# NYNEX CORPORATION

MERGER OF
NYNEX ISG ACQUISITION
COMPANY, INC.
A WHOLLY OWNED
SUBSIDIARY
OF NYNEX CORPORATION
INTO
AGS COMPUTERS, INC.

OCTOBER 6, 1988

VOLUME I

L. J. SCHOENBERG

Curtis S Shaw Attorney



November 2, 1988

Mr. Lawrence J. Schoenberg AGS Computers, Inc. 1139 Spruce Drive Mountainside, NJ 07092

Dear Larry:

I enjoyed working with you on the recent merger of NYNEX ISG Acquisition Company, Inc. into AGS Computers, Inc. On behalf of NYNEX, I would like you to have the enclosed bound volumes containing all pertinent transactional documents for your records.

Best wishes,

/dmc Enclosure

1431x/1432x

#### MERGER OF

### NYNEX ISG ACQUISITION COMPANY, INC.

## A WHOLLY OWNED SUBSIDIARY OF

#### NYNEX CORPORATION

INTO

AGS COMPUTERS, INC.



#### INDEX

As used herein, the following terms have the following meanings:

Acquisition

NYNEX ISG Acquisition Company, Inc., a
New York corporation and an indirect
wholly owned subsidiary of NYNEX.

AGS

AGS Computers, Inc., a New York corporation.

Closing

Closing under the Merger Agreement, held via telephone communication at 12:30 p.m. Eastern Daylight Savings Time, on the Closing Date.

Closing Date

October 6, 1988.

Counsel for AGS Messrs. Cahill Gordon & Reindel.

Distribution The Distribution Agreement, dated as of Agreement July 5, 1988, between AGS and Micro.

Exchange Agent Marine Midland Bank, N.A., a national banking association.

Exchange The Exchange Agreement, dated as of

Agreement September 16, 1988 among NYNEX and the

Exchange Agent.

HSR Act Hart-Scott-Rodino Antitrust Improvements
Act of 1976, as amended.

Letter of The Letter of Understanding, dated June 10,
Understanding 1988, between NYNEX and AGS reflecting
their mutual desire to effect the
transactions contemplated by the Merger
Agreement.

Merger The merger of Acquisition into AGS, as contemplated by the Merger Agreement.

Merger Agreement The Agreement and Plan of Merger, dated as of June 24, 1988, among NYNEX, AGS and Acquisition.

Micro

Microamerica, Inc., a Delaware corporation and an indirect wholly owned subsidiary of AGS.

Micro Spin-Off

The distribution of the stock of Micro to the shareholders of AGS, as contemplated by the Distribution Agreement.

NASD

National Association of Securities Dealers.

NASDAQ

National Association of Securities Dealers' Automated Quotation System.

NYNEX

NYNEX Corporation, a Delaware corporation.

SEC

Securities and Exchange Commission.

Stockholders'

Meeting

Special Meeting of shareholders of AGS held on October 4, 1988 to approve the Merger and the Micro Spin-Off.

Tax Matters

Agreement

The Tax Matters Agreement, dated July 5, 1988, between AGS and Micro.

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# INDEX NO.

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1988, of the Executive
Committee of the Board of
Directors of NYNEX
approving and authorizing
the Letter of Understanding
Resolutions, dated as of
June 9, 1988, of the Board
of Directors of AGS
approving and authorizing
the Letter of Understanding
Letter of Understanding
Letter Agreement, dated
June 10, 1988, between AGS
and NYNEX relating to
confidentiality
Resolutions, dated
June 14, 1988, of the
Board of Directors of ACC.

(i) ratifying and confirming the Letter of Understanding, (ii) approving and authorizing the Merger Agreement and the execution thereof, (iii) approving and authorizing the consummation of the transactions contemplated thereby, (iv) authorizing the Chairman of AGS to set the date of the Stockholders' Meeting, the record date for shareholders of AGS entitled to vote at the Stockholders' Meeting and the record date for shareholders of AGS entitled to participate in the Micro Spin-Off, (v) directing the contribution of all outstanding shares of common stock of Micro to AGS Investment Corporation of Delaware, a

Resolutions, dated
June 15, 1988 and June 24,
1988, respectively, of the
Board of Directors of
Acquisition approving and
authorizing the Merger

filed with the SEC on

June 15, 1988. . . . .

Agreement, the execution
thereof and the
consummation of the
transactions contemplated
thereby
Resolutions, dated
June 16, 1988, of the
Board of Directors of
NYNEX approving and
authorizing Merger
Agreement, the execution
thereof and the
consummation of the
transactions contemplated
thereby
Mutual Release Agreement,
dated as of June 20, 1988,
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on July 11, 1988
Notification and Report
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the Federal Trade
Commission and the
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U.S. Department of Justice
pursuant to the HSR Act
on July 12, 1988
Letters, dated July 19,
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of NYNEX and Counsel for
AGS indicating that early

termination of the waiting
period pursuant to the HSR
Act had been granted
Amendment Number 1, dated
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Amendment Number 1, dated
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the Distribution Agreement
between AGS and Micro
Letter, dated July 20,
1988, from Messrs.
Greenberg, Margolis,
Ziegler, Schwartz, Dratch,
Fishman, Franzblau &
Falkin, P.A to the SEC
transmitting AGS'
preliminary proxy material
to the SEC
Letter, dated July 22,
1988, from AGS to NYNEX
and Acquisition extending

the time for the exercise
by NYNEX or Acquisition of
their respective rights
under Section 6.3(f) of
the Merger Agreement
Letter, dated August 8,
1988, from Messrs. Weiss,
Angoff, Coltin, Koski &
Wolf, P.C., counsel for
Micro, to the NASD
applying for the listing
on NASDAQ of the shares of
common stock of Micro
Quarterly Report on Form
10-Q of AGS, dated
August 9, 1988, filed with
the SEC on August 10, 1988
Letter, dated August 24,
1988, from the SEC to
Messrs. Greenberg,
Margolis, Ziegler,
Schwartz, Dratch, Fishman,
Franzblau & Falkin, P.A.
transmitting comments of

the SEC on AGS'
preliminary proxy
material
Letter, dated August 30,
1988, from Messrs.
Greenberg, Margolis,
Ziegler, Schwartz, Dratch,
Fishman, Franzblau &
Falkin, P.A. to the SEC
transmitting revised proxy
material to the SEC
Letter, dated September 1,
1988, from Messrs.
Greenberg, Margolis,
Ziegler, Schwartz, Dratch,
Fishman, Franzblau &
Falkin, P.A. to the SEC
transmitting final
revisions to the
preliminary proxy materials
Resolutions, dated as of
September 2, 1988, of the
Board of Directors of AGS:
(i) ratifying, confirming
and approving the actions

of the Chairman of AGS in
establishing (A) August
19, 1988 as the record
date for shareholders of
AGS entitled to vote on
the Merger and the Micro
Spin-Off, (B) October 4,
1988 as the date of the
Stockholders' Meeting, (C)
September 23, 1988 as the
record date for
shareholders of AGS
entitled to participate in
the Micro Spin-Off and (D)
the later to occur of
October 5, 1988 or the day
following the
Stockholders' Meeting as
the distribution date for
the Micro Spin-Off, (ii)
terminating certain
employee stock option
plans and (iii) approving
the contribution of up to
\$45,299,000 to the capital
of Micro

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Order, dated September 6,
1988, of the SEC declaring
the Micro Registration
Statement on Form S-4
effective as of
9:30 a.m. on such date
Notice of Special Meeting
and Proxy Statement of
AGS, dated September 6, 1988
Exchange Agreement
·
Application for
Certificate of Authority
to Transact Business in
Illinois, dated
September 26, 1988, of AGS
Letter, dated
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the NASD to Messrs. Weiss,
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Micro, approving the

listing of shares of

common stock of Micro on

NASDAQ, subj	ject to	the													
effectivenes	ss of														
the Micro Sp	pin-Off		•		•	•	•			•			•	•	37

Letter, dated October 3, 1988, from First Fidelity Bank, National Association, New Jersey, a national banking association, to AGS waiving such terms of that certain Amended and Restated Loan Agreement, dated October 29, 1984, as amended, among AGS, such banking association and the other parties thereto, as are necessary to permit the Merger and the Micro 

Unanimous Written Consent, dated October 3, 1988, of the Board of Directors of Micro declaring a dividend to Shareholders in the amount of \$8,323,000 as

required pursuant to
Section 1.4.1 of the Tax
Matters
Agreement
Resolutions, dated October
4, 1988, of the
shareholders of AGS
approving the Merger and
the Micro Spin-Off
Unanimous Written Consent,
dated as of October 4,
1988, of the Board of
Directors of Acquisition
electing Joseph Abrams,
Paul J. Goetz, Donald J.
Sacco, Lawrence J.
Schoenberg and Anthony F.
Stepanski as additional
directors of Acquisition
Certificate, dated
October 5, 1988, of State
Street Bank and Trust
Company attesting to the
effectiveness of the Micro
Spin-Off

Certificate, dated the
Closing Date, of an
Executive Vice President
of NYNEX delivered
pursuant to Section 6.2(c)
of the Merger Agreement
Certificate, dated the
Closing Date, of the Chief
Executive Officer of AGS
delivered pursuant to
Section 6.3(c) of the
Merger Agreement
Legal Opinion, dated the
Closing Date, of Counsel
to AGS delivered pursuant
to Section 6.3(e) of the
Merger Agreement
Certificate of Merger,
dated October 4, 1988,
executed by Acquisition
and AGS effecting the
Merger, as filed with, and
declared effective by, the
Secretary of State of the
State of New York on the
Closing Date

Notification of the
Removal from Listing and
Ragistration of Matured,
Rudeemed or Retired
Securities, dated the
Closing Date, filed with
the SEC by the New York
Stock Exchange
Post-Effective Amendments,
dated October 4, 1988, of
AGS removing certain
securities from
registration, as filed
with the SEC on the
Closing Date
Letter, dated the Closing
Date, from AGS to First
Fidelity Bank, National
Association, New Jersey,
as countersigned by such
banking association,
evidencing the repayment
to such banking
association of certain
indebtedness of AGS

MERGER OF

NYNEX ISG ACQUISITION COMPANY, INC.

A WHOLLY OWNED SUBSIDIARY OF

NYNEX CORPORATION

INTO

AGS COMPUTERS, INC.

OCTOBER 6, 1988

#### CLOSING MEMORANDUM

This memorandum lists the documents delivered and the actions taken in connection with the execution of and closing under that certain Agreement and Plan of Merger dated as of June 24, 1988 among AGS Computers, Inc., a New York corporation, NYNEX Corporation, a Delaware corporation, and NYNEX ISG Acquisition Company, Inc., a New York corporation, and other operative documents referred to therein and/or delivered in connection therewith; the closing having taken place via telephone communication at 12:30 p.m. Eastern Daylight Savings Time, on October 6, 1988.

### DEFINITIONS

As used herein, the following terms have the following meanings:

Acquisition NYNEX ISG Acquisition Company, Inc., a New

York corporation and an indirect wholly

owned subsidiary of NYNEX.

AGS AGS Computers, Inc., a New York corporation.

Closing under the Merger Agreement, held

via telephone communication at 12:30 p.m.

Eastern Daylight Savings Time, on the

Closing Date.

Closing Date October 6, 1988.

Counsel for AGS Messrs. Cahill Gordon & Reindel.

Distribution The Distribution Agreement, dated as of

Agreement July 5, 1988, between AGS and Micro.

Exchange Agent Marine Midland Bank, N.A., a national

banking association.

Exchange The Exchange Agreement, dated as of

Agreement September 16, 1988 among NYNEX, Acquisition

and the Exchange Agent.

HSR Act Hart-Scott-Rodino Antitrust Improvements
Act of 1976, as amended.

Letter of The Letter of Understanding, dated June 10,
Understanding 1988, between NYNEX and AGS, reflecting
their mutual desire to effect the
transactions contemplated by the Merger
Agreement.

Merger The merger of Acquisition into AGS, as contemplated by the Merger Agreement.

Merger Agreement The Agreement and Plan of Merger, dated as of June 24, 1988, among NYNEX, AGS and Acquisition.

Microamerica, Inc., a Delaware corporation and an indirect wholly owned subsidiary of AGS.

Micro Spin-Off

The distribution of the stock of Micro to the shareholders of AGS, as contemplated by the Distribution Agreement.

NASD National Association of Securities Dealers.

NASDAQ National Association of Securities Dealers'

Automated Quotation System.

NYNEX NYNEX Corporation, a Delaware corporation.

SEC Securities and Exchange Commission.

Stockholders' Special Meeting of shareholders of AGS held

Meeting on October 4, 1988 to approve the Merger

and the Micro Spin-Off.

Tax Matters The Tax Matters Agreement, dated July 5,

Agreement 1988, between AGS and Micro.

### ACTION TAKEN PRIOR TO THE CLOSING

- A. On June 9, 1988, NYNEX, by resolution of the Executive Committee of its Board of Directors, took all corporate action necessary to approve and authorize the Letter of Understanding and the execution thereof.
- B. On June 9, 1988, AGS, by resolution of its Board of Directors, took all corporate action necessary to approve and authorize the Letter of Understanding and the execution thereof.
- C. On June 10, 1988, NYNEX and AGS entered into the Letter of Understanding.
- D. On June 10, 1988, NYNEX and AGS entered into a letter agreement, dated June 10, 1988, relating to confidentiality.
- E. On June 14, 1988, AGS, by resolution of its Board of Directors, took all corporate action necessary to: (i) ratify and confirm the Letter of Understanding, (ii) approve and authorize the Merger Agreement and the execution thereof, (iii) approve and authorize the consummation of the transactions contemplated thereby, and (iv) authorize the chairman of AGS to set the date of the Stockholders' Meeting,

the record date for shareholders of AGS entitled to vote at the Stockholders' Meeting and the record date for shareholders of AGS entitled to participate in the Micro Spin-Off, (v) direct the contribution of all outstanding shares of common stock of Micro to AGS Investment Corporation of Delaware, a Delaware corporation and a wholly owned subsidiary of AGS, and (vi) direct the contribution of all outstanding shares of common stock of AGS System Forms, Inc., a New Jersey corporation and a wholly owned subsidiary of AGS, to Micro.

- F. On June 15, 1988, AGS filed a Current Report on Form 8K with the SEC relating to the Letter of Understanding.
- G. On June 15, 1988, Acquisition was incorporated as a Delaware corporation and an indirect wholly owned subsidiary of NYNEX.
- H. On June 15, 1988, Acquisition, by resolution of its Board of Directors, took all corporate action necessary to approve and authorize the Merger Agreement and the execution thereof and to approve and authorize the consummation of the transactions contemplated thereby.
- I. On June 16, 1988, NYNEX, by resolution of its Board of Directors, took all corporate action necessary to approve and

authorize the Merger Agreement and the execution thereof and to approve and authorize the consummation of the transactions contemplated thereby.

- J. On June 23, 1988, AGS and C3, Inc., a Maryland corporation, entered into that certain Mutual Release Agreement, dated as of June 20, 1988.
- K. On June 24, 1988, NYNEX, AGS and Acquisition entered into the Merger Agreement.
- L. On June 24, 1988, NYNEX, Lawrence J. Schoenberg, Joseph Abrams and Peter Graf entered into that certain Management Option Agreement, dated as of June 24, 1988.
- M. On June 24, 1988, NYNEX and Anthony Stepanski entered into that certain Proxy Agreement, dated as of June 24, 1988.
- N. On June 24, 1988, NYNEX, AGS and Acquisition entered into a letter agreement, dated June 24, 1988, relating to the contribution by AGS of all outstanding shares of its subsidiary Micro to another existing subsidiary of AGS.

- O. On June 24, 1988, NYNEX executed a comfort letter dated June 24, 1988 in favor of AGS.
- P. On June 29, 1988, AGS filed a Current Report on Form 8K with the SEC relating to the Merger Agreement.
- Q. On July 5, 1988, AGS and Micro entered into the Distribution Agreement.
- R. On July 5, 1988, AGS and Micro entered into the Tax Matters Agreement.
- S. On July 11, 1988, AGS filed a Notification and Report Form with the Federal Trade Commission and the Antitrust Division of the U.S. Department of Justice pursuant to the HSR Act.
- T. On July 12, 1988, NYNEX filed a Notification and Report
  Form with the Federal Trade Commission and the Antitrust
  Division of the U.S. Department of Justice pursuant to the HSR
  Act.

- U. On July 19, 1988, The Federal Trade Commission notified NYNEX and AGS that early termination of the waiting period pursuant to the HSR Act had been granted.
- V. On July 20, 1988, NYNEX, AGS and Acquisition entered into Amendment Number 1, dated as of July 20, 1988, to the Merger Agreement, pursuant to which AGS was permitted to make certain accounting entries not in the ordinary course of business.
- W. On July 20, 1988, AGS and Micro entered into Amendment Number 1, dated as of July 20, 1988, to the Distribution Agreement, pursuant to which the cap on the intercompany debt account was adjusted in conjunction with the accounting entries referred to in Item V above.
- X. On July 20, 1988, AGS filed preliminary proxy material (relating to the Stockholders' Meeting) with the SEC.
- Y. On July 21, 1988, Acquisition and Lawrence J. Schoenberg entered into an Employment Agreement, to be dated, and to be effective, as of the Closing Date.

Z. On July 21, 1988, Acquisition and Joseph Abrams entered into an Employment Agreement, to be dated, and to be effective, as of the Closing Date.

AA. On July 22, 1988, AGS delivered a letter, dated July 22, 1988, to NYNEX and Acquisition, pursuant to which AGS extended the time for the exercise by NYNEX or Acquisition of their respective rights under Section 6.3(f) of the Merger Agreement.

BB. On July 28, 1988, Acquisition and Anthony Stepanski entered into an Employment Agreement, to be dated, and to be effective, as of the Closing Date.

CC. On August 8, 1988, Messrs. Weiss, Angoff, Coltin, Koski & Wolf, P.C., counsel for Micro, filed an application for listing the shares of Micro on NASDAQ with the NASD.

EE. On August 10, 1988, AGS filed a Quarterly Report on Form 10Q with the SEC for its second fiscal quarter of 1988.

FF. On August 24, 1988, AGS received comments from the SEC on the preliminary proxy material referred to in Item Y above.

FF. On August 30, 1988, AGS filed revised proxy material (including a Registration Statement on Form S-4 relating to the Micro Spin-Off) with the SEC.

GG. On September 1, 1988, AGS received additional comments from the SEC on the proxy material referred to in Items X and FF above and responded with certain revisions.

HH. On September 2, 1988, the SEC approved the AGS proxy material for distribution to AGS' shareholders, subject to the modifications agreed to between AGS and the SEC.

II. On September 2, 1988, the Board of Directors of AGS adopted resolutions ratifying, confirming and approving the actions of the Chairman of AGS in: (i) establishing (A) August 19, 1988 as the record date for shareholders of AGS entitled to vote on the Merger and the Micro Spin-Off, establishing (B) October 4, 1988 as the date of the Stockholders' Meeting, (C) September 23, 1988 as the record date for shareholders of AGS entitled to participate in the Micro Spin-Off and (D) the later to occur of October 5, 1988 or the day following the Stockholders' Meeting as the distribution date for the Micro Spin-Off, (ii) terminating certain employee stock option and purchase plans and (iii) approving the contribution of up to \$45,299,000 to the capital of Micro.

JJ. On September 6, 1988: (i) the SEC declared the Registration Statement on Form S-4 relating to the Micro Spin-Off to be effective and (ii) AGS mailed the proxy material to its shareholders.

KK. On September 16, 1988, NYNEX, Acquisition and the Exchange Agent entered into the Exchange Agreement.

LL. On September 26, 1988, AGS filed an application for authority to transact business in the State of Illinois with the Secretary of State of the State of Illinois.

MM. On September 29, 1988, the NASD approved Micro's application for listing its shares on NASDAQ, subject to the effectiveness of the Micro Spin-Off.

NN. On October 3, 1988, AGS and First Fidelity Bank, National Association, New Jersey entered into that certain Consent, dated October 3, 1988, waiving such terms of that certain Amended and Restated Loan Agreement, dated October 29, 1984, as amended, among AGS, such banking association and the other parties thereto, as are necessary to permit the Merger and the Micro Spin-Off.

OO. On October 3, 1988, Micro declared the Micro Dividend in the amount of \$8,323,000 as required pursuant to Section 1.4.1 of the Tax Matters Agreement (establishing October 3, 1988 as the record date for determining the right to receive such dividend, and October 20, 1988 as the payment date thereof).

pp. Prior to October 4, 1988, no shareholders of record of common stock of AGS filed demands for appraisal rights pursuant to New York law, and AGS advised NYNEX and Acquisition to that effect.

QQ. On October 4, 1988, the Stockholders' Meeting was held. At such meeting the shareholders of AGS approved the Merger and the Micro Spin-Off.

RR. On October 4, 1988, NYNEX and Acquisition advised AGS to modify, restructure or terminate certain businesses and business arrangements of AGS and its subsidiaries in order to comply with certain regulatory and other legal requirements.\*

<sup>\*</sup> After due consideration no action was deemed necessary.

SS. On October 4, 1988, AGS took all steps necessary to effect the modifications, restructurings or terminations referred to in Item TT above.\*

TT. On October 4, 1988, the sole shareholder of Acquisition elected Joseph Abrams, Paul J. Goetz, Donald J. Sacco, Lawrence J. Schoenberg and Anthony F. Stepanski as additional directors of Acquisition.

UU. On October 5, 1988, the Micro Spin-Off was effected.

<sup>\*</sup> After due consideration no action was deemed necessary.

# THE CLOSING

	Α.	The	Following	Persons	Participated	in the	Closing:
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- 1. Representing NYNEX and Acquisition:
  - T. A. Blaney
  - T. A. Blawn
  - C. S. Shaw

- 2. Representing AGS:
  - L. Ostfeld
  - A. Pearl

- 3. Representing Counsel for AGS:
  - R. Friedman

# B. Action Taken at the Closing:

# Documents Delivered to AGS:

1.1 NYNEX delivered to AGS the officer's certificate, dated the Closing Date, as required pursuant to Section 6.2(c) of the Merger Agreement.

### 2. Documents Delivered to NYNEX and Acquisition:

- 2.1 AGS delivered to NYNEX and Acquisition the officer's certificate, dated the Closing Date, as required pursuant to Section 6.3(c) of the Merger Agreement.
- 2.2 AGS delivered to NYNEX and Acquisition the legal opinion of Counsel to AGS, dated the Closing Date, as required pursuant to Section 6.3(e) of the Merger Agreement.
- 2.3 AGS delivered to NYNEX and Acquisition the MFJ Compliance Certificates, dated the Closing Date, as required pursuant to Section 6.3(h) of the Merger Agreement.

### 3. Consummation of the Merger:

3.1 Acquisition and AGS caused to be filed, and were notified of the filing by the Secretary of State of the State of New York of a Certificate of Merger, dated the Closing Date, attesting to the Merger of Acquisition into AGS.

- 3.2 NYNEX caused the Exchange Agent to duly notify the holders of record of shares of AGS immediately prior to the Merger of their right to receive payment as required pursuant to Section 1.8(b) of the Merger Agreement.
- 3.3 Micro made the payment to AGS required pursuant to Section 8(a) of the Distribution Agreement in the aggregate amount of \$10,340,000 in immediately available funds.

## 4. Press Release:

4.1 NYNEX issued a press release announcing the consummation of the Merger.

## 5. AGS Filings

- 5.1 AGS caused the New York Stock Exchange and the Pacific Stock Exchange to file a Notification of the Removal from Listing and Registration of Matured Redeemed or Retired Securities on Form 25 with the SEC.
- 5.2 AGS filed post-effective amendments to its Registration Statements Under the Securities Act of 1933 on Forms S-3 and S-8 with the SEC to withdraw such Registration Statements.

