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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended June 30, 1998

Commission File Number 001-00395

NCR CORPORATION  
(Exact name of registrant as specified in its charter)

Maryland  
(State or other jurisdiction of  
incorporation or organization)

31-0387920  
(I.R.S. Employer  
Identification No.)

1700 South Patterson Blvd.  
Dayton, Ohio 45479  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (937) 445-5000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Number of shares of common stock, \$.01 par value per share, outstanding as of July 31, 1998 was 101,365,036.

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Part I. Financial Information

Item 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

In millions, except per share amounts

	Quarter Ended June 30		Six Months Ended June 30	
	1998	1997	1998	1997
Revenue				
Sales	\$ 861	\$ 925	\$1,520	\$1,644
Services	713	720	1,363	1,390
Total Revenue	1,574	1,645	2,883	3,034
Operating Expenses				
Cost of sales	566	641	1,024	1,124
Cost of services	536	546	1,033	1,052
Selling, general and administrative expenses	359	381	667	712
Research and development expenses	90	96	170	183
Total Operating Expenses	1,551	1,664	2,894	3,071
Income (Loss) from Operations	23	(19)	(11)	(37)
Interest expense	4	4	7	6
Other (income) expense, net	(73)	(25)	(110)	(30)
Income (Loss) Before Income Taxes	92	2	92	(13)
Income tax expense	44	6	44	7
Net Income (Loss)	\$ 48	\$ (4)	\$ 48	\$ (20)
Net Income (Loss) per Common Share				
Basic	\$ .47	\$ (.04)	\$ .47	\$ (.20)
Diluted	\$ .46	\$ (.04)	\$ .46	\$ (.20)
Weighted Average Common Shares Outstanding				
Basic	102.6	102.1	102.9	101.8
Diluted	104.1	102.1	104.0	101.8

See accompanying notes.

CONDENSED CONSOLIDATED BALANCE SHEETS  
In millions, except per share amounts

	June 30 1998	December 31 1997
	-----	-----
	(Unaudited)	
<b>Assets</b>		
<b>Current assets</b>		
Cash and short-term investments	\$ 770	\$1,129
Accounts receivable, net	1,472	1,471
Inventories	451	489
Other current assets	207	182
	-----	-----
<b>Total Current Assets</b>	<b>2,900</b>	<b>3,271</b>
Reworkable service parts, net	234	248
Property, plant and equipment, net	867	858
Other assets	1,021	916
	-----	-----
<b>Total Assets</b>	<b>\$5,022</b>	<b>\$5,293</b>
	=====	=====
<b>Liabilities and Shareholders' Equity</b>		
<b>Current liabilities</b>		
Short-term borrowings	\$ 69	\$ 59
Accounts payable	304	378
Payroll and benefits liabilities	283	343
Customers' deposits and deferred service revenue	445	348
Other current liabilities	794	836
	-----	-----
<b>Total Current Liabilities</b>	<b>1,895</b>	<b>1,964</b>
Long-term debt	33	35
Pension and indemnity liabilities	333	342
Postretirement and postemployment benefits liabilities	813	813
Other liabilities	569	522
Minority interests	41	264
	-----	-----
<b>Total Liabilities</b>	<b>3,684</b>	<b>3,940</b>
	-----	-----
<b>Commitments and contingencies</b>		
<b>Shareholders' Equity</b>		
Preferred stock: par value \$.01 per share, 100.0 shares authorized, no shares issued or outstanding	-	-
Common stock: par value \$.01 per share, 500.0 shares authorized; 103.9 and 103.2 shares issued at June 30, 1998 and December 31, 1997, respectively; 101.7 and 103.2 shares outstanding at June 30, 1998 and December 31, 1997, respectively	1	1
Retained earnings and paid-in capital	1,458	1,445
Other	(121)	(93)
	-----	-----
<b>Total Shareholders' Equity</b>	<b>1,338</b>	<b>1,353</b>
	-----	-----
<b>Total Liabilities and Shareholders' Equity</b>	<b>\$5,022</b>	<b>\$5,293</b>
	=====	=====

See accompanying notes.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)  
In millions

	Three Months Ended June 30		Six Months Ended June 30	
	1998	1997	1998	1997
Operating Activities				
Net income (loss)	\$ 48	\$ (4)	\$ 48	\$ (20)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization	87	94	184	186
Net gain on sales of assets	(55)	-	(55)	-
Changes in operating assets and liabilities:				
Receivables	(109)	(110)	7	11
Inventories	7	18	(49)	(78)
Payables and other current liabilities	(3)	5	(88)	(55)
Other operating assets and liabilities	(92)	73	(140)	30
Net Cash Provided by (Used in) Operating Activities	(117)	76	(93)	74
Investing Activities				
Short-term investments, net	142	(40)	66	(277)
Expenditures for service parts	(31)	(44)	(64)	(66)
Expenditures for property, plant and equipment	(23)	(57)	(84)	(83)
Acquisition of minority interest in subsidiary	(271)	-	(271)	-
Proceeds from sales of facilities and other assets	172	-	172	-
Other investing activities	3	9	25	15
Net Cash Used in Investing Activities	(8)	(132)	(156)	(411)
Financing Activities				
Purchases of Company common stock	(78)	-	(78)	-
Short-term borrowings, net	(2)	12	10	28
Repayments of long-term debt	(2)	(8)	(2)	(12)
Other financing activities	22	18	39	18
Net Cash Provided by (Used in) Financing Activities	(60)	22	(31)	34
Effect of exchange rate changes on cash and cash equivalents	(9)	17	(13)	(21)
Decrease in Cash and Cash Equivalents	(194)	(17)	(293)	(324)
Cash and Cash Equivalents at Beginning of Period	787	856	886	1,163
Cash and Cash Equivalents at End of Period	\$ 593	\$ 839	\$ 593	\$ 839

See accompanying notes.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PRESENTATION

The accompanying condensed consolidated financial statements have been prepared by NCR Corporation (NCR) without audit pursuant to the rules and regulations of the Securities and Exchange Commission and, in the opinion of management, include all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the consolidated results of operations, financial position, and cash flows for each period presented. The consolidated results for interim periods are not necessarily indicative of results to be expected for the full year. These financial statements should be read in conjunction with NCR's 1997 Annual Report to Stockholders and Form 10-K for the year ended December 31, 1997.

Certain prior years amounts have been reclassified to conform to the 1998 presentation.

2. SUPPLEMENTAL FINANCIAL INFORMATION (in millions)

	Periods Ended June 30			
	-----		-----	
	Three Months		Six Months	
	-----	-----	-----	-----
	1998	1997	1998	1997
	-----	-----	-----	-----
Net income (loss)	\$ 48	\$ (4)	\$ 48	\$ (20)
Change in:				
Additional minimum pension liability	16	-	15	-
Equity translation adjustment	(33)	95	(40)	35
	-----	-----	-----	-----
Total comprehensive income	\$ 31	\$ 91	\$ 23	\$ 15
	=====	=====	=====	=====

	June 30	December 31
	-----	-----
	1998	1997
	-----	-----
Cash and Short-term investments		
Cash and cash equivalents	\$593	\$ 886
Short-term investments	177	243
	-----	-----
Total cash and short-term investments	\$770	\$1,129
	=====	=====
Inventories		
Finished goods	\$378	\$ 353
Work in process and raw materials	73	136
	-----	-----
Total inventories	\$451	\$ 489
	=====	=====

3. CONTINGENCIES

In the normal course of business, NCR is subject to various regulations, proceedings, lawsuits, claims, and other matters, including actions under laws and regulations related to the environment and health and safety, among others. Such matters are subject to the resolution of many uncertainties, and accordingly, outcomes are not predictable with assurance. NCR believes the amounts provided in its consolidated financial statements, as prescribed by generally accepted accounting principles, are adequate in light of the probable and estimable liabilities. However, there can be no assurances that the amounts required to discharge alleged liabilities from various lawsuits, claims, legal proceedings, and other matters, and to comply with applicable laws and regulations, will not exceed the amounts reflected in NCR's consolidated financial statements or will not have a material adverse effect on its consolidated results of operations, financial condition, or cash flows. Any amounts of costs that may be incurred in excess of those amounts provided as of June 30, 1998 cannot presently be determined.

## Environmental Matters

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

In February 1996, NCR received notice from the U.S. Department of the Interior, Fish & Wildlife Service (USF&WS) that USF&WS considers NCR a PRP under the FWPCA and CERCLA with respect to alleged natural resource restoration and damages to the Fox River and related Green Bay environment (Fox River System) due to, among other things, sediment contamination in the Fox River System allegedly resulting from liability arising out of NCR's former carbonless paper manufacturing operations at Appleton and Combined Locks, Wisconsin. USF&WS has also notified a number of other manufacturing companies of their status as PRPs under the FWPCA and CERCLA for natural resource restoration and damages in the Fox River System resulting from their ongoing or former paper manufacturing operations in the Fox River Valley. In addition, NCR has been identified, along with a number of other companies, by the Wisconsin Department of Natural Resources (State) with respect to alleged liability arising out of alleged past discharges that have contaminated sediments in the Fox River System. In December 1996, USF&WS, two Native American tribes, and other federal agencies (Federal Trustees) invited NCR, the other PRP companies, and the State to enter into settlement negotiations over these environmental claims. In January 1997, NCR and the other PRP companies reached agreement on an interim settlement with the State. The Federal Trustees are not parties to that agreement. In January 1997, the Federal Trustees notified NCR and the other PRPs of the Federal Trustees' intent to commence a natural resource damages lawsuit under CERCLA and the FWPCA within 60 days of the notice, unless a negotiated resolution of their claims could be reached. In July 1997, the State, the United States Environmental Protection Agency (USEPA), and the Federal Trustees entered into a Memorandum of Agreement (MOA). The MOA states that it provides a framework under which the parties to that agreement can coordinate remedial and restoration studies and actions regarding the Fox River, including the assertion of claims against the PRPs, and that removal of the PCB-contaminated sediments is expected to be the principal, but not exclusive, action undertaken to achieve restoration of impaired natural resources. In June 1997, USEPA announced its intention to propose the Fox River for inclusion on the National Priorities List; shortly thereafter, the State of Wisconsin announced its opposition to such listing. In July 1997, the USEPA sent the PRPs a Special Notice Letter calling for formal negotiations on the preparation of a remedial investigation and feasibility study (RI/FS) on the Fox River; on July 15, 1997, the PRPs agreed to enter into such negotiations. In December 1997, USEPA denied the PRPs' good faith proposal to perform the official cleanup studies, took control of the cleanup study process, and is working on the studies in conjunction with the State. According to the USEPA's and State's schedule, the key studies may be done in approximately one year. Based on past experience, it would be unusual to perform adequately such studies within one year. Thus far, the PRPs and the Federal Trustees have agreed to postpone litigation while negotiations over the cleanup studies have been taking place. However, the tolling and standstill agreements between the Federal Trustees and NCR and the other identified PRPs have expired. USEPA's recent decision to take control over the cleanup studies appears to minimize the PRP's ability to settle at this time and it is possible that litigation by the Federal Trustees could be commenced during 1998. An estimate of NCR's ultimate share, if any, of such cleanup costs or natural resource restoration and damages liability cannot be made with certainty at this time due to (i) the unknown magnitude, scope, and source of any alleged contamination, (ii) the absence of selected remedial objectives and methods, and (iii) the uncertainty of the amount and scope of any alleged natural resource restoration and damages. NCR believes that there are additional PRPs who may be liable for such natural resource damages and remediation costs. Further, in 1978, NCR sold the business to which the claims apply. In this connection, NCR commenced litigation against the buyer and its former parent alleging that they are responsible for the above-described claims. Subsequent to December 31, 1997, the parties reached an interim partial settlement and arbitration under which the parties are presently, and for the foreseeable future will be, sharing both defense and liability costs.

It is difficult to estimate the future financial impact of environmental laws, including potential liabilities. NCR accrues environmental provisions when it is probable that a liability has been incurred and the amount of the liability is reasonably

estimable. Management expects that the amounts accrued from time to time, will be paid out over the period of investigation, negotiation, remediation, and restoration for the applicable sites, which may be ten to twenty years or more. Provisions for estimated losses from environmental remediation are, depending on the site, based primarily on internal and third-party environmental studies, estimates as to the number and participation level of any other PRPs, the extent of the contamination, and the nature of required remedial and restoration actions. Accruals are adjusted as further information develops or circumstances change. The amounts provided for environmental matters in NCR's consolidated financial statements are the estimated gross undiscounted amount of such liabilities, without deductions for insurance or third-party indemnity claims. Except for the sharing arrangement described above with respect to the Fox River, in those cases where insurance carriers or third-party indemnitors have agreed to pay any amounts and management believes that collectibility of such amounts is probable, the amounts are reflected as receivables in the consolidated financial statements.

#### Legal Proceedings

In NCR's report on Form 10-Q for the quarter ended March 31, 1998, NCR reported that there were approximately 70 product liability cases pending against NCR alleging that its products caused so-called "repetitive strain injuries" or "musculoskeletal disorders," such as carpal tunnel syndrome (the "RSI Cases"). The RSI Cases are now nearly concluded. Most of the RSI Cases either have been decided in NCR's favor in the courts, dismissed voluntarily by the plaintiffs, or are the subject of an agreement, which NCR expects to be concluded in the near future, that resolves the underlying claims. That agreement, and NCR's obligations thereunder, will not have a material impact on NCR's consolidated results of operations, financial condition or cash flows. A small number of RSI Cases remain pending in the courts, but resolution of them, whether by trial or by agreement, is not expected to have a material impact on NCR's consolidated results of operations, financial condition or cash flows.

NCR was named as one of the defendants in a purported class-action suit filed in November 1996 in Florida. The complaint seeks, among other things, damages from the defendants in the aggregate amount of \$200 million, trebled, plus attorneys' fees, based on state antitrust and common-law claims of unlawful restraints of trade, monopolization, and unfair business practices. The portions of the complaint pertinent to NCR, among other things, assert a purported agreement between Siemens-Nixdorf entities (Siemens) and NCR regarding the servicing of certain "ultra-high speed printers" manufactured by Siemens and the agreement's impact upon independent service organizations, brokers, and end-users of such printers. The case is still in the early stages of discovery. The amount of any liabilities or other costs, if any, that may be incurred in connection with this matter cannot currently be determined.

A former NCR employee (who currently has a separate federal court employment action pending against NCR to contest her termination) and her husband, a former NCR consultant, have filed suit against NCR in a federal district court under the qui tam provisions of the False Claims Act. This Act permits private individuals to bring suit on behalf of the federal government to enforce the Act and to share in any recovery. The litigation involves allegations of billing and other improprieties under the Office Automation Technology and Services (OATS) contract with the U.S. Department of Transportation. The complaint does not specify the total amount of money being sought. If certain of the allegations of the complaint were true, however, the potential liability could range from nominal sums representing interest for short periods of time, to tens of millions of dollars if allegations of false billing are true. NCR has no evidence, or reason to believe, that such false billing occurred, and believes that with respect to the only specific allegations made the plaintiffs are misstating internal reports from a secondary data collection system that had nothing to do with actual bills to the government. The government, which is obligated to investigate the allegations and determine whether to assume prosecution of the action, has declined to intervene in the lawsuit but the individual plaintiffs have continued to pursue this action, as they are entitled to do. NCR intends to vigorously contest the allegations, which it believes to be unfounded.

#### 4. STOCK REPURCHASE PROGRAM

On April 16, 1998, NCR's Board of Directors approved a share repurchase program authorizing the repurchase of shares valued up to \$200 million. As of June 30, 1998, the Company had repurchased 2.2 million shares at a cost of \$78 million.

#### 5. ACQUISITION OF MINORITY INTEREST IN SUBSIDIARY

In April 1998, NCR's Board of Directors approved a cash tender offer to purchase the outstanding 30% minority interest in NCR's Japanese subsidiary, NCR Japan, Ltd. (NCR Japan). In June 1998, pursuant to the tender offer, NCR acquired an



additional 27% ownership interest in NCR Japan at a cost of \$271 million, increasing NCR's ownership of the subsidiary to 97%. As a result of the acquisition, which has been accounted for as a purchase, goodwill of approximately \$65 million was recorded by NCR and is being amortized on a straight-line basis over 20 years. On a pro forma basis, the impact of the transaction on NCR's consolidated net income (loss) and net income (loss) per share for the six month periods ended June 30, 1998 and 1997 is not material.

#### 6. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In July 1998, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133 (SFAS 133), "Accounting for Derivative Instruments and Hedging." SFAS 133 provides guidance for the recognition and measurement of derivatives and hedging activities. It requires an entity to record, at fair value, all derivatives as either assets or liabilities in the balance sheet, and it establishes specific accounting rules for certain types of hedges. This Statement is effective for fiscal years beginning after June 15, 1999 and will be adopted by the Company when required. The impact, if any, of adopting SFAS 133 on NCR's consolidated financial position, results of operations and cash flows, has not been fully determined.

In March 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 98-1 (SOP 98-1), "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." This Statement provides guidance on accounting for the costs of computer software developed or obtained for internal use and establishes certain capitalization criteria for such costs. SOP 98-1 is effective for fiscal years beginning after December 31, 1998 and will be adopted by NCR when required. The impact, if any, of adopting SOP 98-1 on NCR's consolidated financial position, results of operations and cash flows, has not been fully determined.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

RESULTS OF OPERATIONS

The following table displays selected components of NCR's consolidated statements of operations, expressed as a percentage of revenue.

	Three Months Ended June 30		Six Months Ended June 30	
	1998	1997	1998	1997
Revenue:				
Sales	54.7%	56.2%	52.7%	54.2%
Services	45.3	43.8	47.3	45.8
Total	100.0%	100.0%	100.0%	100.0%
Gross Margin:				
Sales	34.3%	30.7%	32.6%	31.6%
Services	24.8	24.2	24.2	24.3
Total	30.0	27.8	28.7	28.3
Selling, general and administrative expenses	22.8	23.2	23.1	23.5
Research and development expenses	5.7	5.8	5.9	6.0
Income (loss) from operations	1.5%	(1.2)%	(0.4)%	(1.2)%

Three Months Ended June 30, 1998 Compared to Three Months Ended June 30, 1997

Revenue

Revenue for the three months ended June 30, 1998 was \$1,574 million, a decrease of 4% from the second quarter of 1997. When adjusted for the unfavorable impact of changes in foreign currency exchange rates, revenue was flat compared with the second quarter of 1997.

Sales revenue decreased 7% to \$861 million in the second quarter of 1998 compared to the second quarter of 1997. Revenue gains in the quarter in scalable data warehousing products of 22% were more than offset by revenue declines in retail products of 14%, financial products of 6% and other computer products of 18%. Services revenue decreased 1% to \$713 million in the second quarter of 1998 compared to the second quarter of 1997.

Revenue in the second quarter of 1998 compared with the second quarter of 1997 decreased 21% in Japan, decreased 38% in the Asia Pacific region, excluding Japan, increased 1% in the Americas and increased 4% in Europe/Middle East/Africa (EMEA). When adjusted for the unfavorable impact of changes in foreign currency exchange rates, revenue on a local currency basis decreased 8% in Japan, decreased 24% in the Asia Pacific region, excluding Japan, and increased 6% in EMEA. The Americas region comprised 52% of NCR's total revenue in the second quarter of 1998, EMEA region comprised 31%, Japan comprised 11% and the Asia Pacific region, excluding Japan, comprised 6%.

Gross Margin

Gross margin as a percentage of revenue increased 2.2 percentage points to 30.0% in the second quarter of 1998 from 27.8% in the second quarter of 1997. Sales gross margin increased 3.6 percentage points to 34.3% in the second quarter of 1998. This increase is attributable to favorable product mix, primarily from increased sales of scalable data warehousing products. Services gross margin increased 0.6 percentage points to 24.8% in the second quarter of 1998. The improvement is mainly due to decreased costs resulting from reductions in customer support personnel.

Operating Expenses

Selling, general and administrative expenses decreased \$22 million, or 6%, in the second quarter of 1998 from the second quarter of 1997. The decrease was mainly driven by reductions in general and administrative expenses due to NCR's continued focus on expense discipline. As a percentage of revenue, selling, general and administrative expenses were 22.8% in the second quarter of 1998 and 23.2% in the second quarter of 1997. Research and development expenses decreased \$6 million to \$90 million in the second quarter of 1998. As a percentage of revenue, research and development

expenses were 5.7% in the second quarter of 1998 and 5.8% in the second quarter of 1997. The 1998 research and development expenses reflect the continued move toward software and solutions development efforts, with less emphasis on hardware, operating systems and middleware.

#### Income (Loss) Before Income Taxes

Operating income was \$23 million in the second quarter of 1998 compared to an operating loss of \$19 million in the second quarter of 1997. Interest expense was \$4 million in both the second quarter of 1998 and 1997. Other income, net of expenses, was \$73 million in the second quarter of 1998 compared to \$25 million in the second quarter of 1997. The increase in other income was primarily due to a gain of \$55 million on the sale of NCR's TOP END(R) middleware technology and product family to BEA Systems, Inc. (BEA).

Income before taxes was \$92 million in the second quarter of 1998 compared to income before taxes of \$2 million in the second quarter of 1997.

#### Net Income (Loss)

The provision for income taxes was \$44 million in the second quarter of 1998 compared to \$6 million in the second quarter of 1997. NCR's second quarter 1997 tax provision resulted primarily from a normal provision for income taxes in those foreign tax jurisdictions where its subsidiaries were profitable, and an inability to reflect tax benefits from net operating losses and tax credits, primarily in the United States.

Net income was \$48 million in the second quarter of 1998, compared with a net loss of \$4 million in the same period in 1997.

#### Six Months Ended June 30, 1998 Compared to Six Months Ended June 30, 1997

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##### Revenue

Revenue for the six months ended June 30, 1998 was \$2,883 million, a decrease of 5.0% from the comparable period last year. When adjusted for the unfavorable impact in foreign currency exchange rates, revenue decreased 1%.

Sales revenue decreased 8% to \$1,520 million in the first six months of 1998 compared to the same period of 1997. Revenue gains in financial products of 2% and scalable data warehousing products of 1% were more than offset by revenue declines in retail products of 7%, other computer products of 18% and Systemedia products of 4%. Services revenue decreased 2% to \$1,363 million in the first six months of 1998 compared to the same period of 1997. This decrease was the result of declines in both customer support and professional services revenues.

Revenue in the first six months of 1998 compared with the first six months of 1997 decreased 21% in Japan, decreased 30% in the Asia Pacific region, excluding Japan, decreased 1% in the Americas and increased 2% in EMEA. When adjusted for the unfavorable impact in foreign currency exchange rates, revenue on a local currency basis decreased 12% in Japan, decreased 13% in the Asia Pacific region, excluding Japan, and increased 5% in EMEA. The Americas region comprised 52% of NCR's total revenues in the first six months of 1998, EMEA region comprised 31%, Japan comprised 11% and the Asia Pacific region, excluding Japan, comprised 6%.

