
UNITED STATES
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 SEPTEMBER 30, 1998

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER C00-22167

EURONET SERVICES INC.

(Exact name of the registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of incorporation or organization)

74-2806888

(I.R.S. employer identification no.)

14-24 HORVAT U.

1027 BUDAPEST

HUNGARY

(Address of principal executive offices)

36-1-224-1000

(Registrant's telephone number, including area code)

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

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: As at October 31st, 1998 15,250,453 common shares.

PART I

ITEM 1 FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

	SEPTEMBER 30, 1998	DECEMBER 31, 1997
	----- (UNAUDITED)	-----
Assets		
Current assets:		
Cash and cash equivalents.....	60,791	7,516
Restricted cash.....	12,865	847
Trade accounts receivable.....	1,299	647
Investment securities (note 4).....	29,230	31,944
Prepaid expenses and other current assets.....	3,471	1,878
	-----	-----
Total current assets.....	107,656	42,832
Property, plant and equipment, net.....	29,902	24,088
Deferred financing costs, net.....	3,228	-
Deposits for ATM leases.....	2,020	2,542
Deferred income taxes.....	571	571
	-----	-----
Total assets.....	143,377	70,033
	=====	=====
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable.....	5,056	4,420
Short term borrowings.....	5	158
Current installments of capital lease obligations.....	4,035	3,140
Accrued expenses.....	1,247	1,597
	-----	-----
Total current liabilities.....	10,343	9,315
	-----	-----
Obligations under capital leases, excluding		
Current installments.....	8,041	11,330
Notes payable (note 5).....	90,807	-
	-----	-----
Other long-term liabilities.....	-	169
	-----	-----
Total liabilities.....	109,191	20,814
Stockholders' equity:		
Common stock, \$0.02 par value, 30,000,000 shares authorized; issued and outstanding 15,250,453 shares in 1998 and 15,133,321 shares in 1997.....	306	304
Warrants (note 5).....	1,725	-
Treasury stock.....	(4)	(4)
Additional paid in capital.....	63,468	63,358
Subscription receivable.....	(51)	(253)
Accumulated losses.....	(32,138)	(14,970)
Restricted reserve.....	784	784
Cumulative translation adjustment.....	96	-
	-----	-----
Total stockholders' equity.....	34,186	49,219
	-----	-----
Total liabilities and stockholders' equity.....	143,377	70,033
	=====	=====

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)
(UNAUDITED)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	----- SEPTEMBER 30,		----- SEPTEMBER 30,	
	1998	1997	1998	1997
	-----	-----	-----	-----
Revenues.....	3,127	1,577	7,751	3,433
Operating expenses:				
ATM operating costs.....	(3,739)	(1,393)	(9,226)	(3,046)
Other operating costs.....	(4,861)	(2,117)	(12,381)	(5,368)
	-----	-----	-----	-----
Operating loss.....	(5,473)	(1,933)	(13,856)	(4,981)
Interest income.....	863	419	1,703	1,075
Interest expense.....	(3,457)	(271)	(4,606)	(520)
Foreign exchange gains (losses).....	(1,242)	264	(409)	334
	-----	-----	-----	-----
Loss before income taxes.....	(9,309)	(1,521)	(17,168)	(4,092)
Deferred income tax benefit.....	-	-	-	129
	-----	-----	-----	-----
Net loss.....	(9,309)	(1,521)	(17,168)	(3,963)
	-----	-----	-----	-----
Other comprehensive income:				
Cumulative translation adjustment.....	(106)	-	96	-
	-----	-----	-----	-----
Comprehensive loss.....	(9,415)	(1,521)	(17,072)	(3,963)
	=====	=====	=====	=====
Loss per share -- basic and diluted (Note 3).....	(0.61)	(0.10)	(1.13)	(0.41)
Average shares outstanding (Note 3).....	15,224,214	15,159,515	15,167,553	9,671,303

See accompanying notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1997
Cash flows from operating activities:		
Net loss.....	(17,168)	(3,963)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share compensation expense.....	81	81
Depreciation of property, plant and equipment.....	3,258	1,013
Unrealized foreign exchange losses.....	3,807	-
Loss on disposal of fixed assets.....	31	-
Amortization of deferred financing cost.....	66	-
Accretion of Discount Notes Payable.....	2,942	-
Decrease in deposits for ATM leases.....	522	-
Deferred income taxes.....	-	(129)
Increase in restricted cash.....	(12,022)	(2,583)
Increase in trade accounts receivable.....	(643)	(284)
Increase in prepaid expenses and other current assets.....	(1,645)	(704)
Increase in trade accounts payable.....	629	249
Increase in accrued (decrease) expenses and other long-term liabilities.....	(519)	685
	(20,661)	(5,635)
Cash flows from investing activities:		
Fixed asset purchases.....	(6,582)	(2,844)
Proceeds from sale of fixed assets.....	123	-
Purchase of investment securities.....	(29,603)	(17,304)
Proceeds from maturity of investment securities.....	35,000	-
	(1,062)	(20,148)
Cash flows from financing activities:		
Proceeds from issuance of shares and other capital contributions.....	-	51,944
Proceeds from issuance of Notes Payable and warrants.....	83,102	-
Costs to obtain loans.....	(3,294)	-
Purchase of treasury stock.....	-	(4)
Repayment of obligations under capital leases.....	(4,888)	(786)
Repayment of bank borrowings.....	(153)	(31)
Repayment of loan from shareholder.....	-	(190)
Subscription receivable.....	202	-
	74,969	50,933
Effect of exchange differences on cash.....	29	-
	53,275	25,150
Net increase in cash and cash equivalents.....	53,275	25,150
Cash and cash equivalents at beginning of period.....	7,516	2,541
	60,791	27,691

See accompanying notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 1998 and September 1997

NOTE 1--BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Euronet Services Inc. have been prepared from the records of Euronet Services Inc. and subsidiaries (collectively, the "Company"), pursuant to the rules and regulations of the U.S. Securities and Exchange Commission. In the opinion of management, such financial statements include all adjustments (consisting only of normal, recurring accruals) necessary to present fairly the financial position of the Company at September 30, 1998 and the results of its operations and cash flows for the three and nine month periods ended September 30, 1998 and 1997. The condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements of Euronet Services Inc. and subsidiaries for the year ended December 31, 1997, including the notes thereto, set forth in the Company's Annual Report on Form 10K.

The results of operations for the nine-month period ended September 30, 1998 are not necessarily indicative of the results to be expected for the full year.

