be made, the number of shares of Stock to be granted pursuant to such Awards, and all other conditions of the Awards. The provisions of Other Stock Unit Awards need not be the same with respect to each recipient.

10.2 TERMS AND CONDITIONS. Shares (including securities convertible into Shares) granted under this Article 10 may be issued for no cash consideration or for such minimum consideration as may be required by applicable law; Shares (including securities convertible into Shares) purchased pursuant to a purchase right awarded under this Article 10 shall be purchased for such consideration as the Committee shall in its sole discretion determine, which shall not be less than the Fair Market Value of such Shares or other securities as of the date such purchase right is awarded.

ARTICLE 11
CODE SECTION 162(m) PROVISIONS

11.1 APPLICABILITY. Notwithstanding any other provision of this Plan, if the Committee determines at the time Restricted Stock, a Performance Award or an Other Stock Unit Award is granted to a Participant that such Participant is, or is likely to be at the time he or she recognizes income for federal income tax purposes in connection with such Award, a covered employee within the meaning of Section 162(m)(3) of the Code, then the Committee may provide that this Article 11 is applicable to such Award.

11.2 PERFORMANCE GOALS. If an Award is subject to this Article 11, then the lapsing of restrictions thereon and the distribution of cash, Shares or other property pursuant thereto, as applicable, shall be subject to the achievement of one or more objective performance goals established by the Committee, which shall be based on the attainment of one or any combination of the following: specified levels of earnings per share from continuing operations, operating income, revenues, gross margin, return on operating assets, return on equity, economic value added, stock price appreciation, total stockholder return (measured in terms of stock price appreciation and dividend growth), or cost control, of the Company or the Affiliate or division of the Company for or within which the Participant is primarily employed. Such Performance Goals also may be based upon the attaining specified levels of Company performance under one or more of the measures described above relative to the performance of other corporations. Such performance goals shall be set by the Committee within the time period prescribed by, and shall otherwise comply with the requirements of, Section 162(m) of the Code and the regulations thereunder.

11.3 NO UPWARD ADJUSTMENTS. Notwithstanding any provision of this Plan, with respect to any Award that is subject to this Article 11, the Committee may not adjust upwards the amount payable pursuant to such Award, nor may it waive the achievement of the applicable performance goals except in the case of the death or disability of the Participant.

11.4 OTHER RESTRICTIONS. The Committee shall have the power to impose such other restrictions on Awards subject to this Article 11 as it may deem necessary or appropriate to ensure that such Awards satisfy all requirements for "performance-based compensation" within the meaning of Section 162(m)(4)(B) of the Code or any successor thereto.

ARTICLE 12 AMENDMENTS AND TERMINATION

12.1 AMENDMENT OR TERMINATION OF PLAN. The Board may amend, alter or discontinue the Plan, but no amendment, alteration, or discontinuation shall be made that would impair the rights of an optionee or Participant under an Award heretofore granted, without the optionee's or Participant's consent, or that without the approval of the Stockholders would:

12.2 AMENDMENT OR SUBSTITUTION OF AWARDS. The Committee may amend the terms of any Award heretofore granted, prospectively or retroactively, but no such amendment shall impair the rights of any Participant without his consent. The Committee

may also substitute new Awards for previously granted Awards, including without limitation previously granted options having higher option prices.

ARTICLE 13
GENERAL PROVISIONS

13.1 NONTRANSFERABILITY. Unless the Committee determines otherwise at the time the Award is granted, no Award, and no Shares subject to Awards described in Article 10, Other Stock Unit Awards, which have not been issued or as to which any applicable restriction, performance or deferral period has not lapsed, may be sold, assigned, transferred, pledged or otherwise encumbered, except by will or by the laws of descent and distribution; provided that, if so determined by the Committee, a Participant may, in the manner established by the Committee, designate a beneficiary to exercise the rights of the Participant with respect to any Award upon the death of the Participant. Each Award shall be exercisable, during the Participant's lifetime, only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative.

13.2 TERM OF AWARDS. The term of each Award shall be for such period of months or years from the date of its grant as may be determined by the Committee; provided that in no event shall the term of any Incentive Stock Option or any Stock Appreciation Right related to any Incentive Stock Option exceed a period of ten (10) years from the date of its grant.

13.3 EMPLOYEE CLAIMS. No Employee or Participant shall have any claim to be granted any Award under the Plan and there is no obligation for uniformity of treatment of Employees or Participants under the Plan.

13.4 AGREEMENT REQUIRED. The prospective recipient of any Award under the Plan shall not, with respect to such Award, be deemed to have become a Participant, or to have any rights with respect to such Award, until and unless such recipient shall have executed an agreement or other instrument evidencing the Award and delivered a fully executed copy thereof to the Company, and otherwise complied with the then applicable terms and conditions.

13.5 ADJUSTMENTS. Except as provided in Article 11, Code Section 162(m) Provisions, the Committee shall be authorized to make adjustments in Performance Award criteria or in the terms and conditions of other Awards in recognition of unusual or nonrecurring events affecting the Company or its financial statements or changes in applicable laws, regulations or accounting principles. The Committee may correct any

defect, supply any omission or reconcile any inconsistency in the Plan or any Award in the manner and to the extent it shall deem desirable to carry it into effect. In the event the Company shall assume outstanding employee benefit awards or the right or obligation to make future such awards in connection with the acquisition of another corporation or business entity, the Committee may, in its discretion, make such adjustments in the terms of Awards under the Plan as it shall deem appropriate.

13.6 CANCELLATION OR SUSPENSION. The Committee shall have full power and authority to determine whether, to what extent and under what circumstances any Award shall be canceled or suspended. In particular, but without limitation, all outstanding Awards to any Participant shall be canceled if the Participant, without the consent of the Committee, while employed by the Company or after termination of such employment, becomes associated with, employed by, renders services to, or owns any interest in (other than any nonsubstantial interest, as determined by the Committee), any business that is in competition with the Company or with any business in which the Company has a substantial interest, as determined by the Committee or any one or more Senior Managers or committee of Senior Managers to whom the authority to make such determination is delegated by the Committee.

13.7 RESTRICTIONS ON CERTIFICATES. All certificates for Shares delivered under the Plan pursuant to any Award shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations, and other requirements of the Securities and Exchange Commission, any stock exchange upon which the Shares are then listed, and any applicable Federal or state securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

13.8 DEFERRALS. The Committee shall be authorized to establish procedures pursuant to which the payment of any Award may be deferred. Subject to the provisions of this Plan and any Award Agreement, the recipient of an Award (including, without limitation, any deferred Award) may, if so determined by the Committee, be entitled to receive, currently or on a deferred basis, interest or dividends, or interest or dividend equivalents, with respect to the number of shares covered by the Award, as determined by the Committee, in its sole discretion, and the Committee may provide that such amounts (if any) shall be deemed to have been reinvested in additional Shares or otherwise reinvested.

13.9 NO PAYMENT REQUIRED. Except as otherwise required in any applicable Award Agreement, or by the terms of the Plan, recipients of Awards under the Plan shall not be required to make any payment or provide consideration other than the rendering of services.

13.10 DELEGATION OF AUTHORITY. The Committee may delegate to one or more Senior Managers or a committee of Senior Managers the right to grant Awards to

Employees who are not officers or directors of the Company and to cancel or suspend Awards to Employees who are not officers or directors of the Company.

13.11 TAX WITHHOLDING. The Company shall be authorized to withhold from any Award granted or payment due under the Plan the amount of withholding taxes due in respect of an Award or payment hereunder and to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for the payment of such taxes. The Committee shall be authorized to establish procedures for election by Participants to satisfy such withholding taxes by delivery of, or directing the Company to retain, Shares.

13.12 OTHER ARRANGEMENTS. Nothing contained in this Plan shall prevent the Board of Directors from adopting other or additional compensation arrangements, subject to stockholder approval if such approval is otherwise required; and such arrangements may be either generally applicable or applicable only in specific cases.

13.13 APPLICABLE LAW. The validity, construction, and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Ohio and applicable Federal law.

13.14 SEVERABILITY. If any provision of this Plan is or becomes or is deemed invalid, illegal or unenforceable in any jurisdiction, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws or if it cannot be construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan, it shall be stricken and the remainder of the Plan shall remain in full force and effect.

13.15 AWARDS TO FOREIGN NATIONALS AND EXPATRIATES. Awards may be granted to Employees who are foreign nationals or employed outside the United States, or both, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Committee, be necessary or desirable in order to recognize differences in local law or tax policy. The Committee also may impose conditions on the exercise or vesting of Awards in order to minimize the Company's obligation with respect to tax equalization for Employees on assignments outside their home country.

13.16 TERM OF THE PLAN. No award shall be granted pursuant to the Plan after 10 years from the Effective Date, but any Award theretofore granted may extend beyond that date.

13.17 EFFECTIVE DATE. The Plan shall be effective on January 1, 1997.

ARTICLE 14
CHANGE IN CONTROL PROVISIONS

14.1 DEFINITIONS

(a) "CHANGE IN CONTROL" means the happening of any of the following events:

(i) An acquisition by any individual, entity or group (within the meaning of Article 13(d)(3) or 14(d)(2) to the Exchange Act) (an "Entity") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); excluding, however, the following: (1) any acquisition, directly from the Company, other than an acquisition by virtue of the exercise of a conversion privilege unless the security being so converted was itself acquired directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or (4) any acquisition by any corporation pursuant to a transaction which complies with clauses (A), (B) and (C) of Subsection (iii) below.

(ii) A change in the composition of the Board such that the individuals who, as of the Effective Date, constitute the Board (such Board shall be hereinafter referred to as the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that for the purposes of this definition, that any individual who becomes a member of the Board subsequent to the Effective Date, whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of those individuals who are members of the Board and who were also members of the Incumbent Board (or deemed to be such pursuant to this provision) shall be considered as though such individual were a member of the Incumbent Board; and provided, further however, that any such individual whose initial assumption of office occurs as a result of or in connection with either an actual or threatened election contest (as such terms are used in Rule 14a-11 of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents by or on behalf of an Entity other than the Board shall not be so considered as a member of the Incumbent Board; or

(iii) The approval by the stockholders of the Company of a merger, reorganization or consolidation or sale or other disposition of all or substantially all of the assets of the Company (each, a "Corporate Transaction") or, if consummation of such Corporate Transaction is subject, at the time of such approval by stockholders, to the consent of any government or governmental agency, the obtaining of such consent (either explicitly or implicitly by consummation); excluding however, such a Corporate Transaction pursuant to which (A) all or substantially all of the individuals and entities who are the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Corporate Transactions will beneficially own, directly or indirectly, more than 60% of, respectively, the outstanding shares of common stock, and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Corporate Transaction (including, without limitation, a corporation or other Person which as a result of such transaction owns the Company or all or substantially all of the Company's assets either directly or through one or more subsidiaries (a "Parent Company")) in substantially the same proportions as the their ownership, immediately prior to such Corporate Transaction, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Entity (other than the Company, any employee benefit plan (or related trust) of the Company, such corporation resulting from such Corporate Transaction or, if reference was made to equity ownership of any Parent Company for purposes of determining whether clause (A) above is satisfied in connection with the applicable Corporate Transaction, such Parent Company) will beneficially own, directly or indirectly, 20% or more of, respectively, the outstanding shares of common stock of the Corporation resulting from such Corporate Transaction or the combined voting power of the outstanding voting securities of such corporation entitled to vote generally in the election of directors unless such ownership resulted solely from ownership of securities of the Company prior to the Corporate Transaction, and (C) individuals who were members of the incumbent Board will immediately after the consummation of the Corporate Transaction constitute at least a majority of the members of the board of directors of the corporation resulting from such Corporate Transaction (or, if reference was made to equity ownership of any Parent Company for purposes of determining whether clause (A) above is satisfied in connection with the applicable Corporate Transaction, of the Parent Company); or

(iv) The approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(b) "CHANGE IN CONTROL PRICE" means the higher of (A) the highest reported sales price, regular way, of a Share in any transaction reported on the New York Stock Exchange Composite Tape or other national exchange on which Shares are listed or on NASDAQ during the 60-day period prior to and including the date of a Change in Control or (B) if the Change in Control is the result of a tender or exchange offer or a Corporate Transaction, the highest price per Share paid in such tender or exchange offer or Corporate

Transaction; provided however, that in the case of Incentive Stock Options and Stock Appreciation Rights relating to Incentive Stock Options, the Change in Control Price shall be in all cases the Fair Market Value of a Share on the date such Incentive Stock Option or Stock Appreciation Right is exercised or deemed exercised. To the extent that the consideration paid in any such transaction described above consists all or in part of securities or other noncash consideration, the value of such securities or other noncash consideration shall be determined in the sole discretion of the Board.

14.2 IMPACT OF EVENT. Notwithstanding any other provision of the Plan to the contrary, unless the Committee shall determine otherwise at the time of grant with respect to a particular Award, in the event of a Change in Control:

(1) Any Options and Stock Appreciation Rights outstanding as of the date such Change in Control is determined to have occurred, and which are not then exercisable and vested, shall become fully exercisable and vested to the full extent of the original grant.

(ii) The restrictions and deferral limitations applicable to any Restricted Stock shall lapse, and such Restricted Stock shall become free of all restrictions and limitations and become fully vested and transferable to the full extent of the original grant.

(iii) All Performance Awards shall be considered to be earned and payable in full, and any deferral or other restriction shall lapse and such Performance Awards shall be immediately settled or distributed.

(iv) The restrictions and deferral limitations and other conditions applicable to any Other Stock Awards or any other Awards shall lapse, and such Other Stock Awards or such other Awards shall become free of all restrictions, limitations or conditions and become fully vested and transferable to the full extent of the original grant.

14.3 CHANGE IN CONTROL CASH-OUT. Notwithstanding any other provision of the Plan, during the 60-day period from and after a Change in Control (the "Exercise Period"), if the Committee shall determine at, or at any time after, the time of grant, a Participant holding an option shall have the right, whether or not the option is fully exercisable and in lieu of the payment of the purchase price for the Shares being purchased under the Option and by giving notice to the Company, to elect (within the Exercise Period) to surrender all or part of the Option to the Company and to receive cash, within 30 days of such notice, in an amount equal to the amount by which the Change in Control Price per Share on the date of such election shall exceed the purchase price per Share under the option (the "Spread") multiplied by the number of Shares granted under the Option as to which the right granted under this Section 14.3 shall have been exercised.

14.4 POOLING-OF-INTERESTS. Notwithstanding any other provision of this Plan, if any right granted pursuant to this Plan would make a Change in Control transaction ineligible for pooling-of-interests accounting under APB No. 16 that (after giving effect to any other actions taken to cause such transaction to be eligible for such pooling-of-interests accounting treatment) but for the nature of such grant would otherwise be eligible for such accounting treatment, the Committee shall have the ability to substitute for the cash payable pursuant to such right Shares with a Fair Market Value equal to the cash that would otherwise be payable pursuant thereto.

NCR SENIOR EXECUTIVE RETIREMENT,
DEATH AND DISABILITY PLAN
AS RESTATED EFFECTIVE DECEMBER 1, 1996

ARTICLE I
DEFINITIONS

Whenever used in the Plan, the following terms shall have the meanings hereinafter set forth:

"Plan" means the NCR Senior Executive Retirement, Death and Disability Plan, as embodied herein or as amended from time to time.

"NCR" means NCR Corporation, a Maryland corporation, and its successors.

"Affiliate" shall have the meaning set forth in SEC Rule 405 under the Securities Act of 1933, as currently in effect.

"AT&T" means AT&T Corp., a New York corporation, and its successors.

"Average Total Compensation" means one-third of the Compensation actually paid (cash or stock at fair market value) to a Participant over the 36 consecutive month period during the last 72 months of service up to and including the Termination Date which produce the highest average; provided however, the Committee in its sole discretion, to rectify an inequity, may permit a bonus earned but not paid during such 36 consecutive month period to be substituted for the first bonus paid during such period; and provided further, that, for purposes of this Plan, Compensation which is deferred upon the election of a Participant pursuant to a qualified or non-qualified plan or arrangement of NCR, or a subsidiary or Affiliate thereof, shall be treated as paid in the month in which it is earned.

If a Participant has served less than 36 consecutive months, Average Total Compensation means, subject to the foregoing, the Compensation actually paid to the Participant for service up to and including the Termination Date, divided by months of Service, with the quotient multiplied by 12.

"Board of Directors" means the Board of Directors of NCR.

A "Change in Control of NCR" shall be deemed to have occurred if there is a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A promulgated under the Securities Exchange Act of 1934, as amended ("Exchange Act"), whether or not NCR is then subject to such reporting requirement; provided that, without limitation, such a Change in Control shall be deemed to have occurred if:

1. At any time during a period of two (2) years, at least a majority of the Board of Directors shall not consist of Continuing Directors. "Continuing Directors"

shall mean Directors of NCR at the beginning of such two-year period and Directors who subsequently became such and whose selection or nomination for election by the Company's shareholders was approved by a majority of the then Continuing Directors; or

2. Any person or "group" (as determined for purposes of Regulation 13D-G under the Exchange Act as currently in effect), but excluding any majority-owned subsidiary or any Company-sponsored employee benefit plan or any trust or investment manager for the account of such a plan, shall have acquired "beneficial ownership" (as determined for purposes of such Regulation), directly or indirectly, of NCR securities representing 20% or more of the combined voting power of NCR's then outstanding securities, unless such acquisition is approved in advance by a majority of the Directors of NCR who were in office immediately preceding such acquisition and any individual selected to fill any vacancy created by reason of the death or disability of any such Director; or

3. NCR's shareholders approve a merger, consolidation or share exchange to which NCR is a party and in which either (i) NCR is not the surviving corporation or (ii) NCR is the surviving corporation and any outstanding shares of NCR common stock are converted into shares of any other company (other than a reincorporation or the establishment of a holding company involving no change in ownership) or other securities or cash or other property (excluding payments made solely for fractional shares); or

4. NCR's shareholders approve any plan or proposal for the disposition of all, or substantially all, of the assets of NCR by sale, liquidation or dissolution.

Notwithstanding anything herein to the contrary, the distribution by AT&T Corp. to its shareowners of all the outstanding shares of common stock of NCR Corporation shall not constitute a "Change In Control of NCR."

"Committee" means the Committee described in ARTICLE III hereof.

"Compensation" means only salary, the annual award under the Management Incentive Plan ("MIP") or any successor plan and fifty percent (50%) of the award under the Long-Term Incentive (Performance Unit) Plan ("LTI") or any successor plan.

"Credited Service" means a Participant's period of Service not in excess of 15 years.

"Eligible Spouse" means the spouse to whom the Participant is married on the date the Participant's benefit payments under the Plan commence.

"Eligible Children" means the children of a Participant who have not attained the age of 22 years upon the later death of the Participant and Eligible Spouse.

"Participant" shall have the meaning set forth in ARTICLE V.

A "Potential Change in Control of NCR" shall be deemed to have occurred if:

1. NCR enters into an agreement, the consummation of which would result in the occurrence of a Change in Control;
2. Any person (including NCR) publicly announces an intention to take or to consider taking actions which, if consummated, would constitute a Change in Control;
3. Any person becomes the beneficial owner, directly or indirectly, of securities of NCR representing 9.5% or more of the combined voting power of NCR's then outstanding securities; or
4. The Board adopts a resolution to the effect that, for purposes of this Plan, a Potential Change in Control of NCR has occurred.

"Projected Credited Service" means a Participant's period of Projected Service not in excess of 15 years.

"Projected Service" means the period of Service a Participant would have completed if such Participant had remained a Participant in the Plan until his or her 62nd birthday.

"Retirement Offset" means the sum of (a) the annual amount of employer-provided pension paid to a Participant under the Retirement Plan or any other pension, profit sharing, savings or other retirement plan of NCR, a subsidiary or Affiliate thereof, or any prior employer, (b) disability income benefits pursuant to a plan of NCR or a subsidiary or Affiliate thereof, and (c) the annual amount of the Participant's Primary Insurance Amount paid under the Social Security Act or the equivalent of such amount paid under any other government-sponsored retirement or social insurance program of any country to which contributions are made by NCR or a subsidiary or Affiliate thereof. Retirement Offset shall not include any amount paid under (i) any plan of, or agreement with, NCR as a severance payment or in connection with a Change in Control of NCR; (ii) MIP; (iii) the International Management Incentive Compensation Plan; (iv) LTI; or (v) a cashout of any NCR stock options.

"Retirement Plan" means the NCR Pension Plan.

"Service" means a Participant's period of employment with NCR, a subsidiary or Affiliate thereof, or a predecessor of any of the foregoing from the date of hire to the Termination Date or date of loss of participating status. Service shall be computed to the nearest full month.

"Spouse's Offset" means the sum of (a) the annual amount of employer-provided pension paid to an Eligible Spouse under the Retirement Plan or any other pension, profit sharing, savings or other retirement plan of NCR, a subsidiary or Affiliate thereof, or employer of the Participant and (b) the annual amount of the Eligible Spouse's total family benefits paid under the Social Security Act or the equivalent of such amount paid under any other government-sponsored retirement or social insurance program of any country to which contributions are made by NCR

or a subsidiary or Affiliate thereof (excluding any benefit paid to a dependent child after such child's 18th birthday) which is attributable to the employment of the Participant. Spouse's offset shall not include any amounts paid to the Eligible Spouse or Eligible Children of any former Participant which, but for the Participant's death, would otherwise have been paid to the Participant and would have been excluded from the Participant's Retirement Offset by virtue of the last sentence of the definition of Retirement Offset set forth above.