##### Gross Margin

Gross margin as a percentage of revenue increased 0.4 percentage points to 28.7% in the first six months of 1998 from 28.3% in the first six months of 1997. Sales gross margins increased 1.0 percentage point to 32.6% in the first six months of 1998. This increase is primarily due to improved margins in both retail and financial products. Services gross margins were down 0.1 percentage point to 24.2% in the first six months of 1998. This decrease was the result of a decline in professional services margin, which more than offset improvements in customer support services margin.

##### Operating Expenses

Selling, general and administrative expenses decreased \$45 million, or 6.3%, in the first six months of 1998. The decrease was primarily the result of NCR's continued focus on expense discipline and the favorable impact on expenses of foreign currency exchange rates. As a percentage of revenue, selling, general and administrative expenses were 23.1% in the first six months of 1998 and 23.5% in the same period of 1997. Research and development expenses decreased \$13 million to \$170 million in the first six months of 1998. As a percentage of revenue, research and development expenses were 5.9% in the first six months of 1998 and 6.0% in the first six months of 1997. The 1998 research and development expenses reflect the continued move toward software and solutions development efforts, with less emphasis on hardware, operating systems and middleware.

## Income (Loss) Before Income Taxes

Operating loss was \$11 million in the first six months of 1998 compared to an operating loss of \$37 million in the first six months of 1997. Interest expense was \$7 million in the first six months of 1998 compared to \$6 million in the comparable period of 1997. Other income, net of expenses, was \$110 million in the first six months of 1998 compared to \$30 million in the first six months of 1997. The increase over 1997 primarily reflects the \$55 million gain on the sale of TOP END to BEA.

Income before taxes was \$92 million in the first six months of 1998 compared to a loss before taxes of \$13 million in the first six months of 1997.

## Net Income (Loss)

The provision for income taxes was \$44 million in the first six months of 1998 compared to \$7 million in the first six months of 1997. NCR's tax provision in the first six months of 1997 resulted primarily from a normal provision for income taxes in those foreign tax jurisdictions where its subsidiaries were profitable, and an inability to reflect tax benefits from net operating losses and tax credits, primarily in the United States.

Net income was \$48 million in the first six months of 1998 compared to a net loss of \$20 million for the same period in 1997.

## FINANCIAL CONDITION, LIQUIDITY, AND CAPITAL RESOURCES

NCR's cash and short-term investments totaled \$770 million at June 30, 1998 compared to \$1,129 million at December 31, 1997.

Net cash flows used in operating activities were \$93 million in the first six months of 1998 compared to \$74 million provided by operating activities in the first six months of 1997. 1998 operating activities included a \$55 million gain on the sale of TOP END to BEA. In addition, in the second quarter of 1997, net cash flows provided by operations included the receipt of approximately \$90 million from AT&T Corp. (AT&T) in accordance with certain tax allocation agreements entered into at the time NCR was spun-off from AT&T. No similar payments were included in the 1998 cash flows.

Net cash flows used in investing activities were \$156 million in the first six months of 1998 and \$411 million in the same period of 1997. In 1998, NCR purchased the minority interest of its Japanese subsidiary for \$271 million. This use of cash was partially offset by proceeds from the sale of NCR's TOP END middleware technology to BEA and the sale of NCR's retail and computer systems manufacturing operations to Solectron Corporation (Solectron). Short-term investment activity provided \$66 million of cash in the first six months of 1998 compared to a \$277 million use of cash in the comparable period in 1997, when NCR was beginning to implement its overall cash management strategy after being spun-off from AT&T. Capital expenditures were \$148 million for the first half of 1998 and \$149 million for the comparable period in 1997. Capital expenditures generally relate to expenditures for reworkable parts used to service customer equipment, expenditures for equipment and facilities used in research and development, and expenditures for facilities to support sales and marketing activities.

Net cash flows used in financing activities were \$31 million in the first six months of 1998 compared to \$34 million provided by financing activities in the same period of 1997. In April 1998, NCR implemented a share repurchase program which resulted in the use of \$78 million of cash in the second quarter of 1998.

NCR believes that cash flows from operations, its credit facility, and other short- and long-term financings, if any, will be sufficient to satisfy its future working capital, research and development, capital expenditure, and other financing requirements for the foreseeable future.

## FACTORS THAT MAY AFFECT FUTURE RESULTS

Management's Discussion and Analysis and other sections of this Form 10-Q contain information based on management's beliefs and forward-looking statements that involve a number of risks, uncertainties, and assumptions. Any Annual Report to Stockholders, Form 10-K, Form 8-K, and other written or oral statements made by the Company or its representatives may also contain such forward-looking statements. These statements are not guarantees of future performance. Therefore, actual outcomes and results may differ materially from what is expressed or forecasted in such forward-looking statements. The Company undertakes no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise.

### Business Strategy

NCR's future operating results are dependent upon the Company's ability to implement, successfully and in a timely manner, its business strategy. This strategy focuses on, among other things, profitable revenue growth, improved gross margins, continued expense discipline, and an improved effective tax rate. The results, costs, and benefits associated with implementing NCR's strategy and business plan could vary significantly from those expected. The success of NCR's strategy is dependent upon, among other things, the technologies, actions, products, and strategies of NCR's current and future competitors, general domestic and foreign economic and business conditions, the condition of the information technology industry and the industries in which NCR's customers operate, and other factors, including those described below.

### Competition

NCR operates in the extremely competitive information technology industry. The markets for this industry are characterized by rapidly changing technology, evolving industry standards, frequent new product introductions, and price and cost reductions. In addition, the movement toward common industry standards continues to increase the commoditization of products, including servers and other computer products, making differentiation more difficult. NCR's future operating results are dependent upon its ability to rapidly design, develop, and market, or otherwise obtain and introduce new solutions and related products and services that are competitive in the marketplace. The Company must commit significant resources in advance of bringing its business solutions to the marketplace. There are numerous risks and uncertainties inherent in this complex process, including proper identification of customer needs, technological changes, timely and cost-effective development and introduction, differentiation from NCR's competitors, and market acceptance.

### New Solutions Introductions

NCR provides its customers with solutions composed of hardware, software, consulting, installation, or maintenance services. NCR also provides selected products and services to its customers on a stand-alone basis. The Company continually refines its current solutions and develops new solutions for its customers. The success of these efforts is dependent upon a number of factors and can be adversely impacted by: development or manufacturing delays; changes in costs; and delays in customer purchases of existing solutions and related products and services in anticipation of the introduction of new offerings, among other factors. In addition, the timing of introductions of new products or services offered by competitors could impact the future operating results of NCR, particularly when these introductions coincide or precede the introduction of NCR's own new solutions and related products and services. Likewise, some of NCR's new solution offerings may replace or compete with the Company's current offerings.

### Emerging Markets

NCR's future operating results are also dependent upon its timely recognition of and expansion into new and emerging markets. In addition, NCR's future success may be impacted by its ability to forecast the proper mix of business solutions and related products and services to meet the demands of its customers in these markets as well as established markets.

## Margin Pressure

In recent years, the significant competition in the information technology industry has decreased gross margins for many companies and could continue to do so in the future. Future operating results will depend in part on NCR's ability to manage such margin pressure by maintaining a favorable mix of solutions and other revenues and by achieving component cost reductions and operating efficiencies. Changes in the mix of NCR's solutions and related products and services revenues could cause operating results to vary.

## Reliance on Third Parties

Due to NCR's focus on providing complex integrated solutions to customers, the Company frequently relies on third parties to provide significant elements of NCR's offerings, which must be integrated with those elements provided by the Company. NCR has from time to time formed alliances with third parties, such as Solectron, that have complementary products, services and skills. These business practices often require the Company to rely on the performance and capabilities of third parties which are beyond NCR's control. NCR's reliance on third parties, including Solectron, introduces a number of risks to NCR's business, including the risk of non-performance by alliance partners or other third parties, difficulties with integrating elements provided by NCR with those of third parties, and delays in the introduction of new NCR solutions. Further, the failure of any of these third parties to provide products or services that conform to NCR's specifications or quality standards could impair the Company's ability to offer solutions that include such third party elements or may impair the quality of such solutions.

A number of NCR's solutions rely on specific suppliers for microprocessors and operating systems. The Company also uses many standard parts and components. NCR believes there are a number of competent vendors for most parts and components. However, there are a number of important components, microprocessors, and operating systems that are developed by and purchased from single sources due to price, quality, technology, or other considerations. In some cases, these items are available only from single sources. For example, NCR's computer systems are based on microprocessors and related peripheral chip technology designed by Intel Corporation. NCR incorporates UNIX (R) and Microsoft Windows NT(R) operating systems into certain of its solutions and may utilize Oracle Corporation's and Informix Corporation's commercial databases for NCR's High Availability Electronic Commerce solution portfolio. Accordingly, NCR's results of operations are dependent upon the Company's ability to secure alternative providers for such parts, components, microprocessors, and operating systems and upon the ability of such technologies to remain competitive.

## Key Personnel

NCR's success is also dependent on, among other things, its ability to attract and retain the highly-skilled technical, sales, and other personnel necessary to enable the Company to successfully develop and sell new and existing solutions and related products and services.

## Seasonality

NCR's sales are historically seasonal, with revenue higher in the fourth quarter of each year. Consequently, during the three quarters ending in March, June, and September, NCR has historically experienced less favorable results than in the quarter ending in December. Such seasonality also causes NCR's working capital cash flow requirements to vary from quarter to quarter depending on the variability in the volume, timing, and mix of product sales. In addition, in many quarters, a large portion of NCR's revenue is realized in the third month of the quarter. Operating expenses are relatively fixed in the short term and often cannot be materially reduced in a particular quarter if revenue for that quarter falls below anticipated levels.

## International Operations

In the first half of 1998, NCR's international operations represented approximately 56% of the Company's consolidated revenue. Specifically, Japan, the United Kingdom, Germany, and France represented approximately 11%, 6%, 5%, and 4% of consolidated revenue, respectively. Although the diversity of NCR's operations may help to mitigate certain of the risks associated with geographic concentrations of operations (for example, adverse changes in foreign currency exchange rates and business disruptions due to natural disasters and economic or political uncertainties), there are numerous other risks inherent in operating abroad. Such operations may be significantly impacted by a variety of factors, many of which cannot be readily foreseen and over which NCR has no control. In addition, a significant change in the value of the dollar or other functional currencies against the currency of one or more countries where NCR recognizes revenues or earnings or maintains net asset investments may significantly impact future operating results. NCR enters into foreign currency

contracts in an attempt to mitigate the impact of changes in currency exchange rates, generally over the short- or medium-term.

#### Income Taxes

NCR's tax rate is dependent upon the geographical composition of taxable earnings and NCR's ability to realize the benefits from tax losses in certain tax jurisdictions. To the extent that NCR is unable to reflect tax benefits from net operating losses and tax credits, arising primarily in the United States, to offset provisions for income taxes attributable to its profitable foreign subsidiaries, NCR's overall effective tax rate could increase.

#### Contingencies

In the normal course of business, NCR is subject to regulations, proceedings, lawsuits, claims, and other matters, including actions under laws and regulations related to the environment and health and safety, among others. Such matters are subject to the resolution of many uncertainties, and accordingly, outcomes are not predictable with assurance. Although NCR believes that amounts provided in its financial statements are currently adequate in light of the probable and estimable liabilities, there can be no assurances that the amounts required to discharge alleged liabilities from lawsuits, claims, and other legal proceedings and environmental matters, and to comply with applicable environmental laws, will not impact future operating results.

#### Year 2000

Year 2000 compliance issues concern the inability of certain computerized information systems to properly process date-sensitive information as the year 2000 approaches. Systems that do not process such information may require modification or replacement prior to the year 2000. Year 2000 issues impact NCR and substantially all companies in the industries in which NCR operates. NCR has developed plans to address the potential risks it faces as a result of Year 2000 issues. These risks include, among other things, the possible failure or malfunction of NCR's internal information systems, problems with the products and services NCR has provided to its customers, the potential for increased warranty, contract and other claims, and possible problems arising from the failure of the Company's suppliers' systems. No litigation has been initiated against NCR in connection with Year 2000 issues, although suits have been brought against other manufacturers of computers and retail equipment, and such claims may be advanced against NCR in the future.

NCR's Year 2000 plans involve replacing or upgrading affected internal information systems, developing Year 2000 qualified products, designating those products that will not be rendered Year 2000 qualified and, in some circumstances, making Year 2000 upgrades available for products. Pursuant to these plans, the Company has completed its analysis of the Year 2000 issues associated with critical internal information systems and the products it offers. The majority of the products NCR presently develops and provides to customers are Year 2000 qualified. The Company expects that the remainder of the products it presently develops and provides to customers will be Year 2000 qualified by or about the end of 1998. However, certain products that NCR does not intend to qualify for Year 2000 may continue to be requested by customers. NCR will evaluate such requests and may, under certain circumstances, provide these products to customers. NCR also expects to complete the modification of its critical internal information systems by or about the end of 1998. Worldwide implementation of these Year 2000 system changes is anticipated to be completed by the end of 1999. The Company has also completed its analysis of non-critical internal information systems and has developed plans to address the associated Year 2000 issues, where appropriate.

In addressing the Year 2000 issues associated with its internal information systems, management believes it is most efficient to incorporate Year 2000 changes with other anticipated non-Year 2000 system changes, when possible. Accordingly, NCR does not separately identify the cost incurred to resolve Year 2000 issues from the costs of other non-Year 2000 system changes, as many of these changes are being implemented concurrently. NCR estimates the combined cost of such Year 2000 and non-Year 2000 internal information system changes to be approximately \$135 million. These costs consist primarily of compensation for NCR's information technology employees and contractors, and related hardware and software costs. Approximately \$17 million of the Year 2000 and other non-Year 2000 system upgrade and replacement costs were incurred in 1997. During 1998 and 1999, the Company expects to incur system replacement and upgrade costs, including Year 2000, of approximately \$65 million and \$35 million, respectively. NCR intends to capitalize or expense these costs as required by generally accepted accounting principles. In addition, the Company expects to fund these costs through operating cash flows and, because they will be funded through a reallocation of NCR's overall information

technology and administrative spending, such costs are not expected to result in significant increases in information technology expenditures.

In addition, NCR is evaluating the potential impact of Year 2000 on the products and services provided by its suppliers and has established Year 2000 guidelines for its suppliers. NCR is conducting audits or reviews of its critical suppliers in accordance with these guidelines and plans to substantially complete such activity by the end of 1998. Failure by NCR's critical suppliers to address potential Year 2000 issues or adhere to these guidelines could adversely impact the Company's consolidated results of operations, financial condition, and cash flows.

NCR continues to evaluate the estimated costs associated with Year 2000 issues; however, the impact of Year 2000 on the Company is not fully determinable. Furthermore, there can be no assurances that there will not be delays in implementing the plans described above or increased costs associated with Year 2000 issues or that such delays or costs will not have a material impact on NCR's consolidated results of operations, financial condition, and cash flows.



ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

NCR is exposed to market risk, including changes in foreign currency exchange rates and interest rates. NCR uses a variety of measures to monitor and manage these risks, including derivative financial instruments. Qualitative disclosures about these risks and derivative instruments are discussed more fully in NCR's Annual Report to Stockholders for the year ended December 31, 1997.

The table below summarizes information about instruments sensitive to currency exchange rates, primarily foreign currency forward contracts, options, and swaps at June 30, 1998 (in millions except for average contract rates). This table should be read in conjunction with the information presented in NCR's Annual Report to Stockholders for the year ended December 31, 1997.

U.S. Dollar Value of Net Foreign  
Exchange Contracts

	Net Underlying Currency Exposure Associated with Firmly Committed Transactions	Notional Value	Average Contract Rate (Foreign Currency per US Dollar)	Gain/(Loss)
	-----	-----	-----	-----
Forward Contracts:				
British Pound	267	585	.62	5
Japanese Yen	194	194	131.81	7
Canadian Dollar	16	68	1.42	(3)
Cross-dollar, non-U.S.	332	351	N/A	(30)
Other	194	195	N/A	(2)
Options:				
British Pound	-	82	.62	-
French Franc	23	37	5.94	(1)
Other	-	37	N/A	-
Swaps:				
Cross-dollar, non-U.S.	171	171	N/A	(25)

In the second quarter of 1998, NCR revised its foreign currency hedging program to increase the use of option contracts to hedge forecasted transactions. Accordingly, the table above reflects the resulting increase in option contracts held as compared with the information contained in NCR's 1997 Annual Report to Stockholders. There have been no significant changes in the carrying value, fair value, maturity schedule, or other information related to NCR's outstanding borrowings at June 30, 1998, as compared with that reported in its Annual Report to Stockholders for the year ended December 31, 1997.

Part II. Other Information

ITEM 5. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

10.1 Purchase and Manufacturing Agreement, effective April 27, 1998, by and between NCR Corporation and Solectron Corporation. Confidential treatment has been requested with respect to certain portions of this exhibit pursuant to an Application for Confidential Treatment filed with the Commission under Rule 24b-2(b) under the Securities Exchange Act of 1934, as amended.

27 Financial Data Schedule

(b) Reports on Form 8-K

(1) On June 2, 1998, NCR filed a Current Report on Form 8-K with respect to its news release on the announcement that BEA Systems, Inc. will acquire NCR Corporation's TOP END Enterprise Middleware product family.

(2) On July 16, 1998, NCR filed a Current Report on Form 8-K, including unaudited consolidated balance sheets as of June 30, 1998, and unaudited consolidated statements of operations, consolidated revenue summary, and condensed consolidated statements of cash flows for the quarter ended June 30, 1998, with respect to its news release on the second quarter financial results of 1998.

UNIX is a registered trademark in the United States and other countries, exclusively licensed through X/OPEN Company Limited.

Windows NT is a registered trademark of Microsoft Corporation.

TOP END is a registered trademark of BEA Systems, Inc.

SIGNATURES

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

NCR CORPORATION

Date: August 13, 1998

By: /s/ John L. Giering

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John L. Giering, Senior Vice-President  
and Chief Financial Officer

EXHIBIT INDEX

EXHIBIT  
NO.

- 
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- 27 Financial Data Schedule

[ ] Confidential treatment has been requested pursuant to an Application for Confidential Treatment filed with the Commission under Rule 24b-2(b) under the Securities Exchange Act of 1934, as amended. The confidential portion that is omitted has been filed separately with the Commission.

PURCHASE AND MANUFACTURING SERVICES AGREEMENT

Agreement Number 98-M-SU-0005

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Solectron Corporation NCR CORPORATION
847 Gibraltar Drive 1700 S. Patterson Blvd.
Milpitas, CA 95035 Dayton, OH 45479
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This Agreement is effective on April 27, 1998 and will terminate on April 30, 2003, unless renewed in accordance with the Agreement.

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Under this agreement, NCR will purchase personal computers, entry level and server computers from Solectron and have Solectron build MPP computers, point of sale devices and retail scanners.
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NCR CORPORATION, a Maryland corporation, having a place of business at 1700 S. Patterson Blvd., Dayton, OH 45479 USA ("NCR") and Solectron Corporation, having a place of business at 847 Gibraltar Drive, Milpitas, CA 95035 ("Solectron"),

AGREE AS FOLLOWS:

This document sets forth a set of agreements between the parties. Each agreement consists of Article I (General Terms and Conditions) together with a consecutively number article and any exhibits referenced therein ("Agreement"). For example, Article I and Article II (OEM) make up a contract between the parties; and Article I and Article III (Manufacturing Services) make up a separate contract between the parties.

AGREED by the following authorized representatives:

SOLETRON CORPORATION

NCR CORPORATION

BY: /s/ SUSAN A. WANG

BY: /s/ WILLIAM J. EISENMAN

NAME: SUSAN A. WANG

NAME: WILLIAM J. EISENMAN

TITLE: CHIEF FINANCIAL OFFICER

TITLE: SENIOR VICE PRESIDENT

DATE: APRIL 14, 1998

DATE: APRIL 13, 1998

ARTICLE I

General Terms and Conditions

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1. CONFIDENTIAL MATERIALS

For a period of 5 years from the date of receipt, the recipient will use the same degree of care to prevent the disclosure of Confidential Information to any other person as it uses to protect other information of a similar nature which it owns or possesses, but in no event less than reasonable care, unless disclosure is required by law. The recipient may disclose Confidential Information only to those of its employees with a legitimate need to know. Unless the discloser provides written notice to the contrary, the recipient may disclose Confidential Information to its affiliates or contractors with a legitimate need to know who agree in writing to confidentiality obligations consistent with this

Section. All materials containing Confidential Information are and remain the discloser's property, and upon written request the recipient will promptly return them, and all copies of them, except a single archival copy.

## 2. NOTICES

Except as otherwise specifically provided herein, notices and other communications will be delivered by any method providing for proof of delivery, except that a notice of default or termination may be delivered by facsimile transmission if the original document is also promptly delivered to the recipient. A notice will be deemed given on the date of receipt at the following address(es): the addresses shown on the cover page of this Agreement, with an additional copies to:

General Counsel/Notices NCR Corporation Dayton, OH 45479	WHQ-5	Susan Wang Senior Vice President and CFO Solectron Corporation 847 Gibraltar Drive Milpitas, CA 95035
Vice President, Supplier Management NCR Corporation 3325 Platt Springs Rd. West Columbia, SC 29170		Legal Department Solectron Corporation 847 Gibraltar Drive Milpitas, CA 95035
Vice President, Supplier Management NCR Corporation 2651 Satellite Blvd. Duluth, GA 30096		

Either party may change its address upon notice as required by this Section.

## 3. AUDIT

- 3.1 During the term of this Agreement, Solectron agrees to keep all usual and proper records and books of account and all usual and proper entries relating to the compliance with provisions concerning quality control, third party software licenses procured by NCR in connection with this Agreement, NCR software, component and Part price information required to be disclosed by Solectron to NCR in connection with Exhibit B, Year 2000 and Safety regulatory warranties, Sections 5.5, 5.9, 5.10, 5.11 of Article I, Section 6.9 of Article II, Section 5.9 of Article III, Section 5.2 of Exhibit D, Exhibit F, royalties reported under Exhibit B, and most favored pricing. Solectron shall maintain on Solectron premises such records for itself and for each Solectron subsidiary which exercises rights under this Agreement.
- 3.2 In order to verify Solectron's compliance with the terms of this Agreement expressly set forth in Section 3.1 of Article I and any third party or governmental audit requirements, NCR may cause (i) an audit to be made of Solectron's and/or Solectron's subsidiaries' books and records directly related to the audited matters and/or (ii) an inspection to be made of Solectron's and/or Solectron's subsidiaries' facilities and procedures. Any audit and/or inspection shall be conducted during regular business hours at such facilities, with 5 business days notice. Any audit may be conducted by NCR or an independent



certified public accountant selected by NCR (other than on a contingent fee basis) reasonably acceptable to Solectron. Such third party auditor shall enter into a nondisclosure agreement with Solectron and shall only report to NCR on Solectron's compliance with respect to the audited matter.

3.3 Solectron agrees to provide NCR's designated audit or inspection team access to the relevant Solectron's and/or Solectron's subsidiaries' records and facilities, except to the extent such access may be limited or prohibited by Solectron's agreements with its other customers.

3.4 Prompt adjustment shall be made to compensate for any errors or omissions disclosed by such audit unless Solectron objects to the results of the audit in writing. Any such audit shall be paid for by NCR unless material discrepancies are disclosed. If material discrepancies are disclosed, Solectron agrees to pay NCR for the reasonable costs associated with the audit. In no event shall audits be made more frequently than semi-annually unless the immediately preceding audit disclosed a material discrepancy.