NOTE 2--SIGNIFICANT ACCOUNTING POLICIES

There have been no significant additions to or changes in accounting policies of the Company since December 31, 1997. For a description of the Company's accounting policies, see Note 2 to the Notes to Consolidated Financial Statements for the year ended December 31, 1997.

The Company adopted during the nine months ended September 30, 1998 Statement of Financial Accounting Standards No. 130 (SFAS 130), "Reporting Comprehensive Income". SFAS 130 requires the reporting and display of comprehensive loss, which is composed of net loss and other comprehensive income items, in a full set of general purpose financial statements. Other comprehensive income items are revenue, expenses, gains and losses that under generally accepted accounting principles are excluded from net loss and reflected as a component of equity, such as currency translation adjustment. The adoption of SFAS 130 had no effect on the presentation of the prior period statement of operations.

Certain amounts have been reclassified in the prior year financial statements to conform to the current financial statement presentation.

NOTE 3--NET LOSS PER SHARE - BASIC AND DILUTIVE

Loss per share has been computed by dividing net loss by the weighted average number of common shares outstanding. The effect of potential common stock (stock options outstanding) is antidilutive. Accordingly, dilutive loss per share does not assume the exercise of stock options and warrants outstanding.

NOTE 4--FINANCIAL INSTRUMENTS

The Company enters into foreign currency forward contracts to reduce the effect of fluctuating currency exchange rates (principally Deutsche Mark on notes payable and capital lease obligations). The Company does not utilize financial instruments for trading or other speculative purposes. The fair value of the forward exchange contracts is estimated by obtaining quoted market prices. Gains and losses on foreign currency forward contracts are recognized in income and offset the foreign exchange gains and losses on the underlying transactions. The counterparties to the foreign currency forward contracts are major financial institutions with investment grade or better credit ratings; however, the Company is exposed to credit risk with these institutions. This credit risk is generally limited to the unrealized gains in such contracts should any of these counterparties fail to perform as contracted. The company considers the risk of counterparty default to be minimal.

NOTE 5--PUBLIC OFFERING OF SENIOR DISCOUNT NOTES DUE 2006

On June 22, 1998, the Company sold 243,211 Units in a public offering, each consisting of DM 1,000 principal amount at maturity of 12 3/8% Senior Discount Notes (the "Notes") and three warrants (each a "Warrant"), each Warrant initially entitling the holder thereof to purchase 1.05 shares of common stock at an exercise price of \$5.00 per share. The Notes and the Warrants are separately transferable. The Notes were issued with an original issue discount. The gross proceeds to the Company were DM 150,000,385 (approximately \$83,100,000) representing an issue price of DM 616.75 per DM 1,000 principal amount at maturity. Of this amount, \$1,725,000 has been allocated to the Warrants within stockholders' equity to reflect their fair market value on the date of issuance. Net proceeds to the Company after underwriting discount and offering expenses were DM 145,125,000 (approximately \$81,285,000).

The Notes have a maturity date of July 1, 2006. Cash interest on the Notes will not be payable prior to July 1, 2002. Commencing January 1, 2003, cash interest will be payable semiannually on January 1 and July 1 of each year. The Notes are recorded net of unamortized discount and any incremental costs associated with the bond offering have been capitalized and are being amortized, using the interest method, over the term of the Notes.

Pursuant to the indenture entered into in connection with issuance of the Notes, the Company is subject to certain restrictions and covenants, including, without limitation, covenants with respect to the following matters: (i) limitation on additional indebtedness; (ii) limitation on restricted payments; (iii) limitation on issuance and sales of capital stock of restricted subsidiaries; (iv) limitation on transactions with affiliates; (v) limitation on liens; (vi) limitation on guarantees of indebtedness by restricted subsidiaries; (vii) purchase of Euronet Notes upon a change of control; (viii) limitation on sale of assets; (ix) limitation on dividends and other payment restrictions affecting

restricted subsidiaries; (x) limitation on investments in unrestricted subsidiaries; (xi) limitation on lines of business; and (xii) provision of financial statements and reports. The Company is in compliance with these covenants.

NOTE 6--SUBSEQUENT EVENTS

In November 1998, the Company entered into an agreement to acquire the outstanding common stock of Arkansas Systems, Inc., doing business as ARKSYS. Based in Little Rock, Arkansas, its main product lines include electronic funds transfer (EFT) solutions for ATM management, debit and credit cards, point-of-sale (POS) and merchant transaction acquiring, and commercial and PC banking. ARKSYS is the software provider to Euronet's ATM transaction processing center in Central Europe. ARKSYS had revenues of approximately \$11.4 million in 1997 and \$9.6 million in 1996. Established in 1975, the company has approximately 130 employees. The acquisition, to be accounted for under the purchase method, includes a cash payment of approximately \$18 million subject to adjustment based on final working capital determinations. The transaction should be completed in the fourth quarter.

ITEM 2

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

GENERAL OVERVIEW

The Company was formed and established its first office in Budapest (Hungary) in June 1994. In May 1995, the Company opened its second office in Warsaw (Poland). Since then, the Company has expanded operations into Germany, Croatia, the Czech Republic, and France. Substantially all of the Company's investment to date has been directed at establishing its ATM network through the acquisition and installation of ATMs and computers and software for its transaction processing center and through the marketing of its services to local banks and International Card Organizations. Euronet installed its first ATM in Hungary in June 1995 and by the end of 1995, the Company had 53 ATMs installed. During 1996 an additional 113 ATMs were installed in Hungary and. The Company installed a further 527 ATMs in 1997, consisting of 469 in Hungary and Poland and 58 in Germany and Croatia. During the first nine months of 1998, a further 430 ATMs were added to the network consisting of 187 in Hungary and Poland, 214 in Germany and Croatia, and 29 in the Czech Republic and France.

As of September 30, 1998 the Company employed 204 people across it's existing markets.

In 1997, 99% of the Company's revenues were generated in Hungary and Poland. For the three and nine months ended September 30, 1998 Hungary and Poland generated 72% and 81% of the Company's revenues, respectively.

The Company's expansion of its network infrastructure and administrative and marketing capabilities has resulted in increased expenditures. Further planned expansion will continue to result in increases in general operating expenses as well as expenses related to the acquisition and installation of ATMs.