## ACTION TAKEN AFTER THE CLOSING

A. On October 20, 1988, Micro paid the Micro Dividend
required pursuant to Section 1.4.1 of the Tax Matters Agreement
B. On October, 1988 AGS became qualified to do business in
the State of Illinois.
C. On November, 1988, AGS and Micro jointly prepared, and
submitted to Messrs. Coopers & Lybrand for audit, a calculation
of the Final Excess Indebtedness (as defined in Section 8(b) of
the Distribution Agreement).
D. On November 1988, made
the payment to required pursuant to
Section 8(c) of the Distribution Agreement in immediately
· ,
available funds.
available funds.
available funds.  E. On February, 1989, AGS notified Micro of the amount, if
evailable funds.  E. On February, 1989, AGS notified Micro of the amount, if any, of the Adjusted Payment (as defined in Section 1.4.2 of
evailable funds.  E. On February, 1989, AGS notified Micro of the amount, if any, of the Adjusted Payment (as defined in Section 1.4.2 of
E. On February, 1989, AGS notified Micro of the amount, if any, of the Adjusted Payment (as defined in Section 1.4.2 of the Tax Matters Agreement).
E. On February, 1989, AGS notified Micro of the amount, if any, of the Adjusted Payment (as defined in Section 1.4.2 of the Tax Matters Agreement).  F. On February, 1989, made the

NYMEX Corporation 1112 Westonestor Avenue White Plains NY 10604 3510 914 644 6970

Corporate Director



June 10, 1988

Board of Directors of AGS Computers, Inc. 1139 Spruce Drive Mountainside, NJ 07092

Dear Sirs:

This will confirm our agreements relating to the contemplated merger of AGS Computers, Inc. (the "Company") into NYNEX Corporation or one of its affiliates (collectively "NYNEX") pursuant to a transaction whereby: (i) shareholders of the Company will receive, as consideration for each share of common stock in the Company, \$21 in cash together with an equity interest in Microamerica, Inc. ("Distribution") equivalent to the fraction containing one as the numerator and the number representing the total number of shares of common stock of the Company as the denominator; (ii) Distribution will pay an amount to be negotiated to the Company in satisfaction of intercompany indebtedness; and (iii) Distribution will assume responsibility for, and indemnify the Company from, any tax liability in excess of an amount to be negotiated representing taxes payable as a result of the Company's spin-out of the equity interest in Distribution (collectively the "Principal Transaction").

- The parties hereto will proceed promptly and in good faith to agree upon the terms and conditions of the Principal Transaction which will include the following:
  - a. The negotiation, execution and delivery of a definitive written agreement, containing customary terms and conditions, and such other documentation as may be necessary or appropriate, all in form and substance satisfactory to NYNEX and its counsel and the Company and its counsel ("Definitive Documentation"), and the satisfaction at or prior to closing of all terms and conditions contained in the Definitive Documentation; and
  - b. The completion by NYNEX and its accountants, counsel and other experts, prior to the execution of the Definitive Documentation, of a customary due diligence investigation with respect to the business and affairs

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Board of Directors AGS Computers, Inc.

June 10, 1988

(including business, financial and legal matters) of the Company and the resolution, in a manner satisfactory to both parties and their respective counsel of any and all issues raised as a result of such investigation.

- NYNEX in the negotiation of the Definitive Documentation and in conducting its due diligence investigation, from the date hereof through June 16, 1988, none of the Company, or its directors, officers, employees, representatives or agents shall (i) directly or indirectly solicit or encourage inquiries or offers from or initiate negotiations or discussions with, any person or entity other than NYNEX, or enter into any agreement, with respect to any acquisition of the Company or any material portion of the business or assets thereof (unless such agreement resulted from a bona-fide unsolicited offer from an independent third party) or (ii) disclose any nonpublic information relating to the Company not disclosed to NYNEX or afford access to the books, records or properties of the Company not afforded to NYNEX to any other person that may be considering acquiring the Company or any material portion of the business or assets thereof.
- 3. Each party hereto represents and warrants to the other that its Board of Directors or Executive Committee, as the case may be, has authorized the execution and delivery of this letter agreement, that it has all necessary power and authority to execute and deliver this letter agreement, and that it is not in violation of, breach of or default under, any material contract, agreement or understanding, whether oral or written, the effect of which would impair its ability to execute or perform under this letter agreement.

In consideration of the expenses to be incurred by the parties in the negotiation of the Definitive Documentation and in conducting the due diligence investigation, each party agrees to indemnify the other and hold it harmless from any damage, loss or other expense (including attorneys' fees) by the indemnifying party which may be suffered or incurred by it if there is any breach of its representations and warranties contained in this paragraph 3.

4. Except as provided in this paragraph 4, each of the Company and NYNEX agrees that it will not, and will direct its directors, officers, employees, representatives and agents who have knowledge of any possible transactions between NYNEX and the Company not to disclose to any person who is not a participant in discussions concerning such transactions, any of the terms, conditions or other facts with respect to any such possible transactions.

June 10, 1988

In the event that either the Company or NYNEX deems it necessary as a matter of law to disclose the fact that discussions or negotiations are taking place or any of the terms, conditions or other facts with respect to any such possible transactions, prior to such disclosure the Company and NYNEX shall consult with each other with respect to the content, method and timing of such disclosure.

5. Except as provided in paragraph 3 and below, each of NYNEX and the Company shall be responsible for its own expenses incurred in connection with the transactions contemplated by this letter of intent.

In the event that on or before July 31, 1988 the Company or the holders of over 50% of its shares of common stock enter into any agreement, letter of intent, commitment, understanding, or other formal or informal arrangement having the same or a comparable effect, contemplating: (a) a tender or exchange offer for more than 50% of the outstanding shares of common stock of the Company or of any major operating business area of the Company by any corporation, partnership, person, trust, association, entity or group (as defined in the Securities Exchange Act of 1934, as amended) (individually, a "Person", and collectively, "Persons") other than NYNEX, or (b) a merger, consolidation or other business combination by the Company or of any major operating business area of the Company with any Person other than NYNEX, the Company shall pay to NYNEX a fee (the "Fee") of \$6,500,000. The out-of-pocket expenses of NYNEX in connection with the possible business combination contemplated hereby are estimated to be in excess of \$6,500,000. The purpose of the Fee is to reimburse NYNEX for such expenses and to compensate NYNEX for foregoing other business opportunities while engaging in negotiations relating thereto and assuming certain risks to its assets, businesses, creditworthiness and business reputation.

- 6. NYNEX agrees not to affirmatively solicit employees of the Company for employment by NYNEX from the date hereof through July 31, 1988; provided, that, with respect to Anthony Stepanski the period shall extend from the date hereof through June 10, 1989.
- 7. Each of NYNEX and the Company agrees to use its best efforts to proceed promptly with the negotiation, execution and delivery of the Definitive Documentation on or before June 16, 1988.
- 8. For a reasonable period of time after acceptance of this letter agreement by the Company, NYNEX and its representatives will have full access to the Company and its subsidiaries and their respective officers, counsel, auditors, books and records,

Board of Directors AGS Computers, Inc.

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and full opportunity to investigate the Company and its subsidiaries' titles to property and the condition and nature of their assets, business and liabilities. Should the proposed transaction not be consummated, NYNEX will deliver to the Company all documents, work papers and other material obtained in such investigation (other than any internal studies or other documents incorporating such information) and will treat all such nonpublic information with the same degree of care that NYNEX exercises with regard to its own nonpublic information.

If this letter agreement meets with your approval and understanding, please so indicate by signing on the space provided below.

Very truly yours.

NYNEX CORPORATION

By toney love

ACCEPTED AND AGREED TO

AGS COMPUTERS, INC.

Rv

Chairman and Chief Executive Officer

AGREEMENT AND PLAN

OF MERGER

DATED AS OF

JUNE 24, 1988

AMONG

AGS COMPUTERS, INC.

NYNEX CORPORATION

AND

NYNEX ISG ACQUISITION COMPANY, INC.

## AGREEMENT AND PLAN OF MERGER

AGREEMENT AND PLAN OF MERGER, dated as of June 24, 1988 (the "Agreement"), among AGS Computers, Inc., a New York corporation (the "Company"), NYNEX Corporation, a Delaware corporation ("NYNEX"), and NYNEX ISG Acquisition Company, Inc., a New York corporation and an indirect wholly owned subsidiary of NYNEX ("Purchaser");

## WITNESSETH

WHEREAS, the Boards of Directors of the Company and Purchaser have each determined that it is in the best interests of their respective stockholders for Purchaser to acquire the Company upon the terms and subject to the conditions set forth herein; and

WHEREAS, in furtherance of such acquisition, the Boards of Directors of the Company and Purchaser have each approved the merger (the "Merger") of Purchaser with the Company in accordance with the Business Corporation Law of the State of New York ("New York Law") and upon the terms and subject to the conditions set forth herein; and

WHEREAS, the Board of Directors of the Company has approved, and the parties desire to effect, the distribution (the "Micro Distribution") as a dividend to the shareholders of the Company, prior to the effectiveness of the Merger, of all of the outstanding capital stock (the "Micro Stock") of the Company's wholly owned subsidiary Microamerica, Inc., a Delaware Corporation ("Micro"), on the terms and subject to the conditions set forth in the Distribution Agreement between the Company and Micro in the form attached hereto as Exhibit A (the "Distribution Agreement");

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the Company, NYNEX and Purchaser hereby agree as follows:

## ARTICLE I

### THE MERGER

defined in Section 1.2) and subject to and upon the terms and conditions of this Agreement and New York Law, Purchaser shall

be merged with and into the Company, the separate corporate existence of Purchaser shall cease, and the Company shall continue as the surviving corporation. The Company as the surviving corporation after the Merger hereinafter sometimes is referred to as the "Surviving Corporation".

SECTION 1.2. Effective Time. As promptly as practicable after the satisfaction or waiver of the conditions set forth in Article VI, the parties hereto shall cause the Merger to be consummated by filing this Agreement or a Certificate of Merger with the Secretary of State of the State of New York, in such form as is required by, and executed in accordance with, the relevant provisions of New York Law (the time of such filing being the "Effective Time").

SECTION 1.3. Effect of the Merger. At the Effective Time, the Merger shall be effective as provided in the applicable provisions of New York Law. Without limiting the generality of the foregoing, and subject thereto, at the Effective Time all the property, rights, privileges, powers and franchises of the Company and Purchaser shall vest in the Surviving Corporation, and all debts, liabilities and duties of the Company and Purchaser shall become the debts, liabilities and duties of the Surviving Corporation. As of the Effective Time, the Surviving Corporation shall be an indirect wholly owned subsidiary of NYNEX.

SECTION 1.4. Subsequent Actions. If, at any time after the Effective Time, the Surviving Corporation shall consider or be advised that any deeds, bills of sale, assignments, assurances or any other actions or things are necessary or desirable to perfect, confirm, record or otherwise vest in the Surviving Corporation its right, title or interest in, to or under any of the rights, properties or assets of either of the Company or Purchaser acquired or to be acquired by the Surviving Corporation as a result of, or in connection with, the Merger, or otherwise to carry out this Agreement, the officers and directors of the Surviving Corporation shall be authorized to execute and deliver, in the name and on behalf of either the Company or Purchaser, all such deeds, bills of sale, assignments and assurances, and to take and do, in the name and on behalf of each of such corporations or otherwise, all such other actions and things as may be necessary or desirable to perfect, confirm, record or otherwise vest any and all right, title and interest in, to and under such rights, properties or assets in the Surviving Corporation, or otherwise to carry out this Agreement.

SECTION 1.5. Certificate of Incorporation; By-Laws;
Directors and Officers. (a) Unless otherwise determined by
Purchaser before the Effective Time, at the Effective Time the
Certificate of Incorporation of Purchaser, as in effect

immediately before the Effective Time, shall be the Certificate of Incorporation of the Surviving Corporation until thereafter amended as provided by law and such Certificate of Incorporation; provided, however, that Article One of the Certificate of Incorporation of the Surviving Corporation shall be amended to read as follows: "FIRST: The name of the corporation is AGS Computers, Inc."

- (b) The By-Laws of Purchaser, as in effect immediately before the Effective Time, shall be the By-Laws of the Surviving Corporation until thereafter amended as provided by law, the Certificate of Incorporation of the Surviving Corporation or such By-Laws.
- (c) The directors of Purchaser immediately before the Effective Time will be the initial directors of the Surviving Corporation, and the officers of the Company immediately before the Effective Time will be the initial officers of the Surviving Corporation, in each case until their successors are elected or appointed and qualified. If, at the Effective Time, a vacancy shall exist on the Board of Directors or in any office of the Surviving Corporation, such vacancy may thereafter be filled in the manner provided by New York Law and the By-Laws of the Surviving Corporation.
- SECTION 1.6. <u>Conversion of Securities</u>. At the Effective Time, by virtue of the Merger and without any action on the part of Purchaser, the Company or the holder of any of the following securities:
- (a) Each share (a "Share") of common stock, par value \$.10 per share, of the Company (the "Company Common Stock") issued and outstanding immediately before the Effective Time (other than any Shares to be canceled pursuant to Section 1.6(b) and any Dissenting Shares (as defined in Section 1.7(a)) shall be canceled and extinguished and be converted into the right to receive \$21.00 (the "Per Share Amount") in cash payable to the holder thereof, without interest, upon surrender of the Certificate representing such Share.
- (b) Each share of Company Common Stock held in the treasury of the Company and each Share owned by Purchaser immediately prior to the Effective Time shall be canceled and extinguished and no payment or other consideration shall be made with respect thereto.
- Purchaser issued and outstanding immediately prior to the Effective Time shall thereafter represent one validly issued, fully paid and nonassessable share of common stock, without par value, of the Surviving Corporation.

- SECTION 1.7. Dissenting Shares. (a) Notwithstanding any provision of this Agreement to the contrary, any Shares held by a holder who has demanded and perfected his demand for by a praisal of his Shares in accordance with New York Law and as appraisal of the Effective Time has neither effectively withdrawn nor lost his right to such appraisal ("Dissenting Shares"), shall not be converted into or represent a right to receive cash pursuant to Section 1.6, but the holder thereof shall be entitled to only such rights as are granted by New York Law.
- (b) Notwithstanding the provisions of subsection (a) of this Section 1.7, if any holder of Shares who demands appraisal of his Shares under New York Law shall effectively withdraw or lose (through failure to perfect or otherwise) his right to appraisal, then as of the Effective Time or the occurrence of such event, whichever later occurs, such holder's Shares shall automatically be converted into and represent only the right to receive cash as provided in Section 1.6(a), without interest thereon.
- (c) The Company shall give Purchaser and NYNEX

  (i) prompt notice of any written demands for appraisal or
  payment of the fair value of any Shares, withdrawals of such
  demands, and any other comparable instruments served pursuant to
  New York Law received by the Company and (ii) the opportunity to
  direct all negotiations and proceedings with respect to demands
  for appraisal under New York Law. The Company shall not
  voluntarily make any payment with respect to any demands for
  appraisal and shall not, except with the prior written consent
  of Purchaser and NYNEX, settle or offer to settle any such
  demands.
- SECTION 1.8. Surrender of Shares; Stock Transfer

  Books. (a) Prior to the Effective Time, NYNEX or Purchaser
  shall deposit the funds necessary to make the payments
  contemplated by Section 1.6 with Marine Midland Bank, N.A. or
  another bank or trust company reasonably acceptable to the
  Company as agent for the holders of Shares (the "Exchange
  Agent").
- (b) Each holder of a certificate or certificates representing any Shares canceled upon the Merger pursuant to Section 1.6(a) may thereafter surrender such certificate or Certificates to the Exchange Agent, as agent for such holder, to effect the surrender of such certificate or certificates on such holder's behalf for a period ending 180 days after the Effective Time. NYNEX agrees that promptly after the Effective Time it shall cause the distribution to holders of record of Shares as of the Effective Time of appropriate materials to facilitate such surrender.

- (c) If payment of cash in respect of canceled Shares is to be made to a person other than the person in whose name a surrendered certificate or instrument is registered, it shall be a condition to such payment that the certificate or instrument so surrendered shall be properly endorsed or shall be otherwise in proper form for transfer and that the person requesting such payment shall have paid any transfer and other taxes required by reason of such payment in a name other than that of the registered holder of the certificate or instrument surrendered or shall have established to the reasonable satisfaction of NYNEX or the Exchange Agent that such tax either has been paid or is not payable.
- (d) At the Effective Time, the stock transfer books of the Company shall be closed and there shall not be any further registration of transfers of Shares of Company Common Stock thereafter on the records of the Company. If, after the Effective Time, certificates for Company Common Stock are presented to the Surviving Corporation, they shall be canceled and exchanged for cash as provided in Section 1.6(a). No interest shall accrue or be paid on any cash payable upon the surrender of a certificate or certificates which immediately prior to the Effective Time represented outstanding Shares.
- (e) At any time following 180 days after the Effective Time, Purchaser shall be entitled to require the Exchange Agent to deliver to it any funds (including any interest received with respect thereto) which it has made available to the Exchange Agent and which have not been disbursed to holders of certificates for Company Common Stock, and thereafter such holders shall be entitled to look to the Surviving Corporation (subject to abandoned property, escheat or other similar laws) primarily and to NYNEX secondarily only as general creditors thereof with respect to the cash payable upon due surrender of their certificates. Notwithstanding the foregoing, neither the Surviving Corporation, Purchaser nor NYNEX shall be liable to a holder of a certificate for amounts delivered to a public official pursuant to any applicable abandoned property, escheat or similar laws.

SECTION 1.9. <u>Employee Options</u>. Each holder of a then outstanding option to purchase Shares heretofore granted under the Company's Incentive Stock Option Plan (the "Stock Option Plan") will receive, in settlement and cancellation of each such option (whether or not such option is exercisable), at or prior to the Effective Time a cash payment (to be paid by the Company) in an amount equal to the excess, if any, of the Per Share Amount over the per share exercise price of each option.

SECTION 1.10. Management Options and Proxy. NYNEX is imultaneously with the execution of this Agreement, entering into (a) stock option agreements with Lawrence J. Schoenberg,

Joseph Abrams and Peter Graf (the "Management Options") covering an aggregate of 1,929,910 shares of Company Common Stock each in the form attached hereto as Exhibit B (collectively the "Management Option Agreements"), and (b) a proxy agreement with anthony Stepanski covering 367,000 shares of Company Common Stock in the form attached hereto as Exhibit C (the "Proxy Agreement").

#### ARTICLE II

# REPRESENTATIONS AND WARRANTIES OF PURCHASER AND NYNEX

Purchaser and NYNEX jointly and severally represent and warrant to the Company as follows:

SECTION 2.1. Corporate Organization. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of New York; and NYNEX is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware. Each of Purchaser and NYNEX has the requisite corporate power and authority and necessary governmental authority to own, operate or lease the properties that it purports to own, operate or lease and to carry on its business as it is now being conducted.

SECTION 2.2. Authority Relative to this Agreement and the Related Documents. The execution and delivery of this Agreement and each of the Management Option Agreements, the Proxy Agreement and the Employment Arrangements (as referred to in Section 6.3(f)) (collectively with the Distribution Agreement and the Tax Matters Agreement (as defined in the Distribution Agreement) the "Related Documents") by Purchaser and NYNEX, to the extent either or both are a party, and the consummation by Purchaser and NYNEX of the transactions contemplated hereby and thereby, have been duly authorized by all necessary corporate action on the part of Purchaser and NYNEX, and no other corporate proceeding is necessary for the execution and delivery of this Agreement or the Related Documents by Purchaser or NYNEX, the performance by Purchaser or NYNEX of their obligations hereunder and thereunder and the consummation by Purchaser or NYNEX of the transactions contemplated hereby and thereby. This Agreement has been and, when executed and delivered pursuant hereto, the Related Documents to the extent Purchaser and NYNEX are parties, will be duly executed and delivered by Purchaser and NYNEX and, this Agreement is, and, when executed and delivered, each Related Document will constitute, the legal, valid and binding obligation of each such corporation which is or will be a party, enforceable in accordance with its respective terms.

SECTION 2.3. No Conflict; Required Filings and Consents. (a) The execution and delivery of this Agreement and the Related Documents, to the extent either or both are parties, by Purchaser and NYNEX do not, and the performance of this Agreement and the Related Documents (subject to the conditions of this Agreement) by Purchaser and NYNEX will not, (i) conflict with or violate any law, regulation, court order, judgment or decree applicable to Purchaser or NYNEX or by which any of their respective properties are bound or affected, (ii) violate or conflict with either the Certificate of Incorporation or By-Laws of either Purchaser or NYNEX, or (iii) result in a breach of or constitute a default (or an event which with notice or lapse of time or both would become a default) under, any contract, instrument, permit, license, franchise or other agreement to which Purchaser or NYNEX is a party, the effect of which would be to materially impair the ability of NYNEX or Purchaser to perform hereunder or under the Related Documents.

(b) Except for applicable requirements, if any, of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the premerger notification requirements of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), the requirements of the modification of final judgment in United States v. Western Electric, Civil No. 82-0192 (D.C., D.C.) (the "MFJ"), the filing and recordation of appropriate merger documents as required by New York Law and any filings required pursuant to any state securities or "blue sky" laws, neither Purchaser nor NYNEX is required to submit any notice, report or other filing to any governmental authority, domestic or foreign, in connection with the execution, delivery or performance of this Agreement or the Related Documents, or the consummation of the transactions contemplated hereby and thereby. Based upon such information as has been provided by the Company to G.E. Murray, Esq., General Solicitor of NYNEX, and members of his staff, no waiver, consent, approval or authorization of any governmental or regulatory authority, domestic or foreign, is required to be obtained by either Purchaser or NYNEX pursuant to the MFJ in connection with the execution, delivery or performance of this Agreement or any Related Document.

SECTION 2.4. No Prior Activities. Except for obligations or liabilities incurred in connection with its incorporation or organization or the negotiation and consummation of this Agreement and the Related Documents and the transactions contemplated hereby and thereby, Purchaser has not incurred any obligations or liabilities, and has not engaged in any business or activities of any type or kind whatsoever or entered into any agreements or arrangements with any person or entity.

SECTION 2.5. <u>Brokers</u>. No broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the transactions contemplated by this Agreement or the Related Documents based upon arrangements made by and on behalf of Purchaser or NYNEX, except for fees payable to Shearson, Lehman, Hutton Inc. and Vanguard Atlantic, Ltd., which fees shall be paid by Purchaser or NYNEX.

SECTION 2.6. Proxy Statements. None of the information supplied by Purchaser, NYNEX, or either company's officers, directors, representatives, agents or employees (the "Purchaser Information"), for inclusion in the Proxy Statement (as defined in Section 3.13), or in any amendments thereof or supplements thereto, will, on the date the Proxy Statement is first mailed to stockholders, at the time of the Company Stockholders' Meeting (as defined in Section 3.13), or at the Effective Time, contain any statement which, at such time and in light of the circumstances under which it will be made, will be false or misleading with respect to any material fact, or will omit to state any material fact necessary in order to make the statements therein not false or misleading or necessary to correct any statement in any earlier communication with respect to the solicitation of proxies for the Company Stockholders' Meeting which has become false or misleading. Notwithstanding the foregoing, Purchaser and NYNEX do not make any representation or warranty with respect to any information that has been supplied by the Company or its accountants, counsel or other authorized representatives for use in any of the foregoing documents or which has been taken or derived from any periodic reports or proxy statements of the Company filed pursuant to the Exchange Act.

#### ARTICLE III

## REPRESENTATIONS AND WARRANTIES OF THE COMPANY

The Company hereby represents and warrants to Purchaser and NYNEX as follows:

SECTION 3.1. Organization and Qualification;
Subsidiaries. Each of the Company and its Subsidiaries (defined below in this Section 3.1) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its respective incorporation and has the requisite corporate power and authority and any necessary governmental authority to own, operate or lease the properties that it purports to own, operate or lease and to carry on its business as it is now being conducted, and is duly qualified as a foreign corporation to do business and is in good standing, in each jurisdiction where the character of its properties owned, operated or leased or the nature of its activities makes such

qualification necessary, except (a) as set forth in Schedule 3.1 and (b) for such failure which, when taken together with all other such failures, would not have a Material Adverse Effect (as defined below in this Section 3.1). The term "Subsidiary" means any corporation or other legal entity of which the Company or, if the context requires, the Surviving Corporation (either alone or through or together with any other Subsidiary), owns, directly or indirectly, more than 50% of the stock or other equity interest, the holders of which are generally entitled to vote for the election of the board of directors or other governing body of such corporation or other legal entity. term "Material Adverse Effect", as used in this Section 3.1 and hereinafter in this Agreement, means any change in or effect on the business of the Company or any of the Subsidiaries that, when taken together with all other events or situations to which the "Material Adverse Effect" test is applied to the affected party in this Agreement, is or will be materially adverse to the business, operations, properties (including intangible properties), condition (financial or otherwise), assets, liabilities or regulatory status of the Company and its Subsidiaries (other than Micro, AGS System Forms, Inc., a New York corporation and a wholly owned Subsidiary of the Company ("System"), and their respective Subsidiaries) taken as a whole. A true and complete list of all the Subsidiaries, together with the jurisdiction of incorporation of each Subsidiary and the percentage of each Subsidiary's outstanding capital stock owned by the Company or another Subsidiary, is set forth in Schedule 3.1 hereto.

By-Laws. The Company has heretofore furnished to Purchaser or NYNEX a true copy of the Certificate of Incorporation and the By-Laws or equivalent organizational documents, each as amended to the date hereof, of the Company and made available to Purchaser such documents with respect to all Subsidiaries. Such Certificates of Incorporation, By-Laws and equivalent organizational documents are in full force and effect. Neither the Company nor any Subsidiary is in violation of any of the provisions of its Certificate of Incorporation or By-Laws or equivalent organizational documents.