#### 4. DISPUTES

4.1 In the event any controversy or claim arises between the parties to this Agreement, they will attempt in good faith to negotiate a solution to their differences by elevating the issue to senior management for resolution and, if negotiation does not result in a resolution within 30 days, they agree to participate in good faith mediation as administered by the American Arbitration Association. In the event of threatened or actual irreparable harm, a party may elect to bypass this Section and proceed directly pursuant to Sections 4.2 or 4.4.

4.2 Any controversy or claim between the parties to this Agreement, whether based on contract, tort, statute, or other legal theory (including but not limited to any claim of infringement, fraud or misrepresentation), which cannot be resolved by negotiation or mediation will be resolved by arbitration pursuant to this section and the then-current Commercial Rules and supervision of the American Arbitration Association. The duty to arbitrate will extend to any employee, officer, shareholder, agent, or affiliate of a party hereto making or defending a claim which would be subject to arbitration if brought by a party hereto. If any part of this section is held to be unenforceable, it will be severed and will not affect either the duty to arbitrate hereunder or any other part of this section.

4.3 The arbitration will be held in the US headquarters city of the party not initiating the claim before a sole arbitrator who is knowledgeable in business information and electronic data processing systems. The arbitrator's award will be final and binding and may be entered in any court having jurisdiction thereof. The arbitrator will not have the power to award any damages excluded by, or in excess of, any damage limitations expressed in this Agreement. Issues of arbitrability will be determined in accordance solely with the federal substantive and procedural laws relating to arbitration; in all other respects, the arbitrator will be obligated to apply and follow the substantive law of the state or nation specified in this Agreement. Each party will bear its own attorney's fees associated with the arbitration and other costs and expenses of the arbitration will be borne as provided by the rules of the American Arbitration Association.

4.4 If a party breaches any provision of this Agreement related to the other party's or the other party's supplier's intellectual property, the other party will have no adequate

remedy at law and may petition a court of law for injunctive relief to protect the intellectual property.

5. GENERAL

5.1 Assignment.

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No assignment of this Agreement by a party will be valid without the prior written consent of the other party which will not be unreasonably withheld. As used in this Section, "assignment" shall not include mergers, consolidations or the acquisition of the majority of the outstanding voting shares or other controlling interest in the party. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. NCR, if it sells an operating unit that is using this Agreement, may replicate this Agreement to such operating unit.

5.2 Severability. If any provision of this Agreement shall be held to be

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illegal, invalid, or unenforceable, the remaining provisions shall remain in full force and effect provided the intent of the parties has not been materially frustrated.

5.3 Excused Performance. Neither party will be liable for damages because of

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delays in or failure of performance when the delay or failure is due to supplier shortages beyond Solectron's reasonable control, acts of God, acts of civil or military authority, fire, flood, strikes, war, epidemics, shortage of power, or other cause beyond such party's reasonable control and without its fault or negligence, if the party (a) uses best efforts to promptly notify the other in advance of conditions which will result in a delay in or failure of performances (b) uses commercially reasonable efforts to avoid or remove the conditions (including transferring production to other manufacturers who are not affiliated with Solectron), and (c) immediately continues performance when the conditions are removed.

5.4 Choice of Law. This Agreement shall be governed by and construed in

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accordance with the laws of the State of New York, as applied to contracts entered into and performed entirely in that State, specifically excluding its rules on conflicts of law.

5.5 Constrained Capacity. During times of constrained capacity, Solectron will

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use all commercially reasonable efforts to utilize capacity planned for NCR to meet NCR requirements. In the event of such constrained capacity, Solectron will provide NCR first priority within NCR's forecasts, as regards available capacity allocation and in no event will NCR's available allocation be lower than the proportion of NCR's pre-allocation Orders as a percentage of Solectron's business for the Products and/or Parts. Subject to Section 5.3, acceptance by NCR of such percentage of its Orders will not be a waiver of any rights or remedies which NCR may have as a result of Solectron's failure to ship all ordered Products and Parts.

5.6 Affiliate Participation. All rights granted to NCR in this Agreement may

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be exercised by any Affiliate of NCR agreeing to be bound by the terms of this Agreement. NCR agrees to guarantee the performance of its Affiliates that exercise rights under this Agreement.

5.7 Waiver or Delay. Failure to enforce any provision of this Agreement is not

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a waiver of future enforcement of that or any other provision.

- 5.8 Solectron Disaster Plan. Upon NCR's request, Solectron will provide NCR an  
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opportunity to review Solectron's disaster recovery plan which will be prepared within 180 days after the Effective Date. At a minimum, the plan shall address production interruptions and the contingencies indicated in Section 5.3 of Article I.
- 5.9 Duty Drawback. NCR will be entitled to claim duty drawback on Products and  
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Parts exported by or for NCR. Solectron will submit, for any Products and Parts containing imported components, a Manufacturing Drawback Entry and/or Certificate (Customs Form 331 or other as applicable), will retain all records required by U.S. statutes and regulations and identified in any drawback contract covering Products and Parts, and will assist NCR as reasonably requested by providing relevant information to NCR, in order to claim duty drawback for Products and Parts.
- 5.10 Country of Origin. Solectron will provide to NCR, prior to the first  
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delivery of any Product hereunder, a certificate of origin stating the country of origin for the Product or Part and if applicable a NAFTA certificate of origin. If the country of origin for any Product should change, Solectron will provide a new certificate of origin prior to the first delivery of any Product affected by the change.
- 5.11 Compliance with Laws. Both parties will, in the manufacture/sale of the  
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Products and parts, and in all other performance under this Agreement, fully comply with all applicable federal, state, local and other governmental laws and regulations.
- 5.12 Personal Warranties. Each party represents and warrants that it has the  
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right and power to enter into this Agreement.
- 5.13 Relationship of Parties. The relationship of Solectron and NCR as  
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established under this Agreement will be and remain one of independent contractors, and neither party will at any time or in any way represent itself as being a dealer, agent or other representative of the other party or as having authority to assume or create obligations or act in any manner on behalf of the other party. Nothing in this Agreement creates a partnership, joint venture, agency, or franchise relationship.
- 5.14 Periods of Time. Saturdays, Sundays, and holidays will be included when  
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computing the number of days required or permitted for notice, response, or other action on the part of either party.
- 5.15 Publication of Agreement. Except as may be required by law or by the  
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order of a court of competent jurisdiction, neither Solectron nor NCR will publicize or otherwise advertise the existence of this Agreement or its terms without the prior written consent of the other party. In the event this Agreement must be disclosed, the party disclosing the Agreement shall inform the other party of the requirement and shall, as requested by such other party, provide all reasonable assistance in seeking a protective order or confidential treatment of this Agreement.
- 5.16 Limitation of Liability. EXCEPT AS EXPRESSLY INDICATED IN THIS AGREEMENT  
-----  
OR OTHERWISE EXPRESSLY AGREED IN WRITING, IN NO EVENT WILL EITHER PARTY BE LIABLE TO THE OTHER PARTY FOR ANY SPECIAL, INCIDENTAL OR CONSEQUENTIAL DAMAGES UNDER THIS AGREEMENT, EVEN IF IT HAS BEEN NOTIFIED OF THE POSSIBILITY OF ANY SUCH DAMAGES.

- 5.17 Entire Agreement. This document and any referenced documents sets out the  
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entire agreement of the parties, and supersedes all prior communications regarding its subject matter. A waiver or amendment of any provision may only be made in writing signed by the authorized representatives of both parties.
- 5.18 Further, this Agreement shall take precedence over any conflicting terms in any Exhibit hereto or any Purchase Orders hereunder.

6. OTHER OBLIGATIONS

- 6.1 Reduction [ ]. If, within [ ] after the Effective Date, NCR's unit volume  
-----  
purchases from Solelectron's [ ], are materially less than the [ ].
- 6.2 Tooling. If, within [ ] after the Effective Date (or such longer time  
-----  
over which [ ]), NCR's unit volume purchases from Solelectron's [ ]
- 6.3 [ ]
- 6.4 Year 2000 Test. The parties agree that they will test the ability of their  
-----  
systems that support the business covered by this Agreement to confirm that there are no Year 2000 incompatibilities or problems with these systems and their interfaces. The parties will perform this test by the end of Q1 1999 so that the parties can make any necessary changes to each party's respective systems. Each party will bear its own costs with respect to the test and changes needed to its own systems.

7. DEFINITIONS

- 7.1 "Affiliate" shall mean any corporation that has outstanding voting securities, at least fifty percent (50%) of which are directly held by NCR.
- 7.2 "Confidential Information" is information reasonably related to this Agreement that complies with this paragraph. Confidential Information disclosed in documents or other tangible form must be clearly marked as confidential at the time of disclosure. Confidential Information in oral or other intangible form must be identified as confidential at the time of disclosure, and summarized in tangible form clearly marked as confidential and delivered to the recipient within 10 calendar days thereafter. Confidential Information will also include any information which the recipient knows or should know to be confidential even if not marked. Confidential Information does not include information which is or becomes available without restriction to the recipient or any other person through no wrongful act.
- 7.3 "Effective Date" means the first day of the initial term of this Agreement.
- 7.4 The term "Products for which NCR or RSG or CSG has design ownership" (whether capitalized or not) or similar forms shall mean Products for which NCR has provided the engineering design to Solelectron other than pursuant to the Asset Purchase Agreement between the parties dated April 1, 1998 despite the actual owner of the intellectual property in the design. The term "Products for which Solelectron has design ownership" (whether capitalized or not) or similar forms shall mean Products for which Solelectron has engineering design responsibility, despite the actual owner of the intellectual property in the design. The foregoing definitions of "Products for which Solelectron has

design ownership" includes, but is not limited to, Entry Level Computers designed by NCR's engineering team before the Effective Date of this Agreement.

ARTICLE II

OEM

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1. BACKGROUND

1.1 Scope. NCR is in the business of producing, marketing, and integrating

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data processing systems and related equipment, software, supplies and services. Solectron provides products and services related to the business of NCR and, subject to the terms and conditions set forth herein, agrees to sell or license its Products and Parts to NCR for either NCR's internal use or NCR's resale or license to NCR's customers. NCR will at its option procure Product from Solectron which may or may not be resold under NCR's logo. From time to time, the parties may agree to additional products or features that will be defined by their specifications and acknowledged and added to this Agreement through the new product/feature process set out in Exhibit F.

1.2 Leading Technology. The parties intend that NCR shall be a leading edge

-----  
supplier of computer products. To this end, subject to any confidentiality agreements Solectron may have, Solectron will both inform and provide a commercially reasonable opportunity for acquisition of new and emerging Solectron and industry technology. At a minimum NCR will be informed by Solectron at least on a concurrent basis with Solectron's other OEM customers in the same or similar markets of such emerging Solectron or industry technology.

1.3 Commitment. [ ]

1.4 Exceptions. The commitment in Section 1.3 of Article II does not [ ]

1.5 Right of First Negotiation. Subject to NCR's current agreements, NCR shall

-----  
provide Solectron with a twenty (20) day right of first negotiation for any future terminals, network computers, or mass storage subsystems which Solectron has the capability to provide.

2. DEFINITIONS

2.1 "Entry Level Computers" shall mean general purpose personal computers and server computers which use up to 4 microprocessors and have a mass storage device such as a hard disk drive or a removable disk drive and are for resale to end users under NCR's brand name. Entry Level Computers do not include terminals, network computers, mass storage subsystems, parts, or computers specifically identified by an NCR customer.

2.2 "Forecast" - A non-binding, administrative document setting forth the anticipated requirements for Products or Parts during a specific time frame of 9 months, used to facilitate the placement of individual Purchase Orders. Forecasts are not Orders.

2.3 "Master Purchase Order" or "MPO" - NCR's purchase authorization to Solectron for Products, Parts or services under this Agreement in preparation of the receipt of Purchase Orders. It is understood that MPO's are for planning and administrative purposes and are not Purchase Orders.

2.4 "Part" - Any component, subassembly, field replaceable unit, or other module of the Product sold under this Agreement.

2.5 "Product" - An item, including Solectron's standard products, services and Software, as described in the Specifications attached to Exhibit A, including any and all modifications, changes and improvements made during the term of this Agreement.

2.6 Purchase Order", "Sales Order" or "Order" - A document issued by NCR for the purpose of ordering specific Products or Parts pursuant to this Agreement. Purchase Orders, Sales Orders or Orders may include an NCR Purchase Order Form, an NCR Release Order Form written against an MPO, or a defined Electronic Data Interface (EDI) Order transmission as defined by the Solectron and NCR in an EDI Agreement attached as Exhibit G. The only parts of a Purchase Order that become part of this Agreement are the quantity, price, description, delivery date and delivery terms.

2.7 "Software" - Versions of computer programs including software or firmware.

2.8 "Specifications" - The specifications for the Product attached hereto as Exhibit A, including any and all modifications, amendments or changes thereto made pursuant to this Agreement.

### 3. FORECAST/ORDER PLACEMENT/FLEXIBILITY

Provisions related to Forecasts, Order placement and flexibility are set forth in Exhibit B.

### 4. PRICES

4.1 [ ]

4.2 Pricing. Pricing will be determined as indicated in Exhibit B of this Agreement.

4.3 Cost Reductions. Solectron will continue throughout the term of this Agreement to reduce costs for all Products and Parts. All cost reductions will be shared in accordance with Exhibit B.

### 5. SERVICE SUPPORT REQUIREMENTS.

Solectron will provide Product support in accordance with Exhibit D.

### 6. LEAD TIME, DELIVERY AND PAYMENT

6.1 Lead Time for Products and Parts. Purchase Orders will be placed in advance of the required delivery date, allowing for the lead time specified in Exhibit C, unless a shorter lead time is mutually agreed to in a specific Order.

6.2 Shipment. All Products and regular Orders for Parts purchased under this Agreement will be sold "ex-works" at each Solectron plant and made available for pick up by carriers designated by NCR in the Purchase Order. NCR shall pay the freight carrier directly. [ ] Solectron will notify NCR prior to shipping a partial quantity of a particular Order of Products or Parts. [ ]

6.3 Delivery Timing. NCR and Solectron will work together to ensure maximum order delivery flexibility. A maximum of 3 days early and 0 days late shall be allowed for all deliveries, unless NCR specifically requests other delivery terms. Provided NCR is not the sole cause of any delay, if Solectron is unable, for any reason, to supply any portion of NCR's requirements of the Products or Parts as established by Purchase Orders, such portion will be considered to have been purchased from Solectron for purposes of determining price when price is based on Product or Part quantity purchased by NCR.



This will not, however, limit any other remedy to which NCR may be entitled on account of Solelectron's inability to supply NCR's requirements.

- 6.4 Title and Risk of Loss. Title, risk of loss and damage will pass from -----  
Solelectron to NCR upon receipt of Products and Parts from Solelectron by NCR's selected common carrier at the designated Solelectron plant (i.e. Duluth, GA, W. Columbia, SC, Dublin, Ireland, or other designated Solelectron manufacturing facilities) or when delivered to NCR's representative.
- 6.5 Payment. Payment for all Orders will be [ ] from the date of NCR's -----  
receipt of a proper EDI invoice. Solelectron will not invoice NCR prior to the shipping of the relevant Product or Parts. All prices and payments will be in US Dollars. Solelectron's invoices shall contain the following information: a) NCR's Purchase Order numbers; b) NCR's Product I.D., part number or other relevant number; c) a description of the items shipped; d) the quantity of items shipped; e) the unit and extended price applicable thereto; and f) Solelectron's serial number if applicable. Payment to Solelectron will be made by wire transfer including remittance information or other electronic means selected by NCR to an account as Solelectron notifies NCR from time to time.
- 6.6 Shipping. NCR may provide shipping information electronically. Solelectron -----  
will meet the following shipping requirements unless NCR requests otherwise:
- a) Ship the material complete unless otherwise instructed.
  - b) Ship all Products, Parts, and other items in accordance with "ex-works" terms.
  - c) Initiate shipments in accordance with routing instructions given by NCR.
  - d) Enclose a packaging memorandum with each shipment and, when more than one package is shipped, identify the package containing the memorandum.
  - e) Mark the Purchase Order number on all packages and shipping papers.
  - f) Mark with the NCR part number.
  - g) Mark the NCR freight account code on the bill of lading for truck shipments, or in the shipper's reference field on the air waybill, or in the reference field for UPS or RPS shipments.
  - h) All shipments are to be consolidated via the same mode on any one day to one consignment address under one bill of lading.
  - i) Include specific shipping instructions for spare parts as specified in Exhibit D.
- 6.7 Failure to Comply. If Solelectron fails to comply with the terms of the -----  
agreed to shipping instructions, Solelectron authorizes NCR to charge back any increased shipping costs incurred by NCR as a result of Solelectron's noncompliance plus an administrative fee of twenty dollars (\$20) for each shipment which is not in compliance. NCR will provide Solelectron with detailed shipping charges incurred by NCR as a result of Solelectron's noncompliance.
- 6.8 Classification. Each company agrees to determine Harmonized Tariff and -----  
Export Control Classification Number data for each Product or Part that it designs, designs and manufactures, or procures from another vendor, and subsequently delivers to the other company. Upon request, each company will provide the other with all available

information and assistance to permit an independent classification of the Product or Part.

6.9 Export Documentation. NCR will be responsible for the preparation of all -----  
shipping documents required to support the export of Products and Parts, including the export (commercial) invoice, SLI/SED, air/ocean waybills and Certificate of Origin. Solectron will be responsible for completing any documents required to convey Products and Parts to NCR's designated carrier and/or courier.

7. TAXES.

Unless otherwise stated, Product and Part prices do not include applicable federal, state or local sales, use, property, excise, value added or similar taxes that may be levied upon Solectron as a result of sale or delivery of any Product or Part under this Agreement. All such taxes will be assumed and paid by NCR except any taxes refundable to or creditable by Solectron. If a resale certificate or other document is required in order to exempt the sale of Products or Parts from taxes, NCR will furnish Solectron with appropriate documentation at Solectron's request. If Solectron pays any such taxes at NCR's request, NCR will reimburse Solectron upon being appropriately invoiced for the exact amount of such taxes and being provided with documentation which will allow NCR to claim a credit for such taxes. Solectron shall be responsible for all taxes based upon its personal property ownership and gross or net income.

8. QUALITY

Solectron will use data driven processes based on continuous improvement and defect prevention with a goal of delivering defect free Products, Parts and services to NCR and its customers. Solectron will implement all quality processes that will contribute to meeting the quality and reliability requirements defined in Exhibit C.

9. LICENSE OF SOFTWARE AND DOCUMENTATION

9.1 Software. As to Software authored by Solectron (the "Solectron Software") -----

which may be provided separately or with the Product(s), Solectron hereby grants to NCR and its software reproducer a perpetual, worldwide, non-exclusive, non-transferable, royalty-free license to resell and reproduce copies of the Software for distribution for use with the Products and Parts. NCR will license the Solectron Software to its customers pursuant to NCR's standard terms and conditions. Solectron grants to NCR a perpetual, worldwide, non-exclusive, royalty-free license to use Solectron's trademarks and tradenames on or in connection with the Solectron Software copies made under this Agreement. NCR agrees to take such reasonable steps as may be necessary to preserve copyrights to the Software and Software documentation. Solectron also agrees to use its commercially reasonable efforts to procure for NCR and its software reproducer, a similar license to Software supplied to NCR by Solectron in connection with the Products which Software is not authored by Solectron and will notify NCR if Solectron is unable to procure such a license.

9.2 Documentation. Solectron will provide documentation and marketing -----

materials set out in Exhibit A ("Documentation"). Solectron will deliver the Documentation in electronic format. NCR may order copies of Documentation which Solectron specifies as orderable under the same terms as Products. Solectron hereby grants to NCR and its designated Documentation reproducer a perpetual, worldwide, non-exclusive, non-

transferable, royalty-free license to reproduce, distribute, perform and display copies and create derivative works of the Documentation for use with the Products and Parts. The foregoing includes any medium such as Internet access (FTP, WWW) and CD-ROM.

9.3 NCR or Third Party Software. Solectron will comply with the provisions of -----  
Exhibit H with respect to any software provided to Solectron by NCR or a third party. Solectron shall also reimburse NCR for any penalties, late fees, finance charges or other payments NCR must make to the extent such payments are caused by Solectron failure to comply with this Section.

## 10. OTHER OBLIGATIONS

10.1 New Products If Solectron acquires or develops a type of product which is -----  
like the Product, or performs a similar function, or would obsolete the Product due to new technology, Solectron will give NCR notice as soon as reasonably possible with a target of at least 180 days prior to the release of a new product and furnish NCR with the specifications and other pertinent information and, at the request of NCR, arrange an engineering evaluation of the product immediately upon the availability of a working model. Solectron's provision of such information shall be subject to any confidentiality and non-disclosure agreements Solectron may have entered. At its option, NCR may elect to substitute the new product for the Product under this Agreement at a price mutually agreeable between the parties consistent with the pricing model indicated in Exhibit B of this Agreement. The new product will thereafter be considered the Product under the terms and conditions of this Agreement as if initially included. However, Solectron will continue to make Parts available for the original Product, as required under Section 5.0 of Exhibit D.

10.2 Service Level Agreement. The parties will adhere to the service level -----  
agreement set out in Exhibit F which describes requirements, measurements, and activities needed to deliver, release and support Products.

10.3 Leading Edge Procurement. NCR and Solectron will proactively seek -----  
opportunities to implement leading edge procurement processes such as demand pull, vendor managed inventory, electronic data interchange, etc. Prior to implementation, the specific details of such processes shall be documented and added as an exhibit to this Agreement. Solectron is to proactively pursue similar activities with its suppliers.

10.4 Executive Reviews. In addition to other meetings called for in this -----  
Agreement, senior management from NCR and Solectron will meet quarterly for executive reviews to discuss the status of the relationship as well as strategic and other important issues.

## 11. WARRANTY AND PRODUCT LIABILITY

11.1 General Warranty. Solectron warrants that all Products manufactured or -----  
supplied herein will [ ]. Claims for Products not complying with the above warranty will be submitted by NCR [ ]. For Parts and Software, Solectron will [ ]. For Parts and Software, Solectron will [ ] Furthermore, Solectron warrants that [ ]. Solectron will [ ] Solectron will [ ] The warranty set forth above is [ ] This warranty shall not apply to [ ]  
EXCEPT AS SET FORTH IN THIS AGREEMENT, SOLECTRON MAKES NO WARRANTIES, WHETHER EXPRESS OR IMPLIED, OR STATUTORY REGARDING

OR RELATING TO THE PRODUCTS, PARTS, SOFTWARE OR DOCUMENTATION, OR ANY MATERIALS OR SERVICES PROVIDED TO NCR UNDER THIS AGREEMENT. SOLECTRON SPECIFICALLY DISCLAIMS ALL IMPLIED WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT WITH RESPECT TO THE PRODUCTS, PARTS, SOFTWARE, DOCUMENTATION, AND SAID OTHER MATERIALS AND SERVICES, AND WITH RESPECT TO THE USE OF ANY OF THE FOREGOING.