The Company has derived substantially all of its revenues from ATM transaction fees since inception. The Company receives a fee from the card issuing banks or International Card Organizations for ATM transactions processed on its ATMs. As the Company continues to focus on expanding its network and installing additional ATMs, the Company expects that transaction fees will continue to account for a substantial majority of its revenues for the foreseeable future. The Company's existing contracts with banks and International Card Organizations provide for reduced transaction fees with increases in transaction volume. As the Company's transaction levels continue to increase, the average fee it receives per transaction will decrease. However, the Company expects that because the decrease in transaction fees is tied to an increase in transactional volume, the overall revenues of the Company should increase despite the fee discounts. However, the Company expects that transaction levels may be negatively impacted if all or a large part of the transaction fees are passed on to cardholders by client banks.

The transaction volumes processed on an ATM in any given market are affected by a number of factors, including location of the ATM and the amount of time the ATM has been installed at the location. The Company's experience has been that

the number of transactions on a newly installed ATM is initially very low and takes approximately six months after installation to achieve average transaction volumes for that market. Accordingly, the average number of transactions, and thus

revenues, per ATM are expected to increase as the percentage of ATMs operating in the Company's network for over six months increases.

The Company has had substantial increases in the level of operations, including ATMs operated and total personnel since its inception in 1994. In addition, the Company was in the development stage until June 1995 when it began operations in Hungary. As a result, a comparison of the Company's results of operations from period to period is not necessarily meaningful.

ATM operating expenses, on a per ATM basis, are generally fixed in nature and consist primarily of ATM site rentals, depreciation of ATMs and ATM installation costs, maintenance, telecommunications, insurance, and cash delivery and security services to ATMs. ATM operating expenses will necessarily increase as the Company's network expands. Other operating expenses consist of items such as salaries, professional fees, rent and utilities, communication and travel related expenditures. While these expenditures are anticipated to increase with the Company's expansion into new markets and the introduction of new products, other operating expenses are expected to decrease as a percentage of total revenues.

COMPARISON OF RESULTS OF OPERATIONS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 1998 TO THE THREE MONTHS ENDED SEPTEMBER 30, 1997 AND THE NINE MONTHS ENDED SEPTEMBER 30, 1998 TO THE NINE MONTHS ENDED SEPTEMBER 30, 1997

Revenues. Total revenues increased to \$3,127,000 for the three months ended September 30, 1998 from \$1,577,000 for the three months ended September 30, 1997 and to \$7,751,000 for the nine months ended September 30, 1998 from \$3,433,000 for the nine months ended September 30, 1997. The increase was due primarily to the growth in transaction fees resulting from the increase in transaction volume attributable to additional network connections to credit and debit card issuers and an increase in the number of ATMs operated by the Company during these periods. The Company had 1,123 ATMs in operation as of September 30, 1998 compared with 503 ATMs as of September 30, 1997. Transaction fee revenue represented approximately 93% of total revenues for the nine months ended September 30, 1998, and 87% for the nine months ended September 30, 1997.

Transaction fees charged by the Company vary for the types of transactions that are currently processed on the Company's ATMs: cash withdrawals, balance inquiries, transactions not completed because authorization is not given by the relevant Card Issuer, and transactions processed under ATM network management agreements. Approximately 96% of transaction fees for the nine months ended September 30, 1998 were attributable to cash withdrawals compared to 97% for the nine months ended September 30, 1997. The remaining transaction fees were attributable to balance inquiries and transactions not completed because authorization is not given by the relevant Card Issuer. Transaction fees for cash withdrawals vary from market to market but generally range from \$0.60 to \$1.75 per transaction while transaction fees for the other types of transactions are generally substantially less.

In January 1998, Orszages es Takarek Pentzar Bank ("OTP"), the Hungarian National Savings Bank, notified the Company that it was terminating its contract with Euronet effective as of July 27, 1998. OTP advised the Company that it terminated the contract since it desired to promote the use of its own ATM network. OTP also indicated that the Company selected ATM sites which OTP believed to be in competition with OTP ATM sites and that the Company failed to provide OTP with certain transaction reports on a timely basis. It should be noted that the reporting failure had been corrected more than two months prior to OTP's notice of termination. As a result of this termination, the Company will not have a direct connection with OTP and will not be able to accept OTP proprietary bank cards. The Company has negotiated a new EUROPAY sponsorship arrangement with another bank to replace OTP as its EUROPAY sponsor, and as a result of that agreement, the Company is still able to accept all OTP issued VISA and EUROPAY cards through its VISA and EUROPAY gateways. The Company's contract with OTP (including transactions processed for non-OTP EUROPAY cardholders) represented approximately 51% of its consolidated revenues for the year ended December 31, 1997 and 35% for the six months ended June 30, 1998. For the three months ended September 30, 1998 revenues from OTP cardholder transaction accounted for 15% of consolidated revenues, or \$459,000 compared to

\$575,000 for the quarter ended June 30, 1998.

The Company generates advertising revenue on its network by putting clients' advertisements on its ATMs. In addition, the Company also generates revenues from ATM network management services, including sales of the Blue Diamond product. For the nine months ended September 30, 1998 these revenues were \$537,000 compared to \$454,000 for the nine months ended September 30, 1997. For the three months ended September 30, 1998 these revenues were \$148,000 compared to \$53,000 for the three months ended September 30, 1997.

Operating expenses. Total operating expenses for the three months ended September 30, 1998 were \$8,600,000 compared to \$3,510,000 for the three months ended September 30, 1997 and \$21,607,000 ended September 30, 1998 compared to \$8,414,000 for the nine months ended September 30, 1997. This increase was due primarily to costs associated with the expansion of the Company's operations and increase in the number of ATMs installed.

ATM operating costs increased to \$3,739,000 for the three months ended September 30, 1998 from \$1,393,000 for the three months ended September 30, 1997. For the nine months ended September 30, 1998 operating costs increased to \$9,226,000 from \$3,046,000 for the nine months ended September 30, 1997. ATM depreciation, included in ATM operating costs, for the three months ended September 30, 1998 increased to \$985,000 from \$350,000 for the three months ended September 30, 1997, and to \$2,355,000 for the nine months ended September 30, 1998 from \$775,000 for the nine months ended September 30, 1997.

Professional fees for the three months ended September 30, 1998 were \$685,000 compared to \$179,000 for the three months ended September 30, 1997, and for the nine months ended September 30, 1998 were \$1,414,000 compared to \$592,000 for the nine months ended September 30, 1997. These increases are due primarily to expansion into new markets, including fees spent on arranging the acquisition of new ATMs in Germany. Professional fees are comprised of legal, accounting, recruitment and other various professional fees.

Salaries increased to \$2,355,000 for the three months ended September 30, 1998 from \$1,026,000 for the three months ended September 30, 1997, and to \$5,973,000 for the nine months ended September 30, 1998 from \$2,462,000 for the nine months ended September 30, 1997 as a result of the increase in the number of employees from 133 as of September 30, 1997 to 204 as of September 30, 1998.