"Termination Date" means the date on which a Participant ceases to be employed by NCR or any of its foreign or domestic subsidiaries, by reason of such Participant's death, Total Disability, retirement, resignation, discharge or otherwise.

"Total Disability" means the inability of a Participant, because of bodily injury or disease which results from an unavoidable cause, to perform the duties of such Participant's regular occupation, as determined by the Committee; provided, however, that for purposes of ARTICLE XIII, any question as to whether a Participant is Totally Disabled upon which the Participant and the Committee cannot agree shall be determined by a qualified independent physician selected by the Participant (or if the Participant is unable to make such selection, by any adult member of the Participant's immediate family or the Participant's legal representative), and approved by the Committee, such approval not to be unreasonably withheld. The determination of such physician made in writing to the Committee and to the Participant shall be final and conclusive.

ARTICLE II PURPOSE

The purpose of the Plan is to provide for the payment of supplemental retirement, death and disability benefits to senior executives of NCR in order to attract and retain executives of superior ability, industry and loyalty.

ARTICLE III ADMINISTRATION

The Plan shall be administered by the Committee. The Committee shall consist of the Board of Directors, any of whom shall be eligible to participate in the Plan; provided, however, for purposes of any determination under the Plan with respect to a member of the Committee, then the "Committee" shall be the Senior Vice President, Human Resources of AT&T. The Committee is authorized, subject to the provisions of the Plan, to select Participants, to establish such rules and regulations as it deems necessary for the proper administration of the Plan and to make such determinations and interpretations and to take such actions in connection with the Plan or the benefits thereunder as it deems necessary or advisable. All such determinations, interpretations and actions by the Committee under the Plan or with respect to any benefits thereunder shall be final and binding on all persons.

ARTICLE IV
EFFECTIVE DATE

The Plan will become effective as of January 1, 1975.

ARTICLE V
ELIGIBILITY

The Participants in the Plan shall be such senior executive officers of NCR who shall be selected by the Committee to participate therein, who shall have executed the agreement described in ARTICLE VI hereof and who shall fulfill such additional requirements for eligibility as the Committee,, in its sole discretion, may from time to time apply. Notwithstanding anything set forth in the Plan to the contrary, from and after the date of a Change in Control, no person shall become an additional Participant in the Plan.

ARTICLE VI
AGREEMENTS

Participants in and the benefits to which each Participant may be entitled under the Plan shall be evidenced by agreements between NCR and each Participant in such form as the Committee shall, from time to time, approve, which agreements shall comply with and be subject to all the terms and conditions of the Plan.

ARTICLE VII
RETIREMENT AND TERMINATION BENEFITS

In the event of a Change in Control of NCR, the provisions of this ARTICLE VII shall be, in all respects, subject to ARTICLE XIII and, in the event of any conflict between the terms of ARTICLE XIII and any other terms of the Plan, the terms of ARTICLE XIII shall prevail and supersede any such other terms.

1. A Participant who retires at or after his or her 62nd birthday shall be entitled to receive benefits under the Plan in an annual amount equal to (a) minus (b).

(a) 4% of the Participant's Average Total Compensation multiplied by the number of years of Credited Service.

(b) The Retirement Offset.

2. A Participant who retires or who terminates employment with NCR on or after his or her 55th birthday and prior to his or her 62nd birthday or whose employment with NCR is involuntarily terminated by NCR on or after his or her 52nd birthday and prior to his or her 62nd birthday shall be entitled to receive benefits under the Plan in an annual amount equal to (a) minus (b).

(a) The Product of (i) 4% of the Participant's Average Total Compensation, (ii) the number of years of Projected Credited Service and (iii) the ratio that the number of years of Service bears to the number of years of Projected Service, reduced by 3% for each year, and proportionally for each portion of a year, to the nearest month, from the date benefits commence to the Participant's 62nd birthday.

(b) The Retirement Offset.

3. A Participant whose employment with NCR is involuntarily terminated by NCR prior to his or her 52nd birthday shall, in the sole discretion of the Committee, be entitled to receive benefits under the Plan only in an annual amount computed in accordance with Section 2 of this ARTICLE.

4. A Participant whose participation in the Plan is terminated by the Committee by reason of a change in such Participant's employment status with NCR shall be entitled to receive benefits under the Plan only if at the Termination Date he or she qualifies under Section 1, 2, or 3 of this ARTICLE. The annual amount of such benefits shall be computed in accordance with Section 2 of this ARTICLE; provided, however, that for purposes of determining the Retirement Offset, the portion of any pension paid to the Participant under the Retirement Plan attributable to the period after the termination of participation in the Plan shall be disregarded.

5. A Participant whose employment with NCR is terminated other than for death or disability (i) for any reason prior to one year from the effective date of his or her participation in the Plan or (ii) voluntarily by the Participant after such date and prior to such Participant's 55th birthday shall not be entitled to any benefits under the Plan.

6. Notwithstanding any other provisions of the Plan, and except as otherwise provided in ARTICLE XIII, if a Participant is discharged by NCR for fraud or misconduct, such Participant shall forfeit all rights to benefits under the Plan.

7. If at any time the Committee, in its sole discretion, determines that a Participant, former Participant or other person who is entitled to receive or is receiving any benefits under the Plan has become, within three years of the anniversary of the Participant's or former Participant's Termination Date, an employee of, a proprietor, partner, principal, or more than 5% shareholder in, or consultant to any corporation, partnership, proprietorship or other entity which is in competition with NCR, he or she shall forfeit all rights to benefits under the Plan. In the event and to the extent that any portion of this Section 7 shall be determined by a court of competent jurisdiction to be invalid and unenforceable, such determination shall not affect that portion to the extent it is not determined to be invalid and unenforceable.

8. Except as otherwise provided in ARTICLE XIII, the Committee shall have the sole discretion to determine if a Participant has retired or terminated employment with NCR and if any termination is voluntary or involuntary.

ARTICLE VIII
PAYMENT OF RETIREMENT AND TERMINATION BENEFITS

1. Retirement and termination benefits under the Plan shall be paid in equal bi-weekly payments unless the Committee shall direct another form of payment.

2. (a) The first payment of benefits under Sections 1 and 2 of ARTICLE VII and Section 2.B of ARTICLE XIII shall be made as of the Termination Date.

(b) The first payment of benefits, under Section 3 of ARTICLE VII shall be made as of the former Participant's 52nd birthday.

3. Retirement and termination benefits under the Plan shall be paid for the life of the former Participant.

ARTICLE IX
SPOUSE'S OR CHILDREN'S BENEFITS

In the event of a Change in Control of NCR, the provisions of this ARTICLE IX shall be, in all respects, subject to ARTICLE XIII and, in the event of any conflict between the terms of ARTICLE XIII and any other terms of the Plan, the terms of ARTICLE XIII shall prevail and supersede any such other terms.

1. In the event of the death of a Participant on or after the effective date of participation in the Plan and prior to such Participant's retirement or other termination of employment with NCR, his or her Eligible Spouse shall be entitled to receive benefits under the Plan in an annual amount equal to (a) minus (b).

(a) 3% of the Participant's Average Total Compensation multiplied by the number of years of Projected Credited Service, reduced by 3/4% for each full year the date of birth of the Eligible Spouse is more than ten years after the date of birth of the Participant.

(b) The Spouse's Offset.

2. In the event of the death of a former Participant after retirement or termination of employment with NCR pursuant to Section 1, 2, or 4 of ARTICLE VII, such Participant's Eligible Spouse shall be entitled to benefits under the Plan in an annual amount equal to (a) minus (b).

(a) 75% of the amount computed in accordance with Section 1(a) or 2(a) of ARTICLE VII, as applicable, reduced by 3/4% for each full year the date of birth of the Eligible Spouse is more than ten years after the date of birth of the former Participant.

(b) The Spouse's Offset.

Notwithstanding the foregoing, in the case of a former Participant who is entitled to receive benefits under Section 4 of ARTICLE VII, no benefits are payable to an Eligible Spouse if the former Participant's age at the Termination Date is under age 55 and for purposes of determining the Spouse's Offset, the portion of any pension paid to the Eligible Spouse under the Retirement Plan attributable to the period after the termination of the former Participant's participation in the Plan shall be disregarded.

3. In the event of the death of a former Participant who is entitled to benefits under Section 4 of ARTICLE VII which death occurs prior to such Participant's retirement or termination of employment with NCR, the Eligible Spouse shall be entitled to benefits under the Plan in an annual amount equal to (a) minus (b).

(a) 75% of the amount computed in accordance with Section 2(a) of ARTICLE VII as if the former Participant had Retired immediately prior to his or her death reduced by 3/4% for each year the date of birth of the Eligible Spouse is more than ten years after the date of birth of the Participant.

(b) The Spouse's Offset.

Notwithstanding the foregoing, (i) no benefits are payable to an Eligible Spouse if the former Participant's date of death is prior to such Participant's 52nd birthday and (ii) for purposes of determining the Spouse's Offset, the portion of any pension paid to the Eligible Spouse under the Retirement Plan attributable to the period after the termination of the former Participant's participation in the Plan shall be disregarded; provided, however, that if such former Participant was at least 52 years of age on the date on which his or her participation in the Plan terminated, the Committee may, in its sole discretion treat such former Participant as a Participant solely for purposes of this Section 3 until his or her 55th birthday.

4. In the event of the death of a former Participant after termination of employment with NCR pursuant to Section 3, 5, or 6 of ARTICLE VII (or in the event that a Participant's or a former Participant's rights to benefits are forfeited pursuant to Section 7 of ARTICLE VII), no benefits shall be payable under the plan to the Eligible Spouse or to the Eligible Children of such Participant or former Participant.

5. Spouse's benefits under the Plan shall be paid in equal installments at least annually commencing at the date of death (except as provided in Section 7 of this ARTICLE) for the life of the Eligible Spouse; provided, however, that if the Eligible Spouse dies within five years after the Participant's death, Spouse's benefits under the Plan shall continue to be paid in accordance with Section 6 of this ARTICLE.

6. In the event an Eligible Spouse dies within five years after the Participant's death, the payment of Spouse's benefits shall be continued for the longer of (a) the balance of the five-year period after the Participant's death or (b) until the youngest of the Eligible Children attains the age of 22 years. Such Spouse's benefits shall be paid to such person or persons, including the Spouse's creditors, estate, and creditors of such Spouse's estate, as the Spouse may appoint in his

or her last will and testament by specific reference to the general power of appointment provided for in this Section 6. Such general power of appointment shall be exercisable only by the Spouse and in all events shall not be subject to a power in any person against him or her. If the Spouse fails to exercise the general power of appointment herein granted, Spouse's benefits shall be paid in equal shares to the Eligible Children, or in default thereof, to the Spouse's estate.

7. For purposes of this Plan whenever, as between a Participant and an Eligible Spouse, there is no evidence of the order of death or where death occurs as a result of a common disaster, the Eligible Spouse shall be presumed to have survived the Participant.

ARTICLE X
DISABILITY BENEFITS

1. In the event of the Total Disability of a Participant on or after the effective date of participation in the Plan and prior to retirement or other termination of employment with NCR, such Participant shall be entitled to receive disability benefits under the Plan in an annual amount equal to (a) minus (b).

(a) 4% of the Participant's Average Total Compensation multiplied by the number of years of his or her Projected Credited Service.

(b) The Retirement Offset.

2. In the event of the Total Disability of a former Participant who is entitled to benefits under Section 4 of ARTICLE VII prior to his retirement or other termination of employment with NCR, such Participant shall be deemed to have terminated employment with NCR as of the date of disability; provided, however, that if such former Participant was at least 52 years of age on the date on which his or her participation in the Plan terminated, the Committee may, in its sole discretion, treat such former Participant as a Participant solely for purposes of this Section 2 until his or her 55th birthday.

3. Disability benefits under the Plan shall be paid in equal installments at least annually commencing as of the Termination Date and for the life of the former Participant; provided, however, that if the Committee determines that a Participant receiving disability benefits under the Plan is no longer suffering from a Total Disability prior to his or her 62nd birthday, disability benefits shall be discontinued and if such former Participant does not return to the employ of NCR within a reasonable time thereafter, he or she shall be deemed to have voluntarily terminated employment with NCR as of the date of such determination.

4. In the event of the death of a former Participant receiving disability benefits, the Eligible Spouse shall be entitled to receive benefits under the Plan in an annual amount computed in accordance with Section 1 of ARTICLE IX, which benefits shall be payable in accordance with Sections 5 and 6 of ARTICLE IX.

ARTICLE XI
CERTAIN PROVISIONS RELATING TO PARTICIPATION

1. No Participant, no former Participant, no person claiming under or through any Participant and no other person shall have any right or interest, whether vested or otherwise, in the Plan or its continuance, or in or to the payment of any benefits under the Plan, whether such benefits be vested, contingent or otherwise, unless and until all the terms, conditions and provisions of the Plan that affect such benefits and the payment thereof shall have been fully complied with as specifically provided in the Plan and any agreement thereunder.

2. Neither the adoption of the Plan nor its operation shall in any way affect the right and power of NCR to dismiss or otherwise terminate the employment or change the terms of employment or amount of compensation of any employee at any time for any reason with or without cause.

3. By his or her agreement to participate in the Plan, each Participant, each former Participant and each person claiming under or through such Participant or former Participant shall, except with respect to ARTICLE XIII and ARTICLE XIV, be conclusively bound by any action or decision taken or made or to be taken or made under the Plan by NCR, the Board of Directors and the Committee.

4. The Plan shall not be deemed a substitute for any retirement, death, disability or other employee benefit plan or arrangements that may now or hereafter be provided for employees of NCR generally. Any such plan or arrangements may be authorized by the Board of Directors and payments thereunder may be made independently of the Plan.

ARTICLE XII
AMENDMENT AND TERMINATION

The Committee shall have the right, without the consent of any Participant, former Participant, Eligible Spouse or any other person claiming under or through a Participant or former Participant, to amend or modify the Plan or any agreement between NCR and any Participant thereunder from time to time or to terminate or repeal the Plan or any such agreement entirely at any time; provided, however, that no such action shall adversely affect any Participant's, former Participant's or Eligible Spouse's accrued benefits prior to such action under the Plan or the benefits payable under ARTICLE XIII.

ARTICLE XIII
CHANGE IN CONTROL

1. In the event of a Potential Change in Control of NCR, unless otherwise determined by the Committee or the Board in writing, or in the event of a Change in Control of NCR, the Committee shall cause the creation and funding of a trust (the "Trust") to meet the obligations created under the Plan. The Trust shall be subject to the claims of general creditors of NCR. The

trustee of the Trust shall hereinafter be referred to as the "Trustee." In no event shall a Participant have any greater rights in the assets of the Trust than those of a general unsecured creditor of NCR.

2. Notwithstanding any other provisions of the Plan as then in effect, provided that the Participant has been a Participant for at least one (1) year prior to a Change in Control of NCR, the Participant's termination benefits, spouse's or children's benefits under the Plan shall be determined as described in this ARTICLE XIII(2) in the event that, at any time after a Change in Control of NCR,

(i) the employment with NCR of a Participant who is an "Executive Participant" (as hereinafter defined) is terminated for any reason, whether voluntary or involuntary or by reason of death, or

(ii) the employment with NCR of a Participant who is not an Executive Participant is terminated in an "Involuntary Termination" (as hereinafter defined) during the period of three (3) years immediately following the Change in Control, or

(iii) the employment with NCR of a Participant who is not an Executive Participant is terminated for any reason, whether voluntary or involuntary or by reason of death, after the expiration of three (3) years immediately following the Change in Control.

A termination of employment shall be an Involuntary Termination if it is not the result of a Participant's death or Total Disability and, (i.) if by NCR, is not for "Cause" (as defined in ARTICLE XIII(2)(G)), or, (ii) if by the Participant, is for "Good Reason" (as defined in ARTICLE XIII(2)(H)). For purposes of this ARTICLE XIII and the Plan, an Executive Participant shall be a Participant who is designated as an Executive Participant hereunder by the Board of Directors.

A. Additions to Service and Credited Service.

(1) For purposes of this ARTICLE XIII(2), each Participant's Service, Credited Service and Projected Credited Service as of the date of the Change in Control of NCR shall be deemed, subject to ARTICLE XIII(2)(A)(2), to be increased by sixty (60) months. The Participant's Service as so increased, plus any Service from the date of the Change in Control to the Termination Date, shall be his or her "Deemed Service". The Participant's Credited Service as so increased, plus any Credited Service from the date of the Change in Control to the Termination Date shall be his or her "Deemed Credited Service". The Participant's Projected Credited Service as so increased shall be his or her "Deemed Projected Credited Service".

(2) The additions to Service, Credited Service and Projected Credited Service provided under paragraph (1) of this ARTICLE XIII(2)(A) are subject to the following limitations:

(i) the Participant's Deemed Service shall not exceed projected Service determined as of the Termination Date.

(ii) the Participant's Deemed Projected Credited Service and the Participant's Deemed Credited Service shall not exceed fifteen (15) years.

(iii) the Participant's Projected Service shall not be increased.

B. Termination Benefits. In the event that, at any time after the Change in Control of NCR, the Participant's employment is terminated in any of the circumstances described in ARTICLE XIII(2)(i), (ii) or (iii) of the Plan, the Participant shall be entitled to receive, beginning upon the Participant's Termination Date or, if later, upon the Participant's attainment of age fifty (50), the termination benefits set forth in Sections (1), (2) or (3) below:

(1) A Participant, other than an Executive Participant, who has attained his 62nd birthday as of the Termination Date shall be entitled to receive benefits under the Plan in an annual amount equal to (a) minus (b).

(a) 4% of the Participant's Remuneration (as defined in ARTICLE XIII(2)(B)(5) below) multiplied by the number of years of Deemed Credited Service.

(b) The Retirement Offset.

(2) A Participant, other than an Executive Participant, who has not yet attained his 62nd birthday as of the Termination Date shall be entitled to receive benefits under the Plan in an annual amount equal to (a) minus (b).

(a) The product of (i) 4% of the Participant's Remuneration (as defined in ARTICLE XIII(2)(B)(5) below), (ii) the number of years of Deemed Projected Credited Service and (iii) the ratio that the number of years of Deemed Service bears to the number of years of Projected Service, reduced by 3% for each year, and proportionally for each portion of a year, to the nearest month from the date benefits commence to the Participant's 62nd birthday, but not more than, in the aggregate, 30%.

(b) The Retirement Offset.

(3) An Executive Participant who has not yet attained age sixty (60) as of the Change in Control of NCR shall be entitled to receive the greater of (a) or (b), minus (c).

(a) The benefits calculated according to the formula set forth in ARTICLE XIII(2)(B)(2)(a).

(b) 50% of the Participant's Remuneration (as defined in ARTICLE XIII(2)(3)(5) below), reduced by 3% for each year, and proportionally for each portion of a year, to the nearest month from the date benefits commence to the Participant's 62nd birthday, but not more than, in the aggregate, 30%.

(c) The Retirement Offset.

(4) An Executive Participant who has attained age sixty (60) or older as of the Change in Control of NCR shall be entitled to receive the greater of (a) or (b).

(a) The benefits calculated according to the formula set forth in ARTICLE XIII(2)(B)(2) substituting Average Total Compensation for Remuneration.

(b) The benefits calculated according to ARTICLE VII(1) or ARTICLE VII(2) using the maximum "assumed age" and "assumed Service" for the Participant that would be permitted under ARTICLE VII.

(5) "Remuneration" - shall mean for a Participant other than an Executive Participant (a) with respect to a Termination Date within the three-year period immediately following the Change in Control of NCR the sum of (i) the Participant's annual base salary rate in effect immediately prior to the Termination Date, (ii) the award that would have been payable to the Participant under the Corporate Management Incentive Compensation Plan ("CMICP") or any successor plan determined by multiplying by the norm percentage for the "Plan Year" (as defined in CMICP) in which the Termination Date occurs the greater of the Participant's salary or the standard maximum for such Participant's position and (iii) one hundred percent (100%) of the target award that would have been payable to the Participant under the Long-Term Incentive (Performance Unit) Plan or any successor plan, assuming that one hundred percent (100%) of the performance goals were achieved for the cycle beginning on the January 1 immediately preceding the Termination Date and (b) with respect to a Termination Date subsequent to the expiration of the three-year period immediately following the Change in Control, the greater of (i) the amount determined under (a) above, assuming the Termination Date within the three-year period immediately following the Change in Control of NCR that would result in the greatest amount of Remuneration or (ii) Average Total Compensation; and

- shall mean for an Executive Participant (a) with respect to a Termination Date following a Change in Control and prior to January 1, 1997, the sum of (i) the Participant's highest annual base salary rate in effect immediately prior to the Termination Date, (ii) the award that would have been payable to the Participant under the Corporate Management Incentive Compensation Plan ("CMICP") or any successor plan determined by multiplying by the norm percentage for the "Plan Year" (as defined in CMICP) in which the Termination Date occurs the greater of the Participant's salary or the standard maximum for such Participant's position and (iii) if applicable, one hundred percent (100%) of the target award that would have been payable to the Participant under

the Long-Term Incentive (Performance Unit) Plan ("LTI") or any successor plan, assuming that one hundred percent (100%) of the performance goals were achieved for the cycle beginning on the January 1 immediately preceding the Termination Date and (b) with respect to a Termination Date subsequent to December 31, 1996, the greater of (i) the amount determined under (a) above assuming the Termination Date within the period following the Change in Control and prior to January 1, 1997 that would result in the greatest amount of Remuneration or (ii) Average Total Compensation.