11.2 DOA. If a Product or Part [ ], Solectron will [ ]. NCR will [ ].

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Solectron will [ ]

11.3 Services. Solectron will perform services by properly trained personnel

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with care appropriate to ensure world class execution.

11.4 Safety and Regulatory Agency Requirements. Solectron warrants that all

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Products, Parts and packaging material will comply with all applicable country (as indicated by NCR in writing or in Exhibit E-1), federal, state and other governmental regulations in effect at the time of manufacture (including without limitation and similar regulations concerning safety, EMI and equipment labeling). Products and Parts will be listed or certified by a nationally recognized testing laboratory with Solectron's name, Solectron's trade name, Solectron's trademark and file number. Additional Product specific safety and regulatory requirements may be indicated in the Product Specifications. Solectron will promptly repair or replace, at its option and expense, non-complying Products or Parts, at the end user site, or alternately, will pay NCR its costs of remedying the non-compliance at the end user site. Any shipment of non-complying Products or Parts by NCR to Solectron, and the return shipment of repaired or replacement Products or Parts by Solectron to NCR under this Section 11.4, will be at Solectron's expense. NCR will take title to replacement Products and Parts at the Solectron facility that are intended for export and arrange for their shipment to the end-user site.

11.5 Epidemic Failures. An Epidemic Failure is defined as [ ]. Solectron

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provides [ ]. Solectron will [ ]. Solectron will [ ]. In the event of a claim of epidemic failure, [ ]. Solectron will [ ]. The parties agree that in the event of an Epidemic Failure regarding software, [ ]. Solectron shall [ ].

11.6 Indemnification. [ ]

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11.7 Contribution. Nothing in this Agreement [ ]

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11.8 Insurance. Solectron will maintain, at its expense, General Liability

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insurance including but not limited to Premises Operations, Products/Completed Operations, Contractual Liability, Independent Contractors, Broad Form Property Damage and Personal/Advertising Injury with minimum limits of US[ ] combined single limit per occurrence, Excess/Umbrella Liability insurance with minimum limits of US[ ] per occurrence. The insurance will a) name NCR as an additional insured; b) carry an endorsement that the insurance will be primary; c) if coverage is on a "Claims Made" form, then a policy must be maintained during the term of this Agreement and for a period of [ ] thereafter. Solectron will also, maintain, at its expense, Workers' Compensation/Employer's Liability insurance with statutory limits. Each insurance policy required by this agreement shall be issued by an insurance carrier with an A.M. Best rating of "A-" or better and shall be kept in force throughout performance of the services required by this Agreement. Certificates of insurance showing compliance with these

requirements will be furnished by Solectron prior to the signing of this Agreement and sent to: NCR, Corp., Risk Management Department, 1700 S. Patterson Blvd. WHQ-3E, Dayton, OH 45479. Certificates will state that the policy or policies have been issued and are in force, will not expire or lapse, and will not be canceled or changed so as to affect the insurance described in the certificate. Compliance or non-compliance with the requirements of this Section shall not relieve Solectron from any responsibility to indemnify NCR or its liability to NCR as specified in any other provision of this Agreement. Indemnity obligations specified elsewhere in this Agreement shall not be negated or reduced by virtue of any insurance carrier's denial of insurance coverage for the occurrence or event which is the subject matter of the claim; or refusal to defend any named insured.

11.9 Year 2000. Solectron warrants that all Solectron Software will fully

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comply with the "NCR Year 2000 Qualification Requirements Definition," attached as Exhibit I. At NCR's request, Solectron will provide evidence demonstrating adequate testing of the Products to assure compliance with the Definition. Solectron acknowledges that NCR may make similar warranties to its resellers, distributors, end users or other customers in reliance upon the foregoing. Solectron agrees to defend, indemnify, and hold NCR harmless from and against any demand or claim made by any third party (including but not limited to NCR's resellers distributors, end users or other customers) directly or indirectly alleging a Product's failure to comply with the warranty contained herein. [ ]

12. INDEMNIFICATION FOR INFRINGEMENT

12.1 IP Indemnification by Solectron. Solectron will [ ]. This Section states

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Solectron's entire liability for infringement of patents, copyrights, trade secrets, and other intellectual property rights. For the purpose of this Section, [ ]

12.2 Parts Indemnification. Solectron also agrees to [ ]. Solectron will [ ]

12.3 IP Indemnification by NCR. If an actual or threatened claim of

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infringement of intellectual property rights is asserted against Solectron or its Affiliates due to [ ], NCR will [ ]. Except as expressly set out in another written agreement signed by both parties, this Section states NCR's entire liability for infringement of patents, copyrights, trade secrets, and other intellectual property rights with respect to any products.

13. TERM AND TERMINATION

13.1 Unless earlier terminated under any other provision of this Agreement, this Agreement will continue for an initial term as set out on the first page of this Agreement and, after that, will automatically continue in force until NCR or Solectron gives 180 days notice of termination, or unless earlier terminated under any other provision of this Agreement.

13.2 Either party may terminate this Agreement upon 60 days prior written notice to the other party for failure of the other party to fulfill any of its material obligations, including failure due to causes specified in Section 5.3 of Article I; unless during such 60 day period the other party remedies the failure, in which case this Agreement will continue in effect as if the failure had not occurred. Termination of this Agreement by either Solectron or NCR under this Section will not prejudice or otherwise affect any manufacturing license to which NCR may be entitled. Termination of this Agreement by either party will not prejudice it or the other party to recover any money amounts or require performance of any obligations due at the time of the termination.

13.3 The following Sections will survive termination of this Agreement: Sections 1, 3, 4, 5.4, 5.9, 5.10, 5.11, 5.16 of Article I; Sections 1.1, 5, 9, 11, 12, 13.4, of Article II; the intellectual property provisions of Section 1.3 of Article II; and the continuation engineering portions of Exhibit F.

13.4 In the event of termination or expiration of this Agreement, or in the event NCR decides, subject to Section 1.3 of Article II to transfer manufacturing of a Product or Part to another person, Solectron will use reasonable efforts to efficiently transition the manufacture of Products or Parts to the other person. Solectron will bear its own costs of such transition except in the event of expiration of this Agreement or termination of this Agreement by Solectron for NCR's breach in which case NCR will pay for Solectron's reasonable out of pocket costs for transitioning the manufacture of Products or Parts to such other person. Solectron will deliver to NCR and grant NCR the worldwide, perpetual, royalty free right to copy, use, and create derivative works from the tooling and manufacturing test software used in production of the Products or Parts solely for the purpose of manufacturing and supporting products and parts that NCR will sell; provided that Solectron will have no obligation to provide any manufacturing test software which was developed by Solectron for use with the manufacture of products other than the Products and Parts. Solectron will grant NCR license to copy, use, and create derivative works from such non NCR specific manufacturing test software solely for the purpose of manufacturing and supporting products and parts that NCR will sell for a reasonable royalty taking into account any value that NCR has previously provided. NCR may exercise the foregoing licenses directly or have another person exercise them on its behalf. In addition, if NCR requests Solectron to consult with it or its manufacturer on questions related to the manufacturing of Products or Parts, Solectron will provide such consultation on a reasonable time and materials basis.

#### 14. MANUFACTURING LICENSE

In the event that NCR desires to manufacture any Product or Part through one of its subsidiaries due to regional deployment or volume constraint, the parties will negotiate in good faith a site specific licensing agreement to be amended to this Agreement. NCR agrees to provide to Solectron opportunity to bid for a period of 30 days for manufacturing such Products or Parts. If the Agreement is terminated by NCR due to Solectron's material breach of this Agreement or if Solectron discontinues the manufacture or marketing of the Product or Part, or is unable to supply NCR with NCR's reasonable requirements of Products or Parts ordered, Solectron will promptly grant a non-exclusive, world-wide license to NCR and provide all relevant information so that NCR may use, modify, copy, sell, distribute, manufacture, or have manufactured, Solectron's Products or Parts for the sole purpose of supplying Products or Parts to NCR's resellers, distributors, end users, or other customers. Such license shall apply only to Products and Part models that were purchased during the initial term of this Agreement. Such license shall apply only to Products and Part models that were purchased during the initial term of this Agreement.

ARTICLE III

Manufacturing Services

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1. BACKGROUND

1.1 Scope. NCR is in the business of producing, marketing, and integrating data processing systems and related equipment, software, supplies and services. Solectron provides manufacturing and other services related to the business of NCR and, subject to the terms and conditions set forth herein, agrees to sell or license its Products and Parts it has manufactured on behalf of NCR to NCR for either NCR's internal use or NCR's resale or license to NCR's customers. NCR will at its option procure Product from Solectron which may or may not be resold under NCR's logo. From time to time, the parties may agree to additional products or features that will be defined by their specifications and acknowledged and added to this Agreement through the new product/feature process set out in Exhibit F. The parties may agree from time to time to additional services that Solectron will perform for NCR. Such additional services may be added by an amendment to this Agreement or by execution of a separate agreement. Solectron shall have no right to sell any Products or NCR designed Parts covered by this Article III to anyone other than at NCR explicit direction.

1.2 Leading Technology. The parties intend that NCR shall be a leading edge supplier of information technology products. To this end Solectron will both inform and provide a commercially reasonable opportunity for acquisition of new and emerging Solectron and industry technology and manufacturing capabilities. At a minimum NCR will be informed by Solectron at least on a concurrent basis with Solectron's other OEM customers in the same or similar markets of such emerging Solectron or industry technology or manufacturing capabilities.

1.3 Commitment. [ ]

1.4 Exceptions. The commitment in Section 1.3 of Article III does not [ ]

2. DEFINITIONS

2.1 "Committed Ship Date" ("CSD") - The date Solectron agrees to deliver to a factory an order release or replenishment signal.

2.2 [ ]

2.3 "Desired Receipt Date" ("DRD") - The date NCR requests in an Order or Release Order that Products or parts be delivered to NCR.

2.4 "Forecast" - A planning tool which expresses NCR's estimated Product demand, typically in weekly and/or monthly buckets, spanning a minimum of 9 months. It is understood that the Forecast is for planning and administrative purposes only, and that NCR will have no obligation to purchase any or all of the Products or parts identified in an NCR Forecast, except as otherwise provided herein.

2.5 "Lead Time" - The number of calendar days measured from the time Solectron receives an Order and/or sends a replenishment signal until Solectron ships the Product.

2.6 [ ]



- 2.7 "Master Purchase Order" or "MPO" - NCR's purchase authorization to Solectron for Products, Parts or services under this Agreement in preparation of the receipt of Purchase Orders. It is understood that MPO's are for planning and administrative purposes and are not Purchase Orders.
- 2.8 "Part" - Any component, subassembly, field replaceable unit, or other module of the Product sold under this Agreement.
- 2.9 "Product" - Any finished assembly, subassembly or module built by Solectron under this Agreement according to NCR Specifications.
- 2.10 "Purchase Order", "Sales Order" or "Order" - A document issued by NCR for the purpose of ordering Product or Parts pursuant to this Agreement. Purchase Orders, Sales Orders or Orders may include an NCR Purchase Order Form, an NCR Release Order Form written against an MPO, or a defined Electronic Data Interface (EDI) Order transmissions as defined by Solectron and NCR in an EDI Agreement attached as Exhibit G.
- 2.11 "Release Order" - A firm Order written against and referencing an existing MPO. A Release Order may also take the form of an Electronic Data Interface (EDI) Order transmissions as defined by Solectron and NCR in an EDI Agreement attached as Exhibit G.
- 2.12 "Specifications" - NCR provided prototypes, engineering drawings, diagrams and other documentation specific to a particular Product as amended from time to time.
- 2.13 "Software" - Versions of computer programs including software or firmware.

3. FORECAST/ORDER PLACEMENT/FLEXIBILITY

Provisions related to Forecasts, Order placement and flexibility are set forth in Exhibit B.

4. PRICES

4.1 [ ]

4.2 Pricing. Pricing will be determined as indicated in Exhibit B of this Agreement.

4.3 Cost Reductions. Solectron will continue throughout the term of this Agreement to reduce costs for all Products and Parts. All cost reductions will be shared in accordance with Exhibit B.

5. LEAD TIME, DELIVERY, AND PAYMENT

5.1 Lead-time. Purchase Orders will be received by Solectron in advance of the required delivery date, allowing for the lead time specified in Exhibit C, unless a shorter lead time is mutually agreed to in a specific Order.

5.2 Shipment. All Products and regular Orders for Parts purchased under this Agreement will be sold "ex-works" at each Solectron plant and made available for pick up by carriers designated by NCR in the Purchase Order. NCR shall pay the freight carrier directly. [ ]

Solectron will notify NCR prior to shipping a partial quantity of a particular Order of Products or Parts. [ ]

- 5.3 Delivery Timing. NCR and Solectron will work together to ensure maximum  
-----  
order delivery flexibility. A maximum of 3 days early and 0 days late shall be allowed for all deliveries, unless NCR specifically requests other delivery terms. Provided NCR is not the sole cause of any delay, if Solectron is unable, for any reason, to supply any portion of NCR's requirements of the Products or Parts as established by Purchase Orders, such portion will be considered to have been purchased from Solectron for purposes of determining price when price is based on Product or Part quantity purchased by NCR. This will not, however, limit any other remedy to which NCR may be entitled on account of Solectron's inability to supply NCR's requirements.
- 5.4 Title and Risk of Loss. Title, risk of loss and damage will pass from  
-----  
Solectron to NCR upon receipt of Products and Parts from Solectron by NCR's selected common carrier at the designated Solectron plant (i.e. Duluth, GA, W. Columbia, SC, Dublin, Ireland, or other designated Solectron manufacturing facilities) or when delivered to NCR's representative.
- 5.5 Payment. Payment for all Orders will be [ ] from the date of NCR's  
-----  
receipt of a proper EDI invoice. Solectron will not invoice NCR prior to the shipping of the relevant Product or Parts. All prices and payments will be in US Dollars. Solectron's invoices shall contain the following information: a) NCR's Purchase Order numbers; b) NCR's Product I.D., part number or other relevant number; c) a description of the items shipped; d) the quantity of items shipped; e) the unit and extended price applicable thereto; and f) Solectron's serial number if applicable. Payment to Solectron will be made by wire transfer including remittance information or other electronic means selected by NCR to the following account an account as Solectron notifies NCR from time to time.
- 5.6 Shipping. NCR may provide shipping information electronically. Solectron  
-----  
will meet the following shipping requirements unless NCR requests otherwise:
- a) Ship the material complete unless otherwise instructed.
  - b) Ship all Products, Parts, and other items in accordance with "ex-works" terms.
  - c) Initiate shipments in accordance with routing instructions given by NCR.
  - d) Enclose a packaging memorandum with each shipment and, when more than one package is shipped, identify the package containing the memorandum.
  - e) Mark the Purchase Order number on all packages and shipping papers.
  - f) Mark with the NCR part number.
  - g) Mark the NCR freight account code on the bill of lading for truck shipments, or in the shipper's reference field on the air waybill, or in the reference field for UPS or RPS shipments.
  - h) All shipments are to be consolidated via the same mode on any one day to one consignment address under one bill of lading.
  - i) Include specific shipping instructions for spare parts as specified in Exhibit D.

- 5.7 Failure to Comply. If Solectron fails to comply with the terms of the  
-----  
agreed to shipping instructions, Solectron authorizes NCR to charge back any increased shipping costs incurred by NCR as a result of Solectron's noncompliance plus an administrative fee of twenty dollars (\$20) for each shipment which is not in compliance. NCR will provide Solectron with detailed shipping charges incurred by NCR as a result of Solectron's noncompliance.
- 5.8 Classification. Each company agrees to determine Harmonized Tariff and  
-----  
Export Control Classification Number data for each Product or Part that it designs, designs and manufactures, or procures from another vendor, and subsequently delivers to the other company. Upon request, each company will provide the other with all available information and assistance to permit an independent classification of the Product or Part.
- 5.9 Export Documentation. NCR will be responsible for the preparation of all  
-----  
shipping documents required to support the export of Products and Parts, including the export (commercial) invoice, SLI/SED, air/ocean waybills and Certificate of Origin. Solectron will be responsible for completing any documents required to convey Products and Parts to NCR's designated carrier and/or courier.
6. LICENSE OF SOFTWARE AND DOCUMENTATION
- 6.1 Software. As to Software authored by Solectron (the "Solectron Software")  
-----  
which may be provided separately or with the Product(s), Solectron hereby grants to NCR and its software reproducer a perpetual, worldwide, non-exclusive, non-transferable, royalty-free license to resell and reproduce copies of the Solectron Software for distribution for use with the Products and Parts. NCR will license the Software to its customers pursuant to NCR's standard terms and conditions. Solectron grants to NCR a perpetual, worldwide, non-exclusive, royalty-free license to use Solectron's trademarks and trade names on or in connection with the Solectron Software copies made under this Agreement. NCR agrees to take such reasonable steps as may be necessary to preserve copyrights to the Software and Software documentation. Solectron also agrees to use its commercially reasonable efforts to procure for NCR and its software reproducer, a similar license to Software supplied to NCR by Solectron in connection with the Products which Software is not authored by Solectron and will notify NCR if Solectron is unable to procure such a license.
- 6.2 Documentation. Solectron will provide documentation and marketing  
-----  
materials set out in Exhibit A ("Documentation"). Solectron will deliver the Documentation in electronic format. NCR may order copies of Documentation which Solectron specifies as orderable under the same terms as Products. Solectron hereby grants to NCR and its designated Documentation reproducer a perpetual, worldwide, non-exclusive, non-transferable, royalty-free license to reproduce, distribute, perform and display copies and create derivative works of the Documentation for use with the Products and Parts. The foregoing includes any medium such as Internet access (FTP, WWW) and CD-ROM.
- 6.3 NCR or Third Party Software. Solectron will comply with the provisions of  
-----  
Exhibit H with respect to any software provided to Solectron by NCR or a third party.

7. SERVICE SUPPORT REQUIREMENTS; EMERGENCY SPARE PARTS

Solectron will provide Product support in accordance with Exhibit D.

8. TAXES

Product prices do not include applicable federal, state or local sales, use, property, excise, or similar taxes that may be levied upon Solectron as a result of sale or delivery of any Product under this Agreement. All such taxes will be assumed and paid by NCR except any taxes refundable or creditable to Solectron. If a resale certificate or other document is required in order to exempt the sale of Products from taxes, NCR will furnish Solectron, at Solectron's request, with appropriate documentation prior to shipment by Solectron. If Solectron pays any such taxes at NCR's request, NCR will reimburse Solectron upon being appropriately invoiced for the exact amount of such taxes and being provided with documentation which will allow NCR to claim a credit for such taxes. Solectron shall be responsible for all taxes based upon its personal property ownership and gross or net income.

9. QUALITY

Solectron will use data driven processes based on continuous improvement and defect prevention with a goal of delivering defect free Products, Parts and services to NCR and its customers. Solectron will implement all quality processes that will contribute to meeting the quality and reliability requirements defined in Exhibits C.

10. WARRANTY

10.1 General Warranty. Solectron warrants that all Products manufactured or

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supplied herein will [ ]. Claims for Products not complying with this warranty will be submitted by NCR [ ]. For Parts and Software, Solectron will [ ]. For Parts and Software, Solectron will [ ]. Furthermore, Solectron warrants that [ ]. Solectron will [ ]. Solectron will [ ]. The warranty set forth above is [ ]. This warranty shall not apply to [ ]. EXCEPT AS SET FORTH IN THIS AGREEMENT, SOLECTRON MAKES NO WARRANTIES, WHETHER EXPRESS OR IMPLIED, OR STATUTORY REGARDING OR RELATING TO THE PRODUCTS, PARTS, SOFTWARE OR DOCUMENTATION, OR ANY MATERIALS OR SERVICES PROVIDED TO NCR UNDER THIS AGREEMENT. SOLECTRON SPECIFICALLY DISCLAIMS ALL IMPLIED WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE AND NON-INFRINGEMENT WITH RESPECT TO THE PRODUCTS, PARTS, SOFTWARE, DOCUMENTATION, AND SAID OTHER MATERIALS AND SERVICES, AND WITH RESPECT TO THE USE OF ANY OF THE FOREGOING.

10.2 DOA. If a Product or Part [ ], Solectron will [ ]. NCR will [ ].

---  
Solectron will [ ]

10.3 Services. Solectron will perform services by properly trained personnel

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with care appropriate to ensure world class execution.

10.4 Safety and Regulatory Agency Requirements. Solectron warrants that all

-----  
Products, Parts and packaging material will comply with all applicable country (as indicated by NCR in writing or in Exhibit E-III), federal, state and other governmental regulations in effect at the time of manufacture (including without limitation and similar regulations concerning safety, EMI and equipment labeling). Products and Parts will be listed or

certified by a nationally recognized testing laboratory with NCR's name, NCR's tradename, NCR's trademark and file number. Additional Product specific safety and regulatory requirements may be indicated in the Product Specifications. Solectron will promptly repair or replace, at its option and expense, non-complying Products or Parts, at the end user site, or alternately, will pay NCR its costs of remedying the non-compliance at the end user site. Any shipment of non-complying Products or Parts by NCR to Solectron, and the return shipment of repaired or replacement Products or Parts by Solectron to NCR under this Section, will be at Solectron's expense. NCR will take title to replacement Products and Parts at the Solectron facility that are intended for export and arrange for their shipment to the end-user site.

10.5 Year 2000. Solectron warrants that all Solectron Software will fully

-----  
comply with the "NCR Year 2000 Qualification Requirements Definition," attached as Exhibit I. At NCR's request, Solectron will provide evidence demonstrating adequate testing of the Products to assure compliance with the Definition. Solectron acknowledges that NCR may make similar warranties to its resellers, distributors, end users or other customers in reliance upon the foregoing. Solectron agrees to defend, indemnify, and hold NCR harmless from and against any demand or claim made by any third party (including but not limited to NCR's resellers distributors, end users or other customers) directly or indirectly alleging a Product's failure to comply with the warranty contained herein. [ ]

10.6 Epidemic Failures. An Epidemic Failure is defined as [ ]. Solectron

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provides [ ]. Solectron will [ ]. Solectron will [ ]. In the event of a claim of epidemic failure, [ ]. Solectron will [ ]. The parties agree that in the event of an Epidemic Failure regarding software, [ ]. Solectron shall [ ]

## 11. SPECIFICATION, ENGINEERING AND OTHER CHANGES

11.1 NCR Changes. The Specifications may only be amended by the NCR design

-----  
release process. Prior to any change becoming effective, all Products shipped by Solectron to NCR will conform to the existing Specifications, unless NCR otherwise requests. If any such change affects the price, delivery, quality or performance of said Product, an equitable adjustment will be negotiated between the parties prior to the implementation of the change. After an agreed upon effective date between NCR and the Solectron site for implementing changes, all Products shipped by Solectron will conform to the changed Specifications. Drawing corrections and minor changes which have no effect on form, fit, function or interchangeability will not be considered a change in the Specifications.

11.2 Solectron Changes. Solectron must not make design, supplier, or component

-----  
part changes to Product(s) manufactured for NCR without submitting a written Request for Change ("RFC") notice and NCR approving the changes and NCR will not unreasonable reject such changes. NCR will review Solectron's RFC and shall consider the feasibility of all proposed changes. Within the time frame set out in Exhibit F, NCR will furnish to Solectron a written response regarding the proposed changes, including its willingness to implement the change, and the time schedule required for implementation if appropriate.