SECTION 3.3. Capitalization. (a) The authorized capital stock of the Company consists of 25,000,000 shares of Company Common Stock. As of March 31, 1988, (i) 12,920,538 shares of Company Common Stock were issued and outstanding, all of which were validly issued, fully paid and nonassessable, (ii) 1,484,464 shares of Company Common Stock were held in the treasury of the Company or by Subsidiaries of the Company, and (iii) 625,082 shares of Company Common Stock were reserved for issuance upon exercise of outstanding options under the Company's Stock Option Plans. Other than employee options to purchase not more than 625,082 Shares outstanding on the date

hereof and the Company Option, there are no other options, warrants, calls or other rights, agreements, arrangements or commitments of any character obligating the Company or any of its Subsidiaries to issue or sell any shares of capital stock of, or other equity interests in, the Company or any of the Subsidiaries.

(b) All the outstanding capital stock of each of the Subsidiaries is duly authorized, validly issued, fully paid and nonassessable and, except as disclosed on Schedule 3.1, is owned by the Company or a Subsidiary free and clear of any liens, security interests, pledges, agreements, claims, charges or encumbrances of any nature whatsoever. Except for the Subsidiaries and except as previously disclosed to Purchaser or NYNEX in writing and in the SEC Reports (as defined in Section 3.6), the Company does not directly or indirectly own any equity interest in any other corporation, partnership, joint venture or other business association or entity.

SECTION 3.4. Authority Relative to this Agreement and the Related Documents. The Company and Micro have the necessary corporate power and authority to enter into this Agreement and the Related Documents to which each is or will be a party, and, subject to obtaining any necessary stockholder approval of the Merger, to carry out their respective obligations hereunder and thereunder. The execution and delivery of this Agreement and such Related Documents by the Company and Micro, as the case may be, and the consummation by the Company and Micro of the transactions contemplated hereby and thereby, have been duly authorized by all necessary corporate action on the part of the Company and Micro, subject to any approval of the Merger by the Company's stockholders required by New York Law. This Agreement has been and, when executed and delivered pursuant hereto, such Related Documents will be, duly executed and delivered by the Company and Micro, as the case may be, and this Agreement is, and, when executed and delivered, each such Related Document will constitute, the legal, valid and binding obligation of the Company and Micro, enforceable in accordance with its respective terms.

SECTION 3.5. No Conflict; Required Filings and Consents. (a) Except as set forth in Schedule 3.8, the execution and delivery of this Agreement and the Related Documents to which the Company and Micro, as the case may be, is or will be a party by the Company and Micro do not, and the performance of this Agreement and such Related Documents by the Company and Micro, as the case may be, will not, (i) conflict with or violate any law, regulation, court order, judgment or decree applicable to the Company and Micro or any of their respective Subsidiaries or by which or any of their property is bound or affected, (ii) violate or conflict with the Certificate of Incorporation or By-Laws or equivalent organizational

documents of the Company or any Subsidiary, or (iii) result in any breach of or constitute a default (or an event which with notice or lapse of time of both would become a default) under, or give to others any rights of termination or cancellation of, result in the creation of a lien or encumbrance on, any of the properties or assets of the Company, Micro, or any of their respective Subsidiaries pursuant to, any contract, instrument, permit, license or franchise to which the Company, Micro or any of their respective Subsidiaries is a party or by which the Company, Micro or any of their property is bound or affected, the effect of which would be to constitute a Material Adverse Effect.

(b) Except as specifically provided by the Distribution Agreement and except for applicable requirements, if any, of the Exchange Act, the premerger notification requirements of the HSR Act, filing and recordation of appropriate merger or other documents as required by New York Law and any filings required pursuant to any state securities or "blue sky" laws, neither the Company nor Micro is required to submit any notice, report or other filing with any governmental authority, domestic or foreign, in connection with the execution, delivery or performance of this Agreement or the Related Documents to which the Company and Micro, as the case may be, is or will be a party or the consummation of the transactions contemplated hereby or thereby. No waiver, consent, approval or authorization of any governmental or regulatory authority, domestic or foreign, is required to be obtained by the Company or Micro in connection with their respective execution, delivery or performance of this Agreement or any such Related Document, except as specifically provided by the Distribution Agreement.

SECTION 3.6. SEC Filings; Financial Statements. The Company has filed all forms, reports and documents required to be filed with the Securities and Exchange Commission (the "SEC") since January 1, 1983, and has heretofore delivered to Purchaser or NYNEX, in the form filed with the SEC, its (i) Annual Reports on Form 10-K for the fiscal years ended December 31, 1985, December 31, 1986 and December 31, 1987, (ii) all proxy statements relating to the Company's meetings of stockholders (whether annual or special) held since January 1, 1985 and (iii) all other reports or registration statements filed by the Company with the SEC since January 1, 1985 (collectively, the "SEC Reports"). The SEC Reports (i) were prepared in accordance with the requirements of the Securities Act of 1933, as amended (the "Securities Act"), or the Exchange Act, as the case may be, and (ii) did not at the time they were filed contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. None

of the Subsidiaries is required to file any statements or reports with the SEC pursuant to Sections 13(a) or 15(d) of the Exchange Act, except for Micro as a result of the transactions contemplated hereby and by the Related Documents.

- (b) The consolidated financial statements of the Company and its consolidated subsidiaries contained in the SEC Reports (or incorporated by reference therein) have been prepared in accordance with generally accepted accounting principles applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto) and fairly present the consolidated financial position of the Company and its consolidated subsidiaries as at the respective dates thereof and the consolidated results of operations and changes in cash flows of the Company and its consolidated subsidiaries for the periods indicated, except that the unaudited interim financial statements were or are subject to normal and recurring year-end adjustments which were not or are not material in amount.
- (c) Except as reflected or reserved against in the consolidated financial statements contained in the SEC Reports or as set forth in Schedule 3.6 hereto, the Company and its consolidated subsidiaries have no liabilities of any nature (whether accrued, absolute, contingent or otherwise) which in the aggregate have a Material Adverse Effect.

SECTION 3.7. Absence of Certain Changes or Events. Since December 31, 1987, except as contemplated in this Agreement or as set forth in Schedule 3.7 hereto, there has not been (a) any Material Adverse Effect; (b) any strike, picketing, work slowdown or other labor disturbance having a Material Adverse Effect; (c) any damage, destruction or loss (whether or not covered by insurance) with respect to any of the assets of the Company or any of its Subsidiaries having a Material Adverse Effect; (d) any redemption or other acquisition of Company Common Stock by the Company or any of the Subsidiaries or any declaration or payment of any dividend or other distribution in cash, stock or property with respect to Company Common Stock; (e) any entry into any material commitment or transaction (including, without limitation, any borrowing or capital expenditure) other than in the ordinary course of business or as contemplated by this Agreement (including, without limitation, entering into a transaction contemplated by Section 4.3 hereof) or by any Related Document having a Material Adverse Effect; (f) any transfer of, or rights granted under, any material leases, licenses, agreements, patents, trademarks, trade names or copyrights other than those transferred or granted in the ordinary course of business and consistent with past practice having a Material Adverse Effect; (g) any mortgage, pledge, security interest or imposition of lien or other encumbrance on any asset of the Company or any of the consolidated subsidiaries

having a Material Adverse Effect; (h) any issuance of Company Common Stock (other than pursuant to the exercise of Options described in Section 3.3) or rights to acquire Company Common Stock or (i) any change by the Company in accounting principles or methods except insofar as may have been required by a change in generally accepted accounting principles and disclosed in the SEC Reports. Since December 31, 1987, except as set forth in Section 3.7 hereto, the Company and its Subsidiaries have conducted their business only in the ordinary course and in a manner consistent with past practice and have not made any material change in the conduct of the business or operations of the Company and its Subsidiaries. Except as set forth in Schedule 3.7, without limiting the generality of the foregoing, the Company has not, since such date, made any material changes in executive compensation levels (other than changes in the ordinary course of business and consistent with past practice) or in the manner in which other employees of the Company or the Subsidiaries are compensated, paid or agreed to pay any pension, retirement allowance or other employee benefit not required or permitted by any plan, agreement or arrangement existing on such date to any director, officer or employee, whether past or present, or committed itself to any collective bargaining agreement (except for renewals of existing collective bargaining agreements) or to any additional pension, profit-sharing, bonus, incentive, deferred compensation, stock purchase, stock option, stock appreciation right, group insurance, severance pay, retirement or other employee benefit plan, agreement or arrangement, or to any employment or consulting agreement with or for the benefit of any person, or to amend any of such plans or any of such agreements in existence on such date.

Title to Property. (a) The Company and SECTION 3.8. the Subsidiaries have good and marketable title, or valid leasehold rights in the case of leased property, to all real property and all personal property purported to be owned or leased by them, free and clear of all material liens, security interests, claims, encumbrances and charges, excluding (i) liens for fees, taxes, levies, imposts, duties, water and sewer charges or other governmental charges of any kind which are not yet delinquent or are being contested in good faith by appropriate proceedings which suspend the collection thereof, (ii) liens for mechanics, materialmen, laborers, employees, suppliers or other liens arising by operation of law for sums which are not yet delinquent or are being contested in good faith by appropriate proceedings, (iii) liens created in the ordinary course of business in connection with the leasing or financing of office, computer and related equipment and supplies, (iv) easements and similar encumbrances that do not materially impair the utility of such property for its intended Purposes, and (v) liens or defects in title or leasehold rights that, in the aggregate, do not and will not have a Material Adverse Effect.

(b) The consummation of the Merger and the Micro Distribution will not result in any breach of or constitute a default (or an event which with notice or lapse of time or both would constitute a default) under, or give to others any rights of termination or cancellation of, or require the consent of others under, any material lease in which the Company is a lessee, or any indenture or loan or other agreement pursuant to which the Company is obligated to pay money other than as set forth in Schedule 3.8 hereto.

SECTION 3.9. Trademarks, Patents and Copyrights. Company or the Subsidiaries own or possess adequate licenses or other valid rights to use all patents, patent rights, trademarks, trademark rights, trade names, trade name rights, service marks, copyrights and proprietary information used or held for use in connection with the Company's business, as currently being conducted, including, without limitation, those listed on Schedule 3.9 hereto, and are unaware of any assertions or claims challenging the validity of any of the foregoing; and the conduct of the Company's business does not conflict with any patents, patent rights, licenses, trademarks, trademark rights, trade names, trade name rights, copyrights or service marks or other proprietary rights of others. No material infringement of any proprietary right owned by or licensed by or to the Company or any of the Subsidiaries is known to the Company or any Subsidiary.

SECTION 3.10. <u>Litigation</u>. Except as previously disclosed in the SEC Reports, there are no claims, actions, suits, proceedings or investigations pending or, to the best knowledge of the Company, threatened against the Company or any of its Subsidiaries, or any properties or rights of the Company or any of its Subsidiaries, before any court, administrative, governmental or regulatory authority or body, domestic or foreign, which would have a Material Adverse Effect. As of the date hereof, neither the Company nor any of its Subsidiaries nor any of their property is subject to any order, judgment, injunction or decree, which would have a Material Adverse Effect.

SECTION 3.11. Employee Benefit Plans. (a) Schedule 3.11 hereto is a list of all employee welfare benefit plans (as defined in Section 3(1) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA")), employee pension benefit plans (as defined in Section 3(2) of ERISA) and all other bonus, stock option, stock purchase, profit sharing, savings, retirement, disability, insurance, incentive, deferred compensation, vacation, severance, supplemental unemployment and other fringe or employee benefit plans, programs or arrangements which cover any employee of, or independent contractor or consultant to, the Company or any of its Subsidiaries (together, the "Employee Plans"). The Company has delivered or made available to Purchaser or NYNEX or shall so deliver or make

available (i) true and complete copies of all Employee Plans together with any associated trust agreements and (ii) summaries of any unwritten Employee Plans, together with all amendments thereto and the latest Internal Revenue Service determination letters obtained with respect to any Employee Plan qualified under Section 401(a) or 501(a) of the Internal Revenue Code of 1986, as amended (the "Code"). With respect to each Employee plan, the Company has delivered or made available to Purchaser or NYNEX or shall deliver or make available true and complete copies of the (i) most recent annual actuarial valuation report, if any, (ii) last filed Form 5500 together with Schedule A or B thereto or both, (iii) the current summary plan description (as defined in ERISA), if any, and all modifications thereto communicated to employees, and (iv) most recent annual and periodic accounting of related plan assets, if any. The documents described in the two preceding sentences shall be delivered or made available as soon as practicable, but in no event shall such documents be delivered or made available any later than 30 days after the date of execution of this Agreement. Neither the Company nor any of its Subsidiaries nor any of their respective directors, officers, employees or agents, nor any "party in interest" or "disqualified person", as such terms are defined in Section 3 of ERISA and Section 4975 of the Code has, with respect to any Employee Plan, engaged in or been a party to any non-exempt "prohibited transaction", as such term is defined in Section 4975 of the Code or Section 406 of ERISA, which could result in the imposition on the Company, any Subsidiary or any Employee Plan of either a penalty pursuant to Section 502(i) of ERISA or a tax pursuant to Section 4975 of the Code in a material amount. All Employee Plans are in compliance in all material respects with the requirements prescribed by all applicable statutes, orders, or governmental rules or regulations with respect to such plans, including, but not limited to, ERISA and the Code and there are no pending or threatened claims, lawsuits or arbitrations (other than routine claims for benefits) which have been asserted or instituted against the Company, any of its Subsidiaries, any Employee Plan or the assets of any trust for any Employee Plan. Each Employee Plan intended to qualify under Section 401(a) of the Code does so qualify, and the trusts created thereunder are exempt from tax under the provisions of Section 501(a) of the Code. The Company and each of its Subsidiaries shall make, accrue or provide for all contributions required as of the Effective Time under any Employee Plan.

has ever maintained, contributed to, or participated in any single-employer defined benefit pension plan or any multiemployer pension plan.

- (c) There is no contract, agreement, plan or arrangement covering any employee or former employee of the Company or any Subsidiary that, individually or collectively, could result in the payment of any "excess parachute payment" within the meaning of Section 280G(b) of the Code. Each Employee plan which is a "group health plan" (within the meaning of Section 162(i)(3) of the Code) has complied in all respects with the continuing coverage requirements of Section 162(k) of the Code.
- (d) No Employee Plan provides for the payment of post-termination health and medical benefits other than to the extent required by Part 6 of Subtitle B of Title I of ERISA.
- (e) Each material Employee Plan or material former Employee Plan that has been terminated or is in the process of being terminated by the Company or any of its Subsidiaries which was intended to qualify under Section 401(a) of the Code was at all times so qualified, and any trusts created under any such plans were at all times exempt from tax under the provisions of Section 501(a) of the Code. The termination of any material Employee Plan or any material former Employee Plan did not adversely affect the qualification and tax exemption of the plan and its related trust under the Code.

SECTION 3.12. Labor Matters. There are no controversies pending or, to the knowledge of the Company or any of its Subsidiaries, threatened, between the Company or any of its Subsidiaries and any of their respective employees which, if determined adversely, would have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries (other than Micro or System) is a party to any collective bargaining agreement or other labor union contract applicable to persons employed by the Company or its Subsidiaries (other than Micro or System), nor does the Company or any of its Subsidiaries know of any activities or proceedings of any labor union to organize any such employees.

SECTION 3.13. Proxy Statement; Micro Documents. The proxy statement to be sent to the stockholders of the Company in connection with the meeting of the Company's stockholders to consider the Merger, the Micro Distribution and related matters (the "Company Stockholders' Meeting") (such proxy statement as amended or supplemented, together with any soliciting material, proxy or notice of meeting used in connection therewith, is herein referred to as the "Proxy Statement"), will not, at the date the Proxy Statement (or any amendment thereof or supplement thereto) is first mailed to stockholders and at the time of the

Company Stockholders' Meeting (if any) and at the Effective Time, be false or misleading with respect to any material fact, or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they are made, not misleading or necessary to correct any statement in any earlier communication with respect to the solicitation of proxies for such Company Stockholders' Meeting which has become false or misleading; provided, however, that no representation is made herein concerning any Purchaser Information included in the Proxy Statement. The SEC Form 10 or other appropriate filing to be made to register the Micro Stock under the Exchange Act, as amended or supplemented, (the "Micro Registration Document") will not, at the date the Micro Registration Document (or any amendment or supplement thereto) is filed, at the time that the Micro Registration Document becomes effective and at the Effective Time, be false or misleading with respect to any material fact, or omit to state any material fact required to be stated therein or necessary in order to make the statements made therein, in light of the circumstances under which they were made, not misleading. The Proxy Statement and the Micro Registration Document will comply as to form in all material respects with the requirements of the Exchange Act and the rules and regulations thereunder.

SECTION 3.14. <u>Brokers</u>. No broker, finder or investment banker is entitled to any brokerage, finder's, investment banking or other fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Company, except for fees payable to Mabon, Nugent & Co. and Morgan, Stanley & Co., which shall be paid by the Company; provided, that, if the Merger is not consummated, NYNEX shall reimburse the Company for the fees of Morgan, Stanley & Co. to the extent such fees are related to the rendering of the fairness opinion described in Section 6.3(i).

SECTION 3.15. Employment Agreements. Except as disclosed in the Company's SEC Reports, there exists no employment, consulting, severance or indemnification agreement between the Company and any current director or officer of the Company. Copies of all such agreements referred to in the Company's SEC Reports have heretofore been made available to NYNEX.

SECTION 3.16 No Violation of Law. The businesses of the Company and its Subsidiaries are not being conducted in violation of any statute, law, ordinance, regulation, judgment, order or decree of any domestic or foreign governmental or judicial entity ("Legal Requirements"), or in violation of any permits, licenses, authorizations or consents that are granted by any domestic or foreign government or judicial entity ("Permits"), the result of which would be to constitute a

Material Adverse Effect. No investigation or review by any domestic or foreign governmental or regulatory entity with respect to the Company or any of its Subsidiaries is pending or, to the best knowledge of the Company, threatened, nor has any governmental or regulatory entity indicated an intention to conduct the same, the result of an adverse determination of which would constitute a Material Adverse Effect.

SECTION 3.17 Taxes. Except as set forth in Schedule 3.17 hereto, (a) All material tax returns, statements, reports and forms required to be filed (collectively, the "Returns") with any Federal, state, local or foreign taxing jurisdiction having the power to impose any tax, duty, impost, lien or other assessment ("Tax") with respect to any pre-closing tax period by or on behalf of the Company or any Subsidiary, have been or will be filed when due in accordance with all applicable laws, (b) the Company and the Subsidiaries have timely paid or made provision for all Taxes shown as due and payable on the Returns that have been filed, (c) the Company and the Subsidiaries have made or will on or before the Closing Date make adequate provision (in the aggregate) under generally accepted accounting principles for all material Taxes payable by the Company and the Subsidiaries for any pre-closing tax periods for which no Return has yet been filed, (d) the charges, accruals and reserves for Taxes with respect to the Company and its Subsidiaries are in the aggregate adequate in all material respects under generally accepted accounting principles to cover such Taxes, (e) all Federal and state income tax Returns filed with respect to Taxable years of the Company and the Subsidiaries through the Taxable years set forth in Schedule 3.17 hereto have been examined and closed or are Returns with respect to which the applicable period for assessment under applicable law, after giving effect to extensions or waivers, has expired and (f) to the best of its knowledge the Company has an adjusted tax basis in the Stock of Micro of \$27,969,217 and an adjusted tax basis in the Stock of System of \$850,212.

#### ARTICLE IV

#### CONDUCT OF BUSINESS PENDING THE MERGER

SECTION 4.1. Acquisition Proposals. The Company will notify NYNEX at the earliest practical opportunity if any inquiries or proposals are received by, any information is requested from, or any negotiations or discussions are sought to be initiated or continued with, the Company, in each case in connection with any acquisition, business combination or purchase of all or any significant portion of the assets of, or any equity interest in, the Company or any Subsidiary.

Pending the Merger. The Company covenants and agrees that, between the date of this Agreement and the Effective Time,

unless Purchaser and NYNEX shall otherwise consent in writing, the businesses of the Company and its Subsidiaries shall be conducted only in, and the Company and its Subsidiaries shall not take any action except in, the ordinary course of business and in a manner consistent with past practice, or as specifically permitted under this Agreement or the Related Documents or pursuant to Section 4.3; and the Company will use its best efforts to preserve substantially intact the business structure and organization of the Company and its Subsidiaries, to keep available the services of the present officers, employees and consultants of the Company and its Subsidiaries and to preserve the present relationships of the Company and its Subsidiaries with customers, suppliers and other persons with which the Company or any of its Subsidiaries has significant business relations. By way of amplification and not limitation, except as contemplated by this Agreement (including, but not limited by Section 4.3) or the Related Documents or as set forth in a Schedule to this Agreement, neither the Company nor any of its Subsidiaries shall, between the date of this Agreement and the Effective Time, directly or indirectly do any of the following without the prior written consent of Purchaser:

- (a) (i) except with respect to the issuance of shares previously reserved for issuance as disclosed in Section 3.3 and except as contemplated by the Distribution Agreement, issue, sell, pledge, dispose of, encumber, authorize, or propose the issuance, sale, pledge, disposition, encumbrance or authorization of any shares of capital stock of any class, or any options, warrants, convertible securities or other rights of any kind to acquire any shares of capital stock of, or any other ownership interest in, the Company or any of its Subsidiaries; (ii) amend or propose to amend the Certificate of Incorporation or By-Laws or equivalent organizational documents of the Company or any of its Subsidiaries; (iii) except as contemplated by the Distribution Agreement, split, combine or reclassify any outstanding Shares, or declare, set aside or pay any dividend or distribution payable in cash, stock, property or otherwise with respect to the Shares; (iv) redeem, purchase or otherwise acquire or offer to redeem, purchase or otherwise acquire any shares of its capital stock; or (v) except as contemplated by the Distribution Agreement authorize or propose or enter into any contract, agreement, commitment or arrangement with respect to any of the matters set forth in this Section 4.2(a);
- (b) (i) acquire (by merger, consolidation, acquisition of stock or assets or otherwise) any corporation, partnership or other business organization or division thereof; (ii) except in the ordinary course of business and in a manner consistent with past practices, sell, pledge, dispose of, or encumber or authorize or propose the sale, pledge, disposition or encumbrance of any assets of the Company or any of its operating divisions, business units or Subsidiaries; (iii) incur any indebtedness for borrowed money, or enter into any contract or

agreement, except in the ordinary course of business; (iv) authorize capital expenditures which are in the aggregate in excess of \$900,000, other than software development costs incurred in the ordinary course of business; or (v) enter into or amend any contract, agreement, commitment or arrangement with respect to any of the matters set forth in this Section 4.2(b);

- (c) take any action other than in the ordinary course of business and in a manner consistent with past practice (none of which actions shall be unreasonable or unusual) with respect to the grant of any severance or termination pay (otherwise than pursuant to policies of the Company or any of its Subsidiaries in effect on the date hereof) or with respect to any increase of benefits payable under its severance or termination pay policies in effect on the date hereof;
- (d) make any payments (except in the ordinary course of business and in amounts and in a manner consistent with past practice), under any Employee Plan to any employee of, or independent contractor or consultant to, the Company or any Subsidiary, enter into any Employee Plan, any employment or consulting agreement, grant or establish any new awards under any such existing Plan or agreement, or adopt or otherwise amend any of the foregoing;
- (e) take any action except in the ordinary course of business and in a manner consistent with past practice (none of which actions shall be unreasonable or unusual) with respect to accounting policies or procedures (including without limitation its procedures with respect to the payment of accounts payable); or
- (f) take any action to cause the Shares of Company Common Stock to cease to be quoted on the New York Stock Exchange.

SECTION 4.3. No Solicitation. The Company and its Subsidiaries will not, directly or indirectly, through any officer, director, agent, financial adviser or otherwise, solicit, initiate or encourage submission of proposals or offers from any person relating to any acquisition or purchase of all or a portion of the assets of, or any equity interest in, the Company or any of its Subsidiaries or any business combination with the Company or any of its Subsidiaries, or participate in any negotiations regarding, or furnish to any other person any information with respect to, or otherwise cooperate in any way with, or assist or participate in, facilitate or encourage, any effort or attempt by any other person to do or seek any of the foregoing; provided, that, the Company may furnish information to a bonafide third party, to the extent set forth in an opinion letter from the Company's special counsel, Messrs. Cahill Gordon & Reindel, or such other counsel as may be acceptable to NYNEX,

to the Company's Board of Directors as being legally required to discharge the Directors' fiduciary duty to the Company's shareholders following receipt of a bonafide offer from a third party. The parties hereby agree that a review by the Board of Directors of the Company of an unsolicited proposal by any other person for any of the transactions referred to in the preceding sentence, without any other solicitation, initiation, encouragement, assistance or participation with respect to such unsolicited proposal or such other person, will not violate this Section 4.3. The Company shall (a) use all reasonable efforts to cause all materials previously furnished to any third parties in connection with a contemplated acquisition of the Company since January 1, 1988 to be promptly returned to the Company and (b) cease any negotiations conducted in connection therewith or otherwise conducted with any such parties.