C. Spouse's and Children's Benefits. Notwithstanding any other provision of the Plan to the contrary, in the event that, at any time after the Change in Control of NCR, the Participant's employment with NCR is terminated in any of the circumstances described in ARTICLE XIII(2)(1)(i), (ii) or (iii) of the Plan, upon the death of the Participant, the Participant's Eligible Spouse, if any, shall be entitled to receive 75% of the Participant's benefit under ARTICLE XIII(2)(B), reduced by the Spouse's Offset, in lieu of the Retirement Offset, commencing immediately upon the death of a Participant. If the Eligible Spouse is more than ten years younger than the Participant, the benefit before offset shall be reduced by 3/4% for each full year the date of birth of the Eligible Spouse is more than ten years after the date of birth of the Participant. If at any time after the death of the Participant there is no Eligible Spouse living and there are Eligible Children living, the Participant's Eligible Children shall be entitled to receive 75% of the Participant's benefit determined under ARTICLE XIII(2). Such benefits shall be continued until there are no Eligible Children under the age of 22. This provision shall supersede ARTICLE IX, Paragraph 1 and ARTICLE IX, Paragraph 2 of the Plan; provided, however, that, in the event that the Participant dies while employed by NCR, the benefit determined under this ARTICLE XIII(2)(C) shall not be less than the benefit determined under ARTICLE IX(1) had there been no Change in Control of NCR prior to the death of the Participant.

D. Change in Status. In the event that, at any time after a Change in Control of NCR and while in the employ of NCR, a change occurs in the employment status of the Participant as provided in ARTICLE VII(4) of the Plan, then, notwithstanding such change in status, so long as the Participant shall be employed by NCR, or a subsidiary or Affiliate thereof, the Participant shall be treated as a Participant in the Plan and not as a former Participant, and the terms of this ARTICLE XIII(2) shall continue to apply.

E. No Additional Right to Disability Benefits. Nothing in this ARTICLE XIII shall be construed to provide or grant to any Participant who has retired or whose employment with NCR, or a subsidiary or Affiliate thereof, has terminated and who was not receiving disability benefits under the Plan prior to such retirement or termination of employment, the right to receive the disability benefits set forth in ARTICLE X of the Plan.

F. Waiver of Covenant Not to Compete. In the event that the Participant's employment is terminated pursuant to an Involuntary Termination following a Change in Control of NCR, the provisions of ARTICLE VII(7) of the Plan shall not apply. In the event that the Participant's employment is terminated for any reason other than an Involuntary Termination following a Change in Control of NCR, the provisions of ARTICLE VII(7) of the Plan shall apply for a period of one (1) year following the Participant's or former Participant's Termination Date.

G. Definition of Cause. For purposes of this Plan, "Cause" shall mean the Participant's (i) willfully breaching or (failing to perform his or her employment duties (ii) willfully engaging in conduct that is demonstrably and materially injurious to NCR, monetarily or otherwise For purposes of this ARTICLE XIII(2)(G), no act, or failure to act, on the part of the Participant shall be deemed "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that such action or omission was in the best interest of NCR. Notwithstanding the foregoing, the Participant shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Participant a certificate of a resolution duly adopted by the affirmative vote of not less than seventy-five percent (75%) of the entire membership of the Board of Directors (which shall be the Board of Directors of AT&T if the Participant is a member of the Board of Directors), at a meeting of the Board called and held for such purpose (after reasonable notice to the Participant and an opportunity for the Participant, together with the Participant's counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Participant was guilty of conduct set forth in this ARTICLE XIII(2)(G) and specifying the particulars thereof in detail.

H. Definition of Good Reason. For purposes of this ARTICLE XIII, "Good Reason" shall mean the occurrence, without the Participant's express written consent, of any of the following circumstances:

1. The assignment to the Participant of any duties inconsistent with, or any substantial alteration in, such Participant's status or responsibilities as in effect immediately prior to a Change in Control of NCR, including the imposition of travel obligations which differ materially from required business travel immediately prior to the Change in Control of NCR;

2. (i) A reduction in the Participant's annual base salary as in effect immediately before the Change in Control of NCR; (ii) the failure to pay a bonus award to which the Participant is otherwise entitled under the terms of the CMICP, IMICP, LTI or any successor incentive compensation plans at the time at which such awards are usually paid; (iii) the award to the Participant of an annual bonus under CMICP, IMICP or any successor incentive compensation plans substantially less in amount than the annual bonus awarded to such Participant for the last complete fiscal year of NCR ending prior to the Change in Control of NCR; or (iv) the award to the Participant of performance units under the LTI, or any successor plan, which are substantially fewer in number or would yield a substantially lower award than the units awarded to such Participant for the cycle beginning on the January 1 immediately preceding the Change in Control of NCR. Notwithstanding clauses (iii) and (iv) hereof, Good Reason shall not exist if the awards referred to therein are substantially less or fewer, as the case may be, because of the failure to meet objectives based on quantitative performance;

3. A change in the principal place of the Participant's employment, as in effect immediately prior to the Change in Control of NCR, to a location more than thirty-five (35) miles distant from the location of such principal place at such time;

4. The failure by NCR to continue in effect any incentive compensation plan or stock option plan in which the Participant participates immediately prior to the Change in Control of NCR, unless an equivalent alternative compensation arrangement (embodied in an ongoing substitute or alternative plan) has been provided to the Participant, or the failure by NCR to continue the Participant's participation in any such incentive or stock option plan on the same basis, both in terms of the amount of benefits provided and the level of the Participant's participation relative to other participants, as existed immediately prior to the time of the Change in Control of NCR;

5. (i) Except as required by law, the failure by NCR to continue to provide to the Participant benefits substantially equivalent, in the aggregate, to those enjoyed by the Participant under the qualified and non-qualified employee benefit and welfare plans of NCR, including, without limitation, the pension, life insurance, medical, dental, health and accident, disability, retirement, savings and profit-sharing plans, in which the Participant was eligible to participate immediately prior to the Change in Control of NCR; (ii) the taking of any action by NCR which would directly or indirectly materially reduce or deprive the Participant of any other material perquisite enjoyed by the Participant immediately prior to the Change in Control of NCR; or (iii) the failure by NCR to provide the Participant with the number of paid vacation days to which the Participant is entitled under NCR's vacation policy, past practice or special agreement in effect immediately prior to the Change in Control of NCR;

6. The failure of NCR to obtain a satisfactory agreement from any successor to assume and agree to perform the Separation Allowance Agreement (the form of which was approved by the Board of Directors at a regularly scheduled meeting on July 20, 1988 and subsequently amended by the Board of Directors on November 29, 1990) between NCR and the Participant, if any; or

7. Any purported termination of any Participant who has entered into a Separation Allowance Agreement which is (i) not effected pursuant to any notices required to be delivered pursuant to said Agreement or (ii) effected pursuant to a notice that does not satisfy the requirements of said Agreement. For purposes of the Plan, no such purported termination shall be effective except as constituting Good Reason.

ARTICLE XIV MISCELLANEOUS

1. Assignment, pledge or encumbrance of any kind of benefits under the Plan shall not be permitted or recognized.

2. The provisions of the Plan shall be construed, administered and enforced according to the laws of the State of Ohio.

3. NCR shall pay to the Participant all legal fees and expenses reasonably incurred by the Participant in connection with ARTICLE XIII of the Plan (including all such fees and expenses, if any, incurred in seeking to obtain or enforce any right or benefit provided by such ARTICLE XIII, regardless of the outcome unless, in the case of a legal action brought by or in the name of a Participant or former Participant, a court of competent jurisdiction shall have finally determined by a final judgment, order or decree (which is not appealable or the time for appeal therefrom having expired and no appeal having been perfected) that such action was not in good faith). In the event of the establishment of the Trust, the following claims procedures shall be applicable to all claims for benefits under the Plan:

A. The Committee shall make the initial determination as to the rights of any Participant or beneficiary under the Plan ("Claimant") to a benefit under the Plan. Any denial by the Committee of a claim for benefits under the Plan (whether in whole or in part) shall be stated in writing and delivered by mail to the Claimant, such notice shall set forth the specific reasons for the denial and specific references to any additional material or information necessary for the Claimant to review the reasons for the denial.

B. The Claimant may appeal the Committee's denial of benefits in whole or in part to the Trustee within 60 days of receiving notice of such denial by the Committee. Such request for review shall be made in writing by mail to the Trustee. The Claimant may submit any information and documentation he believes relevant to his appeal and may request the ability to review pertinent documents of NCR that have not otherwise been made available to him. If NCR does not produce any documents requested by a Claimant, the Trustee shall assume for purposes of its determination that such documents do not have any negative implication with respect to the Claimant's claim for benefits under the Plan. The burden of proof shall be upon NCR to establish its basis for the denial in whole or in part of a claim.

C. The Trustee shall make a de novo review of the benefit claimed by a Claimant. The Trustee may establish its own procedures within the guidelines set forth herein. Its determination shall be final, conclusive and binding upon NCR and the Claimant. The Claimant and NCR shall have the opportunity to appear before the Trustee to establish their positions with respect to the claimed benefits and to submit any documentation that they want the Trustee to consider. Any such documentation submitted by either party to the Trustee must be made available to the opposing party at least 15 days prior to the final date of submission of position papers and documentation to the Trustee. The Trustee shall render an opinion as to the determination of benefits no later than 60 days after the receipt by the Trustee of all documentation and position papers submitted by the parties.

IN WITNESS WHEREOF, the Company has caused this restated Plan to be executed on this ____ day of _____, 1996.

NCR CORPORATION

By: _____
Richard H. Evans
Senior Vice President, Global Human Resources

THE RETIREMENT PLAN FOR OFFICERS OF NCR
RESTATED AS OF JANUARY 1, 1995, INCLUDING FIRST AMENDMENT EXECUTED APRIL 9, 1996

ARTICLE I
DEFINITIONS

Whenever used in the Plan, the following terms shall have the meanings hereinafter set forth:

"Affiliate" shall have meaning set forth in SEC Rule 405 under the Securities Act of 1933, as currently in effect.

"AT&T" means AT&T Corp., a New York corporation, and its successors.

"Board of Directors" means the Board of Directors of NCR Corporation.

"Career Average Monthly Salary" shall mean a Participant's average monthly salary for all years of Service immediately preceding the Termination Date or the date of the Participant's termination of participation in the Plan, including amounts received by a Participant from the Company through the U.S. payroll while actively employed that are currently includible in gross income for Federal income tax purposes, and sick pay and any salary deferral contributions made by the Company on behalf of the Participant for the Plan Year; but excluding expense reimbursements, fringe benefits, moving expenses, deferred compensation, welfare benefits and severance pay.

If a Participant, because of absence for sickness or disability or other authorized leave of absence, does not have earnings, base earnings shall be imputed at the last rate in effect immediately prior to the commencement of such absence for the period of such absences, but in no event more than 20 quarters.

"Committee" means the Committee described in ARTICLE III hereof.

"Company" means NCR Corporation, a Maryland corporation, and its successors.

"Disability" means the inability of a Participant, because of bodily injury or disease which results from an avoidable cause, to perform the duties of such Participant's regular occupation, as determined by the Committee.

"Participant" shall have the meaning set forth in ARTICLE V.

"Pension Plan" means the NCR Pension Plan.

"Pension Plan Benefit" means the monthly amount of any employer-provided pension paid to a Participant under the Pension Plan or any other defined benefit pension plan of the Company, a subsidiary or Affiliate thereof, with respect to the Participant's Service, excluding, however, any monthly amount payable to a Participant from his PensionPlus account under the Pension Plan. "Pension Plan Benefit" shall also include any monthly amount received by a Participant from the Nonqualified Excess Plan, or any long-term disability plan sponsored by the Company or a subsidiary or Affiliate thereof, during such time as the Participant receives such long-term disability benefit.

"Plan" means The Retirement Plan for Officers of NCR, as embodied herein or as amended from time to time.

"Service" means a Participant's period of employment with the Company, a subsidiary or Affiliate thereof, or a predecessor of any of the foregoing from the date of participation in the Plan to the earlier of the Termination Date or the date of loss of participating status under this Plan. Service shall be computed to the nearest full month.

"Spouse" means the spouse of a Participant who was legally married to the Participant on the date payment of the Participant's benefits commence hereunder.

"Termination Date" means the date on which a Participant ceases to be employed by the Company or any of its foreign or domestic subsidiaries, by reason of such Participant's death, disability, retirement, resignation, discharge or otherwise, or the date of termination of employment with AT&T Corp. or its Affiliates, if later.

ARTICLE II PURPOSE

The purpose of the Plan is to provide for the payment of supplemental retirement benefits to executives of the Company in order to attract and retain executives of superior ability, industry and loyalty.

ARTICLE III ADMINISTRATION

The Plan shall be administered by the Committee. The Committee shall consist of the Board of Directors, any of whom shall be eligible to participate in the Plan; provided, however, for purposes of any determination under the Plan with respect to a member of the Committee, then the "Committee" shall be the Senior Vice President, Human Resources of AT&T. The Committee is authorized, subject to the provisions of the Plan, to select Participants, to establish such rules and regulations as it deems necessary for the proper administration of the Plan and to make such determinations and interpretations and

to take such actions in connection with the Plan or the benefits thereunder as it deems necessary or advisable. All such determinations, interpretations and actions by the Committee under the Plan or with respect to any benefits thereunder shall be final and binding on all persons.

ARTICLE IV
EFFECTIVE DATE

The Plan will become effective as of May 17, 1989; provided, however, that the Committee may, in its discretion, select a date prior thereto as the beginning date of a Participant's participation in the Plan.

ARTICLE V
ELIGIBILITY

The Participants in the Plan shall be such executive officers of the Company who shall be selected by the Committee to participate therein, who shall have executed the agreement described in ARTICLE VI hereof and who shall fulfill such additional requirements for eligibility as the Committee, in its sole discretion, may from time to time apply. Participation shall cease on the earlier of the date the Participant terminates employment with the Company or dies, or the date on which the Participant ceases serving as an officer of the Company; provided that the Committee, in its discretion, may designate a later date for termination of an individual's participation in the Plan.

ARTICLE VI
AGREEMENTS

Participants in, and the benefits to which each Participant may be entitled under, the Plan shall be evidenced by agreements between the Company and each Participant in such form as the Committee shall, from time to time, approve, which agreements shall comply with and be subject to all the terms and conditions of the Plan.

ARTICLE VII
RETIREMENT AND TERMINATION BENEFITS

A change in control of NCR Corporation occurred on September 13, 1991. Each Participant who had been a Participant for at least one year prior to September 13, 1991

and who is a Participant and actively employed by the Company or a subsidiary or Affiliate thereof on and after January 1, 1995, is entitled to a benefit as determined under Appendix A to this Plan, instead of the benefit described in this ARTICLE VII.

1. A Participant who retires at or after his or her 65th birthday shall be entitled to receive monthly benefits under the Plan in an amount equal to (a) minus (b).

(a) 2.5% of the Participant's Career Average Monthly Salary multiplied by the number of years of Service.

(b) The Pension Plan Benefit.

2. In the event a Participant retires or terminates employment with the Company on or after his or her 55th birthday and prior to his or her 65th birthday, the benefit he or she is entitled to receive shall be the amount determined pursuant to Section 1 of this ARTICLE VII, reduced in accordance with the following table:

Age at Termination Date -----	Percentage of Monthly Benefit which shall be paid commencing on the Termination Date -----
62 and over	100.0%
61	94%
60	88%
59	82%
58	76%
57	70%
56	64%
55	58%
54	52%
53	46%
52	40%
51	34%
50	28%

(An adjustment shall be made by straight line interpolation for ages which are not integral.)

3. A Participant whose participation in the Plan is terminated by the Committee by reason of a change in such Participant's employment status with the Company shall be entitled to receive benefits under the Plan only if at the Termination Date (i) such former Participant qualifies under Section 1 or 2 of this ARTICLE VII, or (ii) such former Participant was employed by the Company or an Affiliate thereof for at least ten (10) years prior to the Termination Date, in which event, he or she shall be entitled to

receive benefits under the Plan commencing at age 55. The amount of such benefits shall be computed in accordance with Section 1 or 2 of this ARTICLE VII; provided, however, that for purposes of determining the Pension Plan Benefit, the portion of any pension paid to such former Participant under the Pension Plan attributable to the period after the termination of participation in the Plan shall be disregarded.

4. A Participant shall not be entitled to any benefits under the Plan if his or her employment with the Company is terminated other than for death (i) for any reason prior to one year from the effective date of his or her participation in the Plan or (ii) after such date and prior to such former Participant's 55th birthday unless, as provided in Section 3 of this ARTICLE VII, the former Participant was employed by the Company or an Affiliate thereof for at least ten (10) years.

5. Notwithstanding any other provisions of the Plan, and except as otherwise provided in Appendix A, if a Participant is discharged by the Company for fraud or misconduct, such Participant shall forfeit all rights to benefits under the Plan.

6. If at any time the Committee, in its sole discretion, determines that a Participant, former Participant or other person who is entitled to receive or is receiving any benefits under the Plan has become, within three years of the anniversary of the Participant's or former Participant's Termination Date, an employee of, a proprietor, partner, principal, or more than 5% shareholder in, or consultant to any corporation, partnership, proprietorship or other entity which is in competition with the Company, he or she shall forfeit all rights to benefits under the Plan. In the event and to the extent that any portion of this Section 6 shall be determined by a court of competent jurisdiction to be invalid and unenforceable, such determination shall not affect that portion to the extent it is not determined to be invalid and unenforceable.

7. Except as otherwise provided in Appendix A, the Committee shall have the sole discretion to determine if a Participant has retired or terminated employment with the Company and if any termination is voluntary or involuntary.

ARTICLE VIII FORM OF BENEFIT PAYMENTS

1. The "Normal Form of Benefit" payable to a Participant who is otherwise eligible to receive such benefit shall be:

(a) In the case of a Participant with a Spouse on the date payment of the Participant's benefits hereunder commence, a monthly Joint and Survivor Annuity having an actuarial value (as determined in Table I of Appendix B hereto) equivalent to that of his or her benefit determined in accordance with Section 1 or 2 of ARTICLE VII, under which level pension benefits are payable to the Participant during his or her lifetime

and to the Participant's Spouse at the same rate after the Participant's death and during the remaining lifetime of the Participant's Spouse.

(b) In the case of a Participant with no Spouse, a monthly benefit in the form of a Single Life Annuity payable during the Participant's lifetime in an amount determined in accordance with Section 1 or 2 of ARTICLE VII.

2. A Participant with a Spouse may elect to receive, in lieu of the Normal Form of Benefit, a monthly "Optional Form of Benefit" in any one of the following forms:

(a) A Single Life Annuity payable during the lifetime of the Participant in an amount determined in accordance with Section 1 or 2 of ARTICLE VII.

(b) A Joint and Survivor Annuity (in an amount determined in accordance with Table 2 or 3 of Appendix A hereto) payable during the lifetime of the Participant and continuing after his or her death at a 50% or 75% rate during the remaining lifetime of the Participant's Spouse if such Spouse survives the Participant.

3. Monthly retirement and termination benefits under the Plan shall be paid in equal bi-weekly payments unless the Committee shall direct another form of payment.

4. The first payment of benefits under Section 1 or 2 of ARTICLE VII or Appendix A shall commence as soon as practicable after the Termination Date.

ARTICLE IX PRE-RETIREMENT BENEFITS

With respect to Participants eligible for the benefits described in Appendix A, except as provided in Section 4 below, the provisions of this ARTICLE IX shall be, in all respects, subject to Appendix A and, in the event of any conflict between the terms of Appendix A and any other terms of the Plan, the terms of Appendix A shall prevail and supersede any such other terms.

1. In the event of the death of a Participant on or after the effective date of participation in the Plan and the Participant attaining age 55, but prior to such Participant's retirement or other termination of employment with the Company, his or her Spouse shall be entitled to receive benefits under the Plan in an annual amount equal to 50% of the benefits to which the Participant would have been entitled to receive had he retired on the date of his death. However, such benefits shall not be reduced pursuant to Section 2 of ARTICLE VII.

2. In the event of the death of a Participant on or after the effective date of participation in the Plan and prior to such Participant's retirement or other termination of

employment with the Company and prior to the Participant attaining age 55, his or her Spouse shall be entitled to receive benefits under the Plan in an annual amount equal to 50% of the benefits to which the Participant would have been entitled to receive had he retired on the date following the day he would have attained age 55. Such benefits shall be reduced pursuant to Section 2 of ARTICLE VII to those payable at age 55.

3. Benefits payable pursuant to ARTICLE IX(1), (2) or (4) shall be paid in equal installments at least monthly commencing at the date of the Participant's death for the life of the Spouse.

4. In the event of the death, prior to a termination of employment, of a Participant who would have been entitled to a benefit under Appendix A had he terminated employment immediately prior to his death, a survivor benefit will be payable to the Participant's Spouse, if any, equal to the greater of (i) 50 percent of the amount of the benefit the Participant would have received under Appendix A if he had terminated employment immediately prior to his death (assuming he is at least age 50 solely for purposes of calculating the reduction in the benefit for early commencement), or (ii) the benefit calculated under Section 1 or 2 of this ARTICLE IX, as applicable, without regard to Appendix A.

ARTICLE X CERTAIN PROVISIONS RELATING TO PARTICIPATION

1. No Participant, no former Participant, no person claiming under or through any Participant and no other person shall have any right or interest, whether vested or otherwise, in the Plan or its continuance, or in or to the payment of any benefits under the Plan, whether such benefits be vested, contingent or otherwise, unless and until all the terms, conditions and provisions of the Plan that affect such benefits and the payment thereof shall have been fully complied with as specifically provided in the Plan and any agreement thereunder.

2. Neither the adoption of the Plan nor its operation shall in any way affect the right and power of the Company to dismiss or otherwise terminate the employment or change the terms of employment or amount of compensation of any employee at any time for any reason with or without cause.