Communication, Rent and Utilities, and Travel related costs were \$924,000 for the three months ended September 30, 1998 compared to \$375,000 for the three months ended September 30, 1997 and \$2,540,000 for the nine months ended September 30, 1998 compared to \$965,000 for the nine months ended September 30, 1997. The increase relates to the expansion of the Company's operations, as previously discussed.

Other operating expenses, which includes marketing, depreciation of non-ATM related assets and insurance, were \$897,000 for the three months ended September 30, 1998 compared to \$537,000 for the three months ended September 30, 1997, and \$2,454,000 for the nine months ended September 30, 1998 compared to \$1,349,000 for the nine months ended September 30, 1997. Depreciation of non-ATM related assets for the three months ended September 30, 1998 increased to \$412,000 from \$114,000 for the three months ended September 30, 1997, and to \$903,000 for the nine months ended September 30, 1998 from \$238,000 for the nine months ended September 30, 1997. These expenses increased in conjunction with the expansion of the Company's operations into new and existing markets.

Interest income. Interest income for the three months ended September 30, 1998 was \$863,000 compared to \$419,000 for the three months ended September 30, 1997, and was \$1,703,000 for the nine months ended September 30, 1998 compared to \$1,075,000 for the nine months ended September 30, 1997. The increases for the three month and nine month periods in 1998 compared to the same periods in 1997 reflect the impact of the receipt of the bond proceeds in June of 1998 and the subsequent investment of the proceeds. Investments held at September 30, 1998 were \$29,230,000 compared to \$17,498,000 held at September 30, 1997.

Interest expense relating principally to capital leases of ATMs and computer systems and to accrued interest on the notes payable, was \$3,457,000 for the three months ended September 30, 1998 compared to \$271,000 for the three months ended September 30, 1997, and \$4,606,000 for the nine months ended September 30, 1998 compared to \$520,000 for the nine months ended September 30, 1997. This increase was due primarily to the increase of capital lease obligations outstanding and the accretion of interest on the Notes issued in June 1998.

Foreign exchange loss. For the three months ended September 30, 1998 the Company had a foreign exchange loss of \$1,242,000 compared to a gain of \$264,000 for the three months ended September 30, 1997. For the nine months ended September 30, 1998 the Company had a foreign exchange loss of \$409,000 compared with a gain of \$334,000 for the nine months ended September 30, 1997. Exchange gains and losses that result from remeasurement of assets and liabilities, in markets where the functional currency is the US Dollar, are recorded in determining net loss. The increase in foreign exchange loss during the period arose primarily as a result of a net exposure to the Deutsche Mark on Deutsche Mark denominated Notes Payable and capital lease obligations.

Net loss. The Company's net loss was \$9,309,000 for the three months ended September 30, 1998 compared to \$1,521,000 for the three months ended September 30, 1997 and \$17,168,000 for the nine months ended September 30, 1998 compared to \$3,963,000 for the nine months ended September 30, 1997. This increase was as a result of the factors discussed above.

LIQUIDITY AND CAPITAL RESOURCES

Since its inception, the Company has sustained negative cash flows from operations and has financed its operations and capital expenditures primarily through the proceeds from the 1998 Senior Discount Notes offering, the 1997 equity offering, through equipment lease financing and through private placements of equity securities. The net proceeds of such transactions, together with revenues from operations and interest income, have been used to fund aggregate net losses of approximately \$34,879,000 and investments in property, plant and equipment. The Company had cash and cash equivalents of \$60,791,000 and working capital of \$97,313,000 at September 30, 1998. As of September 30, 1998,

the Company had \$12,865,000 of restricted cash held as security with respect to cash provided by banks participating in Euronet's ATM network and to cover guarantees and as deposits with customs officials. The Company expects to continue to generate losses from operating activities and negative cash flow while it concentrates on the expansion of its ATM network business. As a result of the Company's strategy of continuing expansion and increasing its market share, the Company's net losses are expected to increase.

On June 22, 1998 the Company made a Public Offering of 243,211 units consisting of 12 3/8% Senior Discount Notes due 2006 and 729,633 Warrants to purchase 766,114 shares of common stock. The price to the public was DM150,000,000. The Company received net proceeds of approximately \$81,285,000 after deducting underwriting discount and offering expenses. The Company currently intends to use the net proceeds from the offering for network expansion in its existing markets to repay a portion of the Company's capitalized lease obligations, and for general corporate purposes, including expansion into new markets, expanding the provision of ATM management services, and the pursuit of possible strategic acquisition (see Note 6 to the condensed consolidated financial statements) and joint venture opportunities. With respect to repayment of capitalized leases, as part of the implementation of the Company's new Europay sponsor arrangement in Hungary, an existing equipment lease arrangement must be transferred to the Company's new Europay sponsor bank. This lease will therefore not be paid off as anticipated, and the initially proposed amount of lease repayments of approximately \$11 million will be reduced by approximately \$5,000,000.

There can be no assurance that the Company's revenues will grow or be sustained in future periods or that the Company will be able to achieve or sustain profitability or positive cash flow from operations in any future period. If the Company cannot achieve and sustain operating profitability or positive cash flow from operations, it may not be able to meet its debt service or working capital requirements including its obligation with respect to the Notes.

The Company leases the majority of its ATMs under capital lease arrangements that expire between 1999 and 2002. The leases bear interest between 8% and 15%. As of September 30, 1998 the Company owed \$12,076,000 under such capital lease arrangements.

At September 30, 1998, the Company had contractual commitments of approximately \$1,143,000. The Company expects that its capital requirements will increase in the future as it pursues its strategy of expanding its network and increase the number of installed ATMs. The Company anticipates that its capital expenditures for the 12 months ending December 31, 1998 will total approximately \$17 million, primarily in connection with the acquisition of ATMs, scheduled capital lease

payments on existing lease obligations, and related installation costs. Capital expenditures, which exclude assets acquired under capital leases, for 1997 were \$8,619,000 and for 1996 were \$2,162,000. The increase reflects the growth in the Company's operations across all markets.

Balance Sheet Items

Restricted cash: Restricted cash increased to \$12,865,000 at September 30, 1998 from \$847,000 at December 31, 1997 due to expansion of the Company's operations and consequently an increased requirement for cash in the ATMs. This includes \$12,335,000 of funds held on deposit to guarantee funds in the Hungarian network.

Cash and Cash Equivalents. Cash and cash equivalents increased to \$60,791,000 as at September 30, 1998 from \$7,516,000 at December 31, 1997. This increase is primarily the result of investing a portion of the proceeds from the Notes in short term investments.