Section 4.4. Subsequent Financial Statements. Prior to the Effective Time, the Company will consult with NYNEX prior to the filing of, and timely file with the SEC, each Annual Report on Form 10-K, Quarterly Report on Form 10-Q and Current Report on Form 8-K required to be filed by the Company under the Exchange Act and the rules and regulations promulgated thereunder and will promptly deliver to Purchaser copies of each such report filed with the SEC. As of their respective dates, none of such reports shall contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The audited consolidated financial statements and unaudited interim consolidated financial statements of the Company and its consolidated subsidiaries included in such reports shall be prepared in accordance with generally accepted accounting principles applied on a consistent basis (except as may be indicated in the notes thereto) and shall fairly present the financial position of the Company and its consolidated subsidiaries as at the dates thereof and the results of their operations and changes in cash flows for the periods then ended, subject, in the case of unaudited interim financial statements, to normal year-end adjustments and any other adjustments described therein.

#### ARTICLE V

#### ADDITIONAL AGREEMENTS

Document. (a) As promptly as practicable after the execution of this Agreement, the Company shall prepare and file with the SEC, and shall use all reasonable efforts to have cleared by the SEC, and promptly thereafter shall mail to stockholders, the Proxy Statement. The Company shall use its best efforts to file the

proxy Statement with the SEC within thirty (30) days after the date hereof. Subject to the Directors' fiduciary duty to recommend an offer by another party contemplated by Section 4.3, recommend shall contain the recommendation of the the Proxy Statement shall contain the recommendation of the Board of Directors of the Company in favor of the Merger and the Micro Distribution.

- (b) As promptly as practicable after the execution of this Agreement, the Company shall prepare and file the Micro Registration Document with the SEC, and shall use all reasonable efforts to have the Micro Registration Document cleared by the SEC.
- SECTION 5.2. Company Stockholders' Meeting and Consummation of the Merger. (a) At the earliest practicable time following the execution of this Agreement, the Company shall take all action necessary in accordance with New York Law and its Certificate of Incorporation and By-Laws to convene the Company Stockholders' Meeting. The stockholder vote or consent required for approval of the Merger and the Micro Distribution will be no greater than that set forth in New York Law. Company shall use all reasonable efforts to solicit from stockholders of the Company proxies in favor of the Merger and the Micro Distribution pursuant to the Proxy Statement and shall include in the Proxy Statement the recommendation of its Board of Directors in favor of this Agreement and the Merger and the Micro Distribution subject to the Directors' fiduciary duty to recommend an offer by another party contemplated by Section 4.3. The Company shall take all other action reasonably necessary or advisable, to promptly and expeditiously secure any vote or consent of stockholders required by New York Law to effect the Merger and the Micro Distribution. Purchaser agrees that it shall vote, or cause to be voted, in favor of the Merger and the Micro Distribution all Shares directly or indirectly beneficially owned by it.
- (b) Upon the terms and subject to the conditions hereof, as soon as practicable after the vote of the stockholders of the Company in favor of the adoption of this Agreement and the Micro Distribution has been obtained, the Company and Purchaser shall execute in the manner required by New York Law and deliver to and file with the Secretary of State of the State of New York such instruments and agreements as may be required by New York Law and the parties shall take all such other and further actions as may be required by law to make the Merger effective. Prior to the filing referred to in this Section 5.2(b), a closing will be held at the offices of Purchaser (or such other place as the parties may agree) for the purpose of confirming all the foregoing.

Purchaser and NYNEX will each comply in all material respects with all applicable laws and with all applicable rules and

regulations of any governmental authority in connection with their respective execution, delivery and performance of this Agreement and the Related Documents to which each is or will be a party and the transactions contemplated hereby and thereby.

SECTION 5.4. Notification of Certain Matters. Company shall give prompt notice to NYNEX, and Purchaser and NYNEX shall give prompt notice to the Company, of (a) the occurrence or nonoccurrence of any event whose occurrence or nonoccurrence would be likely to cause either (i) any representation or warranty contained in this Agreement or in any Related Document to be untrue or inaccurate in any material respect at any time from the date hereof to the Effective Time, (ii) any condition set forth in Article VI which is expected to be unsatisfied at the time it is contemplated that it should be satisfied hereunder in any material respect at any time from the date hereof to the Effective Time or (iii) directly or indirectly, any Material Adverse Effect and (b) any material failure of the Company, Purchaser or NYNEX, as the case may be, or any officer or director, of any thereof, to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder or under any Related Document; provided, however, that the delivery of any notice pursuant to this Section 5.4 shall not limit or otherwise affect the remedies available hereunder to the party receiving such notice.

SECTION 5.5. Access to Information. (a) From the date hereof to the Effective Time, the Company shall afford Purchaser Representatives (as defined in clause (b) below) complete access at all reasonable times to its officers, employees, agents, properties, offices and other facilities and to all books and records, and shall furnish Purchaser and NYNEX with all financial, operating and other data and information as Purchaser or NYNEX, through Purchaser Representatives, may reasonably request.

- (b) Purchaser and NYNEX agree that they shall, and shall cause their affiliates and each of their respective officers, directors, employees, financial advisors and agents ("Purchaser Representatives"), to hold in strict confidence all data and information obtained by them from the Company or its Subsidiaries (unless such information is or becomes publicly available without the fault of any Purchaser Representative, or public disclosure of such information is required by law in the opinion of counsel to Purchaser and NYNEX) and shall insure that the Purchaser Representatives do not disclose such information to others without the prior written consent of the Company.
- Purchaser and NYNEX shall, and shall cause their affiliates to, return promptly every document furnished to them by the Company or any Subsidiary, division, associate or affiliate of the

Company in connection with the transactions contemplated hereby and destroy any copies thereof which may have been made, and shall use its best efforts to cause the Purchaser shall use its whom such documents were furnished promptly representatives to whom such documents were furnished promptly to return such documents and destroy any copies thereof any of them may have made, other than documents filed with the SEC or otherwise publicly available.

SECTION 5.6. Public Announcements. (a) Except as provided in this Section 5.6, each of the Company, Purchaser and NYNEX agrees that it will not, and will direct its directors, officers, employees and representatives and agents who have knowledge of the transactions between NYNEX, Purchaser and the Company, contemplated by this Agreement and the Related Documents not to disclose to any person who is not a participant in discussions concerning such transactions, any of the terms, conditions or other facts with respect to any such transactions.

(b) In the event that the Company, Purchaser or NYNEX deems it necessary as a matter of law to disclose the fact that discussions or negotiations are taking place or any of the terms, conditions or other facts with respect to any such possible transactions, prior to such disclosure the Company, Purchaser and NYNEX shall consult with each other with respect to the content, method and timing of such disclosure.

SECTION 5.7. Reasonable Efforts; Cooperation. Upon the terms and subject to the conditions hereof, each of the parties hereto agrees to use its reasonable efforts in a timely manner to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable to consummate the transactions contemplated by this Agreement and the Related Documents, and shall use its reasonable efforts in a timely manner to obtain all necessary waivers, consents and approvals, and to effect all necessary filings under the Exchange Act and the HSR Act. The parties shall cooperate in responding to inquiries from, and making presentations to, regulatory authorities.

SECTION 5.8. Agreement to Defend and Indemnify.

(a) If any action, suit, proceeding or investigation relating hereto or to the transactions contemplated hereby or by the Related Documents is commenced, whether before or after the Effective Time, the parties hereto agree to cooperate and use their best efforts to defend against and respond thereto. It is understood and agreed that, subject to the limitations on indemnification contained in New York Law, the Company shall, to the fullest extent permitted under applicable law and regardless of whether the Merger becomes effective, indemnify and hold harmless, and after the Effective Time, the Surviving Corporation shall, to the fullest extent permitted under applicable law, indemnify and hold harmless, each director,

officer, employee, fiduciary and agent of the Company or any Subsidiary and their respective subsidiaries and affiliates including, without limitation, officers and directors serving as such on the date hereof (collectively, the "Indemnified Parties") against any costs or expenses (including attorneys' fees), judgments, fines, losses, claims, damages, liabilities and amounts paid in settlement in connection with any claim, action, suit, proceeding or investigation arising out of, or pertaining to, any of the transactions contemplated hereby, including without limitation liabilities arising under the Securities Act or the Exchange Act in connection with the Merger, and in the event of any such claim, action, suit, proceeding or investigation (whether arising before or after the Effective Time), (i) the Company or the Surviving Corporation shall pay the reasonable fees and expenses of counsel selected by the Indemnified Parties, which counsel shall be reasonably satisfactory to the Company or the Surviving Corporation, promptly as statements therefor are received, and (ii) the Company and the Surviving Corporation will cooperate in the defense of any such matter; provided, however, that neither the Company nor the Surviving Corporation shall be liable for (x) any settlement effected without its written consent (which consent shall not be unreasonably withheld) or (y) any costs, expenses, judgments, fines, losses, claims, damages, liabilities or amounts paid in settlement arising out of any Indemnified Party's serving in any capacity or engaging in any activities with respect to Micro, System and their respective subsidiaries; further, provided, that, neither the Company nor the Surviving Corporation shall be obligated pursuant to this Section 5.8 to pay the fees and disbursements of more than one counsel for all Indemnified Parties in any single action except to the extent that, in the opinion of counsel for the Indemnified Parties, two or more of such Indemnified Parties have conflicting interests in the outcome of such action. NYNEX shall cause to be continued in effect the indemnification provisions currently provided by the Certificate of Incorporation and By-Laws of the Company for a period of not less than two (2) years following the Effective Time. This Section 5.8 shall survive the consummation of the Merger and is intended to benefit each of the Indemnified Parties. Anything in this Section 5.8 to the contrary notwithstanding, neither the Company nor the Surviving Corporation shall have any obligation under this Section 5.8 to indemnify any Indemnified Party against any cost, expense, judgment, fine, loss, claim, damage, liability or settlement amount found to have resulted solely from such Indemnified Person's own gross negligence or willful misconduct, or from an Indemnified Party's breach or violation, or act or omission in connection with a breach or violation, of any provision of this Agreement or any Related Document.

(b) If the Surviving Corporation or any of its successors or assigns (i) consolidates with or merges into any other person and shall not be the continuing or surviving corporation or entity of such consolidation or merger or (ii) transfers all or substantially all of its properties and assets to any person, then and in each such case, proper provision shall be made so that the successors and assigns of the Surviving Corporation assume the obligations set forth in this Section 5.8.

SECTION 5.9. Stock Options. (a) As of the Effective Time, the Company shall terminate the Stock Option Plan.

(b) The Company shall ensure that neither the Company nor any Subsidiary is, or will be at the Effective Time, bound by any options, stock appreciation rights, warrants or other rights or agreements which would entitle any person, other than Purchaser or its affiliates, to own any capital stock of the Surviving Corporation or any Subsidiary or to receive any payment in respect thereof, and the Stock Option Plan shall be amended to be in conformity with this Section 5.9.

SECTION 5.10. Other Provisions. In the event that, in the sole opinion of Purchaser and NYNEX, it is necessary or advisable to modify, restructure or terminate any business or business arrangement of the Company or any of its Subsidiaries in order to comply with regulatory or other legal requirements, simultaneously with the consummation of the Merger, the Company shall cooperate and shall take such steps as may be required or advisable to effect such modification, restructuring or termination.

#### ARTICLE VI

## CONDITIONS OF MERGER

SECTION 6.1. Conditions to Obligation of Each Party to Effect the Merger. The respective obligations of each party to effect the Merger shall be subject to the following conditions:

- Distribution and this Agreement shall have been approved and adopted by the requisite vote of the stockholders of the Company;
- threatened any action, proceeding or investigation by any governmental unit questioning the Merger, the Micro Distribution, the acquisition by Purchaser or any of its

affiliates of any Shares pursuant to the Merger or the ability of Purchaser or any of its affiliates to own and operate the Company or any of its Subsidiaries or otherwise materially adversely affecting the business, assets, prospects, financial condition or results of operations of the Company or any of its Subsidiaries;

- (c) <u>Legality</u>. No federal or state statute, rule, regulation, executive order, decree or injunction shall have been enacted, entered, promulgated or enforced by any court or governmental authority which is in effect and has or may have the effect of making the acquisition of Shares or the ownership or operation of the Surviving Corporation by NYNEX illegal, or otherwise prohibiting the consummation of the Merger or the Micro Distribution;
- (d) <u>HSR Act</u>. Any waiting period applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated; and
- (e) <u>Regulatory Matters</u>. All filings have been made and all approvals have been obtained as may be legally required pursuant to Federal and state securities laws prior to the consummation of the transactions contemplated by this Agreement and the Related Documents.
- SECTION 6.2. Additional Conditions to Obligations of the Company. The obligation of the Company to effect the Merger is also subject to the fulfillment of the following conditions:
- (a) Representations and Warranties. The representations and warranties of Purchaser and NYNEX contained in this Agreement and in the Related Documents shall be true and correct in all material respects on the date when made and shall also be true and correct in all material respects on and as of the Effective Time, except for changes contemplated by this Agreement or the Related Documents, with the same force and effect as if made on and as of the Effective Time;
- (b) Agreements, Conditions and Covenants. Purchaser and NYNEX shall have performed or complied in all material respects with all agreements, conditions and covenants required by this Agreement and the Related Documents to be performed or complied with by them on or before the Effective Time; and
- certificate of an executive officer of NYNEX to the effect set forth in paragraphs (a) and (b) above.
- Purchaser and NYNEX. The obligations of Purchaser and NYNEX to effect the Merger are also subject to the following conditions;

provided, that, with respect to clause (f) of this Section 6.3, if Purchaser or NYNEX do not exercise their rights to refuse to effect the Merger within the time period set forth therein, such rights (with respect only to such clause (f)) shall be deemed to be waived:

- (a) Representations and Warranties. The representations and warranties of the Company contained in this Agreement and in the Related Documents shall be true and correct in all material respects on the date when made and shall also be true and correct in all material respects on and as of the Effective Time, except for changes contemplated by this Agreement or the Related Documents, with the same force and effect as if made on and as of the Effective Time;
- (b) Agreements, Conditions and Covenants. The Company shall have performed or complied in all material respects with all agreements, conditions and covenants required by this Agreement and the Related Documents to be performed or complied with by it on or before the Effective Time;
- (c) <u>Certificates</u>. NYNEX and the Purchaser shall have received a certificate of the Chief Executive Officer of the Company to the effect set forth in paragraphs (a) and (b) above;
- (d) Micro Distribution and Dividend. (i) The Distribution Agreement shall have been executed and shall be in full force and effect on and as of the Effective Time; (ii) the Micro Registration Document shall have been filed with the SEC and shall have become effective; (iii) the Micro Distribution shall have occurred and (iv) Micro shall have declared a dividend in an amount determined by Section 1.4.1 of the Tax Matters Agreement (the "Micro Dividend"), and all documentation and corporate proceedings in respect of clauses (i), (ii), (iii) and (iv) above shall be in form and substance satisfactory to NYNEX and the Purchaser;
- (e) NYNEX and the Purchaser shall have received an opinion of Messrs. Cahill Gordon & Reindel, special counsel to the Company, to the effect that:
- (i) each of the Company and Micro is a corporation duly organized, validly existing and in good standing under the laws of the State of its incorporation and has all power necessary to execute, deliver and perform the Distribution Agreement;
- the Distribution Agreement by the Company and Micro and the consummation of the transactions contemplated thereby, have been duly authorized by all necessary corporate action on the part of the Company and Micro, and the Distribution Agreement

constitutes the valid and binding agreement of the Company and Micro;

(iii) neither the execution, delivery and performance of the Distribution Agreement by the Company and Micro, nor the consummation of the transactions contemplated thereby will (x) violate or conflict with the Certificate of Incorporation or By Laws of the Company, Micro or any Subsidiary, or (y) violate or conflict with any law, regulation, or, to the knowledge of such counsel, any order, judgment, award, administrative interpretation, injunction, writ or decree applicable to the Company, Micro or any Subsidiary or by which any of them or any material amount of their property or assets is bound; and

(iv) no consent, approval or other action by, or notice to or registration or filing with, any governmental or administrative agency or authority is known to such counsel to be required to be obtained by the Company, Micro or any Subsidiary in connection with the execution, delivery and performance of the Distribution Agreement or the consummation of the transactions contemplated thereby, except such as have been made or obtained and are in full force and effect.

Such letter shall also state, indicating the nature and extent of such counsel's involvement, that nothing has come to such counsel's attention to cause it to believe that (i) the Proxy Statement (except for the financial statements and other financial and statistical information included therein and any Purchaser Information included therein, as to which such counsel is not called upon to express a belief), at the date the Proxy Statement is first mailed to stockholders, at the time of the Company Stockholders' Meeting, if any, and at the Effective Time, and (ii) the Micro Registration Document (except for the financial statements and other financial and statistical information included therein as to which such counsel is not called upon to express a belief), at the time the Micro Registration Statement became effective, contained, in either such case (i) or (ii), any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading;

- (f) The officers and employees of the Company listed on schedule 6.3(f) shall have entered into employment agreements or arrangements with the Surviving Corporation in form and substance satisfactory to NYNEX (the "Employment Arrangements") within 30 days after the date hereof;
- any governmental body, agency or official or any other person required to permit the consummation of the Merger and the Micro

Distribution so that the Surviving Corporation shall be able to continue to carry on the business of the Company and subsidiaries (other than Micro and System) substantially in the manner now conducted shall have been taken or made;

- (h) The officers of the Company who shall continue as officers of the Surviving Corporation shall deliver to NYNEX fully executed MFJ Compliance Certificates pursuant to the MFJ; and
- (i) The Proxy Statement shall include a fairness opinion of Morgan, Stanley & Co., which opinion shall be reasonably satisfactory to NYNEX and Purchaser.

#### ARTICLE VII

#### TERMINATION, AMENDMENT AND WAIVER

SECTION 7.1. <u>Termination</u>. This Agreement may be terminated at any time before the Effective Time:

- (a) By mutual written consent of Purchaser, NYNEX and the Company, duly authorized in the case of the Company by its Board of Directors;
- (b) By either Purchaser and NYNEX, on the one hand, or the Company, on the other, if the Merger shall not have been consummated on or before December 31, 1988 (the "Termination Date");
- (c) By either the Purchaser and NYNEX, on one hand, or the Company, on the other hand, if a court of competent jurisdiction or governmental, regulatory or administrative agency or commission shall have issued an order, decree or ruling or taken any other action (which order, decree or ruling the parties hereto shall use their best efforts to lift), in each case permanently restraining, enjoining or otherwise prohibiting the transactions contemplated by this Agreement, and such order, decree, ruling or other action shall have become final and nonappealable;
- (d) By either Purchaser and NYNEX, on the one hand, or the Company, on the other, if the other party or parties hereto shall have breached, or failed to comply with, in any material respect any of its obligations under this Agreement or any Related Documents or any representation or warranty made by such other party or parties shall have been incorrect in any material respect when made or shall have since ceased to be true and correct in any material respect; for purposes of this clause (d) the Company shall also be responsible for, and at risk with

regard to, the acts or omissions of the Company Employees pursuant to the Related Documents; or

- (e) By either Purchaser and NYNEX, on the one hand, or the Company, on the other hand, if the stockholders of the Company fail to approve the Merger at a stockholders meeting called for such purpose (including any adjournments or extentions thereof).
- SECTION 7.2. Effect of Termination. In the event of termination of this Agreement as provided in Section 7.1, and subject to the provisions of Section 8.1, this Agreement shall forthwith become void and there shall be no liability on the part of Purchaser, NYNEX or the Company, except (a) as set forth in Section 8.1 hereof, and (b) nothing herein shall relieve any party from liability for any willful breach hereof.
- SECTION 7.3. NYNEX Expenses. The Company shall, upon the demand of NYNEX, pay to NYNEX the amount of: (a) \$13,000,000 in immediately available funds upon the occurrence of any event set forth in clauses (i), (ii) or (iii) of this Section 7.3 or (b) \$8,000,000 in immediately available funds upon the occurence of any event set forth in clause (iv) of this Section 7.3, in any such case at any time from the date hereof through the Termination Date:
- (i) Any person or group, other than NYNEX, the Purchaser, or any affiliate of either of them, shall become the beneficial owner of in excess of 20 percent of the Company Common Stock, or of any other class of stock with preferential voting rights, of the Company;
- (ii) The Company's Board of Directors shall withdraw or modify in a manner adverse to NYNEX or the Purchaser its approval or recommendation of this Agreement, any Related Document, the Merger or the Micro Distribution; or shall recommend that the Company merge with or into or be acquired by any other person;
- (iii) The Company shall enter into any re-capitalization restructuring, disposition, assignment or other transaction or business arrangement (or agreement contemplating any of the foregoing) having the effect of altering the current legal and operating structure of the Company's significant business units, or of vesting in the hands of any third party substantial control over the Company or any significant business unit, other than as contemplated by this Agreement or the Related Documents; or
- warranty or failure to comply with any other material obligation hereunder or under the Related Documents by NYNEX or Purchaser,

the Company shall fail to diligently discharge all of its material obligations under this Agreement and the Related pocuments.

The purpose of this provision is to reimburse NYNEX for expenses incurred in connection with this Agreement and the Related Documents, and to compensate NYNEX for foregoing other business opportunities while engaging in negotiations relating hereto and thereto and assuming certain risks to its assets, business, creditworthiness and business reputation.

SECTION 7.4. Interest. Commencing fifteen (15) days after the later to occur of: (a) the affirmative vote of the shareholders of the Company approving the Merger and the other transactions contemplated by this Agreement and the Related Documents and (b) the final approval by, or clearance with, all appropriate governmental and regulatory bodies of any and all applications, filings, reports, or the like, reasonably required to be filed or made in connection with this Agreement or the Related Documents or the transactions contemplated hereby or thereby, and continuing until the Effective Time of the Merger, the Per Share Amount shall be increased, in lieu of interest, by \$.06 per month, pro-rated for partial months; provided, that, such increase shall not be payable with respect to any periods of time when: (i) any representation or warranty of the Company, any Subsidiary or any officer or director of any such entity, contained in this Agreement or any Related Document is untrue, (ii) the Company, any Subsidiary or any officer or director of any such entity, is not in compliance with any covenant or other term of this Agreement or (iii) any Related Document or any condition to Purchaser's or NYNEX's obligation to close under the Agreement or any Related Document has not been fulfilled; further, provided, that, no such increase shall be payable unless the Merger is consummated.

SECTION 7.5. <u>Company Expenses</u>. Upon the termination of this Agreement pursuant to Section 7.1 hereof, Purchaser shall pay to the Company, as reimbursement for expenses incurred by the Company, the sum of \$200,000.

SECTION 7.6. Amendment. This Agreement may be amended by the parties hereto pursuant to a writing adopted by action taken by Purchaser and NYNEX, on the one hand, and by the Company, on the other hand, at any time before the Effective Time; provided, however, that, after approval of the Merger by the stockholders of the Company, no amendment may be made which would reduce the amount or change the type of consideration into which each Share will be converted upon consummation of the Merger. This Agreement may not be amended except by an instrument in writing signed by the parties hereto.

SECTION 7.7. Waiver. At any time before the Effective Time, any party hereto may (a) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (b) waive any inaccuracies in the other parties and warranties contained herein or in any representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only as against such party and only if set forth in an instrument in writing signed by such party.

#### ARTICLE VIII

#### GENERAL PROVISIONS

SECTION 8.1. Non-Survival of Representations,
Warranties and Agreements. The representations, warranties and
agreements in this Agreement shall terminate at the Effective
Time or upon the termination of this Agreement pursuant to
Section 7.1, as the case may be, except that (a) the agreements
set forth in Article I and Section 5.8 shall survive the
Effective Time indefinitely and those set forth in Sections
5.5(b), 5.5(c), 7.3, 7.4, 7.5 and 8.3 shall survive termination
indefinitely and (b) nothing contained herein shall limit any
covenant or agreement of the parties hereto which by its terms
contemplates performance after the Effective Time.

SECTION 8.2. <u>Notices</u>. All notices and other communications given or made pursuant hereto shall be in writing and shall be deemed to have been duly given or made as of the date delivered or mailed if delivered personally or mailed by registered or certified mail (postage prepaid, return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice, except that notices of changes of address shall be effective upon receipt):

(a) if to Purchaser or NYNEX

with a copy to:

NYNEX Corporation 1113 Westchester Avenue White Plains, New York 10604 Attention: General Attorney--Corporate (b) if to the Company:

AGS Computers, Inc. 1139 Spruce Drive Mountainside, New Jersey 07902 Attention: Chairman

with a copy to:

Cahill Gordon & Reindel 80 Pine Street New York, New York 10005 Attention: W. Leslie Duffy, Esq.

SECTION 8.3. Expenses. Except as provided in Section 7.3 hereof, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.

SECTION 8.4. <u>Headings</u>. The headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

SECTION 8.5. Severability. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the maximum extent possible.