11.3 Product Obsolescence and Phase Out. Solectron will accept all service

-----  
part Orders for new builds [ ] and the service repair costs shall be mutually agreed upon. Solectron will

provide NCR at least [ ] written notice prior to the termination within the [ ]. If during the [ ], Solectron has difficulty with production or repair of parts because of components becoming obsolete and Solectron has knowledge of component obsolescence, then Solectron will notify NCR at least [ ] prior to production termination. Prior to this production termination, NCR may develop a Forecast and make a final buy of the component parts so ongoing production or repairs may continue.

## 12. INDEMNIFICATION

12.1 IP Indemnification by Solectron. Solectron will [ ]. This Section states

-----  
Solectron's entire liability for infringement of patents, copyrights, trade secrets, and other intellectual property rights.

12.2 Parts Indemnification. Solectron also agrees to [ ]. Solectron will [ ]

12.3 IP Indemnification by NCR. If an actual or threatened claim of

-----  
infringement of intellectual property rights is asserted against Solectron due to [ ], NCR will [ ]. This Section states NCR's entire liability for infringement of patents, copyrights, trade secrets, and other intellectual property rights.

12.4 Litigation by Others.

-----  
12.4.1 Except for claims regarding intellectual property infringement covered in Sections 12.1 and 12.2 of this Agreement, [ ]

12.4.2 [ ]

12.4.3 [ ]

12.4.4 For purposes of any arbitration conducted between NCR and Solectron with respect to [ ]

12.5 Insurance. Solectron will maintain, at its expense, General Liability

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insurance including but not limited to Premises Operations, Products/Completed Operations, Contractual Liability, Independent Contractors, Broad Form Property Damage and Personal/Advertising Injury with minimum limits of US[ ] combined single limit per occurrence, Excess/Umbrella Liability insurance with minimum limits of US[ ] per occurrence. The insurance will a) name NCR as an additional insured; b) carry an endorsement that the insurance will be primary; c) if coverage is on a "Claims Made" form, then a policy must be maintained during the term of this Agreement and for a period of [ ] thereafter. Solectron will also, maintain, at its expense, Workers' Compensation/Employer's Liability insurance with statutory limits. Each insurance policy required by this agreement shall be issued by an insurance carrier with an A.M. Best rating of "A-" or better and shall be kept in force throughout performance of the services required by this Agreement. Certificates of insurance showing compliance with these requirements will be furnished by Solectron prior to the signing of this Agreement and sent to: NCR, Corp., Risk Management Department, 1700 S. Patterson Blvd. WHQ-3E, Dayton, OH 45479. Certificates will state that the policy or policies have been issued and are in force, will not expire or lapse, and will not be canceled or changed so as to affect the insurance described in the certificate. Compliance or non-compliance with the requirements of this Section shall not relieve Solectron from any responsibility to indemnify NCR or its liability to NCR as specified in any other provision of this Agreement. Indemnity obligations specified elsewhere in this Agreement shall not be

negated or reduced by virtue of any insurance carrier's denial of insurance coverage for the occurrence or event which is the subject matter of the claim; or refusal to defend any named insured.

### 13. OTHER OBLIGATIONS

13.1 Service Level Agreement. The parties will adhere to the service level

-----  
agreement set out in Exhibit F which describes requirements, measurements, and activities needed to release and support the Products.

13.2 Leading Edge Procurement. NCR and Solectron will proactively seek

-----  
opportunities to implement leading edge procurement processes such as demand pull, consignment, electronic data interchange, etc. Prior to implementation, the specific details of such processes shall be documented and added as an exhibit to this Agreement. Solectron is to proactively pursue similar activities with its suppliers.

13.3 Executive Reviews In addition to other meetings called for in this

-----  
Agreement, senior management from NCR and Solectron will meet quarterly for executive reviews to discuss the status of the relationship as well as strategic and other important issues.

### 14. TERM AND TERMINATION

14.1 Unless earlier terminated under any other provision of this Agreement, this Agreement will continue for an initial term as set out on the first page of this Agreement and, after that, will be automatically continue in force until NCR or Solectron gives 180 days notice of termination, or unless earlier terminated under any other provision of this Agreement.

14.2 Either party may terminate this Agreement upon 60 days prior written notice to the other party for failure of the other party to fulfill any of its material obligations, including failure due to causes specified in Section 5.3 of Article I; unless during such 60 day period the other party remedies the failure, in which case this Agreement will continue in effect as if the failure had not occurred. Termination of this Agreement by either Solectron or NCR under this Section will not prejudice or otherwise affect any manufacturing license to which NCR may be entitled. Termination of this Agreement by either party will not prejudice it or the other party to recover any money amounts or require performance of any obligations due at the time of the termination.

14.3 The following Sections will survive termination of this Agreement: Sections 1, 3, 4, 5.4, 5.9, 5.10, 5.11, 5.16 of Article I; Sections 1.1, 6, 7, 10, 12, 14.4, of Article III; and the continuation engineering portions of Exhibit F.

14.4 In the event of termination or expiration of this Agreement, or in the event NCR decides, subject to Section 1.3 of Article III to transfer manufacturing of a Product or Part to another person, Solectron will use reasonable efforts to efficiently transition the manufacture of Products or Parts to the other person. Solectron will bear its own costs of such transition except in the event of expiration of this Agreement or termination of this Agreement by Solectron for NCR's breach in which case NCR will pay for Solectron's reasonable out of pocket costs for transitioning the manufacture of Products or Parts to such other person. Solectron will deliver to NCR and grant NCR the worldwide, perpetual, royalty free right to copy, use, and create derivative works from the tooling and manufacturing test software used in production of the Products or Parts

solely for the purpose of manufacturing and supporting products and parts that NCR will sell; provided that Solectron will have no obligation to provide any manufacturing test software which was developed by Solectron for use with the manufacture of products other than the Products and Parts. Solectron will grant NCR license to copy, use, and create derivative works from such non NCR specific manufacturing test software solely for the purpose of manufacturing and supporting products and parts that NCR will sell for a reasonable royalty taking into account any value that NCR has previously provided. NCR may exercise the foregoing licenses directly or have another person exercise them on its behalf. In addition, if NCR requests Solectron to consult with it or its manufacturer on questions related to the manufacturing of Products or Parts, Solectron will provide such consultation on a reasonable time and materials basis.



PRODUCT SPECIFICATIONS  
-----

This Exhibit specifies the products that are covered by the Agreement.  
This Exhibit is divided into three parts (A-I, A-II, A-III).

Part A-I specifies [ ]

Part A-II specifies [ ]

Part A-III specifies [ ]

A-I [ ]

1.0 PRODUCT SPECIFICATIONS

NCR will provide Solectron a New Product Specification for each NCR product or feature to be developed by Solectron. The Product Specification will be comprised of one or more NCR produced documents that, in their entirety, provide the following required Product Information.

[ ]

2.0 PREFERRED SUPPLIER

Solectron will [ ]

A-II [ ]

In the event of any conflict between the terms of the Product CLASS Specification(s) listed in this Exhibit and the provisions contained in the Agreement, the terms of the Agreement shall prevail.

THE FOLLOWING TABLE (SECTION 1) LISTS THE PRODUCTS THAT WILL BE ORDERABLE THROUGH SOLECTRON. [ ]

A-III [ ]

IN THE EVENT OF ANY CONFLICT BETWEEN THE TERMS OF THE PRODUCT CLASS SPECIFICATION(S) LISTED IN THIS EXHIBIT AND THE PROVISIONS CONTAINED IN THE AGREEMENT, THE TERMS OF THE AGREEMENT SHALL PREVAIL.

The following tables (section 1) list the products that will be orderable through Solectron. The lists are [ ]

PRICING, LEADTIME, FLEXIBILITY, ORDER RESCHEDULING, CANCELLATION, AND RETURNED  
EVALUATION EQUIPMENT SCHEDULE

1. PRODUCT and PART PRICING:

Pricing for Orderable Products shall be established [ ] using the formula below. [ ]. The price will be [ ]. The pricing will [ ].

The pricing formula is as follows:

[ ]

Affiliates. If Solectron uses any of its affiliates to provide products, board assemblies, sub-assemblies, upgrade kits and components or perform other services under this Agreement, Solectron will ensure:

[ ]

Columbia Lease. [ ]

2. DEFINITIONS:

[ ]

3. [ ] REVIEWS:

The NCR Cost Management Team will meet [ ] with the Solectron Cost Management Team to [ ]

4. [ ] REVIEWS:

E. Solectron will provide [ ]

5. [ ]

6. [ ]

7. PRICING FOR MANUFACTURING SERVICES:

[ ]

8. NCR Cost Improvement Commitments:

[ ]

9. [ ]

10. [ ]

11. PURCHASE ACTIVITY REPORTING

To the extent the facilities acquired from NCR do so prior to the Effective Date, Solectron shall do the following:

[ ]

12. LEADTIMES

[ ]

13. RETURNED EVALUATION EQUIPMENT

[ ]

Equipment deliveries will adhere to Committed Ship Dates. If the delivery is late, [ ]

14. [ ] PRICING:

[ ]

15. CONTINUOUS IMPROVEMENTS

All items listed in this Exhibit will be managed via a continuous improvement process. The process to be used is the Supplier Value Add (SVA) process. Solectron agrees to commit appropriate resources to facilitate this process.

QUALITY  
-----

Quality Exhibit C

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Exhibit C1 - Quality

- 1.0 Purpose
- 2.0 Scope
- 3.0 Terms and Definition
- 4.0 Quality Performance Requirements
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Exhibit C2- Performance Requirements and Metrics

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Exhibit C3 - Software Quality Assurance - Replication and Development

Installation Services

- 1.0 Definitions
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Software Development or Modification of Existing Software Component

- 1.0 Statements of Work
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- 4.0 Additional Support Requirements

Exhibit C1--Quality  
-----

1.0 PURPOSE

The purpose of Exhibit C1 (Quality) is to provide an overview of the quality requirements which are directly linked to the metrics defined in Exhibit C2 (Performance Requirements and Metrics). Additional requirements may be indicated in each Product Specification as well as NCR's Business Level Agreement. The content of Exhibit C1 also establishes a mutual understanding of NCR's qualitative objectives.

1.1 RESPONSIBILITY

Solectron must provide quality data in to NCR each month for review maintaining the same content and form that is currently in place. In the event that Solectron does not meet the requirements defined in Exhibit C2, immediate action must be taken to contain and correct all non-conformances. Solectron must submit a corrective action plan to NCR identifying all root causes and planned actions. NCR agrees to work with Solectron in a proactive manner to meet the stated goals. Solectron and NCR will work together to manually agree on ownership of expenses related to any non-conformances.

2.0 SCOPE

The parties commit to data driven processes based on continuous improvement and defect prevention with a goal of delivering defect free Products, Parts and Services to NCR and it's customers. This exhibit also establishes NCR's quality reporting requirements which will be used to measure Supplier performance against the requirements established in Exhibit C2. The intent is to establish Solectron's responsibilities for meeting NCR's quality / reliability goals and business objectives.

3.0 TERMS AND DEFINITIONS

3.1 Defective Product or Part. A defective Product or Part is one that

-----  
does not meet applicable warranty, functionality or other specified requirements indicated in this Agreement, the Exhibits or the Specifications.

3.2 Metrics. Specific measures that will be used to assess Supplier

-----  
performance with the primary focus on [ ]

3.7 Quality Improvement Plan (QIP). A formal method to be used by

-----  
Solectron to address and improve processes or products.

3.8 Return Material Authorization (RMA). Returned Material Authorization

-----  
is a process agreed to between Solectron and NCR for return of non-conforming Products or Parts, or incomplete / incorrect orders. Specific requirements are defined in section 6.0.

[ ]

3.10 Product Maturity. This is a point in time when results from Supplier

-----  
tests demonstrate a product is ready for general availability to customers. This is determined



using NCR's Product Readiness Assessment (PRA) model or mutually accepted equivalent.

3.11 Ongoing Reliability Tests. Ongoing Reliability Tests are a series of -----  
tests run on a continuous, statistically-based sample of production-level  
Products or Parts to validate reliability.

[ ]

3.16 New Product Introduction Plan (NPI) A NPI plan defines product  
-----  
specific quality objectives, strategies and methodologies and will be  
developed concurrent with product development (refer to section 4.6 for  
further details).

[ ]

#### 4.0 QUALITY PERFORMANCE REQUIREMENTS

Specific quality performance requirements will be stipulated in Exhibit C2  
Performance Requirements and Metrics. If performance levels are not  
consistently maintained, [ ]

4.1 Quality Improvement Plan (QIP). The Quality Improvement Plan must  
-----  
define the improvements and action needed to achieve the goals defined in  
Exhibit C2. Requirement must be manually agreed upon between NCR and  
Solectron. The plan must specify the quality metrics to be used to quantify  
improvement. NCR and Solectron will work together to jointly develop the  
quality plan. NCR will be responsible for providing quality data when  
applicable. This does not relieve Solectron of the responsibility to  
complete the plan and submit it to NCR for review and approval. Covered  
topics for Products and Parts manufactured for NCR will include, but are  
not limited to, [ ]. Owners and target dates will be included for each  
defined initiative. This document will be reviewed and updated [ ] or  
more often as needed, and will be managed by NCR and Solectron.

4.1.1 Software Quality Improvement. In the event that NCR elects to  
-----  
contract with Solectron for the design modification or reengineering of  
software products, Solectron will work with NCR to update Solectron's  
Quality Improvement Plan to reflect planned initiatives and actions to  
satisfy the software quality criteria and software metrics defined in this  
document Exhibit C3. NCR will be responsible for providing quality data  
when applicable.

[ ]

4.3 Quality Management System. Solectron must establish and maintain a  
-----  
quality system capable of measuring and evaluating product quality. [ ]

4.4 Quality Reporting. Solectron must be capable of providing [ ] quality  
-----  
data as defined in Exhibit C2 and data collection should be consistent with  
NCR's quality information strategy in a manner consistent with NCR's Pre-  
Acquisition Practices. Any data currently being provided by the pre-  
transition NCR Manufacturing Operations organizations to any functional  
organization remaining with NCR must be continued in format and content by  
Solectron. This includes [ ]. Data elements not previously discussed under  
this

Agreement, or other Specifications may also be required based on business needs and requirements.

4.4.1 Quality Information System Requirements. NCR requires Solectron to  
-----

[ ]

4.4.2 Product Configuration. For each product set, NCR will [ ]  
-----

4.4.3 Product/Component quality history. [ ]

4.5 Quality Goals. Solectron will be responsible for meeting or exceeding  
-----

all quality goals as defined in Exhibit C2 and / or the Quality Plan. On a product by product basis or by product families, NCR and Solectron will jointly develop goals using the [ ] and other quality based metrics as defined in Exhibit C2.

4.6 New Product Quality Plan/New Product Introduction (NPI). Solectron  
-----

shall develop and maintain a New Product Introduction (NPI) plan for all new hardware and software products designed for NCR in a manner consistent with NCR's Pre-Acquisition Practices. Prior to release of a Product or Part, NCR will review with Solectron the NPI plan requirements. NCR's review and acceptance of the plan does not relieve Solectron of the responsibility for achieving the quality and reliability terms defined in the plan. As applicable the minimum plan elements are:[ ]

The NPI plan must also include the following elements to the extent consistent with NCR's Pre-Acquisition Practices:

[ ]

4.7 In Process Quality Control / Quality Audits. The section below defines  
-----

NCR's requirements for in process quality control and quality auditing.

[ ]

4.8 Material Handling. Solectron is responsible for exercising proper  
-----

material handling procedures. This includes [ ]

4.8.1 Environmental Requirements. Solectron must adhere to state and  
-----

federal laws for the storage and disposal of all hazardous materials.

4.9 Supply Line Management. To the extent jointly agreed by NCR and  
-----

Solectron, [ ]

4.9.1 Approved Vendor List (AVL). Solectron must develop and maintain an  
-----

AVL for products that they design. NCR will [ ]

4.9.2 Commodity Strategies. Solectron will review their key commodity  
-----

strategies with NCR on a regular basis. These strategies will [ ]

4.10 Change Control Process. For Products and Parts designed for NCR,  
-----

Solectron must establish and maintain a change control process capable of managing Engineering Change Orders. [ ]

4.11 Resources. NCR and Solectron will work in good faith to maintain  
-----  
adequate resources to meet NCR's improvement goals and objectives.

4.12 Software Quality Assurance. Any functional or test software design  
-----  
or revision (includes BIOS, firmware, and testware) performed by Solectron  
that impacts equipment purchased by NCR will be performed using controlled  
processes documenting industry-accepted Software Quality Assurance  
practices. Specific requirements are defined in Exhibit C3 and  
include [ ].

4.13 Customer Satisfaction Issues. For products or parts designed or  
-----  
manufactured for NCR, Solectron will [ ].

#### 5.0 NOTIFICATION OF CHANGE

The reference to "changes" in this section refers to changes to [ ]. The  
notice of change from Solectron must include at a minimum the following:

1. [ ]

5.1 Unless otherwise agreed for all design related changes, Solectron is  
required to submit Notification of Change to the identified NCR contacts.  
NCR and Solectron will agree to the appropriate response time in line with  
the requirements necessary to meet end-user demand. It is expected that  
Solectron will notify NCR of intended changes [ ].

5.2 [ ]

5.5 NCR will respond in writing with the approval or rejection of the  
change request.

[ ]

#### 7.0 FORMAL REVIEWS AND AUDITS

NCR at it's own discretion shall have the right to perform formal audit and  
reviews of all Solectron processes affecting products purchased by NCR in  
accordance with Section 3 of Article I of the Agreement. NCR will provide  
Solectron with written advance request of such audit. Solectron must permit  
reasonable access to all processes and procedures to provide the necessary  
support for successful completion of the audit. This includes and is not  
limited to any requested data or information as it applies to the products  
being manufactured or designed. The following are classified as formal  
reviews:

1. [ ]

All formal reviews and audit findings shall be documented along with  
corrective action plans and action items. Audit findings will be documented  
and reported using the supplier corrective action process. NCR may or may  
not perform all of the above reviews. Solectron will provide all  
reasonable assistance with any such requested review by NCR. Performance  
of such will be based on business needs.

#### 8.0 RELIABILITY PROGRAMS

The purpose of this section 8 is to define Solectron's responsibility for  
meeting NCR's [ ] requirements as defined in Exhibit C2 and/or the Product  
Specifications. [ ]

#### 9.0 NCR SUPPLIER MANAGEMENT PROCESS

NCR expects Solectron to be a participatory partner in applying NCR's supplier development and Supplier Value Add (SVA) processes. [ ]

Both parties will work together to coordinate and align NCR's SVA and QIS programs with Solectron's Customer Satisfaction Index (CSI).

#### 10.0 WEIGHTS AND MEASURES

Products being shipped into or within European Union countries are required to be manufactured in facilities that have a Quality System Approved to Council Directive 90/384/EC, Non Automatic weighing Instruments. Solectron must comply to this requirement. These products include and are not limited to Scales, Scanner Scales, and POS terminals that interface to non-automatic weighing systems.

#### 11.0 LASER SAFETY

Solectron must comply to Laser Safety standards as defined by [ ]

Exhibit C2 -Performance Requirements and Metrics

1.0 PURPOSE

The purpose of Exhibit C2 is to define NCR's quality metrics and to establish Solectron's performance requirements for 1998 in a manner consistent with NCR's Pre-Acquisition Practice. [ ]

2.0 METRICS

The metrics shown in the subsequent sections are taken directly from NCR's Balanced Score Card. The Score Card represents metrics that are critical to the success of NCR's business. They will be used to measure Solectron's performance on a monthly basis to determine if the stated requirements are being met

[ ]

3.0 NCR 1998 Balanced Scorecard Objectives

Solectron must provide the data represented below each month, along with [ ]

Purpose

The purpose of this section is to specify quality assurance terms when Solectron performs software installation services or Software development services.

I INSTALLATION SERVICES

1.0 Definitions

1.1 "Preinstalled Software Product" - shall mean a copy of the Software Product installed on each Product hard disk or on a CD Rom.

1.2 "Software Development Product" - shall mean software developed or modified by Solectron for NCR.

1.3 "Software Product" - shall mean any copyrighted and/or patented software product(s) (including where applicable, Software Product in object code form, Software Product documentation) owned by NCR or a third party.

1.4 "Software Product Deliverables" - shall mean (i) Software Product in object code form (ii) installation utilities, if applicable (iii) a single copy of Software Product documentation; and (iv) or otherwise identified by Software Product publisher as Software Product Deliverables.

1.5 "Statement of Work" (SOW) - shall mean a document negotiated by NCR and Solectron amended to this Agreement that contains the business terms and technical descriptions for each Software Development Product.

2.0 GOLD DRIVE LOADS (Master Software Loads)

NCR will provide Solectron with written instructions indicating specific Software Products which may only be installed on specific Products. Solectron may not install or distribute the Software Product in any other manner other than described in these written instructions and then only within the parameters specified in this Exhibit and Exhibit H. Solectron shall distribute Software Product only in the Product configurations specified by NCR.

3.0 Record Keeping and Inspections

Solectron agrees to keep all usual and proper records and books of account and all usual and proper entries relating to each Software Product licensed sufficient to substantiate the number of copies of Software Product and the number of Products distributed for NCR. Solectron agrees to report to NCR in the form provided by NCR, information concerning Software Products installed, including, without limitation, the number of units of each Software Product installed and/or the number of packages

inserted, corresponding NCR model number(s), and shipment destination; and, the number of units of Software Product packages in inventory.

4.0 General

-----

4.1 NCR shall have the right to inspect actual incidents of the loads of Software Products.

4.2 Solectron shall document and communicate to NCR its procedures for executing software loads.

4.3 Solectron will document and adhere to procedures for the physical security of any gold drives provided by NCR. In addition Solectron will document tests and procedures to assure that no virus or other harmful code is introduced to the gold drives or Products intended to be loaded by the gold drives.

5.0 Additional Support Requirements

-----

[ ]

II. SOFTWARE DEVELOPMENT OR MODIFICATION OF EXISTING SOFTWARE COMPONENT

Purpose

-----

In the event that NCR elects to contract with Solectron for software development or the design modification of existing software products, the balance of this Part II of this Exhibit and Exhibit H shall apply.

1.0 Statements of Work

-----

1.1 The requirements shall be included as part of a negotiated Statement of Work.

[ ]

1.2 System Testing

1.2.1 Solectron agrees to fully test the identified deliverables to ensure that the system [ ]

1.2.4 The following criteria must be met for Solectron to release the deliverables to NCR:

[ ]

1.2.5 A system test report shall be generated by Solectron at the completion of system testing and promptly communicated to NCR. The test report shall include the following information:

[ ]

1.2.6 NCR reserves the right to send a software quality assurance representative to Solectron to be present during the system testing to audit the processes and results of Solectron's system testing efforts.