Deferred financing costs. Deferred financing costs were \$3,228,000 at September 30, 1998. This represents the unamortized portion of underwriting discount and other offering costs associated with the issuance of the Notes. These costs will be amortized over the eight-year life of the Notes using the interest method.

Property, plant and equipment. Net property, plant and equipment increased from \$24,088,000 at December 31, 1997 to \$29,902,000 at September 30, 1998. This increase is due primarily to the installation of 430 ATMs during the nine months ended September 30, 1998 and expenditures on office equipment and vehicles for new operations.

Obligations under capital leases. Obligations under capital leases decreased to \$12,076,000 at September 30, 1998 from \$14,470,000 at December 31, 1997 as a result of repayments exceeding new leases entered into during the nine months ended September 30, 1998. The repayments include the early buy out of certain existing capital lease obligations.

Notes payable. Notes payable at September 30, 1998 was \$90,807,000. This represents the gross proceeds from the issue of the Notes and the accretion of interest to September 30, 1998 less an amount of \$1,725,000 representing the fair value of the warrants that have been recorded as stockholders equity.

FOREIGN EXCHANGE EXPOSURE

In 1997, 99% of the Company's revenues were generated in Poland and Hungary. For the nine months ended September 30, 1998 the comparable figure was 81%, with the remaining 19% being generated in Germany and Croatia. While in Hungary the majority of revenues received are U.S. dollar denominated, this is not the case in Poland, where the majority of revenues are denominated in Polish zloty. However the majority of these contracts are linked either to inflation or the retail price index. While it remains the case that a significant portion of the Company's expenditures are made in or are denominated in U.S. dollars, the Company is also striving to achieve more of its expenses in local currencies to match its revenues.

The Company anticipates that in the future, a substantial portion of the Company's assets, including fixed assets, will be denominated in the local currencies of each market. As a result of continued European economic convergence, including the increased influence of the Deutsche Mark as opposed to the U.S. dollar, on the Central European currencies, the Company expects that the currencies of the markets where the proceeds from the offering will be used will fluctuate less against the Deutsche Mark than against the Dollar. Accordingly, the Company believes that the issuance of Deutsche Mark denominated debt will provide, in the medium to long term, for a closer matching of assets and liabilities than a dollar denominated issuance would.

INFLATION AND FUNCTIONAL CURRENCIES

In recent years, Hungary, Poland and the Czech Republic have experienced high levels of inflation. Consequently, these countries' currencies have generally declined in value against the major currencies of the OECD over this time period. However, there has been a significant reduction in the inflation rate of these countries in recent years. Poland is no longer considered to be hyper-inflationary from 1998 and given that a significant portion of the Company's Polish subsidiary's revenues and expenses are denominated in zloty, the functional currency of the Company's Polish subsidiary will now be the zloty.

The functional currency of the Company's Hungarian and Czech subsidiaries will continue to be the U.S. dollar.

Germany and France have experienced relatively low and stable inflation rates in recent years. Therefore, the local currency in each of these markets is the functional currency. Although Croatia, like Germany and France, has maintained relatively stable inflation and exchange rates, the functional currency of the Croatian company is the U.S. dollar due to the significant level of U.S. dollar denominated revenues and expenses. Due to the factors mentioned above, the Company does not believe that inflation will have a significant effect on results of operations or financial condition. The Company continually reviews inflation and the functional currency in each of the countries that it operates in.

YEAR 2000 COMPLIANCE

The Company depends upon hardware and software systems to provide services to its customer banks and to maintain substantially all of its internal operations. Moreover, the Company provides services to its customer banks through on-line computer links to its bank customers, whose software systems are relied upon to deliver transaction authorization requests. The Company has instituted a program to obtain confirmation of year 2000 compliance of the hardware and software used in its operations and by its customer banks. As part of such program, the Company has identified the following specific areas of its or its bank customers' business that are affected by the Year 2000 issue:

- . The Company's central processing center in Budapest, which uses ARKSYS software and an IBM A5400 hardware platform and operating system.
- . Vendor software, which operates on the AS400, used for control of the central processing center.
- . Firmware and operating systems in each ATM ("ATM Firmware and Software").
- . Vendor and internally generated software which is used in the Company's country operations.
- . Software and hardware used to support the financial reporting and accounting systems of the Company.
- . The ability of the Company's bank customer to continue to authorize transactions after the turn of the century.
- . Year 2000 readiness of subcontractors performing driving, monitoring and operating services in Germany.

Central Processing Center Operations. The Company has received written confirmation from IBM that the Company's current version of the AS400 operating system is year 2000 compliant.

The Company runs more than one version of the ARKSYS software which is used in the central processing center. The version currently processing transactions from Croatia and France is fully year 2000 compliant. The remaining versions have not yet been completely upgraded to process transactions into the year 2000 but the Company is in the process of upgrading such software for 2000 compliance. The Company wishes to fully test all such software by operating it on a test basis for 90 days before it is installed into the central processing center, and the Company anticipates completing the installation of such software during the first and second quarters of 1999 after such testing.

Vendor Software. The Company has requested confirmation letters from all vendors of its support software regarding Year 2000 compliance, including Mimix, Gasper, and AS400 operating system. The Company has received statements from most such suppliers to the effect that their software will operate properly after the turn of the century. However, the Company will also test these programs in conjunction with the testing of the Year 2000 compliant ARKSYS application.

ATM Firmware and Software. The Company purchases its ATM machines from IBM and NCR, and has received information from them regarding Year 2000 compliance of ATM Firmware and Software. Approximately 500 IBM machines require an upgrade to become year 2000 compliant. The components of the upgrade are all software that can be loaded immediately. The Company is preparing a software upgrade suite which will be rolled out in Hungary during December 1998 and in Poland, Croatia

and the Czech republic during the first quarter of 1999. Approximately 250 of the Company's NCR machines will require an upgrade to their firmware and PC BIOS to become year 2000 compliant. Similar to the IBM upgrade, the Company is preparing a software upgrade suite which will be released prior to the end of the year and the upgrade of NCR machines will be completed during the first quarter of 1999. The anticipated expense for upgrading the ATMs is estimated to be less than \$500 per machine, for a total of \$375,000.