SECTION 8.6. Entire Agreement; No Third-Party
Beneficiaries. This Agreement constitutes the entire agreement
and supersedes any and all other prior agreements and
undertakings, both written and oral, among the parties, or any
of them, with respect to the subject matter hereof (including,
without limitation, those two letter agreements dated
June 10, 1988 between NYNEX and the Company) and, except as
otherwise expressly provided herein, is not intended to confer
upon any other person any rights or remedies hereunder.

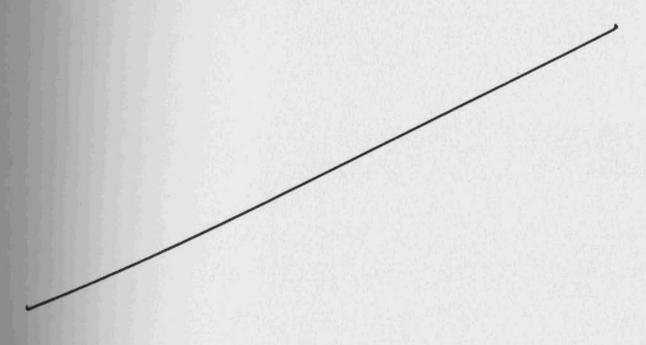
assigned by operation of law or otherwise, except that Purchaser

and NYNEX may assign all or any of their rights hereunder to any affiliate of Purchaser or NYNEX provided that no such assignment shall relieve the assigning party of its obligations hereunder.

SECTION 8.8. Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed in and to be performed entirely within that State.

SECTION 8.9. <u>Counterparts</u>. This Agreement may be executed in one or more counterparts, and by the different parties hereto in separate counterparts, each of which when executed shall be deemed to be an original but all of which shall constitute one and the same agreement.

SECTION 8.10. Limitations on Remedies. (a) The remedies available to NYNEX and Purchaser pursuant to Section 7.3 of this Agreement shall be exclusive, to the effect that neither NYNEX nor Purchaser shall be entitled to collect thereunder and thereafter make a claim for additional damages under any provision hereof; (b) the remedies available to NYNEX and Purchaser pursuant to Section 7.3 of this Agreement are not cumulative (i.e., once NYNEX or Purchaser has collected \$13,000,000 or \$8,000,000, as the case may be, neither party shall thereafter be entitled to any further relief pursuant to Section 7.3 or any other provision of this Agreement); (c) in the event NYNEX or Purchaser exercises its right to terminate this Agreement pursuant to clauses (c), (d) or (e) of Section 7.1, the Company's obligations to NYNEX pursuant to Section 7.3 shall cease to exist with respect to the events which occur after the earlier of: (i) 75 days after the date of such termination or (ii) December 31, 1988.



IN WITNESS WHEREOF, the Company, NYNEX and Purchaser, have caused this Agreement to be executed as of the date first written above by their respective officers thereunto duly authorized.

AGS COMPUTERS, INC.

Attest:

Half Gult ful but La By: President and Chief

Operating Officer

NYNEX CORPORATION

Attest:

NYNEX ISG ACQUISITION COMPANY, INC.

ATTEST:

By: Jacki Harding Vice President

#### SCHEDULE 3.1

- a) Qualification AGS Computers, Inc., has not qualified to do business in Illinois.
- b) Subsidiaries See attached Exhibit A to Schedule
  3.1, AGS directly or indirectly
  owns all of the outstanding capital
  stock of these corporations. AGS
  owns a 98% interest in Erdman and
  Anthony Partnership.
- c) Subsidiaries
  Stock The capital stock of Advanced
  Programming Resolutions, Inc., is
  held in escrow pending completion
  of earn out pursuant to acquisition
  agreement and the payment of amount

earned.

### EXHIBIT A TO SCHEDULE 3.1

### AGS COMPUTERS, INC.

### Subsidiaries

Corporation or Entity	State of Incorporation
AGS Computers Investment Corp	NJ
AGS Computers of Pennsylvania, Inc.	PA
AGS Genasys Corporation	DE
AGS Investment Corporation of Delaware	DE
AGS Management Systems, Inc.	PA
AGS Publications Development Group, Inc	
(formerly Computing Pragmatics, Inc.)	NJ
AGS System Forms, Inc.	NY
Advanced Programming Resolutions, Inc.	OH
Bonsu Corporation	DE
DISC, Inc.	MD
DISC ACCESS Products Group, Inc.	
(formerly Interactive Technology Corp.	) GA
EDC Temps, Inc.	NJ
Eastern Design Company, Inc.	NY
Erdman, Anthony & Associates, Inc.	NY
Erdman, Anthony Associates, Inc.	PA
International Micro Systems Corporation	FL
Microamerica, Inc.	DE
RDW Systems, Inc.	VA
Systems Strategies Inc.	NY
Vista Concepts, Inc.	NY
Genasys System Corporation	NY
R. Martin, Inc.	NY
Gentech, Inc.	DE
Ronald R Martin, Inc.	DE
Erdman and Anthony Partnership	NY Gen.
	Partnership
Erdman, Anthony Associates, Inc. of	rar cueranth
Virginia	VA
And the second s	VA.
Foreign Corporations:	
653373 Ontario Inc.	
(also known as Compuserve, Inc.)	ONT
AGS Computers Limited	UK
Software Design Associates II V Timited	
Software Design Associates U.K. Limited	
AGS Information Services Limited	UK

#### SCHEDULE 3.6

- 1) Eastern Design Company (EDC), has been assessed \$764,658.00 for Sales Tax and Penalties by the State of Connecticut for the years 1981 to 1986. The assessment does not include interest.
  - The Company believes that approximately one half of the assessment will be abated because its customer, Sikorsky Aircraft, has reported or will be assessed use tax based on the payments to EDC.
- AGS Computers, Inc., and two of its employees, Anthony Stepanski and Richard Huntley, were named as defendants in a recently filed lawsuit by Michelle Adzick, a current employee of AGS. The lawsuit, which enumerates ten (10) causes of action, is pending in the Supreme Court of New York, County of New York, and seeks both compensatory and punitive damages arising out of alleged breaches of the plaintiff's compensation arrangement with AGS. A copy of this complaint has been provided to NYNEX.

#### SCHEDULE 3.7

#### (References are to Section 3.7 subsections)

- (a) Reference is made to each of the other Schedules to the Agreement and the information contained therein is incorporated by reference herein.
- (b) None
- (c) None
- (d) On June 22, 1988, AGS reacquired 11,300 shares of its Common stock as a result of the tendering of such shares as consideration for the exercise of an outstanding incentive stock option. Additional AGS shares may be reacquired if optionees tender shares as consideration for the exercise of outstanding options.
- (e) (i) AGS Computers, Inc. entered into a Letter of Intent, dated June 15, 1988, with Sterling Software, Inc., for the acquisition of all of the capital stock of Check Consultants, Inc. A copy of this Letter of Intent has been provided to NYNEX.
  - (ii) As of January 29, 1988, AGS, its subsidiaries and First Fidelity Bank, New Jersey, N.A., entered into the Fourth Amendment to Amended and Restated Loan Agreement increasing a revolving credit loan up to \$60,000,000 and a term loan to \$20,000,000. Copies of all loan agreements and amendments have been provided to NYNEX.
  - (iii) On March 2, 1988, AGS entered into a Letter of Intent with C3, Inc., and confidentiality agreements with C3, Inc. and Tempest Technologies, Inc., in connection with the acquisition of C3, Inc. This Letter of Intent, a copy of which was provided to NYNEX, was terminated in May, 1988. A mutual release was exchanged in June, 1988.
  - (iv) In April, 1988, Microamerica, Inc. acquired, through a wholly owned subsidiary, assets of Bonsu Corporation. Copies of the acquisition documents were made available to NYNEX.
- (f) None
- (g) AGS' loan agreement with First Fidelity Bank, referred to in (e)(ii) above, contains negative covenants restricting the disposition or other transfer of assets.

### SCHEDULE 3.7 (cont.)

- (h) (i) AGS issued, on May 12, 1988, 30,582 shares of its Common Stock to acquire a twenty percent interest in Management Dynamics Modeling Corporation.
  - (ii) From January 1, 1988, through June 15, 1988, options to purchase 65,738 shares of the Company's Common Stock were exercised. Further options may be exercised.
- (i) None

#### Since December 31, 1987:

- . (i) AGS adopted, effective May 6, 1988, the AGS 1988
  Incentive and Non-Statutory Stock Option Plan. To date
  no options have been granted under this plan.
  - (ii) AGS' Board of Directors approved, at its June 14, 1988 meeting, an extension of the employment agreements of Lawrence Schoenberg and Joseph Abrams for two (2) years beyond the current expiration dates.

#### SCHEDULE 3.8

consummation of the merger and the distribution of the shares of Microamerica, Inc., will be an event of default under the Amended and Restated Loan Agreement dated October 29, 1984, and as amended to date by and among AGS Computers, Inc., First Fidelity Bank, New Jersey, N.A., and others.

# 00/44/00 10:00

#### SCHEDULE 3.9

The following software products are among those either owned or licensed to the subsidiaries set forth:

- AGS Management Systems, Inc.
  - Project Management Software
    - PACII
    - PACIII
    - WINGS
    - PAC MICRO
  - Mechanized Systems Development Methodologies
    - CAM
    - MULTI/CAM
  - Manual Systems Development Methodologies
    - SDM/STANDARD
    - SDM/STRUCTURED
- 2) DISC, Inc.
  - Cash Management
    - Account Reconciliation Package (ARP)
    - Due-From Reconciliation System (Due-Rec)
    - Travelers Cheque System (TCS)
    - ACCESS
  - Compliance Software
    - Combined Interest Reporting System (IRS)
    - Escheatment/Abandoned Property Reporting System (EPR)
    - Large Cash Reporting System (LCR)
  - Time Deposit and Reporting Software
    - Retirement Reporting System (RRS)
    - Time Deposit System (TDS)

# SCHEDULE 3.9 (Cont.)

- 3) Systems Strategies, Inc.
  - Communications Products

CSNA/LU6.1 CSNADS C/DIA/DCA CSNA/3270 CSNA/RJE CBSC/3270 CBSC/RJE CAPI/3270 CX.25 CQLLC
te3279
VAX LINK SNADS
VAX LINK DIA
VAX LINK SNA/3270
VAX LINK SNA/RJE
VAX LINK BSC/3270
VAX LINK/APPC
VAX LINK/X.25

- Test Products

TEST LU6.2 TEST SNA/3270 EX3270 EXLU6.2/CIC EXLU6.2/S36

- New Product

NETVIEW PC

- 4) Vista Concepts, Inc.
  - VSPS Securities Processing and Custody
  - VAST Securities Ordering Support - VTAS - Personal Trust Accounting
  - VMBS Mortgage Backed Securities Management
  - VCAP Capital Markets Trading Support
  - VGSP Global Securities Processing

#### SCHEDULE 3.11

See attached Exhibit A to Schedule 3.11

#### Exhibit A to Schedule 3.11

#### AGE

- Life Insurance Basic paid by Co., Supplemental paid by Employee - 2X annual salary
- 2. Medical CNA 80% after 100 deductible
- 3. Dental CNA 4. Sick Day Policy
- Sick Day Policy
   Short Term Disability both AGS Plan and State Disability
- 6. Long Term Disability CNA
- 7. Vacation Policy four separate plans
- 8. Severance Pay Plan
- 9. 401K Plan
- 10. Incentive Stock Option Plan
- 11. Employee Stock Purchase Plan
- 12. 1988 Incentive and Non-Statutory Stock Option Plan
- 13. Prescription Drug Plan

#### VISTA Concepts, Inc

- 1. Life Insurance
- 2. Medical Coverage
- 3. Long Term Disability
- 4. Profit Sharing Plan

#### Erdman Anthony and Associates, Inc.

- 1. Life Insurance based on level in Company
- 2. Medical Coverage Blue Cross or HMO
- 3. Sick Days based on time with Company
- 4. Short Term Disability
- 5. Long Term Disability
- 6. Vacation Policy
- 7. 401K Plan
- 8. Profit Sharing Plan 15% of profits

#### APR

- Life Insurance 1X annual salary plus \$10,000 two Dolicies
- 2. Accidental Death and Dismemberment
- 3. Medical Insurance Blue Cross
- 4. Dental Insurance Blue Cross
- 5. Short Term Disability Company pays in full for 30 days
- 6. Long Term Disability
- 7. 401K Plan
- 8. Vacation Policy

# AGS Genasys - Same as AGS except for Short Term Disability and Profit Sharing

- 1. Life Insurance Basic and Supplemental
- 2. Medical Coverage
- 3. Dental Coverage
- 4. Prescription Drug Plan
- 5. Separate Short Term Disability Plan
- 6. Long Term Disability Plan
- 7. Vacation Policy
- 8. Tuition Reimbursement
- 9. Profit Sharing Plan

#### Disc

- 1. Life Insurance 2X annual salary maximum \$100,000
- Medical Blue Cross of Maryland Guardian Mutual Major Medical
- 3. 401K Plan and Profit Sharing Plan
- 4. Short Term Disability
- 5. Long Term Disability
- 6. Vacation Policy
- 7. Medical Reimbursement Plan
- 8. Tuition Reimbursement Plan to \$100,000

#### AGS Management Systems

- 1. Life Insurance 2X annual salary maximum \$100,000
- Accidental Death and Dismemberment 2X annual salary maximum \$100,000
- 3. Medical Blue Cross/Blue Shield
- 4. Dental Blue Cross/Blue Shield (HMO available also)
- 5. Profit Sharing Plan
- 6. Short Term Disability self insured
- 7. Long Term Disability
- 8. Vacation Policy

#### Eastern Design - Same as AGS except no matching contribution to 401K Plan \*Only Management \*\*Temporaries covered

- Life Insurance Basic and Supplemental\*\*
- Medical Coverage\*\*
   Dental Coverage\*\*
- 4. Prescription Drug Plan\*
- 5. Short Term Disability State Plan
- 6. Long Term Disability
- 7. 401K Plan\*\*
- 8. Vacation Policy

### System Forms Design - Same as AGS

- 1. Life Insurance
- 2. Medical Coverage
- 3. Dental Coverage
- 4. Prescription Drug Plan
- 5. Short Term Disability Plan
- 6. Long Term Disability Plan
- 7. Vacation Policy
- 8. Tuition Reimbursement

#### Systems Strategies

- 1. Life Insurance maximum \$52,500
- 2. Medical Companion Insurance
- 3. Dental Companion Insurance
- 4. Short Term Disability State Plan
- 5. Long Term Union Mutual
- 6. Vacation Policy 10 days per year
- 7. Tuition Reimbursement
- 8. Sick Days

#### Micro America

- 1. Life Insurance Basic and Supplemental
- 2. Medical self funded 125 Plan
- 3. Dental self funded 125 Plan
- 4. Short Term Disability self funded
- 5. Long Term Disability SAFECO
- 6. Vacation
- 7. Tuition Reimbursement
- 8. Dependent Care 125 Plan

#### SCHEDULE 3.17

See attached Exhibit A to Schedule 3.17

#### EXHIBIT A TO SCHEDULE 3.17

# 3.17 Except for:

- (a) Claims for refund of federal income taxes were filed for 1983 and opened the years 1977, 1979, 1980, 1981 and 1982 to the extent of the claims.
- (b) Granted statute of limitations extension as follows:

	1984 IRS Federal Extension granted until 09/30/89
Micro Distribution	1983 Illinois Extension granted until 12/31/88
AGS Mgt. Syst.	1983 Illinois Extension granted until 12/31/88
Software Design	1983 Illinois Extension granted until 12/31/88
Microamerica	1983 Illinois Extension granted until 12/31/88
AGS Computers	1983 Illinois Extension granted until 12/31/88
Software Design Assoc. Inc.	1983 New York State Extension granted until 09/18/89 01/23/84 New York State Extension granted until 09/18/89 12/31/84 New York State Extension granted until 09/18/89
AGS Computers	1982 New York City Extension granted until 06/30/88 1983 New York City Extension granted until 06/30/88

# (c) List of Tax Examinations

1)	IRS years	under	examination:	1981 1982 1984 1985	Refund Refund Refund Entire Entire Entire	Claim Claim Return Return
2)	Illinois	- AGS:		1983		
				1984		
				1985		
3)	New York	State .	- CDA	1983		
		o cate	SUA:	1984		
				1985		

4) New York City - SDA	1983 Petition filed by C&L 1984 1985
5) Connecticut - Eastern Design Sales Tax	1981 We are in the Appeals to Process 1986
6) New York City - AGS:	1982 1983 1984
7) California - Microamerica	1982 1983 1984

<sup>(</sup>d) Tax accounting method changes required by the Tax Reform Act of 1986.

### SCHEDULE 6.3(f)

JOSEPH ABRAMS
ANTHONY STEPANSKI

#### Exhibit A

#### DISTRIBUTION AGREEMENT

	DISTRIBUTION	AGREEMENT	(hereinafter	this "Agreement")
dated as	of	, 1988,	between AGS	Computers, Inc.
("AGS"),	a New York co	orporation,	and Microame	erica, Inc.
("Microan	merica"), a Do	elaware cor	poration. E	ach of AGS and
Microame	rica is somet	imes referr	ed to herein	as a "Party".

#### WITNESSETH

WHEREAS, AGS, NYNEX Corporation ("NYNEX"), a Delaware corporation, and NYNEX ISG Acquisition Company, Inc.

("Purchaser"), a New York corporation, have entered into an Agreement and Plan of Merger dated as of June 24, 1988 (the "Merger Agreement"), providing for the acquisition of AGS by NYNEX through the merger (the "Merger") of Purchaser with and into AGS; and

WHEREAS, the Merger Agreement contemplates, and the Parties hereto desire to effect, the distribution (the "Microamerica Distribution") of all of the outstanding

common stock of Microamerica ("Microamerica Common Stock") to the holders of common stock of AGS ("AGS Common Stock")prior to the effectiveness of the Merger; and

WHEREAS, on the date of the Microamerica Distribution

(the "Transfer Date"), AGS will distribute to holders of record of AGS Common Stock on the record date for the Microamerica Distribution (the "Distribution Record Date"), without any consideration being paid by such holders, a pro-rata distribution of shares of Microamerica Common Stock for each share of AGS Common Stock held on the Distribution Record Date; and

WHEREAS, the Parties wish to provide for certain matters in connection with the Microamerica Distribution:

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the Parties hereby agree as follows:

1. <u>System Dropdown</u>. Prior to the Transfer Date, AGS will transfer (such transfer being referred to as the "System Dropdown") to Microamerica all outstanding shares of capital stock of AGS System Forms Inc. ("System"), a New York corporation and

a wholly owned subsidiary of AGS; and System will thus be a wholly owned subsidiary of Microamerica following the Microamerica Distribution.

- The Distribution. Promptly following the 2. Distribution Record Date, Microamerica will split its Common Stock in such a manner as is required for AGS to make the Microamerica Distribution. On or before the Transfer Date AGS will deliver, or cause to be delivered, to a distribution agent (the "Agent"), for holders of record of AGS Common Stock and holders of certain options to purchase AGS Common Stock as provided in Section 9 at the close of business on the Distribution Record Date, all shares of Microamerica Common Stock. AGS shall instruct the Agent to distribute such shares (and cash, if any, in lieu of fractional shares) on the Transfer Date to holders of record of AGS Common Stock and holders of certain options to purchase AGS Common Stock as provided in Section 9 of this Agreement on the Distribution Record Date. Any cash required for the payment for fractional shares in excess of \$10,000 shall be generated by the sale to Microamerica by the Agent of such fractional shares, and Microamerica agrees to purchase such fractional shares.
- 3. Books, Records, Services and Access to Information.

  (a) For a period of three (3) years from and after the Transfer

  Date, each Party, upon written request, shall make available to
  the other during normal business hours and in a manner which will

not interfere with such Party's business, its financial, accounting, legal, employee benefits and similar staffs and services (collectively "Services") to the extent that the same may be reasonably required in connection with the preparation of claims, litigation, administration of employee benefit plans and otherwise to assist in effecting an orderly transition following the Microamerica Distribution. Notwithstanding the foregoing, all matters governed by the provisions of the Tax Matters Agreement attached hereto as Attachment I and Sections 6, 7 and 8 hereof shall be exclusively governed by such provisions, and no liability with respect to any such matters shall be imposed on Microamerica pursuant to this Section 3.

Transfer Date, AGS shall afford Microamerica and its successors and their authorized accountants, counsel and other designated representatives reasonable access (including access to persons or firms possessing information) and, without cost to Microamerica or its successors, duplicating rights during normal business hours to, or copies of, all records, books, contracts, instruments, data and other information (collectively, "Information") within AGS' possession relating to Microamerica, insofar as such access or copies are reasonably required by Microamerica or its successors and Microamerica shall afford to AGS and its successors and their authorized accountants, counsel and other designated representatives reasonable access (including access to persons or

firms possessing information) and to AGS or its successors without cost, duplicating rights during normal business hours to, or copies of, Information within Microamerica's possession relating to AGS insofar as such access or copies are reasonably required by AGS or its successors. Information may be required under this Section 3, without limitation, for audit, accounting, claims, litigation and tax purposes, as well as for purposes of fulfilling disclosure and reporting obligations. Except as otherwise required by law or agreed in writing, Microamerica and AGS shall retain all Information relating to the other Party. In lieu of retaining any Information, either Party may, in writing, offer to deliver such Information to the other Party; if such offer is not accepted within three (3) years from and after the Transfer Date, the offered Information may be discarded or destroyed. If such offer is accepted, the Party accepting delivery shall pay the out-of-pocket costs of the delivery.

(c) For a period of three (3) years from and after the Transfer Date, each Party will use all reasonable efforts to make available to the other, upon written request, its officers, directors, employees and agents as witnesses to the extent that the same may reasonably be required in connection with any legal, administrative or other proceedings in which the requesting Party may from time to time be involved.

- (d) Except as provided in Clause (b) above, a Party providing Information, Services or witnesses to the other hereunder shall be entitled to receive from the recipient, upon the presentation of invoices therefor, payments for such amounts relating to supplies, disbursements, salaries or wages, and such other out-of-pocket expenses, as may be actually incurred in providing such Information, Services or witnesses.
- (e) AGS shall arrange for the transportation, at Microamerica's cost, of the records listed on Schedule I ("Stored Records") located at AGS' offices to 33 Boston Post Road West, Marlborough, MA 01752. Such records shall be the property of Microamerica; however, such records will be available to AGS until the earlier of (i) three (3) years from the Transfer Date, or (ii) the date AGS notifies Microamerica in writing that such records are no longer of use to AGS.

Specific mutually-agreed procedures as to the retention and destruction of Information and Stored Records will be kept on file in the respective Comptroller's office of both Parties.

4. <u>Indemnification</u>. (a) Microamerica agrees to indemnify and hold harmless AGS, its subsidiaries (as constituted after the Microamerica Distribution) and each person, if any, who controls AGS within the meaning of Section 15 of the Securities Act of 1933 or Section 20(a) of the Securities Exchange

Act of 1934 from and against any and all losses, liabilities, claims, damages, costs and expenses (including without limitation reasonable attorneys' fees) and any and all expenses reasonably incurred in investigating, preparing or defending against any litigation, commenced or threatened, or any claim (collectively "Losses"), arising out of or related in any manner to (i) the business conducted by Microamerica, System and their respective subsidiaries, whether or not such Losses arise or are asserted before or after the Microamerica Distribution and whether they relate to business conduct occurring before or after the Microamerica Distribution, (ii) any liability arising out of any quarantee or similar obligation of AGS with respect to any obligation of Microamerica, System and their respective subsidiaries, (iii) the System Dropdown, and (iv) the Microamerica Distribution. Notwithstanding the foregoing, all matters governed by the provision of the Tax Matters Agreement attached hereto as Attachment I and Sections 6, 7 and 8 hereof shall be exclusively governed by such provisions, and no liability with respect to any such matters shall be imposed on Microamerica pursuant to this Section 4.

(b) AGS agrees to indemnify and hold harmless
Microamerica, its subsidiaries (as constituted after the
Microamerica Distribution) and each person, if any, who controls
Microamerica within the meaning of Section 15 of the Securities
Act of 1933 or Section 20(a) of the Securities Exchange Act of

1934 from and against any and all Losses arising out of or related in any manner to the business conducted by AGS and its subsidiaries (excluding the business conducted by Microamerica, System and their respective subsidiaries), whether or not such Losses arise or are asserted before or after the Microamerica Distribution, and whether they relate to business conduct occurring before or after the Microamerica Distribution.