3. By his or her agreement to participate in the Plan, each Participant, each former Participant and each person claiming under or through such Participant or former Participant shall, except with respect to ARTICLE XII, ARTICLE XIII or Appendix A, be conclusively bound by any action or decision taken or made or to be taken or made under the Plan by the Company, the Board of Directors and the Committee.

4. The Plan shall not be deemed a substitute for any retirement or other employee benefit plan or arrangements that may now or hereafter be provided for employees of the Company generally. Any such plan or arrangements may be authorized by the Board of Directors and payments thereunder may be made independently of the Plan.

ARTICLE XI
AMENDMENT AND TERMINATION

The Committee shall have the right, without the consent of any Participant, former Participant, Spouse or any other person claiming under or through a Participant or former Participant, to amend or modify the Plan or any agreement between the Company and any Participant thereunder from time to time or to terminate or repeal the Plan or any such agreement entirely at any time; provided, however, that no such action shall adversely affect any Participant's, former Participant's or Spouse's accrued benefits prior to such action under the Plan or the benefits payable under Appendix A.

ARTICLE XII
CHANGE IN CONTROL

A change in control of NCR Corporation occurred on September 13, 1991. Each Participant who had been a Participant for at least one year prior to September 13, 1991 and who was a Participant and actively employed by the Company or a subsidiary or Affiliate thereof continuously through January 1, 1995, is entitled to a benefit as determined under Appendix A to this Plan, instead of the benefit described in ARTICLE VII.

ARTICLE XIII
MISCELLANEOUS

1. Assignment, pledge or encumbrance of any kind of benefits under the Plan shall not be permitted or recognized.

2. The provisions of the Plan shall be construed, administered and enforced according to the laws of the State of Ohio.

The provisions of this Appendix A shall apply to a Participant in the Plan who was a Participant for at least one year prior to September 13, 1991, and who was a Participant and actively employed by the Company or a subsidiary or Affiliate continuously through January 1, 1995.

1. Benefits. Notwithstanding any other provision of the Plan, the Participant's termination benefits under the Plan shall be determined as follows:

A. Additions to Service

(1) For purposes of this Appendix A, each Participant's Service as of September 13, 1991, shall be deemed to be increased by sixty (60) months. The Participant's additional sixty (60) months of Service shall be his or her "Additional Service." The Participant's Service together with his or her Additional Service shall be his or her "Deemed Service."

B. Termination Benefits. The Participant shall be entitled to receive, beginning upon the Participant's Termination Date or, if later, upon the Participant's attainment of age fifty (50), the termination benefits set forth in Sections (1), (2) or (3) below:

(1) A Participant who has attained his 65th birthday as of the Termination Date shall be entitled to receive monthly benefits under the Plan in an amount equal to the greater of (a) or (b); minus (c).

- (a) (i) 2.5% of the Participant's Career Average Monthly Salary multiplied by the number of years of Deemed Service (reduced by the number of years of Additional Service), plus
(ii) 2.5% of the Participant's Remuneration (as defined below) multiplied by the Participant's Additional Service.
- (b) 2.5% of the Participant's Career Average Monthly Salary multiplied by the number of years of Deemed Service.
- (c) The Pension Plan Benefit.

(2) Except as provided in paragraph (3) below, a Participant who has not yet attained his 65th birthday as of the Termination Date shall be entitled to receive monthly benefits under the Plan in the amount determined pursuant to paragraph (1) above, reduced by the lesser of (i) 3% for each year, and proportionally for each portion of a year, to the nearest month from the date benefits commence to the Participant's 62nd birthday, but not

more than, in the aggregate, 30%, or (ii) the reduction contained in the table set forth in ARTICLE VII(2) of the Plan.

(3) A Participant designated as an "Executive Participant" by the Board of Directors (an "Executive Participant") who is under the age of sixty (60) as of September 13, 1991 shall be entitled to receive the greater of (a) or (b) below:

(a) The benefits calculated under paragraph (2) above.

(b) 50% of the Participant's Remuneration (as defined below), reduced by 3% for each year, and proportionally for each portion of a year, to the nearest month from the date benefits commence to the Participant's 62nd birthday, but not more than, in the aggregate, 30%.

(4) Remuneration - shall mean for a Participant other than an Executive Participant, assuming a "Termination Date" within the three-year period immediately following September 13, 1991 that would result in the greatest amount of Remuneration, one twelfth of the sum of (i) the Participant's highest annual base salary rate in effect immediately prior to the "Termination Date," (ii) the award that would have been payable to the Participant under the Corporate Management Incentive Compensation Plan ("CMICP") or any successor plan determined by multiplying by the norm percentage for the "Plan Year" (as defined in CMICP) in which the "Termination Date" occurs the greater of the Participant's salary or the standard maximum for such Participant's position and (iii) if applicable, one hundred percent (100%) of the target award that would have been payable to the Participant under the Long-Term Incentive (Performance Unit) Plan ("LTI") or any successor plan, assuming that one hundred percent (100%) of the performance goals were achieved for the cycle beginning on the January 1 immediately preceding the "Termination Date."

- shall mean for an Executive Participant, one twelfth of (a) with respect to a Termination Date following September 13, 1991 and prior to January 1, 1997, the sum of (i) the Participant's highest annual base salary rate in effect immediately prior to the Termination Date, (ii) the award that would have been payable to the Participant under the Corporate Management Incentive Compensation Plan ("CMICP") or any successor plan determined by multiplying by the norm percentage for the "Plan Year" (as defined in CMICP) in which the Termination Date occurs the greater of the Participant's salary or the standard maximum for such Participant's position and (iii) if applicable, one hundred percent (100%) of the target award that would have been payable to the Participant under the Long-Term Incentive (Performance Unit) Plan ("LTI") or any successor plan, assuming that one hundred percent (100%) of the performance goals were achieved for the cycle beginning on the January 1 immediately preceding the Termination Date and (b) with respect to a Termination Date subsequent to December 31, 1996, the amount determined under (a) above, assuming the Termination Date within the three-year period immediately following September 13, 1991 that would result in the greatest amount of Remuneration.

C. Change in Status. In the event that, at any time after September 13, 1991 and while in the employ of the Company, a change occurs in the employment status of the Participant as provided in ARTICLE VII(3) of the Plan, then, notwithstanding such change in status, so long as the Participant shall be employed by the Company, or a subsidiary or Affiliate thereof, the Participant shall be treated as a Participant in the Plan and not as a former Participant, and the terms of this Appendix A shall continue to apply.

D. Waiver of Covenant Not to Compete. In the event that the Participant's employment is terminated pursuant to an Involuntary Termination following September 13, 1991, the provisions of ARTICLE VII(6) of the Plan shall not apply. In the event that the Participant's employment is terminated for any reason other than an Involuntary Termination following September 13, 1991, the provisions of ARTICLE VII(6) of the Plan shall apply for a period of one (1) year following the Participant's or former Participant's Termination Date.

(1) Definition of Involuntary Termination. A termination of employment shall be an Involuntary Termination if it is not the result of a Participant's death or disability (as defined under the then current disability plan of the Company covering the Participant) and, (i) if by the Company, is not for "Cause" (as defined below), or, (ii) if by the Participant, is for "Good Reason" (as defined below).

(2) Definition of Cause. For purposes of this Appendix A, "Cause" shall mean the Participant's (i) willfully breaching or failing to perform his or her employment duties or (ii) willfully engaging in conduct that is demonstrably and materially injurious to the Company, monetarily or otherwise. For purposes of this definition, no act, or failure to act, on the part of the Participant shall be deemed "willful" unless done, or omitted to be done, by the Participant not in good faith and without reasonable belief that such action or omission was in the best interest of the Company. Notwithstanding the foregoing, the Participant shall not be deemed to have been terminated for Cause unless and until there shall have been delivered to the Participant a certificate of a resolution duly adopted by the affirmative vote of not less than seventy-five percent (75%) of the entire membership of the Board of Directors (which shall be the Board of Directors of AT&T if the Participant is a member of the Board of Directors) at a meeting of the Board called and held for such purpose (after reasonable notice to the Participant and an opportunity for the Participant, together with the Participant's counsel, to be heard before the Board of Directors), finding that, in the good faith opinion of the Board of Directors, the Participant was guilty of conduct set forth in this paragraph and specifying the particulars thereof in detail.

(3) Definition of Good Reason. For purposes of this Appendix A, "Good Reason" shall mean the occurrence, without the Participant's express written consent, of any of the following circumstances:

(a) The assignment to the Participant of any duties inconsistent with, or any substantial alteration in, such Participant's status or responsibilities as in effect

immediately prior to September 13, 1991, including the imposition of travel obligations which differ materially from required business travel immediately prior to September 13, 1991;

(b) (i) A reduction in the Participant's annual base salary as in effect immediately before September 13, 1991; (ii) the failure to pay a bonus award to which the Participant is otherwise entitled under the terms of the CMICP, IMICP, LTI or any successor incentive compensation plans at the time at which such awards are usually paid; (iii) the award to the Participant of an annual bonus under CMICP, IMICP or any successor incentive compensation plans substantially less in amount than the annual bonus awarded to such Participant for the last complete fiscal year of the Company ending prior to September 13, 1991; or (iv) the award to the Participant of performance units under the LTI, or any successor plan, which are substantially fewer in number or would yield a substantially lower award than the units awarded to such Participant for the cycle beginning on January 1, 1991. Notwithstanding clauses (iii) and (iv) hereof, Good Reason shall not exist if the awards referred to therein are substantially less or fewer, as the case may be, because of the failure to meet objectives based on quantitative performance.

(c) A change in the principal place of the Participant's employment, as in effect immediately prior to September 13, 1991, to a location more than thirty-five (35) miles distant from the location of such principal place at such time;

(d) The failure by the Company to continue in effect any incentive compensation plan or stock compensation plan in which the Participant participates immediately prior to September 13, 1991, unless an 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 incentive or stock compensation plan on the same basis, both in terms of the amount of benefits provided and the level of the Participant's participation relative to other participants, as existed immediately prior to September 13, 1991;

(e) (i) Except as required by law, the failure by the Company to continue to provide to the Participant benefits substantially equivalent, in the aggregate, to those enjoyed by the Participant under the qualified and non-qualified employee benefit and welfare plans of the Company, including, without limitation, the pension, life insurance, medical, dental, health and accident, disability, retirement, savings and profit-sharing plans, in which the Participant was eligible to participate immediately prior to September 13, 1991; (ii) the taking of any action by the Company which would directly or indirectly materially reduce or deprive the Participant of any other material prerequisite enjoyed by the Participant immediately prior to September 13, 1991; or (iii) the failure by the Company to provide the Participant with the number of paid vacation days to which the

Participant is entitled under the Company's vacation policy, past practice or special agreement in effect immediately prior to September 13, 1991;

(f) The failure of the Company to obtain a satisfactory agreement from any successor to assume and agree to perform the Separation Allowance Agreement (the form of which was approved by the Board of Directors at a regularly scheduled meeting on July 20, 1988, and subsequently amended by the Board of Directors on November 29, 1990) between the Company and the Participant, if any; or

(g) Any purported termination of any Participant who has entered into a Separation Allowance Agreement which is (i) not effected pursuant to any notices required to be delivered pursuant to said Agreement or (ii) effected pursuant to a notice that does not satisfy the requirements of said Agreement. For purposes of the Plan, no such purported termination shall be effective except as constituting Good Reason.

2. Establishment of Trust. After the change of control of NCR Corporation, the Committee caused the creation and funding of a trust (the "Trust") to meet the obligations created under the Plan. The Trust is subject to the claims of general creditors of the Company. The trustee of the Trust shall hereinafter be referred to as the "Trustee." In no event shall a Participant have any greater rights in the assets of the Trust than those of a general unsecured creditor of the Company.

3. Claims for Benefits. The Company shall pay to the Participant all legal fees and expenses reasonably incurred by the Participant in connection with Appendix A of the Plan (including all such fees and expenses, if any, incurred in seeking to obtain or enforce any right or benefit provided by such Appendix A, regardless of the outcome unless, in the case of a legal action brought by or in the name of a Participant or former Participant, a court of competent jurisdiction shall have finally determined by a final judgment, order or decree (which is not appealable or the time for appeal therefrom having expired and no appeal having been perfected) that such action was not in good faith). The following claims procedures shall be applicable to all claims for benefits under the Plan:

1. The Committee shall make the initial determination as to the rights of any Participant or beneficiary under the Plan ("Claimant") to a benefit under the Plan. Any denial by the Committee of a claim for benefits under the Plan (whether in whole or in part) shall be stated in writing and delivered by mail to the Claimant. Such notice shall set forth the specific reasons for the denial and specific references to any additional material or information necessary for the Claimant to review the reasons for the denial.

2. The Claimant may appeal the Committee's denial of benefits in whole or in part to the Trustee within 60 days of receiving notice of such denial by the Committee. Such request for review shall be made in writing by mail to the Trustee. The Claimant may submit any information and documentation he believes relevant to his appeal and may

request the ability to review pertinent documents of the Company that have not otherwise been made available to him. If the Company does not produce any documents requested by a Claimant, the Trustee shall assume for purposes of its determination that such documents do not have any negative implication with respect to the Claimant's claim for benefits under the Plan. The burden of proof shall be upon the Company to establish its basis for the denial in whole or in part of a claim.

3. The Trustee shall make a de novo review of the benefit claimed by a Claimant. The Trustee may establish its own procedures within the guidelines set forth herein. Its determination shall be final, conclusive and binding upon the Company and the Claimant. The Claimant and the Company shall have the opportunity to appear before the Trustee to establish their positions with respect to the claimed benefits and to submit any documentation that they want the Trustee to consider. Any such documentation submitted by either party to the Trustee must be made available to the opposing party at least 15 days prior to the final date of submission of position papers and documentation to the Trustee. The Trustee shall render an opinion as to the determination of benefits no later than 60 days after the receipt by the Trustee of all documentation and position papers submitted by the parties.

IN WITNESS WHEREOF, the Company has caused this Appendix A to the Plan to be executed on this 20th day of January, 1995.

FOR AT&T GLOBAL INFORMATION
SOLUTIONS COMPANY

By _____
Jerre L. Stead

APPENDIX B

TABLE 1

Joint and 50% Survivor

This table shows the percentage of the Basic Monthly Benefit payable to the Participant and continuing to his surviving spouse at one-half the rate after his death during the remaining lifetime of such spouse.

Age of Surviving Spouse -----	Age of Employee -----															
	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70
-----	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
70	96.0	95.6	95.1	94.6	94.1	93.5	92.8	92.1	91.3	90.4	89.5	88.5	87.4	86.3	85.1	83.9
69	95.6	95.2	94.7	94.2	93.6	93.0	92.3	91.5	90.7	89.8	88.8	87.8	86.7	85.5	84.3	83.0
68	95.3	94.8	94.3	93.7	93.1	92.4	91.7	90.9	90.0	89.1	88.1	87.0	85.9	84.7	83.4	82.1
67	94.9	94.4	93.9	93.3	92.6	91.9	91.1	90.3	89.4	88.4	87.4	86.3	85.1	83.9	82.6	81.2
66	94.6	94.0	93.5	92.8	92.1	91.4	90.6	89.7	88.8	87.7	86.7	85.5	84.3	83.0	81.7	80.3
65	94.2	93.6	93.0	92.3	91.6	90.8	90.0	89.0	88.1	87.0	85.9	84.8	83.5	82.2	80.9	79.5
64	93.8	93.2	92.5	91.8	91.1	90.3	89.4	88.4	87.4	86.3	85.2	84.0	82.7	81.4	80.0	78.6
63	93.4	92.7	92.1	91.3	90.6	89.7	88.8	87.8	86.8	85.7	84.5	83.3	82.0	80.6	79.2	77.8
62	92.9	92.3	91.6	90.8	90.0	89.1	88.2	87.2	86.1	85.0	83.8	82.6	81.2	79.9	78.4	76.9
61	92.5	91.9	91.1	90.3	89.5	88.6	87.6	86.6	85.5	84.3	83.1	81.8	80.5	79.1	77.6	76.2
60	92.1	91.4	90.7	89.8	89.0	88.0	87.0	86.0	84.8	83.6	82.4	81.1	79.8	78.3	76.9	75.4
59	91.7	91.0	90.2	89.3	88.4	87.5	86.4	85.4	84.2	83.0	81.7	80.4	79.1	77.6	76.1	74.6
58	91.2	90.5	89.7	88.8	87.9	86.9	85.9	84.8	83.6	82.4	81.0	79.8	78.4	76.9	75.4	73.9
57	90.8	90.0	89.2	88.3	87.4	86.4	85.3	84.2	83.0	81.7	80.4	79.1	77.7	76.2	74.7	73.2
56	90.4	89.6	88.7	87.8	86.9	85.8	84.7	83.6	82.4	81.1	79.8	78.5	77.0	75.6	74.0	72.5
55	89.9	89.1	88.3	87.3	86.3	85.3	84.2	83.0	81.8	80.5	79.2	77.9	76.4	74.9	73.4	71.8
54	89.5	88.7	87.8	86.9	85.8	84.8	83.7	82.5	81.2	79.9	78.6	77.3	75.8	74.3	72.8	71.2
53	89.1	88.2	87.3	86.4	85.4	84.3	83.1	81.9	80.7	79.4	78.0	76.7	75.2	73.7	72.2	70.6
52	88.7	87.8	86.9	85.9	84.9	83.8	82.6	81.4	80.1	78.8	77.4	76.1	74.6	73.1	71.6	70.0
51	88.3	87.4	86.4	85.4	84.4	83.3	82.1	80.9	79.6	78.3	76.9	75.6	74.1	72.6	71.0	69.5
50	87.8	87.0	86.0	85.0	83.9	82.8	81.6	80.4	79.1	77.8	76.4	75.1	73.6	72.1	70.5	68.9

An interpolation shall be made for the age of the employee on the basis of full years and months as of the date of retirement.

Age for the spouse of the employee shall be rounded to the nearest even age in full years as of the date of the employee's retirement.

Factors for other ages are available upon request.

APPENDIX B

TABLE 2

Joint and 75% Survivor

This table shows the percentage of the Basic Monthly Benefit payable to the Participant and continuing to his surviving spouse at three-fourths the rate after his death during the remaining lifetime of such spouse.

Age of Surviving Spouse	Age of Employee															
	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70
70	94.1	93.5	92.8	92.1	91.3	90.5	89.6	88.5	87.5	86.3	85.0	83.7	82.3	80.8	79.3	77.7
69	93.6	93.0	92.3	91.5	90.7	89.8	88.8	87.8	86.6	85.4	84.1	82.7	81.2	79.7	78.1	76.5
68	93.1	92.4	91.7	90.9	90.0	89.1	88.0	86.9	85.8	84.5	83.1	81.7	80.2	78.6	77.0	75.4
67	92.6	91.9	91.1	90.3	89.3	88.3	87.3	86.1	84.9	83.6	82.2	80.7	79.2	77.6	75.9	74.2
66	92.1	91.3	90.5	89.6	88.7	87.6	86.5	85.3	84.0	82.7	81.2	79.7	78.2	76.5	74.9	73.1
65	91.5	90.7	89.8	88.9	87.9	86.8	85.7	84.4	83.1	81.7	80.2	78.8	77.2	75.5	73.8	72.1
64	90.9	90.1	89.2	88.2	87.2	86.1	84.9	83.6	82.2	80.8	79.3	77.8	76.2	74.5	72.8	71.0
63	90.4	89.5	88.6	87.6	86.5	85.3	84.1	82.8	81.4	79.9	78.4	76.9	75.2	73.5	71.8	70.0
62	89.8	88.9	87.9	86.9	85.8	84.6	83.3	81.9	80.5	79.0	77.5	75.9	74.3	72.5	70.8	69.0
61	89.2	88.3	87.3	86.2	85.0	83.8	82.5	81.1	79.7	78.2	76.6	75.0	73.3	71.6	69.8	68.0
60	88.6	87.6	86.6	85.5	84.3	83.1	81.7	80.3	78.9	77.3	75.7	74.1	72.4	70.7	68.9	67.1
59	88.0	87.0	86.0	84.8	83.6	82.3	81.0	79.5	78.0	76.5	74.9	73.3	71.6	69.8	68.0	66.2
58	87.4	86.4	85.3	84.1	82.9	81.6	80.2	78.8	77.2	75.7	74.0	72.4	70.7	69.0	67.2	65.4
57	86.8	85.8	84.6	83.5	82.2	80.9	79.5	78.0	76.5	74.9	73.2	71.6	69.9	68.1	66.3	64.5
56	86.2	85.1	84.0	82.8	81.5	80.2	78.7	77.3	75.7	74.1	72.4	70.8	69.1	67.3	65.5	63.7
55	85.6	84.5	83.4	82.1	80.8	79.5	78.0	76.5	75.0	73.4	71.7	70.1	68.3	66.6	64.8	63.0
54	85.1	83.9	82.7	81.5	80.2	78.8	77.3	75.8	74.3	72.6	71.0	69.4	67.6	65.8	64.1	62.3
53	84.5	83.3	82.1	80.9	79.5	78.1	76.7	75.1	73.6	71.9	70.3	68.7	66.9	65.1	63.4	61.6
52	83.9	82.8	81.5	80.2	78.9	77.5	76.0	74.5	72.9	71.3	69.6	68.0	66.2	64.5	62.7	60.9
51	83.4	82.2	80.9	79.6	78.3	76.9	75.4	73.9	72.3	70.6	68.9	67.3	65.6	63.8	62.1	60.3
50	82.8	81.6	80.4	79.1	77.7	76.3	74.8	73.2	71.6	70.0	68.3	66.7	65.0	63.2	61.5	59.7

An interpolation shall be made for the age of the employee on the basis of full years and months as of the date of retirement.