Vendor and Internal Software used in the Company's Subsidiaries. The Company has conducted an inventory of all software in use in the Company and all of its subsidiaries. The standard suite of software provided for use in the country operations and provided by the Company's internal software group (the "IS Group") is fully year 2000 compliant. Some of the Company's subsidiaries have developed additional software locally. This has been inventoried and copies are being reviewed for compliance purposes. All "in-country" software will be replaced with standard products provided through the IS Group. Should the Company determine that individualized software components are required due to commitments made under customer contracts, the software will be upgraded during the second quarter of 1999. Testing of standard Company software used in all entities will be completed by June 1999.

Software used in Financial and Accounting Systems. The majority of the Company's internal financial analysis tools have been built using Microsoft Access and Microsoft Excel. These tools were built internally and are year 2000 compliant. The Company's primary financial reporting software (Scala 5.0) has been updated for year 2000 compliance. Implementation and testing of the new version of the software is currently underway with completion anticipated by the end of 1998.

Ability of the Company's Customers to Authorize Transactions after the Turn of the Century. As part of its year 2000 program the Company will contact each bank customer in writing requesting certification of its transaction authorization software for year 2000 readiness. The Company will offer each customer the opportunity to use the Company's test center to verify the ability to authorize transactions into the year 2000. In addition, each customer will be offered the opportunity to place "stand-in" authorization files at the Company's computer center in the event of difficulty with the customer's in-house software. Each customer will also be advised that the Company will be required to unilaterally cease support for any connection which is unable to continue processing.

Substantially all of the Company's revenues are derived from processing transactions on behalf of its bank customers. If such customers are not able to authorize transactions beyond the turn of the century due to failure of their systems to meet year 2000 compliance standards, the Company's revenues will be adversely impacted. The Company's revenues could be materially and adversely affected if a material number of the Company's bank customers are unable to process transactions into the year 2000. As part of its year 2000 program, the Company will assess the potential impact of the advent of the year 2000 on its revenues on an ongoing basis, as responses to the survey described in the previous paragraph are received.

The Company has established a testing program with respect to all of its major card association gateways (Visa, Europay, Mastercard, American Express, Diners Club). The Company has already performed and passed a year 2000 verification conducted by Visa International.

Year 2000 Readiness of Subcontractors performing driving, switching and authorization services in Germany. In Germany, the Company has retained subcontractors to perform the majority of ATM services provided by the Company. Each of these sub-contractors will be requested to provide detailed certification statements that meet the Company's requirements regarding year 2000 compliance. In the event such assurances are not received promptly, the Company will begin surveying alternative providers.

Contingency Plan. Except as described above with respect to stand-in authorization for banks, the Company has not yet developed a contingency plan for handling the inability of any components of its, or its bank customers' hardware or software to process transactions into the year 2000. The Company is confident that its own systems are or will be ready to process transactions

and maintain uninterrupted operations into the year 2000 and that such a contingency plan will be required, if at all, only with respect to its bank customers. However, the elements of such a contingency plan, if necessary, can only be defined based on information which will be gathered from such bank customers as part of the survey described above.

PREPARATION FOR THE INTRODUCTION OF THE EURO.

On January 1, 1999 eleven of the fifteen member countries of the European Union (the "participating countries") are scheduled to establish fixed conversion rates between their existing sovereign currencies (the "legacy currencies") and the Euro. The participating countries have agreed to adopt the euro as their common legal currency on that date. The euro will then trade on currency exchanges and be available for non-cash transactions. The participating countries will issue sovereign debt exclusively in euro, and will redenominate outstanding sovereign debt.

As of January 1, 1999, the participating countries no longer will control their own monetary policies by directing independent interest rates for the legacy currencies. Instead, the authority to direct monetary policy, including money supply and official interest rates for the euro will be exercised by the new European Central Bank.

Following the introduction of the euro, the legacy currencies are scheduled to remain legal tender in the participating countries as denominations of the euro between January 1, 1999 and January 1, 2002 (the "transition period"). During the transition period, public and private parties may pay for goods and services using either the euro or the participating country's legacy currency on a "no compulsion, no prohibition basis". However, conversion rates no longer will be computed directly from one legacy currency to another. Instead, the following triangulation process will be applied:

- . An amount denominated in one legacy currency first will be converted into an amount denominated in euro.
- . The resultant euro-denominated amount will be converted into the second legacy currency.

European Union regulations specify the number of decimal places and rounding conventions that will be used in these "triangulation" computations.

Beginning January 1, 2002, the participating countries will issue new euro-denominated bills and coins for use in cash transactions. No later than July 1, 2002 the participating countries will withdraw all bills and coins denominated in the legacy currencies, so that the legacy currencies no longer will be legal tender for any transactions, making conversion to the euro complete.

The Company has operations in two participating countries, being France and Germany. The Company's accounting software is currently being upgraded to be able to account for both the euro and legacy currency. Since financial settlement is managed only by chartered banking institutions the company does not anticipate any operational impact until January 1, 2002.

The Company has until January 1, 2002 to plan for being able to handle euro cash in its network. During the period January 1, 2002 to July 1, 2002 the company could potentially have to deal with both the legacy currency and the euro in its German and French networks. The implications of this 'duality' and a strategy for conversion to the Euro are currently under consideration.

The Company is still in the process of assessing the potential impact of the euro in terms of likely competitive effects, currency risks, and additional costs. However the Company does not anticipate that any of these issues will have a material adverse effect on its business.

IMPLEMENTATION OF NEW ACCOUNTING PRONOUNCEMENTS

The Company, effective for the year ended December 31, 1997, has adopted the following Statements of Financial Accounting Standards (SFAS): SFAS No. 128, "Earnings per Share." Pursuant to the provisions of the statement, basic loss per share has been computed by dividing net loss attributable to common shareholders by the weighted average number of common shares outstanding during the period. The effect of potential common shares (stock options outstanding) is anti-dilutive. Accordingly, dilutive loss per share does not assume the exercise of stock options outstanding.

SFAS No. 130, "Reporting Comprehensive Income". The Company has adopted this statement for the nine months ended September 30, 1998 by providing a statement of operations and comprehensive loss.

SFAS No. 131, "Disclosure about Segments of an Enterprise and Related Information." The Company has one industry segment but operates in a number of geographical segments. The Company has disclosed separately its two major geographical segments in 1997, being Hungary and Poland, as required by SFAS No.131.

IMPACT OF NEW ACCOUNTING STANDARDS NOT YET ADOPTED

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." This statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives), and for hedging activities. It requires that entities recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. This statement is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. Management has not determined the effect of the adoption of SFAS No. 133.