Notwithstanding the foregoing, all matters governed by the provisions of the Tax Matters Agreement attached hereto as Attachment I and Sections 6, 7 and 8 hereof shall be exclusively governed by such provisions and no liability with respect to any such matters shall be imposed on AGS pursuant to this Section 4.

against a Party, a subsidiary of a Party or a controlling person in respect of which indemnity may be sought (the "Indemnitee"), the Indemnitee shall, with reasonable promptness after the receipt of information indicating that an action or claim is likely, notify the Party from whom indemnification is sought (the "Indemnitor") in writing of the institution of the action or the making of the claim and the Indemnitor shall have the right to assume the defense of the action or claim, including the employment of counsel, at the Indemnitor's expense (provided, however, that the Indemnitor shall not be entitled to settle the action or claim on behalf of the Indemnitee without the prior written consent of the Indemnitee (which consent shall not

unreasonably be withheld)). The Indemnitee shall have the right to employ its own counsel, but the fees and expenses of that counsel shall be at the expense of the Indemnitee unless (i) the employment of that counsel shall have been authorized in writing by the Indemnitor in connection with the defense of the action or, (ii) the Indemnitor shall not have employed counsel to have charge of the defense of such action or claim or (iii) the Indemnitee shall have reasonably concluded that there may be defenses available to it which are different from or additional to those available to the Indemnitor, in any of which events such fees and expenses shall be borne by the Indemnitor. Except as expressly provided above, in the event that the Indemnitor shall not previously have assumed the defense of an action or claim, at such time as the Indemnitor does assume the defense of the action or claim, the Indemnitor shall not thereafter be liable to any Indemnitee for legal or other expenses subsequently incurred by such Indemnitee in investigating, preparing or defending against such action or claim.

(d) Notwithstanding the foregoing provisions of this Section 4, there may be particular actions or claims which reasonably could result in both Parties being liable to the other under the indemnification provisions of this Agreement. In any of such events, the Parties shall endeavor, acting reasonably and in good faith, to agree upon a manner of conducting the defense of

and any settling of the action or claim with a view to minimizing the legal expenses and associated costs that might otherwise be incurred by the Parties.

- (e) The indemnification provided for in this Section 4 shall be subject, in addition to the other provisions of this Agreement, to the following provisions:
  - The Parties' respective obligations under this (i) Section 4 shall be in an amount that reflects, on an after-tax basis, the hypothetical tax consequences, if any of the receipt of indemnification payments hereunder and takes into account the hypothetical tax consequences, if any, to the Indemnitee (and any of its affiliates) of incurrence of the damage, loss, liability or expense. "Hypothetical" tax consequences refers to calculations of all applicable taxes (including interest or penalties attributable thereto) at the maximum statutory rates (including interest or penalties attributable thereto) applicable to the Indemnitee for the relevant year, after taking into account deductions attributable to the imposition of other taxes (such as state and local taxes), which would similarly be calculated on the basis of the maximum statutory rates for which such deduction was available for the applicable year.

- (ii) All amounts which may become due under this Section 4 shall be paid within 30 days after notice of the payment by the Indemnitee in accordance with the terms of this Agreement of the Loss indemnified (the "Payment Date"). Any such payment shall be made with interest from the date which occurs 15 days after the Payment Date for the Loss until the date of payment at a rate equal to the base rate charged by Chase Manhattan Bank, N.A. to responsible and substantial commercial borrowers for 90-day loans, as such rate may vary from time to time (the "Base Rate"). Such payment shall be made to such affiliate of the Party which would otherwise receive such payment as such Party may specify.
- (iii) The indemnification provisions of this Section 4 shall survive the Transfer Date.
- (iv) The indemnification provisions of this

  Section 4 shall not, except to the extent expressly

  stated otherwise, inure to the benefit of any third

  party or parties.
- 5. <u>Tax Agreement</u>. AGS and Microamerica hereby agree to the terms of the Tax Matters Agreement (attached hereto as Attachment I) regarding their respective rights and obligations

with respect to federal, state and local income and franchise taxes of AGS and its subsidiaries for all periods through the Transfer Date. In the event of a conflict between the terms of the Tax Matters Agreement and the terms of this Agreement, the terms of the Tax Matters Agreement shall govern.

- 401(k) Plan. For purposes of this Section 6, "Transferred Employee" shall mean any employee who: (a) immediately prior to the Transfer Date has an account under the AGS 401K Investment Plan (the "Plan") and (b) immediately after the Transfer Date is an employee of Microamerica or any of its subsidiaries. Each Transferred Employee shall be fully vested in his account under the Plan as of the Transfer Date. No Transferred Employee shall be eligible to make any elective deferrals or receive any employer contributions under the Plan on or after the Transfer Date. Except as may be otherwise permitted pursuant to Section 411(a)(11) of the Internal Revenue Code of 1986 as amended (the "Code"), the Transferred Employee's account may not be distributed before the Transferred Employee attains age 65 without the Transferred Employee's consent. After the Transfer Date, distributions shall be made to Transferred Employees in accordance with the provisions of the Plan, subject to the terms of the Code.
- 7. <u>Welfare Plans</u>. Microamerica agrees to give prior service credit for all purposes under any welfare benefit plans (as defined in Section 3(1) of the Employee Retirement Income

Security Act of 1974) which it maintains, to any employees of System who become employees of Microamerica at the Transfer Date with respect to service with System prior to the Transfer Date.

- a. Intercompany Accounts. (a) Effective upon the Transfer Date, all amounts owed by AGS and its subsidiaries (excluding System, Microamerica and any subsidiaries of either of them) to System, Microamerica and any subsidiaries of either of them shall be extinguished without any payment or further liability therefor. Effective upon the Transfer Date, amounts owed by Microamerica, System and any subsidiaries of either of them to AGS and its subsidiaries (excluding Microamerica, System and any subsidiaries of either) ("Microamerica Indebtedness") up to \$53,000,000 shall be considered to be a contribution to equity capital of Microamerica, without further liability therefor. Upon the Transfer Date, Microamerica shall pay to AGS in immediately available funds the amount, if any ("Estimated Excess Indebtedness"), estimated in good faith by AGS to be the amount by which Microamerica Indebtedness exceeds \$53,000,000.
- (b) As promptly as practicable following the Transfer Date, AGS and Microamerica will jointly prepare and cause Messrs. Coopers & Lybrand to audit a schedule setting forth as of the Transfer Date the amount by which Microamerica Indebtedness exceeds \$53,000,000 ("Final Excess Indebtedness"). Final Excess Indebtedness shall be computed on a basis consistent with the accounting principles, methods and practices employed in the

preparation of the audited financial statements of AGS for the fiscal year ended December 31, 1987.

- (c) Within 5 days following the determination of Final Excess Indebtedness, either: (i) Microamerica shall pay to AGS in immediately available funds the amount, if any, by which Final Excess Indebtedness exceeds Estimated Excess Indebtedness or (ii) AGS shall pay to Microamerica in immediately available funds the amount, if any, by which Estimated Excess Indebtedness exceeds Final Excess Indebtedness. Such payment shall be made together with interest accruing from the date payment is due as set forth in the foregoing sentence to the date of payment at the Base Rate.
- 9. <u>Distribution to Option Holders</u>. There shall be included in the Microamerica Distribution a pro-rata distribution to holders of options to purchase AGS Common Stock issued under the AGS Incentive Stock Option Plan (the "Plan") of Microamerica

Common Stock. Such Distribution shall be effected through the procedures set forth in Section 2, subject to the surrender to the Agent for cancellation by the holders thereof of the options in respect of which shares of Microamerica Common Stock are so distributed.

- 10. Expenses. Except as otherwise provided in this Agreement, all expenses incurred in connection with the preparation, execution, delivery and implementation of this Agreement shall be paid by the party incurring them.
- 11. <u>Conditions; Termination</u>. The obligations of each Party under this Agreement shall be conditional upon the fulfillment and satisfaction of the following conditions:
  - (a) the transactions contemplated by this Agreement in substantially the form set forth herein shall have been approved by the holders of AGS Common Stock pursuant to the Business Corporation Law of the State of New York;
  - (b) all of the conditions (except as set forth in Section 6.3(d) of the Merger Agreement) to the respective obligations of each party to the Merger Agreement to effect the Merger shall be satisfied or waived by such party;

- (c) the shares of Microamerica Common Stock to be issued in the Microamerica Distribution shall have been approved for trading on a nationally recognized market or exchange, subject to a stop order or any threatened stop order;
- (d) the registration statement registering Microamerica shall have become effective under the Securities Exchange Act of 1934, as amended, and shall not be subject to a stop order or any threatened stop order;
- (e) neither of the Parties nor any of their respective subsidiaries shall be subject to any order, decree or injunctions of a court of competent jurisdiction which prevents or delays the consummation of the Microamerica Distribution;
- (f) each Party hereto shall have performed and complied with the agreements contained in this Agreement required to be performed and complied with by such Party at or prior to the Transfer Date:
- (g) each Party shall have received all necessary consents (including without limitation the consent of First Fidelity Bank, National Association, New Jersey, required under that certain Amended and Restated Loan Agreement, dated October 29, 1984, as amended to date) from third parties

which may be necessary (i) to permit the Microamerica

Distribution to take place and (ii) in order that, except as

contemplated hereby, the business of each Party can be

conducted, in all respects material to each such business as

a whole, substantially in the same manner as heretofore and

without loss of any right, permit or franchise material to

such business as a whole; and

(h) each Party shall have obtained releases of all guarantees or similar obligations of the other Party with respect to obligations of such Party or its subsidiaries.

If all of the conditions contained in this Section 11 have not been satisfied or waived on or before December 31, 1988, either Party may terminate this Agreement by written notice to the other in which event neither Party shall have any obligation to the other hereunder.

by and construed in accordance with the Laws of the State of New York without giving effect to the principles of conflicts of laws thereof, may not be assigned by either Party without prior written consent of the other and shall bind and inure to the benefit of the Parties and their respective successors and permitted assigns. This Agreement constitutes the entire agreement of the Parties hereto with respect to the subject matter hereof. This

Agreement may not be modified or amended, and no term or condition hereof may be waived, except by an agreement in writing signed by the Parties and NYNEX.

IN WITNESS WHEREOF, the Parties hereto have executed and delivered this Agreement as of the day and year first above written.

AGS	COMPUTERS, INC.
Ву	
	[Title]
MICI	ROAMERICA, INC.
Ву	
	[Title]

2988c

#### ATTACHMENT I

#### TAX MATTERS AGREEMENT

AGREEMENT made this 24th day of June, 1988, by and between AGS Computers, Inc. ("AGS"), a New York corporation, and Microamerica, Inc. ("Microamerica"), a Delaware corporation, hereinafter referred to as the "Tax Matters Agreement."

whereas, Microamerica and its subsidiaries have been members of the affiliated group of corporations of which AGS is the common parent corporation; and

WHEREAS, AGS and Microamerica have entered into a
Distribution Agreement dated as of June 24, 1988 (the
"Distribution Agreement"), providing for the distribution by
AGS of all the outstanding capital stock of Microamerica held
by AGS to its shareholders and to holders of certain options
described in Section 9 of the Distribution Agreement
("Microamerica Distribution") and setting forth the terms and
Conditions which will govern certain relationships between the
parties from and after the date (the "Transfer Date") on which
Microamerica ceases to be a subsidiary of AGS; and

WHEREAS, AGS and Microamerica desire to set forth their agreement with respect to the portion of the Federal, foreign, state and local taxes incurred by the affiliated group or its

members for all taxable periods beginning prior to the Transfer Date (including the effect on the tax liability for such prior periods of the carryback of certain tax attributes which may arise in taxable periods beginning on or after the Transfer Date);

NOW, THEREFORE, in consideration of their mutual promises, the parties hereby agree as follows:

#### 1. Tax Allocation Principles.

1.1 Federal Income Tax, Deficiencies or Overpayments.
1.1.1. General.

For taxable periods through the Transfer Date, the allocable share of Federal income taxes for each member of the AGS affiliated group within the meaning of §1504 of the Internal Revenue Code of 1986 which is included in the filing of a consolidated Federal income tax return (the "Consolidated Return Group") shall, except as otherwise expressly provided herein, be determined in accordance with Section 1.2 herein. This method of allocating taxes shall be referred to herein as the "Tax Allocation Principles". The Tax Allocation Principles shall be binding upon and shall inure to the benefit of the Parties hereto and their respective predecessors, successors and assigns. Notwithstanding the foregoing, each of Microamerica, its subsidiaries and AGS System Forms, Inc. shall be responsible for paying and contesting its own tax

liabilities arising in years prior to which such companies were members of the Consolidated Return Group.

#### 1.1.2. Deficiencies and Overpayments.

If the Distributed Tax Liability for any taxable period beginning before the Transfer Date is increased by a Final Determination or the filing of an amended return or decreased by a Final Determination or a receipt of the refund (relative to the amount of such liability as shown on the Federal income tax return filed by the Consolidated Return Group for the taxable period in question), then (1) AGS shall pay to Microamerica and the Microamerica subsidiaries their share (determined in accordance with the Tax Allocation Principles) of any such decrease, and (2) Microamerica and the Microamerica Subsidiaries shall pay to AGS their share (determined in accordance with the Tax Allocation Principles) of any such increase. Any payment (other than interest) required by the preceding sentence shall be made on an After-Tax Basis, to the extent the receipt or accrual of the payment is taxable, within 15 days after payment is made to the Internal Revenue Service, or refund is received from the IRS.

# 1.1.2.1 No Prepayment.

In the event that a proposed adjustment is contested without paying the claimed deficiency, Microamerica shall not be obligated to make any payment hereunder until 15 days after a Final Determination.

#### 1.1.2.2 Prepayment.

or 5.2.2 shall elect to contest a proposed adjustment by paying the tax claimed and seeking a refund, then the party responsible for selecting the forum shall advance the aggregate amount of such taxes, interest, penalties and additions to tax applicable to such proposed adjustment necessary to secure the jurisdiction of the court. Within 30 days after a Final Determination, as defined in Section 1.2 below, for all or any portion of the taxes (and any interest, penalties and additions to tax) asserted to be payable as a result of such proposed adjustment, any deficiency or refund shall be allocated and paid in accordance with the Tax Allocation Principles, and Section 1.7 hereof. To the extent any amounts (other than interest) payable are taxable, the payment shall be on an After-Tax Basis.

# 1.1.3. Final Determination.

For purposes of this Agreement, a "Final Determination" shall mean (i) a decision, judgment, decree or other order by any court or administrative body of competent jurisdiction, which decision, judgment, decree or other order has become final after all allowable appeals by either party to the action have been exhausted or the time for filing such appeals has expired, (ii) a closing agreement entered into under Section 7121 of the Internal Revenue Code of 1986 or any

other settlement agreement entered into in connection with an administrative or judicial proceeding, (iii) the expiration of the time for instituting suit with respect to the claimed deficiency or (iv) the expiration of the time for instituting a claim for refund, or if such a claim was filed, the expiration of the time for instituting suit with respect thereto.

# 1.2 Allocation of Federal Income Tax Liability.

Federal income taxes shall be allocated to Microamerica in an amount which shall be equal to the sum of (i) the Federal income tax Microamerica, and its subsidiaries as of the Transfer Date (excluding AGS System Forms, Inc.), would have owed had such corporations not joined in filing a consolidated return with the Consolidated Return Group and (ii) the Federal income tax AGS System Forms, Inc. would have owed had it not joined in filing a consolidated return with the Consolidated Return Group. All other Federal income taxes shall be allocated to AGS and its subsidiaries other than Microamerica, its subsidiaries and AGS System Forms, Inc. sum of (i) and (ii) above shall be referred to herein as the "Distributed Tax Liability". For purposes of computing that portion of the Federal income tax liability of the Consolidated Return Group that is attributable to Microamerica, it shall be deemed to have filed a consolidated return with each of its subsidiary corporations other than AGS System Forms, Inc. (together, "Controlled Group") and to have made the same

elections that AGS elects to make with respect to its affiliated group. The Distributed Tax Liability shall be determined by applying the adjustments described in Treasury Regulation Section 1.1502-1(a)(2)(ii) and by taking into account any net operating loss, net capital loss or excess credit of the Controlled Group or AGS System Forms, Inc. utilized by the Consolidated Return Group in a previous year (but not the Controlled Group) that, on a separate return basis, could be used by the Controlled Group or AGS System Forms, Inc. in the current year. The Distributed Tax Liability shall further be computed without (1) any disallowance of a deduction for an amount paid or accrued by Microamerica to AGS. or (2) any other adjustment if (or to the extent) that such disallowance or other adjustment does not have the effect of increasing the total consolidated taxable income of the Consolidated Return Group. The Distributed Tax Liability shall be discharged pursuant to Section 1.3 herein.

# 1.3 Accounts.

# 1.3.1 Federal Taxes.

As of the Transfer Date, the intercompany accounts referred to in Section 8 of the Distribution Agreement shall properly reflect (but only to the extent not previously reflected, so as to avoid any duplication or omission) the Distributed Tax Liability properly accrued as of that date. To the extent (but only to the extent) provided in Section 8 of

the Distribution Agreement, such intercompany accounts shall thereafter be extinguished and considered to be a contribution to capital, without further liability therefor. If, upon the filing of the consolidated Federal income return of the consolidated Return Group for the taxable year beginning on January 1, 1987 or January 1, 1988, the Distributed Tax Liability is increased or decreased (relative to the adjusted amount reflected in the intercompany accounts computed pursuant to Section 8(b) of the Distribution Agreement), then (1) AGS shall promptly pay to Microamerica the amount of any such decrease on an After-Tax Basis, and (2) Microamerica shall promptly pay to AGS the amount of any such increase on an After-Tax Basis.

#### 1.3.2 Schedules.

The parties hereto agree that, as of June 30, 1988, the Distributed Tax Liability for taxable year 1987 and for the first two quarters of taxable year 1988 has been accrued by Microamerica and AGS System Forms, Inc. in accordance with Schedule 1.3.2-1, which shall be furnished no later than thirty (30) days from the date hereof.

# 1.4 Tax on Distribution of Shares of Microamerica.

Any taxes imposed on or measured by the income of AGS, or any subsidiary of AGS, realized or recognized as a result of or occasioned by (x) the Microamerica Distribution or (y) the payment of the Microamerica Dividend, in excess of the sum of (i) \$5 million, (ii) the Microamerica Dividend (as defined in Section 1.4.4) declared per §6.3(d) of the Agreement and Plan of Merger dated as of June 24, 1988 and

(iii) the realized tax benefit of the Consolidated Return Group (excluding Microamerica, its subsidiaries and AGS System Forms, Inc.) net capital loss carryforward (provided, however, such net capital loss carryforward offset shall not exceed \$2 million) shall be allocated to and paid by Microamerica pursuant to the terms of this Agreement ("Adjusted Payment"). For purposes of this Adjusted Payment, the tax imposed on AGS, or any subsidiary of AGS, shall include tax imposed on AGS, whether or not as common parent of an affiliated group of corporations, and tax imposed, if any, on the affiliated or combined group of corporations of which AGS is a member.

#### 1.4.1 Amount of Dividend and Adjustment.

equal the excess of the tax deemed provisionally to be imposed as a result of clauses (x) and (y) minus the sum of clauses (i) and (iii) of Section 1.4 hereof. The amount of Adjusted Payment payable pursuant to Section 1.4.2 is as defined in Section 1.4. For purposes of determining the amounts to be paid pursuant to Sections 1.4.2 and 1.4.4, the amount of tax imposed upon AGS as a result of the Microamerica Distribution shall be equal to the gain realized and recognized on such distribution times the sum of the maximum marginal Federal income tax rate on corporations then in effect plus the actual effective state and local tax rate imposed on such gain. For purposes of Section 1.4.3, such tax shall be the amount determined by a Final Determination. The gain realized and recognized shall be the difference between the fair market

value of the stock distributed and the basis of AGS in the stock of Microamerica. For purposes of Section 1.4.2 and 1.4.4, the fair market value of the stock distributed shall be equal to the mean of the high and low bid and asked prices for Microamerica stock on an established securities market (as defined in Treasury Regulations Section 15A.453-1(e)(4)(iv). For purposes of the preceding sentence and Section 1.4.2, the mean prices on the Transfer Date shall be used. For purposes of such sentence and Section 1.4.4, the mean prices on date to be mutually agreed, but no more than seven (7) days preceding the Transfer Date, shall be used. If AGS and Microamerica mutually agree that such a measure does not exist or is inaccurate, the parties may agree on another measure. If the parties so agree, or if the stock is not trading on the date used, the fair market value of the stock will be the mean of the high and low bid and asked for Microamerica stock over the five day period closest to the Transfer Date in which such stock is traded on an established securities securities market. Basis shall be computed in accordance with the applicable consolidated return regulations, except that for purposes of Sections 1.4.2 and 1.4.4, the payment of the Microamerica Dividend shall be treated as if it resulted in a basis reduction.

# 1.4.2 Adjusted Payment.

No later than February 15, 1989, AGS will notify, in writing, Microamerica of the amount of the Adjusted Payment, if any, payable to Microamerica under this Section 1.4.2. If

Microamerica disagrees, it shall notify AGS in writing within thirty (30) days, and if the parties are unable to agree within forty-five (45) days of any such notice by Microamerica, the parties shall submit the matter to arbitration as provided in Section 14. If Microamerica fails to object, Microamerica will promptly pay AGS the amount of any Adjusted Payment. If the sum of clauses (i), (ii) and (iii) of Section 1.4 exceeds the tax deemed imposed for purposes of this Section 1.4.2 as a result of clauses (x) and (y) of Section 1.4, AGS will promptly pay Microamerica the difference. All payments (other than interest) shall be calculated on an After-Tax Basis, if the receipt of such payment is taxable. Any amounts payable hereunder shall be due within (15) days of written notice by AGS together with interest at the rate described in Section 1.7.

# 1.4.3 Further Adjustments to Payment.

AGS as a result of the Microamerica Distribution or the Microamerica Dividend are proposed by the Internal Revenue Service or by other taxing jurisdictions, the parties hereto shall be governed by the terms of this Agreement as if the Adjusted Payment were a tax allocated to Microamerica pursuant to Section 1.1 or 1.6, as appropriate. If upon Final Determination the amount realized and recognized as a result of the Microamerica Distribution or the Microamerica Dividend is less than the amount determined under Section 1.4.2, the

difference shall be paid to Microamerica by AGS, together with interest at the rate described in Section 1.7 from the date of the Microamerica Dividend to the date of payment. All payments (other than interest) required pursuant to this paragraph shall be on an After-Tax Basis if and to the extent the receipt, or accrual, of the payment produces taxable income. Any amounts payable hereunder shall be due within (15) days of written notice by AGS.

#### 1.4.4 Definition of Microamerica Dividend.

The Microamerica Dividend shall be the total dividend declared and payable to Microamerica shareholders of record pursuant to this Agreement. The amount of the Dividend shall be determined by Section 1.4.1 hereof and shall be declared and have a record date prior to the Transfer Date.

#### 1.5 After-Tax Basis.

For purposes of this Agreement, "After-Tax Basis" when referring to a payment of an amount owed under this Agreement, shall mean an amount which is, after deduction of all United States Federal, state and local taxes required to be paid by the recipient in respect of the receipt or accrual of such payment, and after giving effect to all available deductions and credits for such taxes and the liability from which the payment obligation arises, equal to the payment required under the provisions of this Agreement that require such payment to be made on an After-Tax basis. For purposes of this

computation, the recipient shall be deemed to pay Federal taxes at the maximum marginal Federal tax rate in effect on the date of payment. As long as state taxes remain deductible for Federal income tax purposes, any indemnification for state taxes will not be grossed-up for Federal income taxes.

# 1.6 State Income Tax Allocations and Return Adjustments.

In states that require the filing of a combined or consolidated state corporate income tax return, allocation of state income taxes, deficiencies and overpayments among the members of the combined return group will be determined in accordance with applicable statutory provisions and the principles of Section 1.2 hereof. Other adjustments to state and local income taxes will be allocated to the company or companies upon whose return the adjustment is made. To the extent consistent with the preceding two sentences, the principles of Section 1.1.2 of this Agreement shall also apply with respect to state and local income taxes.

# 1.7 Penalties, Additions to Tax and Interest.

Penalties, additions to tax and interest on any

Federal or state and local income tax deficiencies or

overpayments and any costs, including but not limited to

investigatory, legal and accounting fees and expenses (whether

or not paid to third parties), associated with contesting such

deficiencies or overpayments, will be allocated as the

underlying deficiencies or overpayments are allocated under this Agreement. Interest will be due and payable on any amounts due pursuant to this Agreement. Any payment by any party hereto of any of its obligations under this Agreement not made within the earlier of 15 days after the amount is due hereunder or 15 days after written notice of an amount due is provided shall result in the obligation on the part of such party promptly to pay an amount as interest, to the extent permitted by applicable law, equal to a fluctuating rate per annum equal to 1% above the rate of interest announced publicly by Citibank, N.A., in New York, New York from time to time as the bank's base rate (calculated on the basis of a year of 365 or 366 days, as the case may be, and the actual number of days elapsed) for the period such interest is payable.

- Preparation and Filing of Federal Consolidated Income
   Tax Returns.
  - 2.1 Cooperation of Parties.