## 2.0 Acceptance Testing

2.1 NCR shall conduct, or have conducted, acceptance testing on the deliverables provided by Solectron. Such testing shall generally include the following:

[ ]

2.1.3 NCR will communicate the results of its acceptance testing to Solectron, via a written report.

## 3.0 Closed Loop Corrective Action

During the execution of the technical and non-technical requirements contained within the Statement of Work, Solectron shall comply with the Closed-Loop-Corrective-Action requirements (CLCA) as indicated in Exhibit C of the Agreement.

## 4.0 Additional Support Requirements

4.1 Configuration Management. Solectron shall ensure that full software configuration management is done for all Software projects. This shall include, but not be limited to:

[ ]

4.2 Solectron will provide [ ]

[ ]

4.4 NCR reserves the right to make, or have made, version changes to the developed Software component.

4.5 If specified in the SOW, Solectron shall provide the deliverables, including source code and/or documentation (information products) to an escrow agent identified by NCR. NCR reserves the right to audit the escrow account to ensure compliance with the escrow requirement.

4.6 Solectron must provide full Product(s) support including communication with NCR, as necessary, to resolve system level problems. This includes [ ] In the event the Agreement is terminated Product support will continue as described.

[ ]



SUPPORT SERVICES REQUIREMENTS  
-----

1.0 SCOPE

Unless otherwise specified, all defined terms in the Agreement have the same meaning when used in this Exhibit. NCR will act as the primary point of contact for all Customers experiencing Product problems. Solectron plays a key role in enabling NCR to support its Customers. This Exhibit details Solectron's responsibilities with respect to that support and is the definitive agreement for Service Parts and Service related items. In addition, Solectron will [ ].

2.0 TECHNICAL INFORMATION

2.1 To the extent available now, [ ], and during the life of this Agreement, Solectron will provide the following, collectively referred to as "Technical Information," [ ]

2.2 Where available documentation will be in Microsoft Word electronic format suitable for reproduction, and will be updated by new documentation from time-to-time as it becomes available at no cost to NCR. Documentation currently available will be provided to NCR as soon as practicable, but not more than thirty (30) days following the signing of this Agreement. New documentation will be provided to NCR within thirty (30) days following its creation.

2.3 NCR will have the right to copy, modify and use, and have copied, modified and used, the Documentation provided by Solectron for the purpose of providing desired manuals, training or support materials, or the like concerning the Product, provided that any Solectron and Solectron vendor copyrights therein are appropriately safeguarded. Such manuals, training or support materials shall be used solely to support the Products. Solectron will include with each unit of Product purchased a complete set of Documentation agreed upon by NCR and Solectron relating to the operation and/or maintenance thereof as is customarily supplied to end users.

3.0 TRAINING

Solectron will provide Product training ("Train the Trainer") [ ]. Solectron authorizes NCR to video tape such classes and grants to NCR a royalty-free license to duplicate and distribute the tape and any related class materials to NCR authorized support providers.

4.0 TECHNICAL SUPPORT

4.1 General Description. [ ]

4.2 Levels of Support

[ ]



5.7 EDI. Solectron and NCR agree to use EDI to exchange data between the two companies. Transactions are, but not limited to, Purchasing, acknowledgment, shipping, invoicing, and defective receipt. (Refer to exhibit G)

5.8 Pricing. [ ]

#### 6.0 PRODUCT CHANGES

6.1 NCR Approval. Notwithstanding NCR's approval of Product Changes, Solectron agrees to the following with respect to any change in the Product or its Parts that Solectron has design ownership or supply line management responsibility.

[ ]

#### 7.0 WARRANTY REIMBURSEMENT

[ ]

#### 8.0 SUPPLIER'S SUPPORT SERVICES PERFORMANCE

Support Services performance will be measured using the [ ] The results of which will trigger appropriate management escalation processes.

EXHIBIT E  
-----

SAFETY AND REGULATORY AGENCY REQUIREMENTS  
-----

EXHIBIT E IS DIVIDED INTO TWO PARTS:

PART E-1 APPLIES TO PRODUCTS COVERED BY THE AGREEMENT FOR WHICH SOLECTRON HAS DESIGN OWNERSHIP.

PART E-2 APPLIES TO PRODUCTS COVERED BY THE AGREEMENT FOR WHICH NCR HAS DESIGN OWNERSHIP.

FOR SOLECTRON ENGINEERED PRODUCTS

SAFETY AND REGULATORY AGENCY REQUIREMENTS BY COUNTRY

Solectron is responsible for assuring that product design complies with the applicable regulatory requirements, obtaining the appropriate regulatory certifications, and manufacturing products in compliance with the appropriate regulatory requirements. These responsibilities apply to requirements, set out below, set out in the Specification for the Product, or any other requirements that apply in the jurisdictions set out below or in the Specification for the Product. One copy of each international certification documentation with the testing and compliance investigation reports, shall be maintained by Solectron for at least ten years beyond the last date of manufacture, or provided to NCR for archival purposes. NCR may update this Exhibit from time to time as regulatory or safety requirements change.

United States Requirements - For Products intended for release in the United States:

- A. Product Safety - The Product will be Listed , per UL Standard 1950 for use as Information Technology Equipment, by Underwriters Laboratories or other Nationally Recognized Test Laboratories. Each unit will be marked with the appropriate safety agency labeling requirements.
B. Electro-Magnetic Emissions - The Product will comply with Federal Communications Commission (FCC) requirements CFR Title 47, Parts 2 and 15. Each unit will be labeled appropriately for Class A or Class B and documentation will contain user statements as required per the FCC rules.
C. Telecommunication Equipment - All equipment that connects directly to a telecommunication network, either public or private, will comply with Federal Communications Commission (FCC) requirements CFR Title 47, Part 68. Each unit will be labeled appropriately as required by the FCC rules.
D. Laser Containing Devices - All Products which contain laser devices (scanners, printers, CD devices, etc.) must comply with the Department of Health and Human Services (DHHS) regulations CFR Title 21, Subchapter J. Each unit will bear a DHHS compliance label and any caution labels appropriate for the class laser device integrated into the Product per the regulations. All Product documentation must contain the required user warning statements. In addition, Products must comply with individual state laws (i.e., New York) that require additional registration and/or approval.
E. Ozone Depleting Chemicals - Seller will label all Products and Parts (including all packaging) as required by the United States Environmental Protection Agency's regulations in effect at the time of delivery of the Product or Parts. As of September 1993, the basic regulations may be found at Volume 40 of the Code of Federal Regulations, Part 82, entitled "Protection of Stratospheric Ozone," Subpart E, entitled "The Labeling of Products Using Ozone Depleting Substances."

International Requirements - For Products intended for release outside the U.S.:

Check off applicable regulatory requirements for countries and regions where Product release and installations are planned outside the United States.

- A. Product Safety:
X Canada - The Product will be certified by the Canadian Standards Association for compliance with the latest edition of the CSA Standard C22.2 No. 950, Safety of

Information Technology Equipment. As an alternate, Underwriters Laboratories may be used for certification to CSA Standard C22.2 No. 950.

European Community (EC) - Product compliance with EC Directive 73/23/ECC (Low Voltage Directive) is required. Testing and certification by any national "notified Body" (VDE, TUV, BSI, etc.) for compliance to EN 60950 "Safety of Information Technology Equipment" is acceptable. Products should be appropriately labeled with the European CE mark.

CB Scheme - A CB Certificate and Report verifying compliance to IEC 950/EN6050 including Nordic deviations must be provided.

Mexico - Certification to NOM-019 is required.

Saudi Arabia - Certification by SASO is required

Russia - GOST-R Certification is required.

Other International Countries - Product compliance with IEC 950, "Safety of Information Technology Equipment" is required.

#### B. Electro-Magnetic Emissions:

Canada - Compliance with U.S. FCC rules is satisfactory for Canadian requirements but Additionally each Product must be labeled and documentation statements included per the Canadian Department of Communications Radio Interference Regulations.

European Community (EC) - Product compliance with EC Directive 89/336/ECC (EMC Directive) is required. Testing for compliance is required to the following European standards: EN55022 (emissions), EN50082-1 (immunity), EN61000-3-2 (harmonic currents) and EN61000-3-3 (flicker). All test results are to be documented in a formal report and provided to NCR. Products should be appropriately labeled with the European CE mark.

Japan - Products must be tested and certified for Japanese VCCI compliance. Products must be labeled per VCCI requirements.

Korea - Products must be tested and certified by the Korean Radio Research Laboratory for compliance with the Korean Ministry of Communication Ordinance 825.

Australia/New Zealand - Products must be tested and certified for compliance with AS/NZS 3548: 1995. All test results are to be documented in a formal report and provided to NCR. Products should be appropriately labeled with the C-Tick mark per the requirements of the Australian Communications Authority.

Taiwan - Products must be in compliance with the "Commodity EMC Regulation" and tested for compliance to Chinese National Standard 13438 by a laboratory approved by the bureau of Commodity Inspection & Quarantine (BCIQ). Products should be appropriately labeled with the Taiwan Certification mark per the requirements of the BCIQ.

#### C. Telecommunication Equipment Approvals:

Canada - The Product must have an equipment grant issued by the Canadian Department of communications (DOC) verifying compliance with the Standard for Technical Equipment CS-03.

European Community (EC) - Product compliance with EC Directive 91/263/ECC (Telecom Directive) is required. Testing and certification for compliance is required to the appropriate European Common Technical Requirements (CTR's). Products should be appropriately labeled with the European CE mark and any country specific requirements.

Other International Countries - Most countries outside the U.S. require permission (which may be in the form of a license) to be obtained from a local PTT authority prior to connection to

a telecommunications network. Specific country PTT approvals for the purchased Product should be specified below. Products should be appropriately labeled with any country specific requirements.

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D. Laser Containing Products:

Outside the U.S. - Products containing laser devices must show evidence of compliance with IEC 825 "Safety of Laser Devices".

NOTE: All products must be certified and labeled in accordance with the specific requirements for the regulatory approvals required above in this Exhibit E, Part E-II. As new national statutory and regulatory requirements emerge, and as current requirements are revised, Solectron will be responsible for maintaining compliance of product design accordingly. Solectron will be responsible for insuring that production units are modified as needed to maintain compliance to such new requirements.

FOR NCR ENGINEERED PRODUCTS

SAFETY AND REGULATORY AGENCY REQUIREMENTS BY COUNTRY

NCR is responsible for assuring that product design complies with the applicable regulatory requirements. Solectron will be responsible for manufacturing products in compliance with the appropriate regulatory requirements. Solectron must assess the potential impact of build changes on regulatory compliance and consult with NCR's Regulatory Compliance Team as needed prior to making such changes. Any changes to components, materials, or suppliers should be reviewed and approved by NCR's Regulatory Compliance staff prior to implementation. NCR's Product Safety Engineer should have access to Solectron's manufacturing facility to perform audits for safety compliance. These responsibilities apply to requirements, set out below, set out in the Specification for the Product, or any other requirements that apply in the jurisdictions set out below or in the Specification for the Product. One copy of each international certification documentation with the testing and compliance investigation reports, shall be maintained by NCR for at least ten years beyond the last date of manufacture. NCR may update this Exhibit from time to time as regulatory or safety requirements change.

United States Requirements - For Products intended for release in the  
-----  
United States:  
-----

- A. Product Safety - NCR is responsible for obtaining UL Listing or Recognition per UL Standard 1950 for use as Information Technology Equipment, by Underwriters Laboratories or other Nationally Recognized Test Laboratories. Solectron will assure that each unit will be marked with the appropriate safety agency logo and the required safety warnings (both markings and documentation) shall be provided as specified by NCR. Solectron will manufacture products in accordance with safety agency requirements and provide the necessary documentation to identify materials and components available for UL Field Representatives during inspections. Solectron shall also perform production-line testing in accordance with safety agency requirements and insure that products are constructed in accordance with the safety agency's Follow-up Service Procedure.
- B. Electro-Magnetic Compatibility- NCR is responsible for insuring that product design complies with Federal Communications Commission (FCC) requirements CFR Title 47, Parts 2 and 15. Solectron will assure that each unit will be labeled appropriately for Class A or Class B and documentation will contain user statements as required per the FCC rules and as specified by NCR. For products which incorporate intentional transmitters, each unit should be labeled with the required FCC ID number.
- C. Telecommunication Equipment - All equipment that connects directly to a telecommunication network, either public or private, will comply with Federal Communications Commission (FCC) requirements CFR Title 47, Part 68. Each unit will be labeled appropriately as required by the FCC rules.
- D. Laser Containing Devices - All Products which contain laser devices (scanners, printers, CD devices, etc.) must comply with the Department of Health and Human Services (DHHS) regulations CFR Title 21, Subchapter J. Each unit will bear a DHHS compliance label and any caution labels appropriate for the class laser device integrated into the Product per the regulations. All Product documentation must contain the required user warning statements. In



addition, Products must comply with individual state laws (i.e., New York) that require additional registration and/or approval.

- E. Ozone Depleting Chemicals - Seller will label all Products and Parts (including all packaging) as required by the United States Environmental Protection Agency's regulations in effect at the time of delivery of the Product or Parts. As of September 1993, the basic regulations may be found at Volume 40 of the Code of Federal Regulations, Part 82, entitled "Protection of Stratospheric Ozone," Subpart E, entitled "The Labeling of Products Using Ozone Depleting Substances."

International Requirements - For Products intended for release outside the  
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U.S.:  
-----

A. Product Safety:

Solectron will assure that each unit will be marked with the appropriate safety agency logos and the required safety warnings (both markings and documentation) shall be provided as specified by NCR. Solectron will manufacture products in accordance with safety agency requirements and have the necessary documentation to identify materials and components available for safety agency representatives during inspections. Solectron shall also perform production-line testing in accordance with safety agency requirements.

NCR insure that product design complies with safety agency requirements for the countries where products will be sold and obtain the necessary agency certifications. As noted below:

Canada - The Product will be certified by the Canadian Standards Association for compliance with the latest edition of the CSA Standard C22.2 No. 950, Safety of Information Technology Equipment. UL certification for Canada (C-UL) in accordance with UL 1950 3<sup>rd</sup>/ Edition may be obtained in lieu of CSA certification.

European Community (EC) - Product compliance with EC Directive 73/23/ECC (Low Voltage Directive) is required. Testing and certification by any national "notified body" (VDE, TUV, BSI, etc.) for compliance to EN 60950 "Safety of Information Technology Equipment" is acceptable. Units destined for EU countries should have the CE mark on the product ID label and carton.

European Free Trade Association (EFTA) Countries - Product testing and certification by NEMKO (or equivalent) for compliance to EN 60950 is required.

Mexico -. Certification to NOM-019 is required

Saudi Arabia - Certification by SASO.

Russia - GOST-R Certification is required.

Other International Countries - Product compliance with IEC 950, "Safety of Information Technology Equipment" is required.

B. Electro-Magnetic Compatibility

Solectron will assure that each unit will be labeled appropriately for Class A or Class B and documentation will contain user statements as required and as specified by NCR. NCR shall insure that product design complies with the EMC requirements for the respective countries where products will be sold and obtain the necessary certifications as noted below:

Canada - Each product must be labeled and documentation statements included per the Canadian Department of Communications Radio Interference Regulations.

European EU Countries -Compliance with the EU's EMC Directive 89/336/EEC, EN 55022 (CISPR 22) and EN50082-1.Units destined for EU countries should have the CE mark on the product ID label and carton.

European EFTA Countries - Products must comply with the requirements of CISPR 22 or EN 55022.

Japan - Products must be tested and certified for Japanese VCCI compliance.

Korea - Products must be tested and certified by the Korean Radio Research Laboratory for compliance with the Korean Ministry of Communication Ordinance 825.

New Zealand and Australia - Products must be tested and certified for compliance in accordance with the Electromagnetic Compatibility Framework using AS/NZS 3548:1995 and bear the C-Tick mark and the Australian Company Number (ACN).

Taiwan - Products must be tested and certified for compliance with CNS 13438. Product should be marked with BCIQ (Bureau of commodity Inspections & Quarantine) certification number and marking.

Other International Countries - Evidence of compliance with CISPR 22 is required.

For products which incorporate intentional transmitters, the required certifications will be obtained by NCR. Solectron shall insure that each unit should be labeled with the required certification numbers.

C. Telecommunication Equipment Approvals:

Canada - The Product must have an equipment grant issued by the Canadian Department of Communications (DOC) verifying compliance with the Standard for Technical Equipment CS-03.

United Kingdom - The Product must be authorized by the British Approvals Board for Telecommunications (BABT) for connection to a telecommunication network.

Other International Countries - Most countries outside the U.S. require permission (which may be in the form of a license) to be obtained from a local PTT authority prior to connection to a telecommunications network. Specific country PTT approvals for the purchased Product should be specified below.

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D. Laser Containing Products:

Outside the U.S. - Products containing laser devices must show evidence of compliance with IEC 825 "Safety of Laser Devices".

NOTE: All products must be labeled in accordance with the specific requirements for the regulatory approvals required above in this Exhibit E, Part E-III. As new national statutory and regulatory requirements emerge, and as current requirements are revised, NCR will be responsible for maintaining compliance of product design accordingly. Solectron will be responsible for insuring that production units are modified as needed to maintain compliance to such new requirements.

SERVICE LEVEL AGREEMENT  
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This exhibit contains four distinct sections pertaining to the relationship between Solectron and NCR. The sections have been separated to add clarity to service levels required for each.

Section I: NCR RSG design owned product sourced and/or manufactured from Solectron

Section II: NCR CSG design owned product sourced and/or manufactured from Solectron

Section III: Solectron design owned product sourced and/or manufactured from Solectron

Section IV: NCR Staging Definition and Implementation

Service level agreement

SECTION I: NCR RSG design owned product sourced and/or manufactured from Solectron

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## 1.0 Purpose

This Service level agreement outlines the minimum acceptable expectations for the Manufacturing Partnership between Solectron and NCR-RSG. [ ]

Detailed process information supporting these service level expectations are included in the Business level agreement which is expected to be a living document which NCR and Solectron associates use to guide themselves in their day-to-day work activities.

## 2.0 Definition of Terms

- 2.1 B-models: Pre-production models of a new product. At NCR's option, NCR may request that Solectron build B-models. See the B-model manufacturing paragraph in the New Product Introduction section 6.0 for more detail.
- 2.2 A-models or Prototype: For the purpose of this agreement, there is no difference between A-models, Prototypes, and B-models.
- 2.3 C-models: Full production quality units. Although production units for a product that have been in production for a year are technically "C-models", the term is most often used to describe the first set of production units that are used to run final product acceptance testing, and are expected to either be sold to end customers or to be functionally identical to the first units sold to customers.
- 2.4 ICI: Initial Customer Installation: The first customer installation of C-models of a new product that have completed all of the required NCR certifications. The term ICI is sometimes used to refer to the product development milestone, ICI-ready, where the first C-model units have been built and are ready to be sold and shipped to a customer.
- 2.5 GCA: General Customer Availability: Product is ready for volume shipments with no special controls or filters on incoming orders.
- 2.6 CD/E: Controlled Deployment and Evaluation: Typically, the period of time between [ ].
- 2.7 FBOM: NCR's Featurized Bill of Materials used to control the certified configurations of the Product. The FBOM includes [ ].
- 2.8 EBOM or Preliminary FBOM: [ ].
- 2.9 MCC Product cost: The cost/price at which Solectron transfers product to NCR as described in Exhibit B.
- 2.10 RSG Products: Products that Solectron manufactures for NCR as defined in the RSG section of Exhibit A. New products will be added to this exhibit in the future.
- 2.11 NCR SLM: NCR's Supply Line Management organization - responsible for supplier qualification, supplier management, and material purchasing, among other things.
- 2.12 NCR OLM: NCR's Order and Logistics Management - responsible for accepting customer orders and scheduling production, among other things.
- 2.13 PRT or PRT team: NCR's cross functional product development management team -responsible for product definition, development, and deployment. Team composition typically includes representatives from [ ]
- 2.14 Gold disk or Gold drive: A master copy of a hard disk with a binary image of an operating system and other software loaded onto it. This Gold Disk is then used in the manufacturing process to create multiple copies of which are to be used in NCR POS terminals
- 2.15 SCER: Special Construction Estimate/Engineering Request - A process that NCR uses to [ ].
- 2.16 Commodity management: Tasks associated with [ ]

- 2.17 Supplier management: Tasks associated with managing the continuous improvement of supplier performance in all aspects of a business relationship.
- 2.18 Acceptance Test (ACT): The ACT is a test process performed to certify the manufacturing process and the Supply Line Management Procurement Process. To make this test meaningful [ ].
- 2.19 Design Qualification Test (DQT): The DQT is a test process performed to certify that the design of the product meets the criteria as defined in the product functional specification. [ ]
- 2.20 Development Release (DR): The DR process is the process used by NCR to issue engineering change orders and the introduction/release of new products into manufacturing. For this document, the term DR includes [ ]
- 2.21 Manufacturing Trial Order (MTO): The MTO process is used to validate the manufacturing process and the end unit test process before the actual break-in of a DR. NCR and Solectron will jointly decide if an MTO is required for a new product or change DR.
- 2.22 Field Retrofit Order (FRO): Process executed due to a safety or reliability issue on an NCR product [ ]
- 2.23 Printed Circuit Board (PCB) layout: The PCB layout process is used to do the physical layout of circuit boards. Designers work from schematics to define the position of components and their interconnecting copper lines.
- 2.24 Request For Change (RFC): The RFC process is a formalized process for requesting engineering changes and manufacturing deviations for part substitutions. It is intended for use by NCR and Solectron as the vehicle for requesting all product changes
- 2.25 Stop Order/Stop Order Release (SO/SOR): The SO/SOR process is used as a method of controlling procurement, build and shipment of products. [ ]
- 2.26 WSL: NCR's inventory warehouse at Peachtree
- 2.27 CDC: Customer Delivery Center - NCR consolidation and staging center.
- 2.28 Material Requisition (MR): The MR process is used to order items from manufacturing stock. It requires a charge number for the item to be charged to.
- 2.29 Managed Support and Service Planning (MSSP): The MSSP group is an NCR group charged with planning all support activity and assuring the necessary steps are taken to support a new product or changes to an existing product.
- 2.30 SPPR: Service Parts Procurement Request
- 2.31 [ ]
- 2.32 Replacement Product- a product with a new or modified product set specification which meets all the following criteria:
  - 1. [ ]
- 2.35 New Product - a product with a new product specification which meets all of the following criteria:
  - 1) [ ]
- 2.36 Replacement Service: A new service which provides essentially the same results as an existing service covered by the Agreement, although possibly at an improved level of performance. If delivered at an improved level of performance, the improvement is considered a normal outcome of continuous improvement processes.

2.37 New Service: A new service which establishes a significant new capability/result or a significant enhancement to an existing service which would not normally be the outcome of normal commercial continuous improvement processes. The party receiving the service would normally be expected to compensate the service provider for this New Service if it was provided at the request of the receiver and if there is a material incremental cost incurred by the service provider to develop this service capability and if the receiver agrees to pay for said service.