FORWARD LOOKING STATEMENTS

This document contains statements that constitute forward-looking statements within the meaning of section 27A of the Securities Act and section 21E of the U.S. Securities Exchange Act of 1934, as amended (the "Exchange Act"). All statements other than statements of historical facts included in this document, including, without limitation, statements regarding (i) the use of proceeds of the Offering, (ii) the Company's business plans and financing plans and requirements, (iii) trends affecting the Company's financial condition or results of operations, (iv) the impact and extent of competition, (v) expansion of the Company's ATM network and expansion of the Company's operations, (vi) the assumptions underlying the Company's business plans, (vii) business strategy, (viii) government regulatory actions, (ix) technological advances and (x) projected costs and revenues, are forward-looking statements. Although the Company believes that the expectations reflected in such forwarding-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. Forward-looking statements are typically identified by the words believe, expect, anticipate, intend, estimate and similar expressions.

Prospective investors are cautioned that any such forward-looking statements are not guarantees of future performance and involve risks and uncertainties and that actual results may differ materially from those in the forward-looking statements as a result of various factors.

PART II.

OTHER INFORMATION

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None |
| ITEM 2. | CHANGES IN SECURITIES
None |
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None |
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None |
| ITEM 5. | OTHER INFORMATION
None |
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Exhibit 10 - Agreement and Plan of Merger

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SIGNATURES

Pursuant to the requirements 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.

November 12, 1998 By: /s/ Michael J. Brown

(Chief Executive Officer)

November 12, 1998 By: /s/ Bruce S. Colwill

Chief Financial Officer
(Principal Financial and Accounting Officer)

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AGREEMENT AND PLAN OF MERGER

BY AND AMONG

EURONET SERVICES INC.,

ARKANSAS SYSTEMS INC.,

AE MERGER CORP.,

AND

CERTAIN SHAREHOLDERS OF

ARKANSAS SYSTEMS INC.

Dated as of November 3, 1998

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AGREEMENT AND PLAN OF MERGER

This Agreement and Plan of Merger is made and entered into as of the 3rd

day of November, 1998 by and among Euronet Services Inc., a Delaware corporation ("Buyer"), AE Merger Corp., an Arkansas corporation and a wholly-owned subsidiary of Buyer ("Merger Sub"), Arkansas Systems Inc., an Arkansas corporation (the "Company"), and certain shareholders of the Company whose signatures appear below (each, a "Representing Shareholder" and collectively the "Representing Shareholders") (as amended, modified or supplemented, in each case from time to time and whether in whole or in part, this "Agreement"). Capitalized terms used in this Agreement shall have the meanings set forth herein.

R E C I T A L S

WHEREAS, Buyer desires to acquire the business operated by the Company through the merger of Merger Sub with and into the Company, with the Company as the surviving corporation of such merger;

WHEREAS, pursuant to such merger each share of ARKSYS Common Stock issued and outstanding immediately prior to the Effective Time, other than the Redemption Shares, will be canceled and converted into the right to receive a portion of the Purchase Price in accordance with the terms hereof;

WHEREAS, at the Closing, and immediately prior to the Merger, the Redemption Shares shall be purchased and redeemed by the Company as hereinafter set forth;

WHEREAS, immediately prior to the Effective Time all of the issued and outstanding Common Stock of the Company shall be held legally and beneficially by the Shareholders;

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants hereinafter set forth, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

1.1 Definitions. Capitalized terms used in this Agreement and not otherwise defined herein shall have the meanings set forth below:

"Affiliate" means, as to any Person (the "First Person"), any other Person that is a Family Member of the First Person or that, directly or indirectly, controls, is under common control with or is controlled by, the First Person, including, without limitation, all directors, officers and shareholders of the First Person. For purposes of this definition, "control" (including the terms "controlled by" and "under common control with") as used with respect to any Person, shall mean the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through the ownership of voting securities or by contract or otherwise.

"Articles of Merger" has the meaning set forth in Section 2.2.

"ARKSYS Common Stock" shall mean the issued and outstanding shares of common stock, excluding treasury

stock, par value 1/60 of one dollar per share, of the Company.

"Barrow & Kanis Real Estate" shall mean the real property owned by the Company at John Barrow Road and Kanis in Little Rock, Arkansas which shall be distributed to the LLC Interest Recipients as part of the LLC Distribution.

"Business Day" means any day other than Saturday, Sunday, a federal holiday

or other day on which commercial banks are required or permitted to close by
law.

"Buyer" means Euronet Services Inc., a Delaware corporation.

"Buyer Indemnitee" and "Buyer Indemnitees" have the meanings set forth in

Section 12.1 (a).

"Cleanup" means all actions required by applicable Environmental Laws, and

other appropriate actions reasonably necessary, to: (i) clean-up, remove, treat
or remediate Hazardous Substances in the Environment; (ii) prevent the Release
of Hazardous Substances so that they do not migrate, endanger or threaten to
endanger public health or welfare of the Environment; (iii) perform pre-remedial
studies and investigations and post-remedial monitoring and care; or (iv)
respond to any government requests for information, documents or studies in any
way relating to cleanup, removal, treatment or rededication or potential
cleanup, removal, treatment or remediation of a Release of Hazardous Substances
in the Environment.

"Closing" has the meaning set forth in Section 7.1.

"Closing Date" has the meaning set forth in Section 7.1.

"Closing Financial Statements" means the consolidated balance sheet of the

Company and its subsidiaries as of the Closing Date (or, if the Closing Date is
not last day of a calendar month, as of the last day of the month immediately
preceding the Closing Date) and the related consolidated statements of income
and cash flows for the period January 1, 1998 through such date. The balance
sheet included in the Closing Financial Statements is referred to herein as the
"Closing Balance Sheet." An estimate based on the information then available of
the form of the Closing Balance Sheet (the "Estimated Closing Balance Sheet")
shall be prepared and examined by the parties at least two Business Days before
the Closing Date, so as to permit, among other things, the Buyer to examine
whether the conditions set forth in Section 11.2(x) have been met. The Closing
Financial Statements shall be prepared in accordance with GAAP, provided that
the Parties acknowledge that Net Working Capital shall be determined with
certain adjustments as set forth herein. Following the Closing, the Estimated
Closing Balance Sheet shall be audited and adjusted as necessary to conform to
GAAP at Buyer's expense and a draft of such audited Closing Financial Statements
(along with the Buyer's calculation of Net Working Capital) shall be delivered
to the Shareholders' Representative Committee within sixty (60) days after the
Closing Date. The Shareholders' Representative Committee shall have thirty (30)
days from receipt of such draft of the audited Closing Financial Statements and
calculation of Net Working Capital to review same, as well as any accountant's
work papers and Company books and records utilized in the preparation thereof.
If the Shareholders' Representative Committee does not notify Buyer in writing
within such 30-day period of any objections to such financial statements or
calculation of Net Working Capital, such financial statements and Net Working
Capital determination shall be deemed approved as the Closing Financial
Statements and Net Working Capital for purposes of this Agreement. If the
Shareholders' Representative Committee notifies Buyer in writing within such 30-
day period of any such objections, Buyer and the Shareholders' Representative
Committee shall negotiate in good faith to resolve any such objections as soon
as practical. If the parties are unable to resolve such issues within forty-five
(45) days after the date on which Buyer is notified in writing by the
Shareholders' Representative Committee of their objections, such issue shall be
resolved as set forth in Section 15.11, unless the Buyer and the Shareholders'
Representative Committee mutually agree on a different dispute resolution
procedure for such purpose.