Each of the Parties agrees to cooperate with each other Party in all Federal income tax matters, including by making available to the other, without limitation, all instructions, workpapers, records, data and notes of any kind, for the purpose of preparing tax returns and reports. Subject to Sections 2.2 and 2.3 hereof, AGS, on behalf of the Consolidated Return Group, shall complete the filing of the consolidated Federal income tax return for the taxable year in 1988 for the Consolidated Return Group. Except as otherwise

specifically provided in this Agreement, AGS shall not exercise its authority as agent for Microamerica or its subsidiaries under Treasury Regulation §1.1502-77 or otherwise with respect to any matters materially affecting Microamerica, or its subsidiaries, unless such matters also materially affect AGS and the other members of the Consolidated Return Group; provided, however, if AGS notifies Microamerica in writing of such exercise of authority and Microamerica fails to object in writing within thirty (30) days, AGS may exercise its authority.

2.2 AGS's Rights and Responsibilities.

In connection with the preparation and filing of the consolidated Federal income tax return for the taxable year 1988, AGS will undertake to:

- (a) Prepare and timely distribute consolidated tax return instructions (the Instruction Letter) and all other instructions necessary for the preparation and filing of the 1988 consolidated Federal income tax return. The Instruction Letter will include the schedule for the submission of preliminary and final 1988 data by member companies.
- (b) Prepare and file Form 7004 to secure a 6-month extension of time for filing the 1988 consolidated tax return.
- (c) Provide advice and assistance on 1988 Federal income tax return matters.

Determine the presentation of all items affecting (d) AGS, or its subsidiaries (but not Microamerica, or its subsidiaries) and shall in consultation with Microamerica determine the presentation of all other items. AGS shall permit Microamerica to review the 1988 Federal income tax return and shall permit Microamerica to determine the presentation of all items affecting Microamerica, or its subsidiaries, (but not AGS, or its subsidiaries) provided, however, that no position shall be taken on the return unless, if requested by AGS, Microamerica provides an opinion of independent tax counsel, selected by Microamerica and approved by AGS, that there is a reasonable basis for such a position (the expenses for such counsel being shared equally by AGS and Microamerica); and, provided further, that in the case of determining the amount of gain to be reported on the Microamerica Distribution, if less than the amount determined in Section 1.4.2, such opinion shall state that there is substantial authority for the position taken. If AGS and Microamerica are unable to agree on the presentation of any item affecting both AGS, or its subsidiaries, and Microamerica, or its subsidiaries, the matter shall be submitted to arbitration pursuant to Section 14, with instruction to determine the

return presentation most advantageous to the Consolidated Return Group considered in the aggregate. For purposes of this paragraph, Microamerica and its subsidiaries shall not be treated as subsidiaries of AGS.

- (e) In accordance with the Tax Allocation Principles, and subject to paragraph (d), determine the amount of consolidated tax payments payable to the Internal Revenue Service and determine the payments due from and to each member of the affiliated group.
- (f) Timely file and, subject to paragraph (d), prepare the 1988 consolidated Federal income tax return.
- (g) Allocate any interest due on September 15, 1989 among the members of the affiliated group in accordance with the Tax Allocation Principles.
- 2.3 Microamerica's Rights and Responsibilities.

In connection with the preparation and filing of the consolidated Federal income tax return for the taxable year 1988, and any adjustments thereto, Microamerica for itself or on behalf of its subsidiaries and the other affiliated members of AGS consolidated return group will undertake to:

(a) Prepare and timely submit to AGS all reasonably necessary data requested by AGS.

- (b) Make all tax payments in a timely manner, but in no event more than 15 days after written notice by AGS, including direct payment to AGS, if requested, or to a Federal tax depository under the AGS consolidated employer identification number.
- (c) Forward proof of payment to the AGS Treasury Department.
- (d) Provide such advice and counsel as is described in paragraph (d) of Section 2.2 hereof.

#### 2.4 Carrybacks.

The carryback of excess credits, net operating losses, and net capital losses from a taxable year ending after the Transfer Date to a pre-Transfer Date consolidated return year shall be in accordance with the provisions of the Internal Revenue Code, the consolidated tax return regulations and the Tax Allocation Principles.

# 3. Audits, Adjustments and Refund Claims.

# 3.1 Audits.

# 3.1.1 Notification of Audit.

AGS shall give notice to a designated individual at Microamerica of any audit of the consolidated income tax return for any taxable period through the Transfer Date within ten working days of receipt of notification of such audit from the Internal Revenue Service.

#### 3.1.2 Statute of Limitations.

AGS, as agent for the Consolidated Return Group, shall have sole authority to enter into any agreement extending the statute of limitations for any taxable period through the Transfer Date for which consolidated Federal income tax returns were filed, provided, however, AGS will follow the instructions of the members of the Consolidated Return Group that are liable for more than 50 (fifty) percent of the aggregate amount of tax liability at stake for the taxable year. AGS shall notify a designated individual at Microamerica as soon as possible, but in no event later than ten working days after receipt of a request from the Internal Revenue Service for such an agreement.

#### 3.1.3 Audit Activity.

Each of the Parties will coordinate efforts with respect to audits of pre-Transfer Date taxable periods and will furnish each other with the necessary workpapers or records to respond to audit inquiries. AGS, as agent for the Consolidated Return Group, will be responsible for day-to-day contact with the Internal Revenue Service agents assigned to the audit of the pre-Transfer Date consolidated tax returns; provided, however, in the case of any Microamerica Adjustment (as defined below), AGS will, to the extent reasonably possible, permit Microamerica to participate in such day-to-day contact. AGS will maintain a written log of each contact with the Internal Revenue Service relating to any adjustment, proposed

adjustment, or potential adjustment affecting Microamerica or its subsidiaries ("Microamerica Adjustment") and furnish a copy of the log to Microamerica monthly. For each Microamerica Adjustment, the log will detail informal inquiries as well as index all formal requests (Form 4564) for audit information, and indicate the current status of pending issues.

#### 3.1.4 On-Site Audits.

If Microamerica or any Microamerica affiliate is audited "on-site" by the Internal Revenue Service for any period for which it was a member of the Consolidated Return Group, Microamerica shall provide AGS with monthly written reports detailing the on-site activities, information requests, issues raised and resolved, and any other relevant information.

#### 3.1.5 Deposit in the Nature of a Cash Bond.

AGS or Microamerica may recommend that AGS make a deposit in the nature of a cash bond with the Internal Revenue Service to stop the running of interest on potential deficiencies. AGS will advise the member companies of the consequences of such action and of the procedure for remitting the proper amount to AGS. If, after receipt of the above advice, Microamerica requests that such a deposit be made, AGS shall make the appropriate deposit within ten business days of receipt of the funds.

# 3.2 Proposed Adjustments.

AGS shall give written notice to a designated individual at Microamerica of any Microamerica Adjustment

within ten business days of receipt of written notification of proposed adjustments (including, without limitation, any Revenue Agent's Report) from the Internal Revenue Service. The following rules will apply for any taxable year in which there is a Microamerica Adjustment.

#### 3.2.1 Agreed Issues.

AGS, as agent for the Consolidated Return Group, will enter into any agreement with the Internal Revenue Service (e.g., Form 870 or 870-AD) with respect to any proposed adjustment only with the written consent of members of the Consolidated Return Group that are liable for 80% (eighty percent) or more of the amount of the tax liability at stake for the proposed adjustment, considered on an issue-by-issue basis. Where a party disagrees with the course of action determined by the voting procedure set forth above and desires to pursue its own remedies, efforts will be made with the Internal Revenue Service to sever that party's issues (but not its ultimate several tax liability) from the Consolidated Return Group.

# 3.2.2 Unagreed Issues.

AGS, as agent for the Consolidated Return Group, will make the initial recommendation regarding the forum and procedures for contesting tax deficiencies on unagreed issues. In any instance of disagreement among AGS and Microamerica with respect to the selection of the forum or the procedures for

litigation, a written request (to pursue a different course than that recommended by AGS) by Microamerica if Microamerica and its affiliates collectively are liable for more than 50% of the tax liability at issue will be controlling. For purposes of this paragraph, the determination of 50% of tax liability shall be made on the basis of the cumulative potential liability from all unagreed issues for any open taxable year; provided, however, the amount a party has at stake in an unagreed issue shall not be counted unless, at the request of the other party, it has provided such other party with an opinion of independent tax counsel selected by the requested party that there is a reasonable basis in law and in fact for the return position. The expenses for such counsel shall be shared equally by AGS and Microamerica. Notwithstanding the foregoing, there shall be no obligation to litigate an unagreed issue unless such a reasonable basis opinion has been provided (if requested).

# 3.2.3 Consent Not Required.

Notwithstanding any other provision of Section

3.2, if the Internal Revenue Service notifies AGS that it will
deal directly with Microamerica (see Treasury Regulation

§ 1.1502-77(a)), Microamerica shall have full authority to act
for itself and resolve any issue affecting solely its liability
without the consent of any other member of the group.

# 3.3 Refund Claims.

of either AGS or Microamerica shall determine that it is desirable to file a claim for refund with respect to a pre-Transfer Date period, it shall prepare and submit to AGS the claim for refund, together with a statement setting forth when the statute of limitations on filing such claim will expire. If such claim is prepared by AGS, AGS will, within ten working days of receipt of the claim, notify the designated individual at Microamerica of such claim and ask if Microamerica desires to participate in such claim. Microamerica shall respond within ten working days of the receipt of such notice and AGS shall file such claim, if permissible, within 15 working days after receipt of the responses, provided, however, that notwithstanding the above, AGS shall file such claim prior to the expiration of the statute as set forth by the requesting Party if such a filing is feasible after AGS's receipt of the member's prepared claim for refund.

# 3.4 Litigation.

AGS, as agent for the Consolidated Return Group, will have responsibility for representing the Group before the Internal Revenue Service Appeals Office or in any court or administrative proceeding to determine the group's tax liability. Representatives from Microamerica will have the opportunity to participate in these proceedings to the extent

that any Microamerica Adjustment is at issue, and shall have the right to control any issue for which it is liable for more than fifty (50) percent of the amount at stake.

3.5 Access to Materials in AGS Consolidated Federal Income Tax Files.

In the preparation or audit of Federal income tax returns of Microamerica and its subsidiaries for post-Transfer Date years, the Internal Revenue Service or Microamerica may raise issues that Microamerica believes may have been previously raised in audits of the Consolidated Returns for pre-Transfer Date years. Upon written request from the designated individual at Microamerica, AGS will search its consolidated Federal income tax files for pre-Transfer Date years (and, with respect to carrybacks, other years) and provide copies of any and all materials relevant to the issues raised as soon as possible. If no relevant materials exist, AGS will notify Microamerica of this fact in writing within 30 days of receiving the request. At the written request of the designated individual at Microamerica, AGS will provide to Microamerica a copy of the consolidated tax return for any taxable year prior to or including the Transfer Date. AGS may condition its furnishing of such materials upon the requesting party's agreement to pay reasonable costs of collection and reproduction.

- 4. Preparation and Filing of State Income Tax Reports and Returns.
  - 4.1 Cooperation of Parties.

Each Party agrees that it will cooperate with the other by making available, without limitation, all instructions, workpapers, records, and notes of any kind, for the purpose of preparing state tax returns and reports. Subject to Sections 4.2 and 4.3 hereof, AGS, on behalf of the combined report group shall prepare and file all required combined reports for all pre-Transfer Date tax years, including but not limited to, the California Corporation Franchise Tax Return and the Illinois Income and Replacement Tax Return. Except as otherwise specifically provided in this Agreement, AGS shall not exercise its authority as agent for Microamerica or its subsidiaries with respect to any matters materially affecting Microamerica, or its subsidiaries, unless such matters also materially affect AGS and the other members of the Consolidated Return Group; provided, however, if AGS notifies Microamerica in writing of such an election and Microamerica fails to object in writing within thirty (30) days, AGS may exercise its authority.

4.2 AGS's Rights and Responsibilities.

In connection with the preparation of the combined reports, AGS will undertake to:

- (a) Prepare and submit to the taxpayer companies data for completing the state-prescribed forms requesting extensions of time to file the returns.
- (b) Prepare and submit to the member companies the data for making estimated tax payments.
- (c) Prepare and forward to Microamerica the estimates of current and deferred state income tax relating to its 1988 tax liability.
- (d) Prepare a schedule for the submission of 1988 data from companies required to be included in the return.
- (e) Compile and forward to Microamerica the combined reports and the tax liability of each entity relating to 1988 state income tax returns.
- (f) Prepare combined (unitary) returns for pre-Transfer Date years as may be determined to be required, subject to the following: AGS shall determine the presentation of all items affecting AGS, or its subsidiaries (but not Microamerica, or its subsidiaries) and shall in consultation with Microamerica determine the presentation of all other items. AGS shall permit Microamerica to review the 1988 Combined state income tax returns and shall permit Microamerica to determine the presentation of all items affecting Microamerica, or its subsidiaries,

(but not AGS, or its subsidiaries) provided, however, that no position shall be taken on the return unless. if requested by AGS, Microamerica provides an opinion of independent tax counsel, selected by Microamerica and approved by AGS, that there is a reasonable basis for such a position (the expenses for such counsel being shared equally by AGS and Microamerica); and. provided further, that in the case of determining the amount of gain to be reported on the Microamerica Distribution, if less than the amount determined in Section 1.4.2, such opinion shall state that there is substantial authority for the position taken. If AGS and Microamerica are unable to agree on the presentation of any item affecting both AGS, or its subsidiaries, and Microamerica, or its subsidiaries, the matter shall be submitted to arbitration pursuant to Section 14, with instruction to determine the return presentation most advantageous to the Combined Group considered in the aggregate. For purposes of this paragraph, Microamerica and its subsidiaries shall not be treated as subsidiaries of AGS.

- (g) Provide to member companies tax records used by AGS to calculate the depreciation expense in pre-Transfer Date years combined reports.
- 4.3 Microamerica's Rights and Responsibilities.

In connection with the preparation of the combined reports described above, Microamerica on behalf of itself and its affiliates will undertake to:

- (a) Prepare and timely submit to AGS all reasonably necessary data requested by AGS.
- (b) Make tax payments to the state.
- (c) Provide AGS with copies of all correspondence with the state.
- (d) Provide such advice and counsel as is described in paragraph (f) of Section 4.2 hereof.
- 4.4 Access to Materials in AGS's Combined Report
  Audit Files.

In the preparation or audit of combined report state income tax returns of a member of the Controlled Group for post Transfer Date years, issues may arise that Microamerica believes may have previously been considered or raised in audits of the combined reports for pre-Transfer Date years. Upon written request from the designated individual at Microamerica, AGS will search its combined report files for pre-Transfer Date years (and with respect to carrybacks, other years) and provide copies of any and all materials relevant to the issues identified by Microamerica as soon as possible. If no relevant materials exist, AGS will notify the requesting entity of this fact in writing within thirty days of receiving the request. AGS may condition its furnishing of such

materials upon the requesting party's agreement to pay reasonable costs of collection and reproduction.

- 5. Audits, Adjustments and Refund Claims Related to Combined Reports or Returns.
  - 5.1 Audits.
    - 5.1.1 Notification of Audit.

and addition and the state. Similarly, Microamerica shall give written notice to AGS of any notification of audit received by it from a state within ten business days of receipt of notification of notification of a state within ten business days of receipt of notification of such audit from the state. Similarly, Microamerica shall give written notice to AGS of any notification of audit received by it from a state within ten business days of receipt of notification of the audit.

#### 5.1.2 Statute of Limitations.

Each company shall have authority to enter into any agreement extending the statute of limitations with respect to the reports and returns filed by that company for any taxable period through the Transfer Date. In the case of combined reports, the members of the combined group having more than 50 (fifty) percent of the amount at stake for the group for a given state and for a given year shall control the extension of the statute of limitations. The in-state company entering into any such agreement shall notify the other in-state members 30 days prior to such action.

#### 5.1.3 Audit Activity.

AGS will coordinate efforts with respect to audits of pre-Transfer Date taxable periods and each Party will furnish each other the necessary workpapers or records to respond to audit inquiries. AGS, on behalf of the combined report group, will be responsible for handling the day-to-day audit activity which is performed at AGS's Corporate Headquarters; provided, however, in the case of a Microamerica State Adjustment (as defined below), AGS will, to the extent reasonably possible, permit Microamerica to participate in such day-to-day contact. AGS will maintain a written record of the states' audit activity relating to any adjustment, proposed adjustment, or potential adjustment affecting Microamerica or its subsidiaries ("Microamerica State Adjustment") and furnish a monthly status report of such audits to Microamerica. For each Microamerica State Adjustment, the status report will detail all formal requests for audit information, indicate the current status for all pending issues, and include the "on-site" reports described below. Companies that are audited "on-site" by state auditors shall provide AGS with weekly written reports detailing the on-site activity, information requests, issues raised and resolved, and any other relevant information.

# 5.2 Proposed Adjustments.

Each company of a pre-Transfer Date combined report group shall give written notice to each other of proposed

adjustments to any item included in a pre-Transfer Date combined report or return within ten days of receipt of written notification of proposed adjustments from the states. The following rules will apply for any year in which there is a Microamerica State Adjustment.

#### 5.2.1 Agreed Issues.

No member of the combined report group will enter into any agreement in regard to any proposed adjustment without the written consent of the members of the combined report group that collectively are liable for 80% or more of the tax liability at stake for the proposed adjustment, considered on an issue-by-issue basis for any given year and any given state.

#### 5.2.2 Unagreed Issues.

In contesting unagreed issues or tax deficiencies that affect two or more members of the combined report, AGS will make the initial recommendation regarding the forum and procedures for contesting tax deficiencies or unagreed issues. In any instance of disagreement between AGS and Microamerica with respect to the selection of the forum or the procedures for contesting the issues or deficiencies, a written request (to pursue a different course than that recommended by AGS) by Microamerica if Microamerica and its affiliates collectively are liable for more than 50% of the tax liability at issue will be controlling. For purposes of this paragraph, the determination of 50% of tax liability shall be made on the basis of the cumulative potential liability from all unagreed

issues for any open taxable year; provided, however, the amount a party has at stake for an unagreed issue shall not be counted unless, at the request of the other party, it has provided such other party with an opinion of independent tax counsel selected by the requesting party that there is a reasonable basis in law and in fact for the return position. The expenses for such counsel shall be shared equally by AGS and Microamerica.

Notwithstanding the foregoing, there shall be no obligation to litigate an unagreed issue unless such a reasonable basis opinion has been provided (if requested). If any taxable year involves an unagreed issue that affects only one member of the combined report group, the procedures or forum for contesting the issue will be determined by that member if it is possible to sever that company's issues from the group's issues.

#### 6. Allocation of Preparation Costs.

Costs incurred in connection with the preparation and filing of the 1987 and 1988 consolidated Federal income tax return and state combined income tax returns shall be allocated in accordance with the gross receipts of AGS and Microamerica as of the Transfer Date and shall be reimbursed to AGS.

Payments shall be on an After-Tax basis.

# 7. Exchange of Information.

AGS and Microamerica will provide each other, as appropriate, with the following:

(a) Tax systems documentation, code and definition reports.

(b) A copy of any earnings and profits study relating to pre-Transfer Date years, documentation and methods and procedures for updates to such study.

Nothing in this section 7 shall be construed as a limitation on other obligations to provide information and cooperation.

# 8. Joint and Several Liability.

Microamerica agrees that it, its subsidiaries and AGS

System Forms, Inc. ("Microamerica Group") shall be jointly and severally liable to AGS for all tax liabilities and indemnity obligations of Microamerica, its subsidiaries and AGS System Forms, Inc. hereunder. Microamerica agrees that it shall cause each member of the Microamerica Group to comply fully with the terms of this Agreement. AGS agrees that it and its subsidiaries (other than member of the Microamerica Group)

("AGS Group") shall indemnify the members of the Microamerica Group for and against any taxes or amounts described in Section 1.7 hereof with are not allocable to the Microamerica Group but which are allocable to the AGS Group pursuant to this Agreement.

## 9. Payments.

Payments made pursuant to this Agreement shall be made by wire transfer of immediately available funds to such bank or account in the continental United States as specified by the other party in writing, and if no such direction shall have been given, by check payable to the order of such payee and mailed the such other party by certified mail, postage prepaid, at its address as set forth herein.

#### 10. Notices.

Any notice, demand, claim, or other communication under this Agreement shall be in writing and shall be deemed to have been given upon the delivery or mailing thereof, as the case may be, if delivered personally or sent by certified mail, return receipt requested, postage prepaid, to the parties at the following addresses (or at such other address as a party may specify by notice to the other):

If to AGS, to:

AGS Computers, Inc. 1139 Spruce Drive Mountainside, New Jersey 07902 Attention: Chairman

If to Microamerica or to Service, to:

Microamerica Corporation 33 Boston Post Road West Marlborough, Massachusetts 01752 Attention: President

## 11. Governing Law and Interpretation.

This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without regard to New York choice of law rules, applicable to agreements made and to be performed in the State of New York.

## 12. Counterparts.

This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument.

# 13. Assignments.

This Agreement shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

# 14. Arbitration.

Any dispute, controversy or claim arising out of or in connection with or relating to this Agreement or any breach or alleged breach thereof shall be settled by arbitration in the City and State of New York in accordance with the rules of the American Arbitration Association and the award rendered by such arbitrator(s) shall not be subject to appeal and may be entered in any federal or state court having jurisdiction thereof.

#### 15. Severability.

If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to

the end that transactions contemplated hereby are fulfilled to the maximum extent possible.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed on the date first above written by their respective officers thereunto duly authorized.

AGS COMPUTERS	, INC.
By: Title:	
MICROAMERICA,	INC.
By: Title:	

2960R

## SCHEDULE 1.3.2-1

# I. 1987 Separate Tax Liability Payments

Date of Payment	Microamerica	AGS System Forms, Inc.	Total
April, 1987 June, 1987 September, 1987 December, 1987 March, 1988	\$	\$	\$
Total	\$	\$	\$

# II. 1988 Separate Tax Liability Payments

Date of Payment	Microamerica	AGS System Forms, Inc.	<u>Total</u>
April, 1988 June, 1988	\$	\$	\$
Total	\$	\$	\$

#### EXHIBIT B

#### MANAGEMENT OPTION AGREEMENT

AGREEMENT, dated as of June 24, 1988 among NYNEX CORPORATION, a Delaware corporation ("NYNEX"), and the holders (the "Stockholders") of the shares of capital stock (the "Shares") of AGS COMPUTERS, INC., a New York corporation (the "Company"), listed on the signature pages hereof.

WHEREAS, in order to induce NYNEX and certain of its affiliates to enter into an agreement and plan of merger (the "Merger Agreement") with the Company, NYNEX has requested the Stockholders, and the Stockholders have agreed, to enter into this agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the parties hereby agree as follows:

#### ARTICLE I

#### STOCK OPTION

SECTION 1.01. Grant of Stock Option. Each of the Stockholders hereby grants to NYNEX an irrevocable option (the

"Option") to purchase all Shares presently owned of record or beneficially by them as set forth on the signature page hereto and any additional Shares acquired by the Stockholder (whether by purchase or otherwise) after the date of this Agreement (the "Stockholder Shares") at a purchase price of \$30.00 per Stockholder Share (the "Purchase Price").

SECTION 1.02. Exercise of Option. (a) Subject to the conditions set forth in Section 1.04 hereof, the Option may be exercised by NYNEX, in whole with respect to all Stockholders, but not in part, at any time or from time to time after the date hereof; provided, that, the Exercise Notice (as hereinafter defined) is sent by NYNEX on or before the Termination Date (as defined in the Merger Agreement). In the event NYNEX wishes to exercise the Option for the Stockholder Shares, NYNEX shall send a written notice (the "Exercise Notice") to the Stockholders specifying that it wishes to purchase the Stockholder Shares pursuant to such exercise and the place, the date (not less than 10 nor more than 20 business days from the date of the Exercise Notice), and the time for the closing of such purchase; provided, that, such date and time may be earlier than 10 days after the Exercise Notice if reasonably practicable. The closing of the purchase of Stockholder Shares (the "Closing") shall take place at the place, on the date and at the time designated by NYNEX in its Exercise Notice, provided that if, at the date of the Closing

herein provided for, the conditions set forth in Section 1.04 shall not have been satisfied (or waived by the Stockholder), NYNEX may postpone the Closing until a date within ten business days after such conditions are satisfied.

(b) NYNEX shall not be under any obligation to deliver the Exercise Notice and may allow the Option to terminate without purchasing any Stockholder Shares hereunder; provided, that, once NYNEX has delivered the Exercise Notice to the Stockholder, subject to the terms and conditions of this Agreement, NYNEX shall be bound to effect the purchase as described in such Exercise Notice.

SECTION 1.03. Closing. At the Closing, (a) each Stockholder shall deliver to NYNEX a certificate or certificates (the "Certificates") representing (or cause to be made book entry delivery to an account designated by NYNEX of) such Stockholder Shares, in the case of certificates, duly endorsed or accompanied by stock powers duly executed in blank and (b) NYNEX shall deliver to each Stockholder in immediately available funds an amount equal to the number of Stockholder Shares being purchased at such Closing multiplied by the Purchase Price.