### 3.0 Cost Tracking Requirements

3.1 Pricing: Product transactions between Solelectron and NCR RSG will be priced according to Exhibit B.

3.2 Cost Attack Team (CAT) Process

3.2.1 [ ]

3.3 Cost Reviews: All cost reviews will be conducted in accordance with Ex B.

### 4.0 Customer Delivery Requirements - Forecasting, Order Fulfillment

4.1 Forecasting: [ ]

4.2 Order Management: Solelectron will also be responsible for all order fulfillment activities, [ ]

4.3 Order Change Flexibility - NCR RSG currently measures [ ]

4.4 Order Responsiveness - [ ]

4.5 Invalid Order Configurations - [ ]

4.6 Shipment Records - Solelectron will send shipment transaction data to NCR [ ] This data will be used by NCR to update the [ ].

4.6.1 [ ]

4.7 Product Life Cycle Management - New Product Introduction

4.7.1 [ ]

4.8 Product Life Cycle Management - Product, Feature, Cable and Kit Discontinuation

4.8.1 [ ]

### 5.0 Quality Performance

Solelectron shall meet the requirements set forth in Exhibit C for NCR RSG designed products.

### 6.0 New Product Introduction

This New Product Introduction section defines the service level expectations associated with the release of a new product from engineering to manufacturing. There are some common processes used in New Product Introduction as well as in Continuation Engineering. These processes may be documented in the Continuation Engineering section. It is expected that Solectron will provide [ ]

6.24 [ ]

## 7.0 Continuation Engineering

This Continuation Engineering section defines the service level expectations associated with maintaining a product through the normal production life cycle. There are some common processes used in New Product Introduction as well as in Continuation Engineering. These processes may be documented in the New Product Introduction section. It is expected that Solectron will provide [ ].

Access to systems and data currently available is required in the execution of processes in this document. This is required to maintain and improve quality and productivity through electronic interfaces and automation.

[ ]

## 8.0 Export and Import Compliance

8.1 Solectron will be totally responsible for all import activities associated with materials that Solectron procures.

8.2 Solectron will be the exporter of record for all products/components/subassemblies it ships to other Solectron organizations.

8.3 NCR will be the exporter of record for all products, components, subassemblies, software and documentation ordered by NCR or its affiliates for export from the country of manufacture - currently the United States and Ireland.

8.4 The exporter of record will be separately accountable to the applicable government agencies for complying with all relevant regulations when importing or exporting Solectron products, components, subassemblies, software and documentation.

8.5 At NCR's request, Solectron will provide NCR with complete Bill of Materials (BOM) identifying country of origin and Solectron cost for each part or component separately integrated into its products. NCR will require this information where products manufactured in the United States are proposed for transactions involving the Agency for International Development (AID) or EX-IMBank. Further, NCR may require this information to determine if products manufactured outside the US are subject export controls based on US parts content.

## 9.0 Customer Order, Shipment and Inventory System Requirements

9.1 [ ]



10.0 Supply Line Management

10.1 Supplier Base

10.1.1 [ ]

10.2 Commodity Responsibilities

10.2.1 [ ]

10.2.2 [ ]

10.3 Engineering Support

10.3.1 [ ]

10.4 Continuous Improvement

10.4.1 Solectron agrees to drive continuous improvement throughout all aspects of the supplier relationship.

Service level agreement

SECTION II: NCR CSG design owned product sourced and/or manufactured from  
Solectron

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- 5.0 Quality Performance
- 6.0 New Product Introduction
  - 6.1 [ ]
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- 10.0 Supply Line Management
  - 10.1 Supplier Base
  - 10.2 Commodity Responsibilities
  - 10.3 Engineering Support
  - 10.4 Continuous Improvement

## 1.0 Purpose

This Service level agreement outlines the minimum acceptable expectations for the Manufacturing Partnership between Solectron and NCR-CSG. [ ]

Detailed process information supporting these service level expectations are included in the Business level agreement which is expected to be a living document which NCR and Solectron associates use to guide themselves in their day-to-day work activities.

## 2.0 Definition of Terms

- 2.1 B-models: Pre-production models of a new product. At NCR's option, NCR may request that Solectron build B-models. See the B-model manufacturing paragraph in the New Product Introduction section 6.0 for more detail.
- 2.2 A-models or Prototype: For the purpose of this agreement, there is no difference between A-models, Prototypes, and B-models.
- 2.3 C-models: Full production quality units. Although production units for a product that have been in production for a year are technically "C-models", the term is most often used to describe the first set of production units that are used to run final product acceptance testing, and are expected to either be sold to end customers or to be functionally identical to the first units sold to customers.
- 2.4 ICI: Initial Customer Installation: The first customer installation of C-models of a new product that have completed all of the required NCR certifications. The term ICI is sometimes used to refer to the product development milestone, ICI-ready, where the first C-model units have been built and are ready to be sold and shipped to a customer.
- 2.5 GCA: General Customer Availability: Product is ready for volume shipments with no special controls or filters on incoming orders.
- 2.6 CD/E: Controlled Deployment and Evaluation: Typically, the period of time between [ ]
- 2.7 FBOM: NCR's Featurized Bill of Materials used to control the certified configurations of the Product. The FBOM includes [ ].
- 2.8 EBOM: [ ]
- 2.9 MCC Product cost: The cost/price at which Solectron transfers product to NCR as described in Exhibit B.
- 2.10 CSG Products: Products that Solectron manufactures for NCR as defined in the CSG section of Exhibit A. New products will be added to this exhibit in the future.
- 2.11 NCR SLM: NCR's Supply Line Management organization - responsible for supplier qualification, supplier management, and material purchasing, among other things.
- 2.12 NCR OLM: NCR's Order and Logistics Management - responsible for accepting customer orders and scheduling production, among other things.
- 2.13 PRT or PRT team: NCR's cross functional product development management team -responsible for product definition, development, and deployment. Team composition typically includes representatives from [ ]
- 2.14 ERT or DRT team: NCR's cross-functional Engineering/Development Realization Team responsible for new product development, development schedules, product design, product certification, product requirements adherence and quality. Team composition typically includes [ ]
- 2.15 PRP/GRP: NCR's Program Realization Process used for the life cycle management of the Product from Product Conception through Product end-of-life.

- 2.16 Gold disk or Gold drive: A master copy of a hard disk with a binary image of an operating system and other software loaded onto it. This includes firmware. Master copies of any software or firmware may be on writable media (e.g.: disk or PROM) or may be reserved in a designated electronic file agreed to by both NCR and Solectron. This Gold Disk is then used in the manufacturing process to create multiple copies of which are to be used in NCR Servers.
- 2.17 SCER: Special Customer Engineering Request - A process that NCR uses to [ ].
- 2.18 Commodity management: Tasks associated with [ ].
- 2.19 Supplier management: Tasks associated with managing the continuous improvement of supplier performance in all aspects of a business relationship.
- 2.20 Acceptance Test (ACT): The ACT is a test process performed to certify the manufacturing process and the Supply Line Management Procurement Process. To make this test meaningful [ ]. Exceptions to the test will be provided in a report to NCR.
- 2.21 Design Qualification Test (DQT): The DQT is a test process performed to certify that the design of the product meets the criteria as defined in the product functional specification. [ ]
- 2.22 Development Release (DR): The DR process is the process used by NCR to issue engineering change orders and the introduction/release of new products into manufacturing. For this document, the term DR includes [ ].
- 2.23 Manufacturing Trial Order (MTO): The MTO process is used to validate the manufacturing process and the end unit test process before the actual break-in of a DR. NCR and Solectron will jointly decide if an MTO is required for a new product or change DR.
- 2.24 Field Retrofit Order (FRO): Process executed due to a safety or reliability issue on an NCR product, [ ].
- 2.25 Printed Circuit Board (PCB) layout: The PCB layout process is used to do the physical layout of circuit boards. Designers work from schematics to define the position of components and their interconnecting copper lines.
- 2.26 Request For Change (RFC): The RFC process is a formalized process for requesting engineering changes and manufacturing deviations for part substitutions. It is intended for use by NCR and Solectron as the vehicle for requesting all product changes
- 2.27 Stop Order/Stop Order Release (SO/SOR): The SO/SOR process is used as a method of controlling procurement, build and shipment of products. [ ]
- 2.28 WSL: NCR's inventory warehouse.
- 2.29 CDC: Customer Delivery Center - NCR consolidation and staging center.
- 2.30 Material Requisition (MR): The MR process is used to order items from manufacturing stock. It requires a charge number for the item to be charged to.
- 2.31 Managed Support and Service Planning (MSSP): The MSSP group is an NCR group charged with planning all support activity and assuring the necessary steps are taken to support a new product or changes to an existing product.
- 2.32 SPPR: Service Parts Procurement Request
- 2.33 [ ]
- 2.34 [ ]
- 2.35 [ ]
- 2.36 Replacement Product- a product with a new or modified product set specification which meets all the following criteria:
  - 1. [ ]

2.37 New Product - a product with a new product specification which meets all of the following criteria:

[ ]

2.38 Replacement Service: A new service which provides essentially the same results as an existing service covered by the Agreement, although possibly at an improved level of performance. If delivered at an improved level of performance, the improvement is considered a normal outcome of continuous improvement processes.

2.39 New Service: A new service which establishes a significant new capability/result or a significant enhancement to an existing service which would not normally be the outcome of normal commercial continuous improvement processes. The party receiving the service would normally be expected to compensate the service provider for this New Service if it was provided at the request of the receiver and if there is a material incremental cost incurred by the service provider to develop this service capability and if the receiver agrees to pay for said service.

### 3.0 Cost Tracking Requirements

3.1 Pricing: Product transactions between Solectron and NCR CSG will be priced according to Exhibit B.

3.2 Margin Improvement Team (MIT)

3.2.1 [ ]

3.3 Cost Reviews: All cost reviews will be conducted in accordance with Ex B.

### 4.0 Customer Delivery Requirements - Forecasting, Order Fulfillment

4.1 [ ]

4.2 Order Management: Solectron will also be responsible for [ ]

4.3.1 Order Change Flexibility - NCR CSG currently measures [ ]

4.4 Order Responsiveness - [ ]

4.5 Invalid Order Configurations - [ ]

4.6 Shipment Records - Solectron will send shipment transaction data to NCR [ ]. This data will be used by NCR to update the World Wide Inventory Transfer System.

4.6.1 [ ]

4.7 Product Life Cycle Management - New Product Introduction

4.7.1 [ ]

#### 4.8 Product Life Cycle Management - Product, Feature, Cable and Kit Discontinuation

4.8.1 [ ]

#### 5.0 Quality Performance

Solectron shall meet the requirements set forth in Exhibit C for NCR CSG designed products.

#### 6.0 New Product Introduction

This New Product Introduction section defines the service level expectations associated with the release of a new product from engineering to manufacturing. [ ] Specific timelines for any project will be negotiated on a project-by-project basis.

There are some common processes used in New Product Introduction as well as in Continuation Engineering. These processes may be documented in the Continuation Engineering section. All Solectron provided services documented in this section are expected to be provided at no additional cost to NCR.

6.1 [ ]

#### 7.0 Continuation Engineering

This Continuation Engineering section defines the service level expectations associated with maintaining a product through the normal production life cycle. There are some common processes used in New Product Introduction as well as in Continuation Engineering. These processes may be documented in the New Product Introduction section.

Access to systems and data currently available is required in the execution of processes in this document. This is required to maintain and improve quality and productivity through electronic interfaces and automation.

[ ]

#### 8.0 Export and Import Compliance

8.1 Solectron will be totally responsible for all import activities associated with materials that Solectron procures.

8.2 Solectron will be the exporter of record for all products/components/subassemblies it ships to other Solectron organizations.

- 8.3 NCR will be the exporter of record for all products, components, subassemblies, software and documentation ordered by NCR or its affiliates for export from the country of manufacture - currently the United States and Ireland.
- 8.4 The exporter of record will be separately accountable to the applicable government agencies for complying with all relevant regulations when importing or exporting Solectron products, components, subassemblies, software and documentation.
- 8.5 At NCR's request, Solectron will provide NCR with complete Bill Of Materials (BOM) identifying country of origin and Solectron cost for each part or component separately integrated into its products. NCR will require this information where products manufactured in the United States are proposed for transactions involving the Agency for International Development (AID) or EX-IM Bank. Further, NCR may require this information to determine if products manufactured outside the US are subject export controls based on US parts content.

## 9.0 Customer Order, Shipment and Inventory System Requirements

9.1 [ ]

## 10.0 Supply Line Management

### 10.1 Supplier Base

10.1.1 [ ]

### 10.2 Commodity Responsibilities

[ ]

### 10.3 Engineering Support

10.3.1 [ ]

### 10.4 Continuous Improvement

10.4.1 Solectron agrees to drive continuous improvement throughout all aspects of the supplier relationship.

Service level agreement

SECTION III: Solectron designed products sourced and/or manufactured from Solectron

This Statement of Work provides a general description of the deliverables Solectron will provide for NCR, and the activities Solectron will perform for NCR, related to new Product Introduction of Solectron engineered products. Many of the interfaces and expectations for Solectron designed products will remain consistent with those detailed in Section II: NCR-CSG Engineered Products. These sections are noted below and will not be repeated in this section. Additional terms are as noted in the following sections.

Applicable Sections from Section II

Definition of Terms

Customer Delivery Requirements

Forecasting

Order Management

Order Change Flexibility

Order Responsiveness

Invalid Order Configurations

Shipment Records

Product Life Cycle Management - New Product Introduction

Product Life Cycle Management - Product, Feature, Cable, and Kit Discontinuation

Quality Performance

Continuation Engineering

Request for Change

Stop Order / Stop Order Release

Export and Import Compliance

Customer Order, Shipment, and Inventory System Requirements

Supply Line Management

Continuous Improvement

1.0 Program Manager

-----

NCR and Solectron shall each appoint a Program Manager and Technical Contact (may be the same individual) who shall be responsible for all communications with the other party, including those related to product qualification, testing, and support. Supplier program managers shall provide program and deliverables schedules with updates on a regular basis as mutually agreed to by respective program managers.



2.0 Product Qualification and Acceptance (PQA) Procedure.  
-----

[ ]

3.0 New Product Planning  
-----

3.1 Participation in Roadmap Development and Product Definition

Solectron will provide regular presentations (on a TBD basis) to NCR of potential and committed Roadmaps. NCR will treat these as confidential briefings but will have the ability to share such roadmap information with major accounts. Solectron will use its best efforts to incorporate NCR feedback into future Roadmaps, and to the extent NCR is funding the design work, Solectron will incorporate NCR's feedback into the Roadmap. In conjunction with these reviews, NCR shall also participate in the architectural phase of system development and in the definition of product content.

4.0 Support for New Product Introduction  
-----

4.1 PC & ELS System Deliveries

[ ]

4.2 Prototype Deliveries

Prototype systems will be supplied to NCR by Solectron with quantity and schedule to be negotiated on a program-by-program basis. Such units may include custom components ("non-standard" adapters, colors, logos, labels, "generic" versions of many components) and prototype releases of BIOS and other Firmware/Software as necessary.

4.3 Production Deliveries

Production Models representing full production-ready systems (including BIOS and other Firmware/Software) shall be provided to NCR by Solectron for final verification with quantity and schedule to be negotiated on a program-by-program basis. Production models for first article inspection by indirect channel customer may also be required. Such inspections will usually be performed on Solectron premises and will require support of manufacturer's personnel

4.4 Certifications

Solectron shall perform operating System Certifications for NT, Solaris, MP-RAS (as appropriate) and other Ready-to-Run Operating Systems as defined by the Product Requirements document. Solectron shall put in place a process for obtaining Operating System and Agency Certifications of NCR "special features" (e.g., adapters that are not a part of the standard offering) as required. Such certifications may include components that may be custom for special customers (including indirect channel).

Safety certifications shall be provided as indicated in Exhibit E of this Agreement.

#### 4.5 Feature Management

[ ]

#### 4.6 Technical Documentation

Solectron will provide NCR technical and end-user documentation [ ]. Both pre-release and final release versions of the documentation will be made available to NCR on a mutually agreed upon product-by-product schedule. Solectron will deliver end-user documentation in electronic Microsoft Word format in generic format with references to COMPANY NAME or COMPANY product names limited to the following components: book cover, preface, copyright, headers, and footers. Exceptions are references to or publications for OEM products which will continue to display the COMPANY name and/or logo. NCR may order copies of documentation which Solectron specifies as orderable under the same terms as Products.

#### 4.7 Product Packaging

Solectron will develop and provide shipping packaging to meet NCR requirements. All Products will be packed by Solectron in accordance with generally accepted industry standards, as well as other requirements set forth in the NCR packaging specifications. Under no circumstances will Solectron utilize any packaging material consisting in whole or in part of polystyrene foam manufactured through a process using any of the following blowing agents: CFC-11, CFC-12, CFC-113, CFC-114, OR CFC-115. In compliance with certain state statutes, Solectron certifies that the packaging and/or packaging components associated with the Products have been manufactured without the intentional addition of lead, cadmium, mercury or hexavalent chromium. and that the sum concentration levels of the four metals is less than 100 parts per million. Solectron will package parts individually (except for small parts, such as screws) with appropriate protective material to guarantee safe arrival (e.g., plug-in boards should be in static controlled packaging and in foam-lined packs or padded cartons). Each box will contain Products ordered under a single Purchase Order, but multiple boxes may be placed in a larger container. Solectron will, when so requested by NCR and without additional charge, provide and affix to each Product's packaging, bar code labels as specified in Exhibit D.

#### 4.8 Product Training

Solectron will provide Product training in the following areas: [ ]. Solectron authorizes NCR to video tape such training events conducted for or attended by NCR and grants to NCR a royalty-free license to duplicate and distribute the tape and any related training materials to NCR associates and NCR authorized sales, services, and support providers. NCR may also create additional training using this information and materials.

#### 4.9 NCR ID Capability

Solectron shall maintain the capability to logo products per NCR's requirements as well as the requirements of NCR's indirect channel customers.

#### 4.10 Manufacturing Deliverables to PRT / Feature Release Teams

Solectron shall [ ].

#### 4.11 Continuation Engineering

Solectron is responsible for Continuation Engineering problem resolution and life-cycle management for all NCR past, current, and future released Personal Computers, Entry Level Servers and features. Solectron will retain Continuation Engineering responsibility for any new platforms / features developed by Solectron and as released in the future.

#### 4.12 Short Term Loaner

Equipment to Support New Product Introduction: Solectron will provide NCR with a small number (typically 1 or 2) of new products (in this paragraph, new product is defined as a New Product, Replacement Product or an existing product covered by this Agreement that has an engineering change made to it) for a short term "loan" period, typically not more than 1 week, to support new product introductions. NCR and Solectron will agree on the financial inventory tracking methodology to support this process; NCR currently uses the "request for NCR built equipment" process to remove the product from manufacturing inventory and the manufacturing representative to the PRT performs the necessary transactions to return the product to manufacturing inventory. There are no refurbishment charges associated with the return of these products unless they have been damaged or require upgrade due to product changes which may have occurred during the "loan" period.

#### 5.0 Requirements for Certification of Operating Systems and Support for Server Management Software:

##### 5.1 Microsoft NT -

- . Platforms must be on Microsoft NT Server, Back Office, Wolfpack, and Cluster Server Hardware Compatibility Lists for most recent versions of both NT Server and NT Server Enterprise Edition under the NCR system name, and must be designated in the HCLs as "Designed for Windows NT".
- . Within [ ] of a new version of Windows NT (5.0 , NT 64-bit, etc.), existing platforms must appear on the above Compatibility Lists.
- . Platform must conform to the "Hardware Design Guide for Microsoft Windows NT" published by Intel Corporation and Microsoft Corporation.
- . Platforms must not require a specialized Hardware Abstraction Layer (HAL) for Windows NT. Platforms must be fully supported with a standard Microsoft-delivered HAL within [ ]

##### 5.2 Solaris

- . Platforms must perform and pass Solaris Hardware Compatibility Tests (HCT) for most recent version of the operating system, and be included on Solaris Hardware Compatibility Lists for Solaris Intel Edition.

. Within [ ] of a new version of Solaris, existing platforms must pass the HCT.

. Platforms must not require a specialized Hardware Abstraction Layer (HAL) for Solaris. Platforms must be fully supported by the shrink-wrapped Solaris OS within [ ]

### 5.3 NCR UNIX MP-RAS

. For Entry Level and Mid-Range platforms specified by NCR, tests will be run and test reports will be provided. NCR will provide test plans and test cases. NCR will provide and support unreleased peripheral boards for the testing, with the level of support, board type, and board quantity to be negotiated.

. [ ]

### 6.0 Major Bid Support

For certain major bids, NCR will require Solectron to provide commitments for lead-time and capacity to support a large customer rollout of product. [ ]

### 7.0 Special Customer Engineering Request Support

[ ]

[ ]

ELECTRONIC DATA INTERCHANGE

-----

1. PURPOSE

1.1 Soletron and NCR Corporation desire to execute the transactions listed in Attachment 1G ("Transactions") by transmitting and receiving the data sets implementing those Transactions ("Documents") electronically rather than in paper form, and to provide for the legal validity and enforceability of those Documents.

1.2 Documents will be transmitted electronically to each party either as specified in Attachment 1G directly or through any third party service provider ("Provider") with which either party may contract. Either party may modify its election to use, not use, or change a Provider thirty (30) days after written notice under Section 7.2 has been accomplished.

2. PREREQUISITES

2.1 We each must, at our respective expense, provide and maintain the equipment, software, and services necessary to transmit, receive, store and handle Documents under this Exhibit. Charges specific to Third Party network, if any, are outlined in Attachment 1G.

2.2 We each must implement security procedures (including those specified in Attachment 1G, if any) which are reasonably designed to ensure that all Document transmissions are authorized and to protect our respective business records from improper access.

2.3 We each agree to adopt as a signature an electronic identification (e.g., a Duns Number) consisting of symbols or codes which will be transmitted with each Document to authenticate that Document ("Signature").

2.4 The contacts for issues in this Exhibit are set out in Attachment 2G.

3. DOCUMENT TRANSMISSIONS

3.1 All Document transmissions must conform to the standards listed in Attachment 1G ("Standards").

3.2 Unless the Standards specify otherwise, after receiving a Document, the receiver must promptly electronically transmit a functional acknowledgment. A functional acknowledgment is conclusive evidence of receipt of a Document, but a Document is not deemed to be transmitted under this Agreement except as Section 5.2 of this Exhibit provides.

3.3 The receiver of a garbled or unintelligible Document must promptly notify the originator (if identifiable from the received Document) in a reasonable manner. If the receiver reasonably could have given that notice but did not, the originator's records of the contents of that Document will control.

#### 4. TRANSACTION TERMS

4.1 Except to the extent a Document expressly provides otherwise, each Transaction will be subject to this Exhibit and to the OEM Purchase and Manufacturing Services Agreement ("Agreement"). If there is a conflict between any term of this Exhibit and any term of the Agreement, the terms of this Exhibit will control.

4.2 No information contained in any Document or otherwise exchanged between us under this Exhibit is confidential except as provided for in this Exhibit, a separate written agreement between us, or applicable law.

#### 5. VALIDITY AND ENFORCEABILITY DOCUMENTS

5.1 This Exhibit confirms our intent to enter into binding Transactions by electronically transmitting and receiving the appropriate Documents. Our conduct under this Exhibit, including our use of Signed Documents, is for all purposes a course of dealing and a course of performance which we accept in furtherance of this Exhibit and any Transaction.