Age for the spouse of the employee shall be rounded to the nearest even age in full years as of the date of the employee's retirement.

Factors for other ages are available upon request.

APPENDIX B

TABLE 3

Joint and 100% Survivor

This table shows the percentage of the Basic Monthly Benefit payable to the Participant and continuing to his surviving spouse at the same rate after his death during the remaining lifetime of such spouse.

Age of Surviving Spouse	Age of Employee															
	55	56	57	58	59	60	61	62	63	64	65	66	67	68	69	70
70	92.3	91.5	90.7	89.8	88.8	87.7	86.5	85.3	83.9	82.5	81.0	79.4	77.7	75.9	74.1	72.3
69	91.7	90.9	90.0	89.0	88.0	86.8	85.6	84.3	82.9	81.4	79.8	78.2	76.5	74.7	72.8	70.9
68	91.0	90.2	89.2	88.2	87.1	85.9	84.7	83.3	81.9	80.3	78.7	77.0	75.2	73.4	71.5	69.6
67	90.4	89.5	88.5	87.4	86.3	85.0	83.7	82.3	80.8	79.2	77.6	75.8	74.0	72.2	70.3	68.4
66	89.7	88.7	87.7	86.6	85.4	84.1	82.8	81.3	79.8	78.2	76.5	74.7	72.9	71.0	69.1	67.1
65	89.0	88.0	86.9	85.7	84.5	83.2	81.7	80.2	78.7	77.0	75.3	73.6	71.7	69.8	67.9	65.9
64	88.3	87.2	86.1	84.9	83.6	82.2	80.8	79.3	77.6	75.9	74.2	72.4	70.6	68.7	66.7	64.7
63	87.5	86.5	85.3	84.1	82.7	81.3	79.8	78.3	76.6	74.9	73.1	71.4	69.5	67.5	65.6	63.6
62	86.8	85.7	84.5	83.2	81.9	80.4	78.9	77.3	75.6	73.9	72.1	70.3	68.4	66.5	64.5	62.5
61	86.1	84.9	83.7	82.4	81.0	79.5	78.0	76.3	74.6	72.9	71.0	69.3	67.4	65.4	63.5	61.5
60	85.4	84.2	82.9	81.6	80.1	78.6	77.0	75.4	73.7	71.9	70.0	68.3	66.3	64.4	62.4	60.5
59	84.6	83.4	82.1	80.7	79.3	77.7	76.1	74.5	72.7	70.9	69.1	67.3	65.4	63.4	61.5	59.5
58	83.9	82.6	81.3	79.9	78.4	76.9	75.2	73.6	71.8	70.0	68.1	66.3	64.4	62.5	60.5	58.6
57	83.2	81.9	80.5	79.1	77.6	76.0	74.4	72.7	70.9	69.1	67.2	65.4	63.5	61.6	59.6	57.7
56	82.4	81.1	79.8	78.3	76.8	75.2	73.5	71.8	70.0	68.2	66.4	64.6	62.7	60.7	58.8	56.9
55	81.7	80.4	79.0	77.5	76.0	74.4	72.7	71.0	69.2	67.4	65.5	63.7	61.8	59.9	58.0	56.1
54	81.0	79.7	78.2	76.8	75.2	73.6	71.9	70.2	68.4	66.6	64.7	62.9	61.0	59.1	57.2	55.3
53	80.3	79.0	77.5	76.0	74.4	72.8	71.1	69.4	67.6	65.8	63.9	62.2	60.3	58.4	56.5	54.6
52	79.6	78.3	76.8	75.3	73.7	72.1	70.4	68.6	66.9	65.0	63.2	61.4	59.5	57.7	55.8	53.9
51	79.0	77.6	76.1	74.6	73.0	71.4	69.7	67.9	66.1	64.3	62.5	60.7	58.9	57.0	55.1	53.2
50	78.3	76.9	75.4	73.9	72.3	70.7	69.0	67.2	65.5	63.6	61.8	60.1	58.2	56.3	54.5	52.6

An interpolation shall be made for the age of the employee on the basis of full years and months as of the date of retirement.

Age for the spouse of the employee shall be rounded to the nearest even age in full years as of the date of the employee's retirement.

[LETTERHEAD OF AT&T]

June 7, 1996

Mr. Lars Nyberg
3600 Woodhollow Road
Kettering, Ohio 45429

Dear Lars:

This letter agreement (Agreement) will supplement your offer of employment dated April 18, 1995 (attached), provided however, that certain provisions of this Agreement will replace and supersede the following provisions of the April 18, 1995 letter: "Special Individual Award", "Severance Benefit" and "Special Pension Arrangement", and such three provisions are null and void in their entirety. Moreover, this Agreement supersedes all verbal and written communication with you relative to your compensation, which occurred subsequent to the April 18, 1995 offer letter and prior to this Agreement.

(1) Completion Bonus: You will be provided a Completion Bonus by NCR Corporation ("NCR") or the spun-off NCR ("Newco"), based solely on your continued employment by NCR or Newco, as follows:

Date	Amount
June 1, 1996	\$ 375,000
June 1, 1997	\$ 375,000
June 1, 1998	\$ 375,000
June 1, 1999	\$3,875,000

In the event of your (1) death, (2) "Disability" (as defined below), (3) involuntary termination for other than "Cause" (as defined below), or (4) "Termination for Good Reason" (as defined below), you (or your estate in the event of your death) will be provided a one-time payment within 45 days of such termination or death, equal to \$5,000,000 offset by what you have already received under the above schedule of payments.

For purposes of this Agreement, "Cause" shall be defined as follows: (1) your conviction (including a plea of guilty or nolo contendere) of a felony or any crime of theft, dishonesty, or moral turpitude; or (2) gross omission or gross dereliction of any statutory or common law duty of loyalty to your employer. "Disability" shall be defined as your termination of employment for disability with eligibility to receive long term disability benefits under the terms of a company plan; and "Termination for Good Reason" shall be defined as voluntary termination by you on or before June 1, 1999 following (a) a reduction in annual total compensation (i.e., base salary, target annual incentive, "Long Term Incentive" as valued below) to less than \$3,000,000, or (b) your ceasing to hold the position of Chief Executive Officer ("CEO") of NCR or Newco. For purposes of these definitions only (and not Sections (3) and (4) below), the dollar value of your annual "Long Term Incentive" grants shall be determined by valuing Performance Shares, Performance Units, Stock Units, Restricted Stock, Restricted Stock Units etc., at the market price at grant and assuming 100% performance achievement if such grants include performance criteria, and Stock Options and SARs will be valued at 50% of the market price of the shares or related shares at grant, as applicable.

Moreover, if, (1) you continue to be employed as CEO of NCR or Newco, and (2) you are asked and you agree to sign an employment contract for an additional two year period beyond June 1, 1999, upon the later of (1) execution of that employment contract or (2) June 1, 1999, you will be paid a Re-enlistment Bonus of \$2,000,000.

(2) 1995 Special Equity Grant: In September, 1995 you were provided a Special Equity Grant of 400,000 AT&T Leveraged Stock Options and 35,000 AT&T Restricted Stock Units. In the event of a spin-off of NCR and your continued employment with Newco, these Options and Restricted Stock Units will continue to become exercisable or vest, as applicable, in accordance with the schedule under which these incentive awards were granted.

In the event of your (1) involuntary termination from NCR or Newco for other than Cause or (2) Termination for Good Reason from NCR or Newco, these Options and Restricted Stock Units will continue to become exercisable or vest, as applicable in accordance with the schedule under which these incentive awards were granted, subject to the terms and conditions of these incentive award agreements as if you continued to be actively employed by Newco.

In the event of your death or Disability, these Options and Restricted Stock Units will become immediately exercisable or released of restrictions, as applicable.

(3) Spin-Off Payout: In the event of a spin-off of NCR, Newco will provide (and AT&T will cause Newco to provide) to you a Newco Stock Option grant with a \$5,000,000 "face value" (i.e., market price per share at grant times the number of shares under this Stock Option grant = \$5,000,000, with the "market price" per share being deemed to be the average of the daily high and low trading prices in the five trading days immediately following the date of the spin-off of NCR) and a grant of \$5,000,000 "face value" (computed in the same manner) in Newco Restricted Shares/Units. These Stock Options and Restricted Shares/Units will become exercisable or cliff vest, as applicable, in September, 1999. In the event of your (1) involuntary termination from Newco for other than Cause or (2) Termination for Good Reason from Newco, these Options and Restricted Stock Shares/Units will continue to become exercisable or vest, as applicable, in accordance with the schedule under which these awards were granted, subject to their terms and conditions, i.e., as if you continued to be employed by Newco).

In the event of your death or Disability, these Options and Restricted Shares/Units will become immediately exercisable or released of restrictions, as applicable.

(4) Long Term Incentives at Newco: It is anticipated that, at least initially, long term incentives provided to you at Newco will be generally comparable to those currently provided to you at NCR.

All of your unexercised AT&T Stock Options, and all of your undistributed/unvested AT&T Performance Shares/Stock Units, including the Leveraged Stock Option grants in (2) above, will be replaced with comparable awards based on Newco stock with share numbers and exercise prices, as applicable, adjusted to preserve the value (including any aggregate spread) of such awards at spin-off; provided, however, the Restricted Stock Units granted under (2) above will remain denominated in AT&T shares.

(5) Special Pension Arrangement Buyout: The terms of your April 18, 1995 offer of employment anticipated your ability to receive benefits under the Special Pension Arrangement after attainment of 10 years of service with AT&T or an affiliate of AT&T (e.g., NCR). The planned spin-off of NCR would prevent you from attaining such years of service. Accordingly, AT&T will pay you, upon consummation of the spin-off, a lump sum of \$1,900,000 in lieu of all potential benefits and entitlements payable under the Special Pension Arrangement of your April 18, 1995 offer of employment. If you desire, AT&T will assist you in using this money (after income and employment tax withholding) to purchase a deferred annuity, payable at age 60, provided, that you expressly acknowledge that you will be subject to income taxation on such amount and AT&T makes no representation as to whether such amount will be adequate to purchase such an annuity which would approximate (based on a number of financial and actuarial

assumptions) the stream of payments you would have received under the Special Pension Arrangement had you remained with AT&T/NCR for 10 years.

Prior to spin-off, AT&T will cause NCR to establish a Rabbi Trust (Trust) with assets sufficient to fund the portion of the Completion Bonus that will be unpaid at the time of the spin-off, as well as the Re-enlistment Bonus. Under current IRS regulations, establishment of the Trust would not result in immediate taxable income to you. Benefits payable from the Trust, however, would be taxable income to you at the time of payment. The foregoing should not be considered tax advice to you, for which you should consult your own tax advisor.

It is understood and agreed that prior to the date NCR is no longer an affiliate of AT&T (i.e., the date of the spin-off), you will sign an Agreement and Release (A&R) not to sue AT&T, NCR, or Newco, except to enforce obligations under the A&R. This A&R will identify those obligations under (1) this Agreement and (2) my April 18, 1995 employment letter agreement or (3) any subsequent letter agreement(s) amending or replacing these two letter agreements, which at the time of the spin-off have not been fully met and which Newco will assume. Other than such identified post spin-off obligations, you will waive any and all claims to salary, incentives payments or benefits of any kind. Additionally the A&R would include the following provision.

"Employee, as his free and voluntary act and on behalf of himself, his heirs, administrators, executors, successors and assigns, hereby releases and discharges AT&T, NCR, and their respective subsidiaries and affiliates and the directors, officers, employees, and agents of each of them, of and from any and all debts, obligations, claims, demands, judgments or causes of action of any kind whatsoever in tort, contract, by statute, or on any other basis for compensatory, punitive or other damages, expenses, reimbursements or costs of any kind, including, but not limited to, any and all claims, demands, rights, and/or causes of action arising out of allegations relating to a claimed breach of an alleged oral or written employment contract, or relating to purported employment discrimination or civil rights violations [such as, but not limited to, those arising under Title VII of the Civil Rights Acts of 1964 (42 U.S.C. Section 2000e, et seq.), the Civil Rights Acts of 1866 and 1871 (42 U.S.C. Sections 1981 and 1983), Executive Order 11246, as amended, the Age Discrimination in Employment Act of 1967 (29 U.S.C. Section 621, et seq.), the Equal Pay Act of 1963 (29 U.S.C. Section 206(d)(1)), the Rehabilitation Act of 1973 (29 U.S.C. Sections 701-794), the New Jersey Law Against Discrimination (N.J.S.A. 10:5-1-30), the New York Human Rights Law (N.Y. Civil Rights Law Section 290, et seq.), or any other applicable state or local employment discrimination statute or ordinance] which he might have or assert against any of said entities or persons (1) by reason of his

active employment by AT&T or NCR or the termination of said employment relationship and all circumstances related thereto; or (2) by reason of any other matter, cause or thing whatsoever, from the first date of employment to the date of execution of this A&R."

If you agree with the foregoing, please sign this Agreement in the space provided below and return the executed copy to me.

Sincerely,

/s/ Hal Burlingame

Attachment

/s/ L. Nyberg

Acknowledged and Agreed to
L. Nyberg

Date

[LETTERHEAD OF AT&T]

April 18, 1995

Mr. Lars Nyberg
Minister Laan Forty
5631 ND Eindhoven
Holland

Dear Lars:

This letter completely replaces my April 6 and April 11, 1995 offer letters to you and all other written and oral communications on the subject.

It gives me great pleasure to offer you a Senior Management position within AT&T Corp. (the "Company" or "AT&T"). In addition to confirming my offer, this letter will detail the terms and conditions of your employment and outline the current major features of AT&T's compensation and benefit plans and practices.

Assumption of Duties: On or about June 1, 1995, you would assume the position of Chairman and CEO, AT&T Global Information Solutions Company ("AT&T GIS"), reporting to Robert E. Allen, Chairman and CEO, AT&T. You will also be a member of the AT&T Management Executive Committee and the Global Operations Team. It is understood that a start date as late as August 1, 1995 may be required to accommodate your current employment situation. Moreover, since the Company recognizes that you have vacation plans in July, the six month waiting period will be waived for purposes of your 1995 vacation.

Base Salary: Your initial base salary will be \$600,000 per year. This rate will increase annually to reflect individual performance and base salary structure changes applicable to similarly situated Senior Managers. Your first review for your base salary level will be effective March 1, 1996.

Annual Incentive: The annual incentives for Senior Managers currently take the form of (1) AT&T Performance Award (APA), (2) Merit Award (MA), and (3) Unit Performance Award (UPA).

- (1) AT&T Performance Award (APA) is predicated on corporate performance.
- (2) Merit Award (MA) is driven by individual and team contributions.

- (3) Unit Performance Award (UPA) is predicated on your organization meeting its financial targets.

Except as reflected below in the "Guaranteed 1995 Annual Incentive" provision, the Company cannot make any definitive representations regarding the continuation of the APA/ MA/UPA format or the size of individual awards under these plans. The following information, however, will provide a frame of reference regarding the potential size of your annual incentive. Based on your initial base salary, your 1995 target (not actual) APA/MA is \$383,000 and your target (not actual) UPA is \$207,000. These awards are payable in the first quarter of 1996 and will be prorated to reflect partial 1995 service.

Guaranteed 1995 Annual Incentive Amount: In the event that your earned prorated 1995 APA/MA/UPA (see above provision) is less than \$590,000, you will be provided a lump sum that, when combined with your actual earned APA/MA/UPA, will total \$590,000. In the event that your earned 1995 APA/MA/UPA is higher than \$590,000, you would receive that higher amount and no lump sum would be payable under this Guaranteed 1995 Annual Incentive Amount provision.

The amount payable under this guaranteed 1995 Annual Incentive provision will not be included as compensation under any employee or Senior Manager benefit plan. It is understood that this minimum guaranteed incentive award for performance year 1995 shall not in any way construed as a precedent for future performance years.

AT&T Long Term Incentive Program:

- - - AT&T Performance Shares: Effective within 30 days of your date of hire, you will receive 10,555 AT&T Performance Shares covering the 1995-1997 performance period (payout, if any, is in the first quarter of 1998). This is the 1995 standard grant for your Senior Management position. Historically, such awards have been made annually. Performance Shares, which are equivalent in value to AT&T common shares, are awarded based on position rate at the beginning of a three-year performance period. Payout of from 0% to 150% of such Performance Shares is made in the form of cash and/or AT&T shares at the end of the performance period based on attainment of the Company's return to equity performance criteria as established annually by the Compensation Committee of the Board of Directors. Dividend equivalents are paid quarterly on all undistributed Performance Shares.

- - AT&T Stock Options: Effective within 30 days of the date of your hire, you will be awarded 38,484 AT&T Stock Options. This is the 1995 standard grant for your Senior Management position. Historically, standard stock option grants have been made in January of each year to Senior Managers. Currently, the term of the stock option grant is ten years. Assuming continued Company employment, stock options vest as follows: one-third of the options will vest on the first anniversary of the date of grant, one-third on the second anniversary, and one-third on the third anniversary of the date of grant. The option price is 100% of market price on date of grant. As with the Annual Incentive Awards, Long Term Incentives are closely linked with the Company's strategy to meet the challenges of an ever changing marketplace. Accordingly, other than the initial grant, the Company cannot guarantee continuation of the Stock Option plan in its current format, nor can it guarantee annual grant levels to individual participants.

Special Education Arrangement: You will receive an annual cash payment of up to \$10,000 to address education costs for your son in Sweden payable each December during the time he is a student. As payment will include an additional tax reimbursement amount sufficient to pay the income and employment taxes that you incur with respect to both the educational reimbursement and the tax reimbursement amount itself.

Hiring Bonus: In order to address certain forfeitures, (e.g., possible 1994 annual incentive amount) prompted by your leaving your current employer and to incent you to join AT&T, the Company will provide you with the following:

You will be granted the following "Seasoned" AT&T Performance Shares under the Company's Long Term Incentive Program:

- - 7,397 AT&T Performance Shares (1993-1995 Performance Period payable 1996)
- - 8,783 AT&T Performance Shares (1994-1996 Performance Period payable 1997)

In the event that the 1996 payout of your AT&T Performance Shares covering the 1993-1995 performance period is less than 100% of the target, you will be provided a special one-time cash lump sum payment equal to the difference between the payout for this three-year cycle at target and the actual payout for the 1993-1995 performance period. This special payment will not be considered

Hiring Bonus (Cont'd)

a Performance Share Award under the Long Term Incentive Program. Moreover, it is understood that this special payment shall not in any way be construed as a precedent for future performance periods.

It is anticipated you will receive a 1994 (payable 1995) annual bonus award from your current employer. However, in the event your current employer does not pay all or a portion of this annual award, the Company will make up the difference, payable in US dollars, at the later of your date of hire or 30 days from receipt of your letter to us indicating the magnitude and circumstances of this forfeiture. It is understood and agreed that you will make all reasonable efforts to secure this annual incentive from your current employer, e.g., exhaust all internal appeals but not including litigation.

Special Individual Award: You will be eligible for a special cash award of \$375,000 payable one year from your date of hire, and three additional awards of \$375,000 each, payable two, three, and four years, respectively, from date of hire. This Special Individual Award is predicated on continued employment only, except as otherwise treated under the "Severance Benefit" provision below.

Severance Benefit: In the event of any Company initiated termination other than for disability or for "cause" (as defined below), from the effective date of your employment to the day prior to your 56th birthday, you will be entitled to:

- A payment equal to the higher of (1) \$1,200,000 or (2) 200% of your annual base salary in effect on the date of such termination, such payment to be made in the month following the month of termination.
- Any portion of the \$1,500,000 cash amount, as described above in the Special Individual Award provision, which is unpaid as of the termination date will be payable in the month following the month of termination.
- You will be entitled to the Home Sale Provision under the AT&T Management Relocation Plan (AT&TMRP). With respect to the capital loss provision of the AT&TMRP, you will be reimbursed 100% of the calculated loss (instead of the plan's 90% provision), where the calculated loss will take into account 100% (instead of 50%) of eligible capital improvements (as defined in the plan). The maximum reimbursement provision of the AT&TMRP (i.e., the greater of

\$50,000 or 10% of the purchase price plus 50% of eligible capital improvements) will also not be applicable in your situation.

Such payments and other entitlements, as described above in the Severance Benefit provision, will be conditioned upon your signing a release and agreement not to sue the Company. The form of this release and agreement will be that then in use for AT&T Senior Managers.

For purposes of this employment letter, "cause" shall be defined as follows: (1) your conviction (including a plea of guilty or nolo contendere) of a felony or any crime or theft, dishonesty or moral turpitude; or (2) gross omission or gross dereliction of any statutory or common law duty of loyalty to the Company or (3) violation of the Company's Code of Conduct.

Senior Management/Employee Benefit Plans: Attachment A is a brief outline describing the employee and special Senior Management benefits in which you will participate.