SECTION 1.04. Conditions to the Stockholders'

Obligations. The obligation of each Stockholder to sell

Stockholder Shares at any Closing is subject to the following conditions:

- (i) The representations and warranties of NYNEX contained in Article IV shall be true and correct in all material respects on the date thereof.
- (ii) All waiting periods under the

  Hart-Scott-Rodino Antitrust Improvements Act of

  1976, as amended, and the rules and regulations

  promulgated thereunder (the "HSR Act") applicable to

  such exercise of the Option shall have expired or

  been terminated.
- (iii) The Merger Agreement has not been terminated pursuant to clauses (a) or (b) of Section 7.1 thereof.
- (iv) Neither NYNEX nor Purchaser has exercised its right to terminate the Merger Agreement pursuant to clauses (c), (d) or (e) of Section 7.1 thereof.
- (v) Either an event of the kind set forth in clauses (i), (ii) or (iii) of Section 7.3 of the Merger Agreement has occurred, or any bonafide person or group, other than NYNEX or an affiliate of NYNEX, shall make a bonafide offer in contemplation of an event of the kind set forth in clauses (i) or (iii) of Section 7.3 of the Merger Agreement.

SECTION 1.05. Adjustment Upon Change in

Capitalization or Merger. In the event of any change in the Company's capital stock by reason of stock dividends, stock splits, mergers, consolidations, recapitalizations, combinations, conversions, exchanges of shares, extraordinary or liquidating dividends, or other changes in the corporate or capital structure of the Company which would have the effect of diluting or changing NYNEX's rights hereunder, the number and kind of shares or securities subject to the Option and the purchase price per Stockholder Share (but not the total purchase price) shall be appropriately and equitably adjusted so that NYNEX shall receive upon exercise of the Option the number and class of shares or other securities or property that NYNEX would have received in respect of the Stockholder Shares purchasable upon exercise of the Option if the Option had been exercised immediately prior to such event. The Shareholders shall take such steps in connection with such consolidation, merger, liquidation or other such action as may be necessary to assure that the provisions hereof shall thereafter apply as nearly as possible to any securities or property thereafter deliverable upon exercise of the Option.

# ARTICLE II GRANT OF PROXY

The Stockholders hereby revoke any and all previous proxies granted with respect to the Stockholder Shares. By entering into this Agreement, each Stockholder hereby grants a

proxy appointing NYNEX as the Stockholder's attorney-in-fact and proxy, with full power of substitution, for and in the Stockholder's name, to vote, express consent or dissent, or otherwise to utilize such voting power in such manner and upon such matters as NYNEX or its proxy or substitute shall, in NYNEX's sole discretion, deem proper with respect to the Stockholder shares; provided, that, the proxy granted hereby shall not be used by NYNEX in connection with shareholder votes for the selection or replacement of officers or directors, the appointment of accountants or other routine corporate housekeeping matters in the ordinary course of business. The proxy granted by the Stockholder pursuant to this Article II is irrevocable and is granted in consideration of NYNEX's entering into this Agreement and the Merger Agreement; provided, however, that such proxy shall be revoked upon termination of this Agreement in accordance with its terms.

#### ARTICLE III

# REPRESENTATIONS AND WARRANTIES OF THE STOCKHOLDERS

Each of the Stockholders represents and warrants to NYNEX that:

SECTION 3.01 <u>Valid Title</u>. The Stockholder is the sole, true, lawful and beneficial owner of such Stockholder's Stockholder Shares with no restrictions on the Stockholder's

voting rights or rights of disposition pertaining thereto. At the Closing, the Stockholder will convey good and valid title to the Stockholder Shares being purchased free and clear of any and all claims, liens, charges, encumbrances and security interests. None of the Stockholder Shares is subject to any voting trust or other agreement or arrangement with respect to the voting of such Stockholder's Stockholder Shares.

SECTION 3.02. Non-Contravention. The execution, delivery and performance by the Stockholder of this Agreement and the consummation of the transactions contemplated hereby do not and will not contravene or constitute a default under or give rise to a right of termination, cancellation or acceleration of any right or obligation of the Stockholder or to a loss of any benefit of the Stockholder under any provision or applicable law or regulation or of any agreement, judgment, injunction, order decree, or other instrument binding on the Stockholder or result in the imposition of any lien on any asset of the Stockholder.

SECTION 3.03. <u>Binding Effect</u>. This Agreement is the valid and binding Agreement of the Stockholder, enforceable against the Stockholder in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights generally. If this Agreement is being executed in a representative or fiduciary capacity, the person signing this Agreement has full power and authority to enter into and perform such Agreement.

SECTION 3.04. Total Shares. The number of Shares set forth on the signature page hereto are the only Shares beneficially owned by the Stockholder and, except as set forth on such signature page, the beneficial owner or owners of the Stockholder Shares own no options to purchase or rights to subscribe for or otherwise acquire any securities of the Company, and has or have no other interest in or voting rights with respect to any securities of the Company.

# ARTICLE IV REPRESENTATIONS AND WARRANTIES OF NYNEX

NYNEX represents and warrants to each of the Stockholders:

SECTION 4.01. Corporate Power and Authority. NYNEX has all requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder. The execution, delivery and performance by NYNEX of this Agreement and the consummation by NYNEX of the transactions contemplated hereby have been duly authorized by the board of directors of NYNEX and no other corporate action on the part of NYNEX is necessary to authorize the execution, delivery or performance by NYNEX of this Agreement and the consummation by NYNEX of the transactions

contemplated hereby. This Agreement has been duly executed and delivered by NYNEX and is a valid and binding Agreement of NYNEX, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights generally.

SECTION 4.02. Acquisition for NYNEX's Account. Any Stockholder Shares to be acquired upon exercise of the Option will be acquired by NYNEX for its own account and not with a view to the public distribution thereof and will not be transferred except in compliance with the Securities Act of 1933.

#### ARTICLE V

#### COVENANTS OF THE STOCKHOLDERS

Each of the Stockholders hereby covenants and agrees that:

SECTION 5.01. No Proxies for or Encumbrances on Stockholder Shares. Except pursuant to the terms of this Agreement, the Stockholder shall not, without the prior written consent of NYNEX, directly or indirectly, (i) grant any proxies or enter into any voting trust or other agreement or arrangement with respect to the voting of any Stockholder Shares or (ii) acquire, sell, assign, transfer, encumber or otherwise dispose of, or enter into any contract, option or other arrangement or understanding with respect to the direct or indirect acquisition or sale,

assignment, transfer, encumbrance or other disposition of, any stockholder Shares during the term of this Agreement. The Stockholder shall not seek or solicit any such acquisition or sale, assignment, transfer, encumbrance or other disposition or any such contract, option or other arrangement or assignment or understanding and agrees to notify NYNEX promptly and to provide all details requested by NYNEX if the Stockholder shall be approached or solicited, directly or indirectly, by any person with respect to any of the foregoing.

not directly or indirectly (i) solicit, initiate or encourage (or authorize any person to solicit, initiate or encourage) any inquiry, proposal or offer from any person to acquire the business, property or capital stock of the Company or any direct or indirect subsidiary thereof, or any acquisition of a substantial equity interest in, or a substantial amount of the assets of, the Company or any direct or indirect subsidiary thereof, whether by merger, purchase of assets, tender offer or other transaction or (ii) subject to the fiduciary duty of the Stockholder as a director of the Company under applicable law, participate in any discussion or negotiations regarding, or furnish to any other person any information with respect to, or otherwise cooperate in any way with, or participate in, facilitate or encourage any effort or attempt by any other person to do or

seek any of the foregoing. The Stockholder shall promptly advise NYNEX of the terms of any communications it may receive relating to any of the foregoing.

# ARTICLE VI MISCELLANEOUS

SECTION 6.01. Additional Payments to Stockholders. NYNEX agrees that, within five business days after selling any Stockholder Shares purchased pursuant to the Option, NYNEX will deliver to the Stockholders in immediately available funds an amount equal to: (a) one-half of the amount, if any, by which the price per share received by NYNEX pursuant to such sale exceeds \$31.25 multiplied by (b) the number of such Stockholder's Stockholder Shares purchased pursuant to this Option. NYNEX and the Stockholders agree to cooperate in the sharing of any non-cash consideration received by NYNEX in a sale of Stockholder Shares purchased pursuant to the Option, with the objective of achieving the sharing formula set forth herein. In the event of a sale by NYNEX involving less than all of the Stockholder Shares purchased pursuant to the Option, the amount of the additional payment referred to herein shall be divided among the Stockholders in proportion to the number of Stockholder Shares of each subject to this Agreement, as reflected on the signature page hereof.

SECTION 6.02. Expenses. All costs and expenses incurred in connection with this Agreement shall be paid by the party incurring such cost or expense.

NYNEX exercises the Option, NYNEX and the Stockholders will each execute and deliver or cause to be executed and delivered all further documents and instruments and use its best efforts to secure such consents and take all such further action as may be reasonably necessary in order to consummate the transactions contemplated hereby or to enable NYNEX to exercise and enjoy all benefits and rights of the Stockholders with respect to the Stockholder Shares.

SECTION 6.04. Additional Agreements. Subject to the terms and conditions of this Agreement, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations and which may be required under any agreements, contracts, commitments, instruments, understandings, arrangements or restrictions of any kind to which such party is a party or by which such party is governed or bound, to consummate and make effective the transactions contemplated by this Agreement, to obtain all necessary waivers, consents and approvals and effect all necessary registrations and filings, including, but not limited to, filings under the HSR Act, responses to requests for additional information related to such filings, and submission of

information requested by governmental authorities, and to rectify any event or circumstances which could impede consummation of the transactions contemplated hereby.

SECTION 6.05. Specific Performance. The

Stockholders agree that NYNEX would be irreparably damaged if for
any reason the Stockholders failed to sell the Stockholder Shares
(or other securities deliverable pursuant to Section 1.05) upon
exercise of the Option or to perform any of its other obligations
under this Agreement, and that NYNEX would not have an adequate
remedy at law for money damages in such event. Accordingly, NYNEX
shall be entitled to specific performance and injunctive and other
equitable relief to enforce the performance of this Agreement by
the Shareholders. This provision is without prejudice to any
other rights that NYNEX may have against the Shareholders for any
failure to perform its obligations under this Agreement.

SECTION 6.06. Notices. All notices, requests, claims, demands and other communications hereunder shall be deemed to have been duly given when delivered in person, by cable, telegram or telex, or by registered or certified mail (postage prepaid, return receipt requested) to such party at its address set forth on the signature page hereto.

SECTION 6.07. Survival of Representations and Warranties. All representations and warranties contained in this Agreement shall survive delivery of and payment for the

Stockholder Shares.

SECTION 6.08. Amendments; Termination. This

Agreement may not be modified, amended, altered or supplemented,

except upon the execution and delivery of a written agreement

executed by the parties hereto. This Agreement shall terminate on
the Termination Date (as defined on the Merger Agreement);

provided, that, if the Exercise Notice has been sent prior to such
date, this Agreement shall continue in full force and effect until
the Closing Date.

SECTION 6.09. Successors and Assigns. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns, provided that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other parties hereto, provided that NYNEX may assign its rights and obligations to any affiliate of NYNEX.

SECTION 6.10. Governing Law. This Agreement shall be governed by and construed in accordance with the Law of the State of New York without giving effect to the principles of conflicts of laws thereof.

Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the

signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received counterparts hereof signed by all of the other parties hereto.

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

#### NYNEX CORPORATION

	Title:	Ву	
		1113 Westchester Avenue White Plains, New York 10604	
		LAWRENCE J. SCHOENBERG	
Class of Stock	Shares Owned		
common	573,510	1139 Spruce Drive Mountainside, N.J. 07902	
Class of Stock	Shares Owned	JOSEPH ABRAMS	
common	726,400	1139 Spruce Drive Mountainside, N.J. 07902	
Class of Stock	Shares Owned	PETER GRAF	
common /2987c	630,000	Address:	

#### EXHIBIT C

#### PROXY AGREEMENT

AGREEMENT, dated as of June 24, 1988 between NYNEX CORPORATION, a Delaware corporation ("NYNEX"), and the holder (the "Stockholder") of the shares of capital stock (the "Shares") of AGS COMPUTERS, INC., a New York corporation (the "Company"), listed on the signature page hereof.

WHEREAS, in order to induce NYNEX and certain of its affiliates to enter into an agreement and plan of merger (the "Merger Agreement") with the Company, NYNEX has requested the Stockholder, and the Stockholder has agreed, to enter into this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements between contained, and intending to be legally bound hereby, the parties hereby agree as follows:

#### ARTICLE I

#### GRANT OF PROXY

The Stockholder hereby revokes any and all previous proxies granted with respect to all Shares presently owned by him as set forth on the signature page hereof and any

additional Shares acquired by the Stockholder (whether by purchase or otherwise) after the date of this Agreement (the "Stockholder Shares"). By entering into this Agreement, the Stockholder hereby grants a proxy appointing NYNEX as the Stockholder's attorney-in-fact and proxy, with full power of substitution, for and in the Stockholder's name, to vote, express consent or dissent, or otherwise to utilize such voting power in such manner and upon such matters as NYNEX or its proxy or substitute shall, in NYNEX's sole discretion, deem proper with respect to the Stockholder Shares; provided, that, the proxy granted hereby shall not be used by NYNEX in connection with shareholder votes for the selection or replacement of officers or directors, the appointment of accountants or other routine corporate housekeeping matters in the ordinary course of business. The proxy granted by the Stockholder pursuant to this Article I is irrevocable and is granted in consideration of NYNEX's entering into this Agreement and the Merger Agreement; provided, however, that such proxy shall be revoked upon termination of this Agreement in accordance with its terms.

#### ARTICLE II

# REPRESENTATIONS AND WARRANTIES OF THE STOCKHOLDER

Stockholder represents and warrants to the NYNEX

that:

SECTION 2.01 <u>Valid Title</u>. The Stockholder is the sole, true, lawful and beneficial owner of the Stockholder shares with no restrictions on the Stockholder's voting rights or rights of disposition pertaining thereto. None of the Stockholder Shares is subject to any voting trust or other agreement or arrangement with respect to the voting of such Shares.

SECTION 2.02. Non-Contravention. The execution, delivery and performance by the Stockholder of this Agreement and the consummation of the events contemplated hereby do not and will not contravene or constitute a default under or give rise to a right of termination, cancellation or acceleration of any right or obligation of the Stockholder or to a loss of any benefit of the Stockholder under any provision or applicable law or regulation or of any agreement, judgment, injunction, order decree, or other instrument binding on the Stockholder or result in the imposition of any lien on any asset of the Stockholder.

SECTION 2.03. <u>Binding Effect</u>. This Agreement is the valid and binding Agreement of the Stockholder, enforceable against the Stockholder in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency, moratorium or other similar laws relating to creditors' rights generally. If this Agreement is being executed in a

representative or fiduciary capacity, the person signing this Agreement has full power and authority to enter into and perform such Agreement.

SECTION 2.04. Total Shares. The number of Shares set forth on the signature page hereto are the only shares beneficially owned by the Stockholder and, except as set forth on such signature page, the beneficial owner or owners of the Stockholder Shares own no options to purchase or rights to subscribe for or otherwise acquire any securities of the Company and has or have no other interest in or voting rights with respect to any securities of the Company.

#### ARTICLE III

# WARRANTIES OF NYNEX

NYNEX represents and warrants to Stockholder:

NYNEX has all requisite corporate power and authority to enter into this Agreement and to perform its obligations hereunder. The execution, delivery and performance by NYNEX of this Agreement and the consummation by NYNEX of the events contemplated hereby have been duly authorized by the board of directors of NYNEX and no other corporate action on the part of NYNEX is necessary to authorize the execution, delivery or performance by NYNEX of this Agreement and the

consummation by NYNEX of the events contemplated hereby. This Agreement has been duly executed and delivered by NYNEX and is a valid and binding Agreement of NYNEX, enforceable against it in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvancy, moratorium or other similar laws relating to creditors' rights generally.

#### ARTICLE IV

#### COVENANTS OF THE STOCKHOLDER

Stockholder hereby covenants and agrees that:

Stockholder Shares. Except pursuant to the terms of this
Agreement, the Stockholder shall not, without the prior written
consent of NYNEX, directly or indirectly, (i) grant any proxies
or enter into any voting trust or other agreement or
arrangement with respect to the voting of any Stockholder
Shares or (ii) acquire, sell, assign, transfer, encumber or
otherwise dispose of, or enter into any contract, option or
other arrangement or understanding with respect to the direct
or indirect acquisition or sale, assignment, transfer,
encumbrance or other disposition of, any Stockholder Shares
during the term of this Agreement. The Stockholder shall not
seek or solicit any such acquisition or sale, assignment,
transfer, encumbrance or other disposition or any such

contract, option or other arrangement or assignment or understanding and agrees to notify NYNEX promptly and to provide all details requested by NYNEX if the Stockholder shall be approached or solicited, directly or indirectly, by any person with respect to any of the foregoing.

SECTION 4.02. No Shopping. The Stockholder shall not directly or indirectly (i) solicit, initiate or encourage (or authorize any person to solicit, initiate or encourage) any inquiry, proposal or offer from any person to acquire the business, property or capital stock of the Company or any direct or indirect subsidiary thereof, or any acquisition of a substantial equity interest in, or a substantial amount of the assets of, the Company or any direct or indirect subsidiary thereof, whether by merger, purchase of assets, tender offer or other transaction or (ii) subject to the fiduciary duty of the Stockholder as a director of the Company under applicable law, participate in any discussion or negotiations regarding, or furnish to any other person any information with respect to, or otherwise cooperate in any way with, or participate in, facilitate or encourage any effort or attempt by any other person to do or seek any of the foregoing. The Stockholder shall promptly advise NYNEX of the terms of any communications it may receive relating to any of the foregoing.

#### ARTICLE V

#### MISCELLANEOUS

SECTION 5.01. Expenses. All costs and expenses incurred in connection with this Agreement shall be paid by the party incurring such cost or expense.

SECTION 5.02. Additional Agreements. Subject to the terms and conditions of this Agreement, each of the parties hereto agrees to use all reasonable efforts to take, or cause to be taken, all action and to do, or cause to be done, all things necessary, proper or advisable under applicable laws and regulations and which may be required under any agreements, contracts, commitments, instruments, understandings, arrangements or restrictions of any kind to which such party is a party or by which such party is governed or bound, to consummate and make effective the transactions contemplated by this Agreement, to obtain all necessary waivers, consents and approvals and effect all necessary registrations and filings, including, but not limited to, submission of information requested by governmental authorities, and rectifying any event or circumstances which could impede consummation of the events contemplated hereby.

SECTION 5.03. Specific Performance. The

Stockholders agree that the NYNEX would be irreparably damaged

if for any reason the Stockholder failed to perform any of its

obligations under this Agreement, and that NYNEX would not have

an adequate remedy at law for money damages in such event.

Accordingly, NYNEX shall be entitled to specific performance

and injunctive and other equitable relief to enforce the

performance of this Agreement by the Stockholder. This

provision is without prejudice to any other rights that NYNEX

may have against the Stockholder for any failure to perform its

obligations under this Agreement.

SECTION 5.04. <u>Notices</u>. All notices, requests, claims, demands and other communications hereunder shall be deemed to have been duly given when delivered in person, by cable, telegram or telex, or by registered or certified mail (postage prepaid, return receipt requested) to such party at its address set forth on the signature page hereto.

SECTION 5.05. <u>Survival of Representations and Warranties</u>. All representations and warranties contained in this Agreement shall survive this Agreement.

SECTION 5.06. Amendments; Termination. This Agreement may not be modified, amended, altered or supplemented, except upon the execution and delivery of a

written agreement executed by the parties hereto. This Agreement shall terminate on the Termination Date (as defined on the Merger Agreement).

SECTION 5.07. <u>Successors and Assigns</u>. The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors

and assigns, provided that no party may assign, delegate or otherwise transfer any of its rights or obligations under this Agreement without the consent of the other parties hereto, provided that NYNEX may assign its rights and obligations to any affifliate of NYNEX.

SECTION 5.08. Governing Law. This Agreement shall be governed by and construed in accordance with the Law of the State of New York without giving effect to the principles of conflicts of laws thereof.

SECTION 5.09. <u>Counterparts; Effectiveness</u>. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

This Agreement shall become effective when each party hereto shall have received conterparts hereof signed by all of the other parties hereto.

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

NYNEX CORPORATION

By\_ Title: 1113 Westchester Avenue White Plains, New York 10604

ANTHONY STEPANSKI 1139 Spruce Drive Mountainside, N.J. 07902

Class of Shares Stock Owned

common 367,000

3013c

#### AMENDMENT NUMBER 1

This AMENDMENT NUMBER 1 (hereinafter this

"Amendment"), dated as of July 20, 1988, among AGS COMPUTERS,

INC., a New York corporation ("AGS"), NYNEX CORPORATION, a

Delaware corporation ("NYNEX"), and NYNEX ISG ACQUISITION

COMPANY, INC., a New York corporation and an indirect wholly

owned subsidiary of NYNEX ("ISG"),

#### WITNESSETH:

WHEREAS, AGS, NYNEX and ISG (collectively the "Parties") have entered into that certain AGREEMENT AND PLAN OF MERGER, dated as of June 24, 1988 (the "Merger Agreement"), and

WHEREAS, the Parties have agreed to amend the Merger Agreement as hereinafter set forth, and, to that effect, are mutually executing this Amendment in conformity with Section 7.6 of the Merger Agreement;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the Parties hereby agree as follows:

SECTION 1. Amendments to Merger Agreement. Sections 3.7(i) and 4.2(e) of the Merger Agreement are hereby amended and modified to the limited extent necessary to permit AGS to effect the accounting change described in Exhibit A hereto.

Amendment shall become effective, as of the date first above written, upon the occurrence of the following: (a) each of the parties shall execute this Amendment and (b) AGS and its indirect wholly owned subsidiary, MICROAMERICA, INC., a Delaware corporation, shall each have executed the amendment to the Distribution Agreement (as defined in the Merger Agreement in the form attached hereto as Exhibit B, and delivered a full executed original to NYNEX.

SECTION 3. <u>Effect on Merger Agreement</u>. Except as specifically amended above, the Merger Agreement shall remain in full force and effect and is hereby ratified and confirmed.

SECTION 4. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York applicable to contracts executed in and to performed entirely within that State.

IN WITNESS WHEREOF, the Parties have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the date first above written.

AGS COMPUTERS, ALNC.

NYNEX CORPORATION

Executive Vice President

NYNEX ISG ACQUISITION

COMPANY, INC.

#### EXHIBIT A

The Intercompany Accounts between AGS Computers, Inc. and Microamerica, Inc. were adjusted by \$7,701,000 to reclassify goodwill to the appropriate accounts under "push-down" accounting as required by the Securities and Exchange Commission. The journal entries are as follows:

# AGS computers, Inc.

Debit - Investment in Microamerica, Inc. \$7,701,000 Credit - Intercompany Receivable - Microamerica, Inc. \$7,701,000

#### Microamerica, Inc.

Debit - Intercompany Payable - AGS Computers, Inc. \$7,701,000 Credit - Additional Paid-In Capital \$7,701,000

#### AMENDMENT NUMBER 1

This AMENDMENT NUMBER 1 (hereinafter this

"Amendment"), dated as of July 20, 1988, among AGS COMPUTERS,

INC., a New York corporation ("AGS"), and MICROAMERICA, INC., a

Delaware corporation ("Micro"),

#### WITNESSETH:

WHEREAS, AGS and Micro (collectively the "Parties")
have entered into that certain DISTRIBUTION AGREEMENT, dated as
of July 5, 1988 (the "Distribution Agreement"), and

WHEREAS, the Parties have agreed to amend the Distribution Agreement as hereinafter set forth, and, to that effect, are mutually executing this Amendment in conformity with Section 12 of the Distribution Agreement;

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants and agreements herein contained, and intending to be legally bound hereby, the Parties hereby agree as follows:

SECTION 1. Amendments to Distribution Agreement.

Section 8 of the Distribution Agreement is hereby amended by deleting the figure "\$53,000,000" in the three places where such figure appears, and by inserting in lieu thereof, in each such place, the figure "\$45,299,000".

SECTION 2. <u>Conditions to Effectiveness</u>. This

Amendment shall become effective, as of the date first above written, upon execution hereof by each of the Parties.

SECTION 3. <u>Effect on Distribution Agreement</u>. Except as specifically amended above, the Distribution Agreement shall remain in full force and effect and is hereby ratified and confirmed.

SECTION 4. Governing Law. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York without giving effect to the principles of conflicts of laws thereof.

IN WITNESS WHEREOF, the Parties have caused this

Amendment to be executed by their respective officers thereunto
duly authorized as of the date first above written.

165	COMPUTERS, INC.
ВУ	
	President
4ICI	ROAMERICA, INC.
ВУ .	President