5.2 A Document has no effect under this Exhibit until (i) that Document is intelligible at the receiver's Receipt Computer designated in Attachment 1G except as provided in Section 3.3 above, and (ii) if the Transaction requires acceptance of that Document, the originator of that Document has received the corresponding acceptance Document. Any electronic transmission which is not a Document has no effect except to the extent specified in a separate written agreement between us.

5.3 Any Document effective under Section 5.2 is for all purposes (i) a "writing" and "in writing," and (ii) an "original" when printed from electronic records established and maintained in the normal course of business. Transmission of a Signature with a Document effective under Section 5.2 will be sufficient to verify that the owner of the

Signature originated that Document ("Signed Document"). A Signed Document is for all purposes "signed."

5.4 We each agree not to contest the validity or enforceability of any Signed Document because of the electronic origination, transmission, storage, or handling of that Signed Document. We each agree that Signed Documents, if introduced on paper in any judicial, arbitration, mediation, or administrative proceeding, will be admissible to the same extent and under the same conditions as other business records originated and maintained in documentary form. Neither of us may contest the admissibility of copies of Signed Documents under either the business records exception to the hearsay rule or the best evidence rule on the basis that the Signed Documents were originated and maintained in electronic form.

6. TERMINATION

6.1 This Exhibit will be effective until one of us terminates it by giving the other at least 30 days prior written notice under Section 6.2 specifying the effective date of termination. No termination of this Exhibit will affect our respective rights or obligations arising under any Document or otherwise under this Exhibit before the effective date of termination.

6.2 Written notices under this Exhibit shall be directed to:

NCR Corporation	Solectron
Contact:	Contact:

[ ]

6.3 Attachment 1G may be revised by both parties executing a revised version which will supersede and replace the previous version. This Exhibit does not obligate either of us to enter into any Transaction.



STANDARDS, DOCUMENTS, RECEIPT COMPUTERS,  
THIRD PARTY NETWORKS, AND SECURITY PROCEDURES

[ ]

NCR AND THIRD PARTY SOFTWARE

-----

FORM OF AGREEMENT

This NCR and Third Party Software Agreement ("Agreement") is made and entered into this \_\_\_\_ day of \_\_\_\_\_, 19\_\_ ("Effective Date") by and between NCR Corporation, a Maryland corporation and its subsidiaries ("NCR") and Solectron Corporation, a Delaware corporation and its subsidiaries ("Solectron").

Recitals

Whereas, NCR owns or has licensed certain software product(s) as described in Exhibit A below ("TP Software"); and

Whereas, NCR desires to have Solectron install the TP Software on NCR Products or Parts and/or ship TP Software packages with of NCR's Products or Parts;

Now, Therefore, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

Agreement

1. Definitions.

-----

a. "APM" or "Associated Product Materials" shall mean materials specified by Microsoft to be distributed as part of TP Software which may include a certificate of authenticity, an end user license agreement, an Microsoft product registration card, and/or other materials designated by Microsoft.

b. "Authorized Replicator" shall mean a third party approved by Microsoft from which NCR has acquired TP Software reproduced in accordance with Microsoft specifications.

c. "MS/OEM License" shall mean the OEM License Agreement between NCR and Microsoft under which NCR licenses some of the TP Software from Microsoft.

d. "TP Software Packages" shall mean Microsoft TP Software documentation, TP Software, and/or APM as received from NCR, or an Authorized Replicator on behalf of NCR.

e. All other capitalized terms will have the meaning given to them in the OEM Purchase and Manufacturing Services Agreement between NCR and Solectron dated \_\_\_\_\_.

2. Solectron Obligations and License.  
-----

a. Subject to the terms and conditions of this Agreement, Solectron shall, as specifically directed by NCR: (i) install the TP Software in object code form on specific NCR Product models using the installation utilities and master copy of TP Software provided by NCR, (ii) distribute TP Software with Products.

b. Installation and/or packaging of TP Software shall be performed by Solectron employees or contractors only at the specific Solectron premises indicated in Section 11.

c. Solectron shall deliver the Products with installed TP Software only on behalf of NCR in accordance with NCR's instructions.

d. Solectron shall halt reproduction of TP Software or any specific version, or product thereof upon notice from NCR. Upon receipt of such notice, Solectron shall not use nor employ such TP Software as part or portion of any product that Solectron may use, sell, assign, lease, license or transfer to third parties unless permitted to do so under a separate agreement. Solectron shall cease and desist from all use of such TP Software's name(s) and associated trademark(s) and, upon request, deliver to NCR or its authorized representatives or destroy all material upon which such TP Software's name(s) and the associated trademark(s) appear. Solectron shall be compensated for its direct, out of pocket costs in connection with halting reproduction of such TP Software, except in the case of breach of this Agreement by Solectron.

e. Solectron shall not reverse engineer, decompile or disassemble any TP Software.

f. Solectron will strictly comply with any requirements related to licensing the TP Software such as special installation instructions or placing a notice over either the Product power switch in the "off" position or the power inlet connector which informs the end user that turning on the Product indicates acceptance of the terms of the end user license agreement, or such other procedure as is authorized by NCR.

g. Solectron shall maintain the inventory of any such TP Software received on behalf of NCR, separate from inventory of similar TP Software, if any, in Solectron's possession.

3. TP Software Owned by Microsoft.  
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The following terms shall also apply to TP Software owned by Microsoft.

[ ]

4. Copyright and Patent Notices. Solectron will not remove, modify, or  
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obscure any copyright, trademark or patent notices that appear in or on the TP Software or its packaging as delivered.

5. Term. This Agreement shall commence on the Effective Date and continue  
-----  
until the earlier of (i) termination by NCR pursuant to Section 6; or (ii)  
\_\_\_\_\_.

6. Default and Termination.  
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a. NCR may terminate this Agreement if any of the following events of default occur: (i) if Solectron materially fails to perform or comply with any provision of this Agreement; (ii) if Solectron makes TP Software available separately from NCR's Products; (iii) if Solectron becomes insolvent, enters bankruptcy, reorganization, composition or other similar proceedings under applicable laws, whether voluntary or involuntary, or admits in writing its inability to pay its debts, or makes or attempts to make an assignment for the benefit of creditors; or (iv) upon notice from Microsoft to NCR that NCR shall cease use of Solectron.

b. Termination resulting from default as outlined in this Section shall be effective upon notice to Solectron, except that in the case of Section 10(a)(iii), termination shall be effective upon notice or as soon thereafter as is permitted by applicable law.

7. Obligations Upon Termination. Within ten (10) days after the earlier of:  
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(i) termination or expiration of this Agreement; or (ii) notice to Solectron from NCR MS of termination or expiration of the MS/OEM license, Solectron shall return the installation "master" and any TP Software in its possession or under its control to NCR. From and after termination or expiration, Solectron shall not use nor employ any TP Software as part or portion of any product that Solectron may use, sell, assign, lease, license or transfer to third parties unless permitted to do so under a separate agreement. Solectron shall cease and desist from all use of any TP Software's name(s) and associated trademark(s) and, upon request, deliver to NCR or its authorized

representatives or destroy all material upon which the TP Software's name(s) and the associated trademark(s) appear.

8. Confidentiality. Solectron shall keep confidential the TP Software

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installation tools and materials contained in the TP Software installation kit, the terms and conditions of this Agreement, and other non-public information and know-how related to the TP Software disclosed to Solectron by NCR, and Solectron will make no use of such materials, information and know-how except for Solectron's internal use in accordance with the terms of this Agreement. Solectron may disclose the terms and conditions of this Agreement in confidence to its immediate legal and financial consultants as required in the ordinary course of Solectron's business.

9. Audits.

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a. During the term of this Agreement, Solectron agrees to keep all usual and proper records and books of account and all usual and proper entries relating to the compliance with this Agreement. Solectron shall maintain on Solectron premises such records for itself and for each Solectron subsidiary which exercises rights under this Agreement.

b. In order to verify statements issued by Solectron and Solectron's compliance with the terms of this Agreement and any third party or governmental audit requirements, NCR may cause (i) an audit to be made of Solectron's and/or Solectron's subsidiaries' books and records and/or (ii) an inspection to be made of Solectron's and/or Solectron's subsidiaries' facilities and procedures. Any audit and/or inspection shall be conducted during regular business hours at such facilities, with or without notice. Any audit may be conducted by NCR or an independent certified public accountant selected by NCR (other than on a contingent fee basis).

c. Solectron agrees to provide NCR' designated audit or inspection team access to the relevant Solectron records and facilities.

d. Prompt adjustment shall be made to compensate for any errors or omissions disclosed by such audit unless Solectron objects to the results of the audit in writing. Any such audit shall be paid for by NCR unless material discrepancies are disclosed. "Material" shall mean the lesser of \$10,000.00 or five percent (5%) of the amount that was reported. If material discrepancies are disclosed, Solectron agrees to pay NCR for the reasonable costs associated with the audit.. In no event shall audits be made more frequently than semi-annually unless the immediately preceding audit disclosed a material discrepancy.

10. MS as Third Party Beneficiary.  
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a. The parties agree that their respective promised performances under this Agreement are intended for the benefit of Microsoft Corporation and any other owner of the TP Software ("Third Party Beneficiaries"). For this reason, the parties further agree that the Third Party Beneficiaries have the right to enforce the parties' performance of their respective obligations and duties under this Agreement, and pursuant to such right, may sue to enforce any claim for breach of this Agreement.

b. The Third Party Beneficiaries' right to enforce the obligations of a party to this Agreement shall not be subject to any defenses that such party may have against the party to whom performance is promised.

11. Notices.  
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(a) Except as otherwise specifically provided herein, notices and other communications will be delivered by any method providing for proof of delivery, except that a notice of default or termination may be delivered by facsimile transmission if the original document is also promptly delivered to the recipient. A notice will be deemed given on the date of receipt at the following address(es):

Solectron:  
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NCR:  
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(b) The work to be performed under this Agreement will take place at Solectron's premises located at (or such other location as NCR and Solectron shall agree to from time to time):

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Telephone: \_\_\_\_\_  
Fax: \_\_\_\_\_

12. Controlling Law; Attorneys' Fees Arbitration.  
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a. This Agreement shall be construed and controlled by the laws of the State of New York, and.

b. Process may be served on either party by U.S.A. mails, postage prepaid, certified or registered, return receipt requested or sent by air express courier, charges prepaid, as well as any other method or procedure authorized by applicable law or court rule.

c. In the event that NCR employ attorneys to enforce any rights arising out of or relating to this Agreement, Solectron agrees to pay such attorneys' fees.

d. In the event any controversy or claim arises between the parties to this Agreement, they will attempt in good faith to negotiate a solution to their differences by elevating the issue to senior management for resolution and, if negotiation does not result in a resolution within 30 days, they agree to participate in good faith mediation as administered by the American Arbitration Association. In the event of threatened or actual irreparable harm, a party may elect to bypass this Section and proceed directly pursuant to Section 12(g).

e. Any controversy or claim between the parties to this Agreement, whether based on contract, tort, statute, or other legal theory (including but not limited to any claim of infringement, fraud or misrepresentation), which cannot be resolved by negotiation or mediation will be resolved by arbitration pursuant to this section and the then-current Commercial Rules and supervision of the American Arbitration Association. The duty to arbitrate will extend to any employee, officer, shareholder, agent, or affiliate of a party hereto making or defending a claim which would be subject to arbitration if brought by a party hereto. If any part of this section is held to be unenforceable, it will be severed and will not affect either the duty to arbitrate hereunder or any other part of this section.

f. The arbitration will be held in the US headquarters city of the party not initiating the claim before a sole arbitrator who is knowledgeable in business information and electronic data processing systems. The arbitrator's award will be final and binding and may be entered in any court having jurisdiction thereof. The arbitrator will not have the power to award any damages excluded by, or in excess of, any damage limitations expressed in this Agreement. Issues of arbitrability will be determined in accordance solely with the federal substantive and procedural laws relating to arbitration; in all other respects, the arbitrator will be obligated to apply and follow the substantive law of the state or nation specified in this Agreement. Each party will bear its own attorney's fees associated with the arbitration and other costs and expenses of the arbitration will be borne as provided by the rules of the American Arbitration Association.

g. If a party breaches any provision of this Agreement related to its or its supplier's intellectual property, the other party will have no adequate remedy at law and may petition a court of law for injunctive relief to protect the intellectual property.

13. Export Restrictions. Solelectron agrees that it will not export or re-export

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TP Software to any country, person, entity or end user subject to U.S.A. export restrictions. Restricted countries currently include, but are not necessarily limited to Cuba, the Federal Republic of Yugoslavia (Serbia and Montenegro, U.N. Protected Areas and areas of Republic of Bosnia and Herzegovina under the control of Bosnian Serb forces), Iran, Iraq, Libya, North Korea, and Syria. Solelectron warrants and represents that neither the U.S.A. Bureau of Export Administration nor any other federal agency has suspended, revoked or denied Solelectron's export privileges.

14. Miscellaneous.

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a. Notwithstanding any other limitation, Solelectron shall indemnify, defend and hold NCR harmless from and against all liability (including attorneys fees, costs and expenses resulting from any and all claims by third parties or violations of NCR's intellectual property rights arising from or related to any breach of this Agreement by Solelectron.

b. No assignment of this Agreement by Solelectron will be valid without the prior written consent of NCR which will not be unreasonably withheld. As used in this Section, "assignment" shall include mergers or consolidations (regardless of whether the party is the surviving person) or the acquisition of more than 10% of the outstanding voting shares or other controlling interest in the party. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and permitted assigns. NCR may replicate this Agreement to any NCR business unit that operates under it that NCR divests itself of.

c. If any provision of this Agreement shall be held to be illegal, invalid, or unenforceable, the remaining provisions shall remain in full force and effect provided the intent of the parties has not been materially frustrated.

d. This document sets out the entire agreement of the parties, and supersedes all prior communications regarding its subject matter. A waiver or amendment of any provision may only be made in writing signed by the authorized representatives of both parties.

In Witness Whereof, the parties have executed this Agreement as of the date set forth above on their own behalf and for the benefit of MS. All signed copies of this Agreement shall be deemed originals.



NCR: \_\_\_\_\_ Solectron: \_\_\_\_\_

\_\_\_\_\_  
By (Signature) By (Signature)

\_\_\_\_\_  
Name (Print) Name (Print)

\_\_\_\_\_  
Title Title

\_\_\_\_\_  
Date Date

EXHIBIT A  
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TP Software  
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YEAR 2000  
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NCR

Year 2000

Qualification Requirements Definition

Version 2.1

4/2/97

Document Title: Year 2000 Qualification Requirements Definition

Document Owner: Freddy J. Worthington

Organization Name: Corporate Technology

Telephone Number: (937)-445-1455

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NCR Year 2000 Qualification Requirements	NUMBER: REVISION:	DATE:
Definition	2.1	4/2/97

Revision	Date	Description	Approval
1.0	11/13/96	Original Issue	Y2K Solution Team
2.0	3/12/97	. Wording changes made to synchronize with warranty language and to address general qualification. . Qualification assumes use of date expansion with convention being a documented exception.	Y2K Solution Team
2.1	4/2/97	. Modified VII Contracts statement Deleted OS & APPLICATION Question: "Dependent on other products being Year 2000 Qualified in order to attain Qualification"	Y2K Solution Team

Meaning of "Year 2000 Qualification"

The purpose of this document is to provide NCR's customers, partners, suppliers, and employees a definition for Products that are "Year 2000 Qualified." This document will evolve over time as more information about the requirements and testing are known.

I. "Year 2000 Qualification" means that a Product has been reviewed to confirm that it stores, processes (including sorting and performing mathematical operations), inputs, and outputs data containing date information correctly regardless of whether the data contains dates before, on, or after January 1, 2000. Products which do not perform date manipulation, and which do not alter any date information that flows through them, are also considered Year 2000 Qualified.

II. Specifically:

Dates before, on or after January 1, 2000 may be interpreted and stored using either "FORMAT" or "CONVENTION" techniques. As used by NCR, "Year 2000 Qualification" means that the FORMAT technique is used. However, Qualification by CONVENTION may be used in circumstances where compliance by FORMAT is impractical, or where CONVENTION is required to meet specific external interface requirements; in that case the convention used must be specifically documented. "FORMAT" and "CONVENTION" have the following definitions:

FORMAT: All dates are stored, processed, input, and output in formats that preserve century, decade, and year information.

CONVENTION: Dates are stored, input, or output in a format that preserves only decade and year information, but are processed through a "sliding window" calculation. For example, if the year is 00 to 70, add 2000, and if the year is 71 to 99, add 1900. There is no industry standard for the "cut-off" date used in such calculations, and therefore interfaces may not work correctly between programs or systems using different conventions. Any Product achieving Qualification through CONVENTION must clearly document the cut-off date and any other necessary information relating to the bridging calculation used. This documentation must be included in the product's entry in the NCR Year 2000 Qualification List.

III. Leap Year

The year 2000 itself must be correctly processed as a leap year. In other words, the two days following February 28, 2000 must properly be interpreted as Tuesday, February 29, 2000, and Wednesday, March 1, 2000.

#### IV. Display

Any display of a date, whether on screens or in reports, should use a four-digit year (YYYY). However, if two-digit display of a date is commonly accepted and does not cause confusion, the year field may be displayed as two digits.

#### V. Firmware and Hardware

Any firmware, hardware, or networking component in a Year 2000 Qualified computer platform must process dates in accordance with this Definition.

#### VI. System Integration

Year 2000 Qualification extends only to the specific product configuration tested, and does not include other software, firmware, or hardware products which may be used in conjunction with the tested configuration. For a Product configuration consisting of multiple components to be considered "Year 2000 Qualified," each constituent component, regardless of vendor, must be "Year 2000 Qualified" in accordance with this Definition, and the system as a whole must be tested for Year 2000 Qualification. "Constituent components" include all software (including operating systems, programs, packages, and utilities), firmware, hardware, networking components, and peripherals provided as part of the configuration.

#### VII. Contracts

All contracts with vendors for products to be used in the computer system or platform MUST state that Year 2000 Qualification is a performance requirement.

#### VIII. Year 2000 Product Qualification Requirements

All of the following questions must be answered as indicated or "NA" for any Product to be identified as "Year 2000 Qualified." Any deviations from these responses must be specifically documented, and approved by NCR.

[x]	DATE MANIPULATION QUESTIONS	NA	No	Yes
	Does the product:			
1.	Use December 31, 1999 as a regular end of year without special meaning?			X
2.	Treat September 9, 1999 as a regular day with no special meaning?			X
3.	Do any of the following date field manipulations?		X	
4.	. 99 indicates last record		X	
5.	. 00 to indicate a null record		X	
6.	. 99 and 00 default values		X	
7.	. Special interpretations of 00		X	
8.	. Hard coded 19 in 4-digit year field		X	
9.	. Separate manipulations of century digits		X	
10.	Include any license date expiries associated with the end of 1999?		X	
11.	Use dates in name constructions?		X	
12.	Mix date data and control information in commands or flags which are interpreted as one or the other depending on their values?		X	
13.	Use a date as part of the key of an indexed file?		X	

YEAR AND CENTURY QUESTIONS

		NA	No	Yes
	Does the product:			
1.	Recognize 2000 as a leap year?			X
2.	Allow itself to be set to any date after 12/31/1999 including 02/29/2000?			X
3.	Indicate the correct day, date and time when the following test is performed: With the date set to 12/31/1999, power the product off and then back on when the time will be in 1/1/2000.			X
4.	Indicate the correct day, date, and time when the following test is performed: With the date set to some time after 1/1/2000, power the product off and back on.			X
5.	Display the date correctly as 2/29/2000 when the following test is performed: With the date set to 2/28/2000, power the product off, and then back on when the next day has been reached.			X
6.	Treat January 1, 2000, a Saturday?			X
7.	Treat February 29, 2000, a Tuesday?			X
8.	Treat March 1, 2000, a Wednesday?			X
9.	Treat February 28, 2001, a Wednesday?			X
10.	Treat March 1, 2001, a Thursday?			X

DATA BASE ACCESS AND STORAGE

NA No Yes

Does the product:

- |    |   |   |
|----|---|---|
| 1. | Code all years as in a manner that preserves century, decade, and year information? | X |
| 2. | Correctly perform all of the following manipulations across the century boundary?   | X |
| 3. | . Computations of time spans, due-dates, etc.                                       | X |
| 4. | . Sorting of data.  | X |
| 5. | . Selections based on key fields  | X |
| 6. | . Selections based on non-key fields  | X |



OS & APPLICATION QUESTIONS

NA No Yes

Does the product:

- |     |  |  |   |   |
|-----|--|--|---|---|
| 1.  | Display the year as an unambiguous value with a minimum of two digits?   |  |   | X |
| 2.  | Correctly handle data with dates before 1/1/2000, on 1/1/2000 and after 1/1/2000 with the system clock set to today's date?  |  |   | X |
| 3.  | Correctly handle data with dates before 1/1/2000, on 1/1/2000 and after 1/1/2000 with the system clock set to 1/1/2000?  |  |   | X |
| 4.  | Correctly handle data with dates before 1/1/2000, on 1/1/2000 and after 1/1/2000 with the system clock set after 1/1/2000?   |  |   | X |
| 5.  | Correctly handle data with dates before 1/1/2000, on 1/1/2000 and after 1/1/2000 with the system clock set to 12/31/1999?  |  |   | X |
| 6.  | Correctly process dates with the system clock set to 12/31/1999 and processing allowed to continue across the century boundary?  |  |   | X |
| 7.  | Correctly handle date comparisons where one date is not greater than 12/31/1999 and the other date is not less than 1/1/2000?  |  |   | X |
| 8.  | Use a sliding window for year calculations?  |  | X |   |
| 9.  | Contain a date format that does not preserve century information?  |  | X |   |
| 10. | Create and/or store data in files or log files or, or generate reports that do not preserve century information in date fields?  |  | X |   |
| 11. | Use a 32 bit incrementing signed value for date and time?  |  | X |   |
| 12. | Correctly set and maintain the century digits in the real time clock, if the product uses "AT"-class PC's (286 through Pentiums and clones), does the operating system or your system software correctly set and maintain the century digits in the real-time-clock? |  | X |   |
| 13. | Correctly handle all time interval calculations based on the century transition - both looking back into the past, and looking forward into the future?  |  |   | X |
| 14. | Correctly handle future time interval calculations that span the century transition?   |  |   | X |
| 15. | If required, correctly handle date and time interval calculations based on the use of data previously stored by the product or previous versions of the product?   |  |   | X |
| 16. | Formally tested for year 2000 Qualification?   |  |   | X |



THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION FOR NCR CORPORATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEETS AT JUNE 30, 1998 AND THE CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE MONTH PERIOD ENDED JUNE 30, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000,000

3-MOS	DEC-31-1998	APR-01-1998	JUN-30-1998
			593
		177	
		1,472	
		0	
		451	
	2,900		2,185
		1,318	
		5,022	
1,895			
	0		33
		0	
			1
		1,337	
5,022			861
	1,574		566
		1,102	
		449	
		0	
		4	
		92	
		44	
	0		
		0	
		0	0
		48	
		.47	
		.46	