Special Pension Arrangement: The Company will develop a special individual pension for you (the Special Pension). The minimum service required for eligibility for a pension benefit under this Special Pension will be ten years service with AT&T and/or an affiliate of AT&T). Other than the minimum ten year AT&T service requirement, the provisions of this Special Pension will be generally comparable to the pension benefit arrangement you are now covered under by your current employer provided, however, that the benefit formula of AT&T's Special Pension is reduced to reflect the value of the 4% of base salary employee contribution to your current plan. (You will not be required to make contributions to the Special Pension). The Special Pension formula is 1.82% of your final year's base salary, up to \$75,000, plus 1.32% of your final year's base salary in excess of \$75,000, multiplied by total years from January 1, 1977 to your retirement from AT&T (prorated to the nearest month). Your initial eligibility for an unreduced immediate pension under the Special Pension is at age 60. However, an immediate reduced pension is available as early as your attainment of ten years of AT&T and/or affiliate service with a 6% reduction per year for each year (prorated to the nearest month) prior to age 60, e.g., a 30% reduction if your retirement occurs on your 55th birthday. Alternatively, if you retire after ten years of AT&T and/or affiliate service prior to age 60, you can defer receipt of your pension until age 60 and avoid the early retirement reduction. The pension benefits payable under the Special Pension will be reduced by:

Special Pension Arrangement: (Cont'd)

- Any pension benefits payable to you by your current and prior employers' pension plans in both Sweden and the Netherlands. It is understood that you will comply with requests from the Company to document your retirement benefits payable from your current and prior employers as well as data relating to your Social Security benefits.
- Swedish, Dutch and US Social Security payments.
- All benefits payable to you under any qualified and/or non-qualified (SERP, i.e., Special Executive Retirement Plan, including AT&T restricted stock which is considered part of an overall AT&T GIS SERP) retirement/pension plans of AT&T and/or any affiliate of AT&T, other than AT&T and/or AT&T GIS savings plans or the AT&T Senior Management Incentive Award Deferral Plan.

The above details the most important provisions of the Special Pension. Other details relating to (1) survivor protection, (2) disability benefits, and (3) pension or deferred pension for retirement prior to the above referenced 10 year minimum eligibility requirement, will be addressed when we secure more details regarding comparable provisions to your current pension plan(s). As indicated in Attachment A, however, from your date of hire at AT&T, you will be provided significant disability and death benefit protection under employee and Senior Management plans already in effect and these benefits will be considered when we address what, if any, additional death and disability protection should be incorporated in this Special Pension. Please be assured that we have every intention of working with you to ensure that the final version of the individual Special Pension Arrangement, together with the AT&T/AT&T GIS qualified and non-qualified pension, death and disability plans, will be generally comparable to your current pension arrangement.

In the event you retire and meet the minimum ten year eligibility requirement for a Special Pension, you will be entitled to the following post-termination ancillary entitlements available to and administered in a manner consistent with then current treatment of Service Pension eligible Senior Managers and in accordance with the terms and conditions then applicable to each Senior Management plan or practice:

- 1 times base salary Senior Management Basic Life Insurance Program benefit

- 1-1/2 times base salary Senior Management Individual Life Insurance (Split Dollar - contributory).
- Continuation of outstanding Company Stock Options and Performance Shares (the regular annual grants) but only to the extent such treatment is then (i.e., when you terminate) available to Service Pension eligible Senior Managers.
- Continuation of Senior Management Telephone Concession Service but only to the extent such benefit is then available to Service Pension eligible Senior Managers.

Amounts payable to you under this Special Pension will be made from the Company's operating income.

Relocation Plan: You will be eligible for relocation benefits under a combination of the International Relocation Plan and the AT&T Management Relocation Plan (AT&TMRP) as described in Attachment B. Moreover, if your job responsibilities require a move from Dayton, Ohio, to another AT&T location, e.g., the northern New Jersey area, the capital loss provision of the AT&TMRP (Section 3.R) will be modified for you as follows: You will be reimbursed 100% of the calculated loss (instead of the plan's 90% provision), where the calculated loss will take into account 100% (instead of 50%) of eligible capital improvements (as defined in the plan). The maximum reimbursement provision of the AT&TMRP (i.e., the greater of \$50,000 or 10% of the purchase price plus 50% of eligible capital improvements) will also not be applicable in your situation.

It is agreed and understood that you will not talk about, write about or otherwise disclose the terms of existence of this employment letter or any fact concerning its negotiation or implementation. You may however, discuss the contents of this letter with your spouse, legal and/or financial counselor.

As indicated in the attached AT&T Non-Competition Guideline (Attachment C), a number of AT&T incentive arrangements and non-qualified pension and benefit plans are subject to non-competition constraints.

This letter reflects the entire agreement regarding the terms and conditions of your employment. Accordingly, it supersedes and completely replaces any prior oral or

written communication on this subject. This letter is not an employment contract and should not be construed or interpreted as containing any guarantee of continued employment. The employment relationship at AT&T is by mutual consent ("Employment-At-Will"). This means that managers have the right to terminate their employment at any time and for any reason. Likewise, the Company reserves the right to discontinue your employment with or without cause at any time and for any reason.

The incentive plans as well as the employee and Senior Management benefit plans, programs and practices as briefly outlined in this letter, reflect their current provisions. Payments and benefits under these plans and programs, as well as other payments referred to in this letter, are subject to Internal Revenue Service rules and regulations with respect to tax withholding and reporting, and will not be grossed-up for taxes unless specifically stated. The Company reserves the right to discontinue or modify any such plans, programs and practices. Moreover, the very brief summaries contained herein are subject to the terms of such plans, programs and practices.

For purposes of the Senior Management and employee benefit plans, the definition of compensation is as stated in the plans. Currently, pensions at AT&T are based on base salary and annual incentives. Other benefits are based on either base salary or base salary plus annual incentives. All other compensation and payments reflected in this offer, e.g., Hiring Bonus, Special Individual Award, Relocation, Long Term Incentives, are not included in the calculation of employee or Senior Management benefits (except for the AT&T Incentive Deferral Award Plan, which currently permits the deferral of Annual Incentives and Performance Shares).

An attorney, whose practice is limited to immigration and nationality law, will be retained, at the Company's expense, to assist your efforts to secure the appropriate work visa in the United States. A tax gross-up will also be provided to the extent the cost of such service is deemed imputed income to you. Of course, the Company will provide all needed documentation to facilitate these visa endeavors.

It was my hope that at the outset of your employment you could be elected an officer of AT&T Corp. As discussed, however, there is one legal issue that precludes us from making you an officer of AT&T Corp. It is the firm intention of Bob Allen and myself to take all reasonable steps that would permit your election in the future as an officer of AT&T Corp. It is likely that we will need to seek the consent of the US government to accomplish this, and such consent would not be forthcoming by the date we hope to bring you on board, e.g., within the next month assuming your current

employer will not demand adherence to the three month notification period. Accordingly, in the interim, you will be hired as an employee and officer of AT&T Global Information Solutions (AT&T GIS). As indicated in the first page of this offer of employment, you will report to Mr. Allen and be a member of the AT&T Management Executive Committee (MEC) and the Global Operations Team. For purposes of your basic employee benefits (e.g., medical, group term life insurance) you will be covered under AT&T GIS plans and programs. However, for purposes of both Annual Incentives (i.e., APA, MA, UPA) and Long Term Incentives (i.e., AT&T Stock Option and AT&T Performance Shares), you will be covered by AT&T practices applicable to the other members of the MEC. Moreover, you will be covered by the special AT&T Senior Management plans (e.g., deferral, disability and individual life insurance plans) applicable to your colleagues on the MEC. In some cases these are stand-alone benefit plans, while in other cases they are "wrap around" plans which will supplement the AT&T GIS employee benefits.

You have informed us that your current employer has restrictions on competitive employment. However, you have confirmed that your proposed employment responsibilities with AT&T are not competitive with your current employer nor do they contravene any such restrictions. Accordingly, in the event that litigation is commenced, the Company agrees to indemnify you for all costs (including potential damages as well as litigation costs) relating to any action brought by your current employer related to: (1) your termination of employment with such employer and/or (2) your employment with the Company. In addition, in the event that your employment with the Company causes you to forfeit all or part of the stock option grant you had planned to exercise on April 26, 1995, the Company will reimburse such forfeiture, after your diligent and reasonable efforts to ensure compliance with this entitlement. The reimbursement from the Company would be payable within 30 days of the later of (1) your date of hire, or (2) our receipt of a letter from you quantifying and detailing the circumstances of such forfeiture, and outlining your efforts in this regard with your current employer.

By your acceptance of this offer, you agree that no trade secret or proprietary information belonging to your current employer will be disclosed or used by you at AT&T, and that no such information, whether in the form of documents, memoranda, software, drawings, etc., will be retained by you or brought with you to AT&T.

Lars, I feel the package we have developed for you is attractive and anticipates that you will make a critical contribution to the business as it develops over the coming years. We look forward to having you join us. If you have any questions, please don't hesitate to call me or Marty O'Donnell on (908) 221-3596.

If you agree with the foregoing, please sign this letter by April 28, 1995 in the space provided below and return the original executed copy to me.

Sincerely,

/s/ Hal Burlingame

Attachments

/s/ Lars Nyberg

Acknowledged and Agreed to
L. Nyberg

27 April 1995

Date

BENEFIT SUMMARY

Combines Mid Career, Employee and Senior Management Benefits

- MEDICAL
- Company provided coverage during first two months
 - Eligible to enroll in Personal Choice Flex Benefit Plan.
 - Under the Flex Plan, there are different levels of coverage and plans from which to elect (i.e., Medical, Dental, Dependent Life Insurance, Reimbursement Accounts, etc.).
- DEATH BENEFITS
- Minimum 15% of Pay* for spouse's lifetime until pension plan for employees generally exceeds such percentage
 - 1 x Salary Company Paid Senior Management Basic Life Insurance Program
 - 1 or 1.5 x Salary Employee/Company paid Senior Management Individual Life Insurance
 - Up to 2 x Salary Employee Paid Group Term Life Insurance
 - 2 x Base Salary Company paid Group Term Life Insurance (Max. \$1.2 million)
- SICKNESS DISABILITY
- 52 weeks at full salary
- LONG TERM DISABILITY
- 60% of Salary LTD benefit to age 65 is provided by Company. Option to elect an additional 10% through Flex program with employee contribution for the additional 10%
- VACATIONS
- 5 weeks vacation annually after six months service
- SAVINGS PLAN
- Eligible to enroll after one year anniversary of Company service; Company matches 75% of employee contribution up to first 3% of Salary and 50% for the next 3%

- DEFERRAL PLAN
- Option to defer Short and Long Term Incentives (i.e., Performance Shares and dividend equivalents). Current interest rate is 10 year U.S. Treasury notes plus 5%**.
- FINANCIAL COUNSELING
- May participate in Financial Counseling program utilizing one of three approved firms (Asset Management Group, Ayco and Coopers & Lybrand) for investment advice, tax advice and preparation, estate planning, will and trust preparation.
- TELEPHONE CONCESSION
- 100% of Inter-LATA long distance charges and International Calls (excluding Cuba and North Korea) and 100% on certain Intra-LATA long distance calls.
- AUTOMOBILE
- Company provided leased U.S. automobile, e.g., Cadillac Seville, Oldsmobile Aurora, Jeep Grand Cherokee, Lincoln Town Car, etc. The Company provides insurance and maintenance. Employee pays for gasoline. Fair market value of the lease imputed annually to the employee.

* Base salary plus annual incentive awards (APA/UPA/MA)

** Interest rate established by AT&T Board and subject to change from time to time

Terms and conditions of Employee, Senior Management and Mid-Career Benefit plans, programs and practices, are subject to change by the Company. The above is only a very brief outline of such benefit plans, programs and practices. Actual entitlements will be determined by the legal documents governing these plans, programs and practices. If there is any conflict between the information presented in this outline and such legal documents, the legal documents will govern.

4/4/95

RELOCATION PLAN OUTLINE

Lump Sum Payment	Paid in advance based on an individual formula which includes home search trips, interim living costs, meals, transportation, lodging, etc., for employee and family
Enroute Expenses (Day(s) of Move)	Travel expenses to U.S. for employee and family members
Miscellaneous Household Allowance	1 month new salary*
Home Sale Closing Costs	Selling Commissions, Notary Fees, Recording Fees. Also, assistance in selling home through the Managed Sale Program of EuroHome Corporate Services
Loan For Down Payment (Equity Advance)	Interest free loan up to 95% of the estimated equity in prior home
Home Purchase Closing Cost	Most fees paid, e.g., attorneys, recording loan origination/discount points (maximum 2 pts.)
Moving/Storage	Packing, moving and unpacking of household goods Two 40 Foot surface container plus 2000 pounds air shipment
Appliance purchase	Reimbursement for major appliance purchase when not provided as part of housing. Includes refrigerator, stove/oven, washer/dryer, dish washer and microwave oven.
Automobile Loss	Reimbursement for the loss on sale of up to two personally owned automobiles
Tax Gross-Up	For non-deductible moving expense reimbursements (Misc. Allowance not included)

* 5% of new annual salary if renting at the new location.

The above is only a brief outline of such benefits. Any benefits or rights will be determined by the specific plan provisions as they apply in each case.

4/3/95

EMPLOYMENT AGREEMENT

This Agreement, dated as of September 23, 1991, by and among the American Telephone and Telegraph Company, a New York corporation (the "Company"), NCR corporation, a Maryland corporation ("NCR"), and John L. Giering, whose residence address is 6477 Kings Grant Passage, Dayton, Ohio 45459 ("Employee").

WHEREAS, the shareholders of NCR have approved the merger (the "Merger") of NCR and a subsidiary of Company on September 13, 1991 (the "Merger Date") and Company intends to continue the corporate existence of NCR as a wholly owned subsidiary of the Company; and

WHEREAS, prior to the Merger Date, and on the date hereof, Employee was and is employed as Senior Vice President, Finance and Administration, of NCR; and

WHEREAS, the Company has offered and Employee has accepted employment as the Senior Vice President, Finance and Administration of NCR, on the terms and conditions hereinafter provided,

NOW THEREFORE, for and in consideration of the foregoing premises and the mutual promises and agreements hereinafter contained, Company, NCR and Employee do hereby agree as follows:

1. Employment. Subject to the provisions set forth elsewhere in this Agreement, the Company hereby employs Employee and Employee accepts such employment as Senior Vice President, Finance and Administration of NCR for the term set forth in Section 2 of this Agreement. Employee represents and warrants that there are no agreements or arrangements, whether written or oral, in effect which would prevent him from rendering exclusive services to NCR during the term hereof. Such employment shall be upon the terms and conditions hereinafter contained.

2. Term of Agreement. The term of employment hereunder shall commence on the date of this Agreement and shall end December 31, 1996. Employment thereafter shall be at the will of Company and Employee respectively or upon such other terms and conditions as Employee and Company may agree upon the future in writing.

3. Employee's Compensation and Benefits.

a. Base Salary. Company agrees to cause NCR to pay and NCR agrees to pay and Employee agrees to accept, for services to be rendered hereunder and during the term of this Agreement an annual initial base salary of not less than \$242,000 per year, payable in installments on a monthly or other periodic basis in accordance with the prevailing payroll practice applicable to a Senior Manager of NCR. Such initial base salary shall be the Employee's salary until December 31, 1992, unless increased prior thereto with the approval of Company. During the term hereof, Employee's salary shall be increased, and never decreased, annually thereafter commencing on January 1, 1993, as approved by the Company. The annual initial base salary is predicated upon an annual standard maximum rate for Employee's position of \$277,526 per year, which shall also be increased annually and never decreased, at the same time as the aforesaid salary increases, subject to approval by the Company.

b. Perquisites. During the term of this Agreement and subject to the conditions herein, there shall be provided to Employee: (i) the perquisites of employment provided to a Senior Manager of NCR, but in no event shall such perquisites be less in amount or kind than those provided immediately prior to the Merger Date; (ii) the Company's programs of financial counseling on the same basis as those benefits are provided to Senior Managers of the Company, provided, however, that Company agrees to permit Employee to use his own financial advisor (if not one of those specified under Company's counseling program) at the same dollar amount and tax gross-up coverage as that provided for under the Company's financial counseling program; and (iii) reimbursement for reasonable and necessary business

expenses incurred in connection with his employment in accordance with employee business expense practices applicable to a Senior Manager of NCR. The vacation policy or senior management ground transportation program provided to a Senior Manager of Company during the term hereof may also be provided to Employee in the discretion of the Chief Executive Office of NCR.

c. Benefits. Employee shall be entitled to coverage under, or benefits in accordance with, those employee and senior management benefit plans and programs as are made available or which may subsequently become applicable to Senior Managers of NCR. NCR and Company jointly and severally consent and agree that immediately upon execution of this Agreement they shall cause to be executed by a duly authorized officer of NCR, an amendment to the SERP Agreement, in the form attached hereto as Exhibit A. The SERP as so amended is attached hereto and made a part hereof as Exhibit B. In the event Amendments are made to the SERP during the term hereof or thereafter which would yield, upon Employee's retirement a pension benefit which is less than the benefit which would have been provided by the SERP in the form of the SERP attached hereto as Exhibit B, then in such event, Employee's pension entitlement will be calculated as provided under the SERP attached as Exhibit B.

d. Incentive Plans. Exhibits C and D attached hereto and made a part hereof are copies or descriptions of NCR's annual incentive compensation plan (the "Annual Plan") and long-term incentive compensation plan (the "LTI Plan") respectively, to be in effect and in which Employee will participate, for year 1992 and subsequent years during the term hereof. Employee's target bonus opportunity under the Annual Plan for 1992 and subsequent years during the term hereof, shall be not less than 50% of the greater of Employee's annual salary or standard maximum rate for the year to which such opportunity relates (the "Target Annual Bonus Opportunity") and will be paid to Employee on or before March 31 of the next succeeding year. Employee's bonus under the Annual Plan for 1992 will not be less in amount than Employee's Target Annual Bonus Opportunity for 1992. Employee's target bonus opportunity (the "Target LTI Bonus Opportunity") under the LTI Plan for the performance cycle beginning in 1992 and subsequent cycles beginning during the term hereof shall be not less than 50% of Employee's annual

salary in effect for the year in which awards under such Plan are determined. Bonuses under the LTI Plan will be paid no later than ninety (90) days after the end of each performance cycle under the Plan, which cycles shall be 3-year performance cycles. The first 3-year performance cycle bonus payable under the LTI Plan will be for the cycle beginning in 1992 and ending in 1994. Employee will also participate in a transitional program under the LTI Plan and will be granted performance unit grants thereunder for the one year performance cycle January 1, 1992 - December 31, 1992 and for the two year performance cycle January 1, 1992 - December 31, 1993. Such grants shall provide Employee with a target bonus opportunity for each of such cycles equal to the Target LTI Bonus Opportunity.

e. Stock Options. In 1992 and for each year thereafter during the term of this Agreement, Employee will receive AT&T Stock Options ("Stock Options") under the Company's 1987 Long Term Incentive Program and Company hereby represents and warrants that such awards have been approved by the Compensation Committee. The number of such Stock Options will never be less than the number determined by dividing the AT&T share price at the time such awards are determined into 250% of Employee's then current, annual standard maximum rate. All other terms and conditions applicable to such Option will be no less favorable than those applicable to a Senior Manager of NCR as in effect immediately prior to the Merger Date or, during the term hereof to the extent made more favorable during such term. In addition, the parties acknowledge that the Company has commissioned a study by Frederic W. Cook & Co. to determine whether it would be appropriate to make adjustments to the formula for awarding Stock Options to employees of NCR in consideration of the Merger. In the event that such adjustments are made, the number and dollar value of Stock Options granted to Employee following such adjustments shall be sufficient to maintain the level of Employee's participation as to both number and dollar value of Stock Options relative to the level, prior to the Merger Date, of participation of other recipients of stock options under NCR Stock Option Plans as of the May 1991 grant of such options. Each stock option agreement for Stock Options hereunder shall provide that upon termination of employment of Employee other than for Cause during the term hereof or thereafter, the Stock Options referenced therein shall become immediately exercisable regardless of when granted and that upon such

termination of employment Employee will be deemed to be, and will be treated as, a retiree under such agreements and/or the applicable Stock Option Plan to which such agreement relates.

f. Assignment to Company or Affiliate Company. In the event that Employee shall at Company's request cease to be assigned to NCR and become assigned to or employed by Company or an affiliated company of Company other than NCR, unless Employee otherwise consents in writing, such assignment shall be a promotion to a position with a higher standard maximum rate and Employee shall receive an increase in compensation appropriate to the new position and be entitled to all the benefits and perquisites offered to, and shall otherwise be treated in all respects as, a Senior Manager of the Company.

g. Post-Expiration or Termination Bonus Payments. Upon termination of the employment of Employee other than for Cause during the term hereof or thereafter, the amount of all bonuses for years or performance cycles beginning prior to the termination of Employee's employment, whether for all or a part of any such years or performance cycles, shall be paid to Employee on the same basis as if Employee had retired under the Plans providing for such bonuses at such termination.

4. Special Sign-On Bonus.

a. As of the date of this Agreement and subject to the terms hereunder, the Company shall credit on its books of account (the "Record Account") the sum of Two Million Two Hundred Seventy Five Thousand Dollars (\$2,275,000), and such Record Account shall be increased to reflect the crediting of interest, at the rate set forth below, from the first day following the date of this Agreement through the earlier of December 31, 1996 or the Termination Date. The interest will be calculated and compounded quarterly and credited to the Record Account as of the end of each calendar quarter and at the Termination Date. The quarterly rate of interest applied for calendar quarters ending in the first, second and third years of the term of this Agreement shall equal one-quarter (1/4) of the sum of (i) the average

10-Year Treasury Note rate for the previous quarter plus (ii) three (3%) percent. The interest credited for calendar quarters beginning on and after the third anniversary of the date of this Agreement during the remaining term of the Agreement shall equal one-quarter (1/4) of the sum of (i) the average 10-year Treasury Note rate for the previous quarter plus (ii) five (5%) percent. Employee shall be entitled to receive on an ongoing basis semi-annual reports from Company detailing the balance in his Record Account during the term hereof.

b. Subject to the provisions of Section 8 below, the outstanding balance in the Record Account of Employee, including interest, through the earlier of December 31, 1996 or the Termination Date of Employee's employment, shall be paid in a single lump sum within 45 business days following the earlier of December 31, 1996 or Employee's Termination Date.

5. Powers and Duties. The Employee shall devote his full business time, interests and abilities to the performance of his duties under this Agreement, it being understood in connection therewith that he may, in his discretion and subject to not interfering with his duties and responsibilities hereunder, devote time to civic, public and professional activities and may serve as a Director of other business corporations not engaged in competition with the Company or any subsidiary or affiliate of the Company; provided, however, that he shall not accept directorships on more than three boards of other business corporations; and provided, further, that for purposes of the immediately preceding clause, directorships on the boards of two or more companies with at least 50% common ownership shall count as a single corporation.

6. Operation of Agreement. Notwithstanding any other term or provision to the contrary, all rights, benefits and entitlements available under and in accordance with the terms of this Agreement, except as otherwise provided in Sections 3(e), 3(g), 4 and 8, are contingent and dependent upon Employee maintaining and continuing employment as a Senior Manager of NCR, Company or an affiliate thereof.

7. Restrictive Covenant Against Competition. In the event the employment of the Employee shall be terminated in a case where the provisions of Section 8(b) or the second sentence of Section 8(c) of this Agreement shall apply, then for a period of twenty-four (24) months thereafter he shall not, without the prior written consent of the Company, be employed by, become associated with, render service to, or own an interest in (except as a holder of securities of an issuer whose securities are publicly traded, and then only to the extent of owning not more than 1% of the issued and outstanding equity securities of such issuer) any business that is competitive with NCR or any subsidiary thereof or any business in which NCR or any subsidiary thereof has 50% or more voting control nor shall Employee recruit, solicit or induce, or attempt to induce, any "exempt" employee of Company or NCR to terminate their employment with or otherwise cease their relationship with Company or NCR (an activity described in this sentence is referred to hereinafter as "Competitive Activity"); provided, however, that in the event that the Employee's employment was terminated by the Company without Cause or by the Employee with Good Reason, if it is determined that the Employee has engaged in Competitive Activity during such 24-month period, the Employee shall forfeit, as of the date such Activity commenced, any payments and benefits provided for under the second sentence of Section 8(b) hereof otherwise payable after that date and the Company, NCR and their affiliates shall have no other remedy, except any remedy available at equity, against Employee with respect to such Competitive Activity. In the event Employee should be assigned as a Senior Manager of the Company for six (6) months or more to Company or an affiliate company of Company other than NCR, then Employee agrees that wherever the term "NCR" is used in the preceding sentence, there shall also be deemed added the name of Company or the affiliated company, as applicable. If any restriction set forth in this Section 7 is found by any arbitrator or court of competent jurisdiction to be unenforceable because it extends for too long a period of time or over too great a range of activities or in too broad a geographic area, it shall be interpreted to extend only over the maximum period of time, range of activities or geographic areas as to which it may be enforceable in that jurisdiction.

8. Termination Provisions.

a. If Employee's employment is terminated for any reason prior to the expiration of this Agreement and subject to the terms and conditions of Section 8(b) and (c), below, (i) his annual base salary (as provided in Section 3(a), above) shall cease as of the Termination Date, (ii) his incentive bonus awards shall be payable in accordance with the terms and conditions of Section 3(g) above and (iii) no further grants of bonuses or Stock Options (as provided in Section 3(e), above) shall be made as of the Termination Date. Unexercised Stock Options will be treated in accordance with the provisions of Section 3(e).

b. In the event of Employee's (i) death, (ii) termination on account of Disability, (iii) termination on account of Severe Hardship, (iv) termination for Good Reason or (v) termination initiated by the Company for any reason other than Cause, the then outstanding balance in the Record Account of the Employee, including interest credited to the Termination Date, will be paid to Employee (or his designated beneficiary) as described in Section 8(e) below. Such payment shall be considered a "severance payment to the Executive by NCR or subsidiary (as appropriate) pursuant to any statute, regulation, settlement agreement or other government requirement" for purposes of Other NCR Plans and Agreements. In addition to the payment of the Sign-On Bonus balance referred to in the preceding sentence, in the event of Employee's termination for Good Reason or termination initiated by the Company for any reason other than Cause (x), an amount equal to 200% of Employee's annual base salary in effect at such time will be paid to Employee in 24 equal monthly installments commencing the month after the Employee's Termination Date and (y) for a period of 18 months after such Date, NCR or Company shall arrange to provide the Employee with life insurance, group medical, dental and health benefits substantially similar to those which Employee is receiving or entitled to receive immediately prior to such Date and shall pay Employee not later than the last day of such 18-month period an amount equal to the cost of such benefits which Employee would incur if he had to purchase them on his own covering the six-month period thereafter; provided, however, that Company and Employee shall

share the cost of such benefits in the same proportions as exist immediately prior to the Termination Date. A gross-up payment for income taxes (federal, state and local) shall be made by Company to Employee respecting the benefits and payments provided for in clause (y) hereof in accordance with the Company's policies on grossing up Senior Managers of Company. Neither the payment of all or any portion of the outstanding balance in the Employee's Record Account nor the continuation of salary and benefits provided for in clauses (x) and (y) of this Section 8(b) shall be treated as a compensation plan or a payment under a compensation plan for purposes of the Other NCR Plans and Agreements.

c. Amounts credited to Employee's Record Account pursuant to the Special Sign-On Bonus in Section 4 above, including interest credited thereon, shall be forfeited in the event of (i) any termination of employment initiated by Employee other than for Good Reason, death, Disability or on account of Severe Hardship during the first three years immediately following the Merger Date or (ii) Employee's termination of employment for Cause. Notwithstanding subsection (i) of the immediately preceding sentence, (A) in the event of any termination of employment initiated by Employee other than for Good Reason, death, Disability or on account of Severe Hardship during the period immediately following the last day of the three-year period after the Merger Date and up to the fourth anniversary of the date of this Agreement, 60% of the balance then in the Employee's Record Account, including accrued interest as of the Termination Date applicable to such termination, shall be paid to him in accordance with the provisions of Section 4(b) and the other 40% of such amount shall be forever cancelled and forfeited and (B) in the event of any such termination of employment initiated by Employee other than for Good Reason, death, Disability or on account of Severe Hardship after the fourth anniversary of the date of this Agreement and thereafter prior to December 31, 1996, 80% of the balance then in the Employee's Record Account, including accrued interest as of the Termination Date applicable to such termination, shall be paid to him in accordance with the provisions of Section 4(b) and the other 20% of such amount shall be forever cancelled and forfeited.

d. The Employee shall not be required to mitigate the amount of any payment provided for in this Section 8 by seeking other employment or otherwise, nor shall the amount of any payment, benefit or Stock Option entitlement provided for in this Agreement be reduced by any compensation or benefit earned by Employee as the result of employment by another employer or by retirement benefits received under the SERP or otherwise after the Termination Date, except as specifically provided in this Section 8 and except for the benefits referred to in clause (y) of Section 8(b) to the extent a comparable benefit is actually provided to Employee by a subsequent employer during the 18-month period referred to in said clause (y).

e. Except as otherwise provided herein, any payments made pursuant to this Section 8 shall be paid in a single lump sum within 45 business days following Employee's Termination Date.

9. Certain Definitions. For purposes of this Agreement, the following terms shall have the meanings provided herein.

a. Disability. For purposes of this Agreement, "Disability" shall mean the inability of the Employee, because of bodily injury or disease, to perform the duties of the Employee's regular occupation. Any question as to the existence of a Disability upon which the Employee and Company cannot agree shall be determined by a qualified independent physician mutually agreeable to the Employee (or, if the Employee is unable to make such agreement, to any adult member of the Employee's immediate family or the Employee's legal representative), and Company. The determination of such physician made in writing to Company, and to the Employee, shall be final and conclusive for all purposes of this Agreement.

b. Severe Hardship. For purposes of this Agreement, events and situations constituting "Severe Hardship" shall be determined in the judgment of the Compensation Committee of the Company's Board of Directors.

c. Cause. For purposes of this Agreement, "Cause" shall mean Employee's conviction (including a plea of guilty) of a felony or a misdemeanor applicable to, and involving, a crime of theft or dishonesty.

d. Good Reason. For purposes of this Agreement, "Good Reason" shall mean the occurrence, without the Employee's express, written consent, of any of the following circumstances:

(i) A reduction in the Employee's annual base salary of \$242,000 per annum or his standard maximum of \$277,526 or a reduction in future amounts thereof, as increased during the term hereof, or a reduction in the Employee's Target Annual or LTI Bonus Opportunities (not actual payout) or the failure to make a stock option grant in any year to the Employee in accordance with the provisions of Section 3(e) hereof;

(ii) A change in the principal place of the Employee's employment to a location other than Dayton, Ohio, NCR World Headquarters, except for a change to the Company's headquarters in Basking Ridge, New Jersey or a Company office location in another part of northern New Jersey, provided that the relocation policies applicable to Senior Managers of Company apply to such Employee in such case and reasonable adjustments are made in compensation and/or benefits for any increase in Employee's cost of living due to such change;

(iii) A material breach of this Agreement by Company; or

(iv) Any purported termination of the Employee's employment which is not effected pursuant to a Notice of Termination satisfying the requirements of Section 9(e) below. For purposes of this Agreement, no such purported termination shall be effective except as constituting Good Reason.

e. Notice of Termination. Any purported termination of the Employee's employment by the Company or by the Employee shall be communicated by written Notice of Termination to the other party hereto in accordance with Section 17 hereof. For purposes of this Agreement, a "Notice of Termination" shall mean a notice which shall indicate the specific provision in this Agreement relied upon and shall set forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Employee's employment under the provision so indicated.

f. Termination Date. For purposes of this Agreement, "Termination Date" shall mean:

(i) If the Employee's employment is terminated for Disability, by the Company without Cause or by the Employee not for Good Reason, thirty (30) days after Notice of Termination is given (provided that in the case of a Disability termination Employee shall not have returned to the full time performance of his duties during such thirty-day period); and

(ii) If the Employee's employment is terminated for any reason other than by death, by the Company without Cause or by the Employee not for Good Reason, the date specified in the Notice of Termination (which in the case of a termination for Cause shall not be less than thirty (30) days and in the case of a termination for Good Reason shall not be less than thirty (30) nor more than sixty (60) days, respectively, from the date such Notice of Termination is given); provided that in the case of termination for Cause by Company, termination for Good Reason by Employee or a Disability Termination, if within thirty (30) days after any Notice of Termination is given, the party receiving such Notice notifies the other party that a dispute exists concerning the grounds for termination, the Termination Date shall be the date on which the dispute is finally determined, whether by mutual written agreement of the parties or by a binding arbitration award or by a final judgment, order or decree of a court of competent jurisdiction (which is not appealable or the time for appeal therefrom having expired and no appeal having been perfected); provided further, that the Termination Date shall be extended by a notice of dispute only if such notice is given in good faith and the party giving such notice pursues the resolution

of such dispute with reasonable diligence. Notwithstanding the pendency of any such dispute, the Employee will continue to be paid his full compensation in effect when the notice giving rise to the dispute was given (including, but not limited to, base salary and incentive compensation) and to be a participant in all benefits and perquisites in which the Employee was participating or which he was enjoying when the Notice of Termination giving rise to the dispute was given, until the earlier of the date the dispute is finally resolved in accordance with this Section 9(f)(ii) or the expiration date of this Agreement. Amounts paid under this Section 9(f)(ii) are in addition to all other amounts due under this Agreement and shall not be offset against or reduce any other amounts due under Agreement or any Other NCR Plans and Agreements.

g. Senior Manager of NCR. For purposes of this Agreement, "Senior Manager of NCR" shall mean an employee whose assigned "Hay Points" are in excess of 3,000.

h. Senior Manager of Company. For purposes of this Agreement, "Senior Manager of the Company" shall mean an employee whose assigned Hay Points are in excess of 1,988 and who is determined to be within the Company's senior management group by the Board of Directors of the Company or its Chairman.

i. Other NCR Plans and Agreements. For purpose of this Agreement, "Other NCR Plans and Agreements" means other employee benefit and bonus plans in which Employee is a participant and other written agreements between NCR and Employee, including, without limitation, a letter agreement dated November 1, 1988, as amended to date, respecting certain severance payments and benefits, stock option agreements under NCR Stock Option Plans which were assumed by the Company pursuant to the Merger and an agreement under the NCR Corporation Senior Executive Retirement, Death & Disability Plan, as amended to date (respectively, the "SERP Agreement" and the "SERP") providing for payment to Employee of certain supplemental pension benefits.

10. Dispute Resolution. At the option of Employee or the Company, any dispute, controversy, or question arising under, out of or relating to this Agreement or the breach thereof, shall be referred for decision by arbitration in the State of Ohio by a neutral arbitrator selected by the parties hereto. The proceeding shall be governed by the Rules of the American Arbitration Association then in effect or such rules last in effect (in the event such Association is no longer in existence). If the parties are unable to agree upon such a neutral arbitrator within thirty (30) days after written notice of a desire to submit the dispute, controversy or question for decision as aforesaid, then either party may apply to the American Arbitration Association for the appointment of a neutral arbitrator, or if such Association is not then in existence or does not desire to act in the matter, either party may apply to the appropriate state court for the appointment of a neutral arbitrator to hear the parties and settle the dispute, controversy or question, and such court is hereby authorized to make such appointment. In the event that a dispute arising hereunder is submitted to arbitration, the decision of the neutral arbitrator shall be final, conclusive and binding on all interested persons and no action at law or in equity shall be instituted or, if instituted, shall be further prosecuted by either party other than to enforce the award of the neutral arbitrator. Notwithstanding the foregoing, the Employee shall be entitled to seek judicial relief in the form of specific performance of the right to be paid until the Termination Date during the pendency of any dispute or controversy arising under or in connection with this Agreement as provided in Section 9(f)(ii) hereof.

Whether or not Employee is successful in pursuing any claim or dispute arising out of this Agreement, the Company shall pay all of the Employee's attorneys' fees and costs and the compensation and expenses of any Arbitrator; provided, however, that such attorney fees shall not be payable by Company in the event Employee is unsuccessful and the Arbitrator, or any court in which the litigation is filed, finds that the dispute or lawsuit is frivolous in nature or was not brought in good faith. In any case, the Company shall bear its own costs and attorneys fees.

11. Assignment.

a. Employee. This Agreement is a personal contract and the rights and interests of Employee hereunder may not be sold, transferred, assigned, pledged or hypothecated by him.

b. Company. This Agreement shall inure to the benefit of and be binding upon NCR, the Company, their respective successors and assigns, including but not limited to, any subsidiary or affiliate of NCR or the Company to which Employee may be employed or assigned, by or with the consent of the Company. If Employee is assigned to or becomes employed by any subsidiary or affiliate of NCR or the Company during the term of this Agreement, such subsidiary or affiliate shall be considered to have been assigned all rights of NCR and/or the Company and accepted all obligations of NCR and/or the Company hereunder, but Company shall always remain primarily liable for all obligations and liabilities to Employee under or arising out of this Agreement.

12. Taxes. It is understood that all payments and benefits provided under this Agreement are subject to applicable withholding for FICA and for applicable federal, state and local income (or similar) taxes.

13. Excise Tax and Gross-Up Provisions.

a. In the event that any payment or the value of any benefit received or to be received by the Employee, pursuant to the terms of this Agreement or any other plan, arrangement or agreement (including, without limitation, the Other NCR Plans and Agreements), from the Company or NCR Corporation, their successors or any person affiliated with any of them (a "Payment"), would be subject to the excise tax (the "Excise Tax") imposed by Section 4999 of the Internal Revenue Code of 1986, as amended (the "Code") (or any successor provision or any similar provision of state and/or local law), the Company shall pay to the Employee, at the time specified in Section 13(b) below, whether or not the Employee remains employed by the Company at such time and whether or not the Employee remained

employed by the Company for the duration of this Agreement, an additional amount (the "Gross-Up Payment") such that the net amount retained by the Employee, prior to applicable FICA withholding and prior to any applicable federal, state and local income tax withholding on such Payment, but after deduction of (i) the Excise Tax on such Payment, (ii) any federal, state and local tax and Excise Tax upon the payment provided for by this paragraph, and (iii) any interest, penalties or additions to tax payable by the Employee with respect to (i) and (ii), shall be equal to such Payment. For purposes of determining the amount of the Gross-Up Payment, the Employee shall be deemed to pay federal, state and local income taxes at the highest marginal rates applicable to individual in the calendar year in which the Gross-Up Payment is to be made and the reduction in federal income taxes resulting from the payment of additional state and local income taxes shall be taken into account. Employee shall not be entitled to receive a Gross-Up Payment under this Section 13(a) with respect to any Payment with respect to which he receives a Gross-Up Payment under the terms of any of the Other NCR Plans and Agreements.

b. The Gross-Up Payments provided for in paragraph (a) above shall be made upon the earlier of (i) a certification to the Company by Price Waterhouse or other tax advisor to Employee that the Employee is liable for Excise Tax with respect to any Payment or (ii) the assessment upon the Employee or payment by the Employee of any Excise Tax with respect to any Payment.

c. In the event that it is established pursuant to a final determination of a court or an Internal Revenue Service proceeding that the Excise Tax is less than the amount previously determined under Section 13(a), Employee shall repay to the Company, at the time that such reduction in Excise Tax is so finally determined, the difference between the Gross-Up Payment as originally determined and the Gross-Up Payment that would have been determined by taking into account the reduced Excise Tax, subject to adjustments such that the Employee is in the same after-tax position as the Employee would have been in under Section 13(a) had the Excise Tax been properly determined at the time at which the Gross-Up Payment was made, plus interest on the amount of such repayment at the rate provided in

Section 1274(b)(2)(B) of the Code. In the event that the Excise Tax is determined, in the manner aforesaid, to exceed the amount previously determined under Section 13(a), the Company shall make an additional Gross-Up Payment in respect of such excess at the time that the amount of such excess is finally determined.

14. Tax Rate Equalization Provisions. In the event that, due to changes in applicable laws or regulations, the net amount retained by Employee of a payment of all or a portion of the Employee's Record Account under Section 4(b), Section 8(b) or Section 8(c) of this Agreement (the "Sign-On Bonus Payment") after taking into account all applicable federal, state or local income and employment taxes, is less than the net amount Employee would have retained, after taking into account all such taxes as in effect on the date of this Agreement and as if the Sign-Up Bonus Payment had been paid on such date (the "1991 After-Tax Payment"), the Company shall pay to Employee, at the time specified in Section 8(e) hereof, an additional amount (the "Tax Equalization") such that the net amount retained by Employee, after deduction of all federal, state and local income and employment taxes applicable to the Sign-On Bonus Payment and to the Tax Equalization shall be equal to the 1991 After-Tax Payment.

15. Severability. If any provisions of this Agreement shall be invalid or unenforceable, such invalidity or unenforceability shall not invalidate or render unenforceable this entire Agreement, but rather this entire Agreement shall be construed as if not containing the particular invalid or unenforceable provision or provisions, and the rights and obligations of the parties shall be construed and enforced accordingly.

16. Entire Agreement; Amendments. This Agreement comprises 19 pages and 19 Sections and includes Exhibits A through D, attached hereto. No amendments or modifications to this Agreement may be made except in writing signed by the Company, through its authorized representative, and Employee. Except as otherwise provided in the second sentence of Section 8(b) of this Agreement, this Agreement shall have no effect on and is unrelated to and mutually exclusive from any other agreement

between employee and either the Company or NCR. 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 the Employee and the Company. No waiver by either party hereto at any time of any breach by the other party hereto of, or compliance with, any conditions 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. This Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument, and each fully executed counterpart shall be deemed an original.

17. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of Ohio, without reference to any applicable conflict of law provisions.

18. Notices. For the purposes of this Agreement, notices and all other communications provided for in this Agreement shall be in writing and shall be deemed to have been duly given when delivered or mailed by United States registered mail, return receipt requested, postage prepaid, addressed to the respective addresses set forth on the first page of this Agreement, provided that all notices to NCR or the Company shall be directed to the Company, attention of the Senior Vice President -- Human Resources of the Company, or to such other address as either party may have furnished to the other in writing in accordance herewith, except that notice of change address shall be effective only upon receipt.

19. Survival. Upon the expiration or the termination, for any reason, of this Agreement, the respective rights and obligations of the parties which are intended by their terms to survive such expiration or termination, shall survive.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement and the Company and NCR have affixed their corporate seals as of the day and year first above written.

Company:

By: /s/ H. W. Burlingame

H. W. Burlingame, Senior Vice President -- Human Resources
American Telephone & Telegraph Company

Attest: /s/ R. A. Maynes

(Seal)

Date: 9/23/91

Witnessed: /s/ S. J. Colon

Date: 9/23/91

Employee:

/s/ J. L. Giering

Date: 9/23/91

Witnessed: /s/ Nancy L. Livingston

Date: 9/23/91

NCR: /s/

Attest: /s/

(Seal)

Date: 9/23/91

Witnessed: /s/

Date: 9/23/91

[AT&T GLOBAL INFORMATION SOLUTIONS LETTERHEAD]

February 18, 1994

PERSONAL AND CONFIDENTIAL

Mr. Robert Carpenter
475 South Street
Morristown, NJ 07748

Dear Bob:

I am delighted to confirm our discussions regarding your assignment with Global Information Solutions. This letter supersedes all prior oral and written communications on this subject.

ASSUMPTION OF DUTIES: Effective March 1, 1994, you will assume the position of Senior Vice President-World Wide Customer Services, located in Dayton, Ohio coached directly by Jerre Stead, Chief Executive Officer, Global Information Solutions Corporation. This position will be a member of both the Quality Counsel and the Operating Committee at GIS.

ASSIGNMENT STATUS: Your assignment with Global Information Solutions is considered an AT&T "Short-term Assignment(loan)." As such you shall return to AT&T no later than three years from the beginning of your assignment with Global Information Solutions. If you remain at Global Information Solutions beyond the end (3 years) of this assignment, you will be transferred (but not before March 3, 1997) to the Global Information Solutions compensation and benefits plans per the procedures in place at that time.

COMPENSATION AND BENEFITS: While on "Short Term Assignment," you will continue on the AT&T payroll and as such your compensation and benefits plans will be administered at AT&T by the Executive Human Resources Group. Your benefits and Senior Manager perquisites will be the same as similarly situated AT&T Network Systems Senior Managers. The expenses associated with your AT&T compensation, benefit and perquisite programs will be billed to Global Information Solutions.

ANNUAL BASE SALARY: Your initial base salary will be \$293,000.

AT&T ANNUAL AND LONG TERM INCENTIVE PLANS: Administration of your annual AT&T incentive award (APA/MA/UPA) compensation and the AT&T Long Term Incentive Award Plan, will remain unchanged while on loan to Global Information Solutions. The incentive opportunities are based on AT&T wide measures except in the case of the MA and UPA. Your annual salary increases as well as the MA and UPA will be predicated on Global Information Solutions performance and your individual contribution to that performance. Moreover for the purposes of calculations for salary,

MA and UPA we will assume that you spent the entire year of 1994 at Global Information Solutions. Your Global Information Solutions performance will be measured on four performance criteria: (1) Associate Delight, (2) Customer Delight, (3) Market Share (revenue) growth, (4) and Share Owner Delight (VA). The Company cannot make any definitive representations regarding the continuation of the APA/MA/UPA format or the size of the individual awards under these plans. Your target APA/MA/UPA awards will be those associated with your \$293,000 AT&T salary, i.e. \$56,000, \$38,000, and \$56,000 respectively. Your 1994 Long Term Incentive Awards are tied to the position rate of \$244,000, i.e. 1,553 Performance Shares and 5,278 stock options. The terms and conditions of these awards are the same as similarly situated AT&T Network Systems Senior Managers. Global Information Solutions will conduct your annual performance review in January of each year and recommend annual incentive treatment to AT&T. AT&T will consider the recommendation within the guidelines of their then current compensation plans. The effective date for any annual salary and or incentive treatment will be based on AT&T Salary Administration Guidelines. Currently that date is January 1 of each year.

RELOCATION: Your move to Dayton will be under the provisions of the AT&T Relocation Policy (outline attached).

It is agreed and understood that you will not talk about, write about or otherwise disclose the terms or existence of this letter. You may, however, discuss the contents of this letter with your spouse, legal and/or financial counselor.

Nothing in this letter shall be deemed to negate any of your entitlements and or obligations under your employment agreement dated March 3, 1992.

Bob, I feel the package we have developed for you is attractive and anticipates the contribution you will make to Global Information Solutions. If you have any questions, please call me.

If you agree with the foregoing, please sign this letter by February 14, 1994 in the space provided below and return the original executed copy to me.

Sincerely,

/s/ Richard F. Brenner

 Richard F. Brenner
 Vice President, Human Resources

Acknowledged and
 agreed to: /s/ R.R. Carpenter 3-1-94

 R.R. Carpenter Date

EMPLOYMENT AGREEMENT

THIS AGREEMENT, dated as of March 2, 1992, by and between the American Telephone and Telegraph Company, A New York Corporation with its headquarters at 32 Avenue of the Americas, New York, New York 10013 (hereinafter called the "Company"), and Robert R. Carpenter (hereinafter called the "Employee").

WHEREAS the Employee was employed as a senior executive with another company; and

WHEREAS the Employee has accepted employment with the Company; and

WHEREAS, the Company has assigned and appointed the Employee to a Senior Management position as Vice President, Marketing and Customer Operations in the Company's Network Systems Group;

NOW, therefore, for and in consideration of the promises and the mutual agreements hereinafter contained, the Company and Employee do hereby agree as follows:

1. Employment. Subject to the provisions set forth elsewhere in this Agreement, the Company hereby employs the Employee and the Employee hereby accepts employment with the Company as a Senior Manager for the term set forth in Section 2 of this Agreement. Employee represents and warrants that there are no agreements or arrangements, whether written or oral, in effect which would prevent him from rendering exclusive services to the Company during the term hereof, and that he has not made and will not make any commitment, agreement or arrangement, or do any act in conflict with this Agreement. Such employment shall be upon the terms and conditions hereinafter contained.

2. Term of Agreement. The term of employment hereunder shall be at the will of each party to this Agreement and subject to the terms and conditions thereof commencing on March 2, 1992. Except as expressly set forth herein, the Employee shall have no further rights or entitlements beyond the terms of this Agreement, including but not limited to the right of continued employment.

3. Employee's Compensation and Benefits. Except as otherwise provided in this Agreement and as more fully set forth herein below, the Employee shall be treated in the same manner as and be entitled to such benefits and other perquisites and terms and conditions of employment as other Senior Managers of the Company at a similar level and with comparable responsibilities.

(a) Base Salary. The Company agrees to pay and the Employee agrees to accept for services to be rendered hereunder and during the term of this Agreement a base salary of not less than \$225,000.00 per year, payable in installments on a monthly or other periodic basis in accordance with the prevailing payroll practices of the Company.

(b) Perquisites. During the term of this Agreement, the Company shall (i) provide the Employee with perquisites of employment as are commonly provided to an Employee of the Company at a similar level and with comparable responsibilities, and (ii) reimburse the Employee for reasonable and necessary business expenses incurred in connection with his employment, in accordance with employee business expense practices applicable to employees of the Company at a similar level and with comparable responsibilities.

(c) Benefits. Subject to the terms and provisions of this Agreement, the Employee shall be entitled to coverage under or benefits in accordance with those employee and Senior Management benefit plans and programs (including the AT&T Mid-Career Pension Plan) as are made available or which may subsequently become applicable to other Senior Managers of the Company at comparable levels. The Employee shall be entitled to five (5) weeks of annual vacation applicable to 1992 and subsequent years. The Employee shall also be entitled to relocate under the terms of the AT&T Management Relocation Plan.

(d) Incentive Plans. During the term of this Agreement, the Employee will be eligible for consideration for both long and short term awards pursuant to the terms of the Company's 1987 Long Term Incentive Program and short-term annual incentive arrangements, respectively, (the "Incentive Plans") under the terms of such Incentive Plans as are in effect from time to time. Short-term annual incentives for AT&T Senior Managers currently take the form of AT&T Performance Awards (APA) and Merit Awards (MA). Award levels under the APA program are predicated on overall

corporate performance and award levels under the MA program are determined by individual and team contributions. The Company cannot make any definitive representations regarding the continuation of the APA/MA incentive format, or the size of Employee's APA and MA awards in any given year, if any. The following information, however, will provide a frame of reference regarding the potential size of Employee's annual incentive opportunity. Employee's 1992 Standard APA is \$59,000 and Standard MA is \$24,000. Actual APA and MA awards paid to individual Senior Managers are determined with reference to such Standard Awards. For example, the APA payouts for performance years 1988, 1989 and 1990 were 117%, 119.9% and 126.6%, respectively. Moreover, the 1992 APA Award for a Senior Manager with a \$59,000 Standard APA Award would be \$70,688 (i.e. 119.81% of such Standard APA Award). A Senior Manager's actual MA is determined by his/her supervisor. Although there are no specified minimum or maximum amounts governing the size of such individual awards, the pool of funds available for such awards in 1992 is limited to 41% of the sum of actual APA awards made to each Senior Manager. Employee's actual 1992 APA and MA, if any, will not be prorated to reflect partial service in such year.

The Company will award 1,881 Performance Shares to the Employee as of the effective date of the Agreement under the Company's 1987 Long Term Incentive Program covering the 1992-1994 performance period. In addition and in accordance with the terms of this award, the Employee shall receive quarterly Dividend Equivalents. Distributions of Long Term Performance Shares will be in accordance with the applicable 1987 Long Term Incentive Program and award provisions. Also, as of the effective date of this Agreement, 5,278 Stock Options will be granted to the Employee under the Company's 1987 Long Term Incentive Program.

(e) Within thirty business days of his employment with the Company, Employee will be provided a one-time lump sum hiring bonus of \$125,000. This hiring bonus will not be included in the base for calculating any employee or Senior Management benefits.

(f) Successor Plans and Programs. In the event that after the date of this Agreement the Company establishes any new, replacement or additional pension, retirement, disability or annuity plans, programs or practices of incentive compensation for Senior Managers of the Company at comparable levels, the Employee shall also be eligible, at the Company's discretion, for coverage under such pension, retirement, disability and annuity plans, programs or incentive compensation practices in accordance with the terms thereof.

4. Powers and Duties. The Employee shall devote his full time, interest and abilities to the performance of duties under this Agreement, it being understood in connection therewith that he may, in his discretion and subject to not interfering with his duties and responsibilities hereunder, devote time to civic, public and professional activities and may serve as a Director of other business corporations not engaged in competition with the Company or any subsidiary or affiliate of the Company; provided, however, that he shall not accept directorships on more than three boards of other business corporations; and provided, further, that for purposes of the immediately preceding clause, directorships on the boards of two or more companies with at least 50% common ownership shall count as a single company.

5. Operation of Agreement. Notwithstanding any other term or provision to the contrary, all rights, benefits and entitlements available under and in accordance with the terms of this Agreement, except for those provided in Section 7, are contingent and dependent upon the Employee maintaining and continuing employment as a Senior Manager of the Company.

6. Restrictive Covenants.

(a) Competition. Notwithstanding any other provisions of this Agreement, any and all payments (except those made from Company-sponsored Tax Qualified Pension or Welfare Plans), benefits or other entitlements to which the Employee may be eligible in accordance with the terms hereof, may be forfeited, whether or not in pay status, at the discretion of the Company, if the Employee, at any time without the consent of the Company is employed by, becomes associated with, renders service to, or owns an interest in any business that is competitive with the Company, any subsidiary or affiliate of the Company, or any business in which the Company or any such subsidiary or affiliate has a substantial interest (other than as a shareholder with a non-substantial interest in such business), all as determined by the Company. Appendix A is a copy of the Non-Competition Guideline.

(b) Confidentiality. The Employee agrees that he will not, at any time during his employment pursuant to this Agreement or thereafter, disclose or use any trade secret, proprietary or confidential information of the Company or any subsidiary or affiliate of the Company, obtained during the course of his employment, except as required in the course of such employment or with the written permission of the Company or, as applicable, any subsidiary or affiliate of the Company. Further, the Employee agrees not to disclose or discuss the terms and provisions of this Agreement with anyone except for his legal and financial advisors and members of his immediate family.

The Employee agrees that at the time of the termination of his employment with the Company, whether at the instance of the Employee or the Company, and regardless of the reasons therefore, he will deliver to the Company, and not keep or deliver to anyone else, any and all notes, files, memoranda, papers and, in general, any and all physical matter containing information, including any and all documents significant to the conduct of the business of the Company or any subsidiary or affiliate of the Company, except for any documents for which the Company or any subsidiary or affiliate of the Company has given written consent to removal at the time of the termination of the Employee's employment.

(c) Violation by the Employee of any of the provisions of this Section 6 may result, at the discretion of the Company, in the cancellation of all rights and entitlements of the Employee hereunder and shall give the Company any other rights it may have under applicable law to restrict the use of any information and/or documents and/or for the return of any such information and/or documents.

7. Termination Provisions.

(a) If at any time during the period beginning from the effective date of this Agreement and ending on March 1, 1997, Employee is terminated by the Company for any reason other than Cause, the Employee will be entitled to the greater of (1) \$225,000 or (2) 100% of Employee's annual base salary rate in effect as of the date of Employee's termination.

(b) The Company may terminate the Employee for Cause after written notice specifying the cause of such action shall have been given to Employee by the Company. For purposes of this Agreement, Cause shall mean:

- (i) Employee's breach of any of the terms of this Agreement;
- (ii) Employee's commission of act(s) or omission(s) which have, have had, or are likely to have a material adverse effect on the business, operations, financial conditions or reputation of the Company, its subsidiaries or affiliates;
- (iii) Employee's conviction (including a plea of guilty or nolo contendere) of a felony or any crime of theft, dishonesty or moral turpitude;
- (iv) Gross omission or gross dereliction of any statutory or common law duty of loyalty to the Company.

(c) If the Employee terminates his employment with the Company at any time for personal or other reasons or if Employee dies or is terminated because of long-term disability or is terminated by the Company for Cause, as specified in Section 7(b) hereinabove, he will be treated in the same manner as any other Senior Manager of the Company without reference to any provision of this Agreement.

(d) Any payments made pursuant to this Section 7 are: (1) subject to the provisions, restrictions and limitations of Section 6 above, (2) payable in twelve (12) equal monthly installments commencing the month after the month of termination and (3) subject to Employee signing a standard Release and Agreement not to sue the Company then in use by the Company in connection with terminated Senior Managers.

8. Dispute Resolution. At the option of the Employee or the Company, any dispute, controversy, or question arising under, out of or relating to this Contract or the breach thereof, shall be referred for decision by arbitration in the State of New Jersey by a neutral arbitrator selected by the parties hereto. The proceeding shall be governed by the Rules of the American Arbitration Association then in effect or such rules last in effect (in the event such Association is no longer in existence). If the parties are unable to agree upon such a neutral arbitrator within thirty (30) days after each party has given the other written notice of the desire to submit the dispute, controversy or question for decision as aforesaid, then either party may apply to the American Arbitration Association for the appointment of a neutral arbitrator, or, if such Association is not then in existence or does not desire to act in the matter, either party may apply to the Presiding Judge of the Superior Court of any county in New Jersey for the appointment of a neutral arbitrator to hear the parties and settle the dispute, controversy or question, and such Judge is hereby authorized to make such appointment. In the event that either party exercises the right to submit a dispute arising hereunder to arbitration, the decision of the neutral arbitrator shall be final, conclusive and binding on all interested persons and no action at law or in equity shall be instituted or, if instituted, further prosecuted by either party other than to enforce the award of the neutral arbitrator.

In the event that the Employee is successful in pursuing any claim or dispute arising out of this Contract, the Company shall pay all of the Employee's attorneys' fees and costs, including the compensation and expenses of any Arbitrator, unless (1) the Arbitrator, or any court in which litigation is filed finds the Company to be without liability on material issues raised or (2) the dispute or lawsuit is frivolous in nature. In any other case, the Employee and the Company shall each bear all their own costs and attorney fees, except that the Company shall pay the costs of any Arbitrator appointed hereunder.

9. Assignment.

(a) Employee. This Agreement is a personal contract and the rights and interests of the Employee hereunder may not be sold, transferred, assigned, pledged or hypothecated by him.

(b) Company. This Agreement shall inure to the benefit of and be binding upon the Company, its successors and assigns, including but not limited to any subsidiary or affiliate of the Company to which the Employee may be employed or assigned, by or with the consent of the Company. If the Employee is assigned to or becomes employed by any subsidiary or affiliate of the Company during the term of this Agreement, such subsidiary or affiliate shall be considered to have been assigned all rights of the Company and accepted all obligations of the Company hereunder.

10. Taxes. It is understood that all payments and benefits provided under this Agreement are subject to withholding for applicable federal, state and local income (or similar) taxes.

11. Entire Agreement: Amendments. This Agreement comprises 12 pages and 12 Sections which represent the entire Agreement between Employee and the Company in respect of the subject matter contained herein and supersedes all prior agreements, promises, covenants, arrangements, communications, representations or warranties, whether oral or written, by any officer, employee or representative of any party hereto. No amendments or modifications to this Agreement may be made except in writing signed by the Company, through its authorized representative, and the Employee.

12. Governing Law. This Agreement shall be construed and enforced in accordance with the laws of the State of New Jersey without regard to Conflict of Laws provisions.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement and the Company has affixed its corporate seal as of the day and year first above written.

Company:

By: /s/ H. W. Burlingame

H. W. Burlingame

Date: 2/24/92

Witnessed: /s/

Date: 2-24-92

Employee:

/s/ Robert R. Carpenter

Robert R. Carpenter

Date: 3/2/92

Witnessed: /s/

Date: 3-2-92

SUBSIDIARIES OF NCR CORPORATION

NCR Argentina S.A.I.C.
NCR Australia Pty. Limited
Century Data Processing Centre Pty. Limited
NCR Superannuation Nominees Pty. Ltd.
NCR Productivity Superannuation Plan Pty. Ltd.
NCR Oesterreich Ges.m.b.H.
NCR (Bahrain) W.L.L.
NCR Belgium & Co.
Global Assurance Limited
NCR Brasil Ltda
AT&T Monydata, S. A.
Monydata da Amazona Industria e Comercio Ltda
NCR Bulgaria Ltd.
AT&T Global Information Solutions Cameroon, S.A.
NCR Canada Ltd
NCR de Chile, S.A.
NCR Colombia S.A.
NCR (Cyprus) Limited
NCR (Middle East) Limited
NCR (North Africa) Limited
NCR (IRI) Ltd.
NCR Danmark A/S
AT&T Danmark A/S
NCR Norden A/S
NCR Dominicana C. por A.
NCR Finland Oy
AT&T Finland Oy
NCR France S.A.
AT&T Global Information Solutions Antilles S.A.R.L.
AT&T Global Information Solutions Gabon S.A.R.L.
NCR Holding GmbH
NCR GmbH
NCR OEM Europe GmbH
NCR Central and Eastern Europe GmbH
NCR Ceska Republika spol s.r.o.
NCR Ghana Limited
NCR (Hellas) S.A.
NCR Foreign Sales Corporation
AT&T Global Information Solutions de Guatemala, S. A.

NCR (Hong Kong) Limited
NCR (China) Limited
NCR (Asia) Limited
NCR Parts Depot (Hong Kong) Limited
NCR Magyarorszag Kft.
NCR India Private Limited
NCR Italia S.p.A.
NCR Japan, Ltd.
NCR Japan Sales Co., Ltd.
NCR (Kenya) Limited
Data Processing Printing and Supplies Limited
NCR Korea Co., Ltd.
NCR (Macau) Limited
NCR (Malaysia) Sdn. Bhd.
Compu Search Sdn Bhd
NCR de Mexico, S.A. de C.V.
NCR (Maroc)
NCR Nederland N.V.
AT&T European Logistics Center BV
NCR (NZ) Limited
AT&T Global Information Solutions Nigeria PLC
NCR Norge AS
AT&T Global Information Solutions de Centro-America, S.A.
NCR Corporation de Panama, S.A.
NCR del Peru S.A.
NCR Corporation (Philippines)
NCR Software Corporation (Philippines)
NCR Polska Sp.zo.o.
NCR Portugal-Informatica, Lda
NCR Corporation of Puerto Rico
AT&T Global Information Solutions Senegal S.A.R.L.
NCR Singapore Pte Ltd
NCR Slovakia spol. s.r.o.
Global Information Solutions d.o.o. (Slovenia)
NCR Espana, S.A.
Sinat Iberia, S.A.
AT&T Global Information Solutions (Lanka) Ltd.
NCR (Switzerland)
National Registrierkassen AG
AT&T Software AG
AT&T Global Information Solutions Taiwan Limited
NCR Taiwan Software Ltd
NCR (Thailand) Limited
NCR Tunisia, Societe Anonyme

NCR Bilisim Sistemleri, A.S.
NCR del Uruguay S.A.
NCR (Zambia) Ltd.
NCR Zimbabwe (Private) Limited
N Timms & Co. (Private) Limited
NCR Europe, Ltd.
NCR Limited
NCR (Holdings) Ltd.
NCR UK Group Limited
NCR Properties Limited
Express Boyd Limited
NCR Capita Limited
NCR (Scotland) Limited
NCR Treasury Services Limited
Regis Court Management Limited
NCR Capita (May) Limited
Melcombe Court Management (Marylebone) Limited
Data Pathing Incorporated
International Investments Inc.
The National Cash Register Company
NCR Autotec Inc.
NCR European Logistics, Inc.
NCR International, Inc.
NCR Ivory Coast, Inc.
NCR Overseas Trade Corporation
NCR Personnel Services Inc.
NCR Scholarship Foundation
North American Research Corporation
Old River Software Inc.
Quantor Corporation
Sparks, Inc.
Teradata Corporation
Teradata International Corporation
The Microcard Corporation
AT&T WINS
NCR (Bermuda) Limited
NCR Services Ltd.
Teradata Intl. Corporation
Teradata Australia Pty. Limited
Teradata Deutschland GmbH
Teradata France SARL
Teradata Singapore Ltd
Teradata Europe Ltd
Sharebase Europe Ltd
Teradata UK Ltd

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS OF NCR CORPORATION AT SEPTEMBER 30, 1996 AND DECEMBER 31, 1995 AND THE CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 AND FOR THE YEAR ENDED DECEMBER 31, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000
U.S. DOLLARS

9-MOS	YEAR	
	DEC-31-1996	DEC-31-1995
	JAN-01-1996	JAN-01-1995
	SEP-30-1996	DEC-31-1995
	1	1
	695	314
	72	24
	1,376	1,908
	0	0
	559	621
	2,974	3,318
	2,457	2,475
	1,535	1,518
	4,940	5,256
2,204		2,921
	90	
0		0
	0	0
	0	0
	836	358
4,940	5,256	
	2,738	5,138
	4,923	8,162
	1,916	4,699
	3,572	7,316
	1,348	3,217
	0	0
	40	90
	(20)	(2,416)
	96	(136)
(116)		(2,280)
	0	0
	0	0
	0	0
	0	0
	(116)	(2,280)
	0	0
	0	0