"Company" shall mean Arkansas Systems, Inc., an Arkansas corporation, d/b/a

"ARKSYS."

"Company Options" has the meaning set forth in Section 8.2(b).

"Contract" means any of the following which remain in effect or under which

the Company has any continuing obligations (a) written employment agreement to which the Company is a party and any other plan or agreement to which the Company is a party that is related to benefits applicable to employees or categories of employees of the Company; (b) capital construction contract to which the Company is a party requiring payment over the remainder of the term in excess of \$20,000; (c) agreement, document or instrument to which the Company is a party relating to the borrowing of money by the Company in excess of \$20,000; (d) guarantee issued by or for the benefit of the Company (excluding the endorsement of checks for collection in the ordinary course of business); (e) mortgage, security agreement or other collateral arrangement securing indebtedness of the Company to any Person; (f) contract to which the Company is a party with a supplier not terminable within ninety (90) days and requiring annual payments or payments over the remainder of its term in excess of \$20,000; (g) written or verbal contract to which the Company is a party with a customer involving license fee payments to the Company in excess of \$100,000, other than perpetual license agreements under which the Company has no continuing maintenance obligations; (h) lease of tangible personal property to which the Company is a party requiring annual payment in excess of \$10,000; (i) real property lease to which the Company is a party; (j) service or consulting agreement to which the Company is a party which is reasonably expected by the Company to involve payments of more than \$100,000 per annum during the course of the agreement; (k) collective bargaining agreement to which the Company is a party; (l) licensing agreement to which the Company is a party (except licenses to customers and off-the-shelf software licensing agreements); (m) contract to which the Company is a party requiring any consents or approvals in connection with the transactions contemplated by the terms of any Purchase Document; (n) tax revenue or expense sharing agreement to which the Company is a party; (o) management or operating agreement to which the Company is a party; (p) contract between the Company, on the one hand, and either (i) an Affiliate of the Company, or (ii) any shareholder, officer, director or employee of the Company, on the other hand, excluding contracts involving payment or performance of less than \$5,000 and oral employment contracts in the ordinary course of business terminable at will by the Company; (q) hedging, interest rate, currency rate or other currency related or similar agreement to which the Company is a party; (r) material agreement or commitment to which the Company is a party or by which it is bound and not entered into in the ordinary course of business; and (s) any contract with a Governmental Entity; in each case including all amendments, modifications and supplements thereto.

"D&O Indemnification Obligations" shall have the meaning set forth in

Section 10.12.

"Damages" means any liability, actions, suits, proceedings, demands,

assessments, judgements, losses, claims, damages, costs and expenses, including, without limitation, reasonable attorneys' and experts' fees and reasonable out-of-pocket costs of investigation, incurred by a Buyer Indemnitee, as hereinafter defined, and resulting from any breach of a representation, warranty or covenant contained in this Agreement by the Representing Shareholders or the Company (but excluding any breaches caused by acts or omissions of the Company after the date of the Closing). The amount reasonably estimated by a Buyer Indemnitee of any Damages which have been asserted in writing in accordance with the provisions of Section 12(e) to have been incurred by a Buyer Indemnitee but not yet resolved

as of November 30, 1999 and which are reasonably likely to give rise to Damages shall be retained by the Escrow Agent pursuant to the Escrow Agreement until the matter is resolved as set forth in the Escrow Agreement. If the Buyer and the Shareholders' Representative Committee are unable to agree on such amount, the issue shall be resolved as set forth in Section 15.11. Any such Damages

ultimately determined by mutual agreement of the Buyer and Shareholders' Representative Committee or pursuant to Section 15.11 shall be considered

Damages for purposes of the Final Settlement, subject to the limitations set forth in Article 12. For purposes of this Agreement the term "Damages" shall

specifically include the amount of the excess, if any, of the LLC Distribution

Taxes over the LLC Distribution Tax Estimate and any Damages in excess of applicable insurance coverage with respect to any D&O Indemnification Obligations.

"Deferred Compensation Agreements" means the agreements between the

Company, on the one hand, and Mr. James Hendren and Mr. John Chamberlin, respectively, on the other hand, under which the Company agreed to make certain deferred compensation payments to such Persons for fifteen years, 2012 through 2026, to be funded through withdrawals or borrowing against certain life insurance policies of the Company insuring the lives, respectively, of Mr. Hendren and Mr. Chamberlin as identified therein.

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"Designated Contracts" means (i) a contract with the Peoples' Bank of

China, or an Affiliate thereof, relating to the sale of check processing software and a "Year 2000" release of the Company's software, and (ii) a contract relating to image processing in connection with political fund raising accounting services.

"Dissenting Shareholders" has the meaning set forth in Section 6.3.

"Dissenting Shares" has the meaning set forth in Section 6.3.

"EFT" means EFT Network Services, LLC, a limited liability company in which

the Company is an owner.

"EFT Interests" has the meaning set forth in Section 10.14.

"EFT Put Option" has the meaning set forth in Section 10.14.

"Effective Time" has the meaning set forth in Section 2.2.

"Environmental Claim" means any claim, action, cause of action,

investigation or notice (written or oral) by any Person alleging potential liability of the Company for investigatory costs, Cleanup costs, governmental response costs, natural resources damages, property damages, personal injuries, or penalties arising out of, based on or resulting from (a) the presence, or Release into the Environment, of any Hazardous Substance at any location, whether or not owned or operated by the Company, or (b) circumstances forming the basis of any violation, or alleged violation, by the Company of any Environmental Laws.

"Environmental Laws" means all environmental, health or environmental

safety-related laws, regulations, ordinances, judicial or administrative decrees or decisions, orders or requirements applicable to the Company relating to the environmental condition or use of its respective properties or businesses or pollution or protection of human health or the Environment, including, without limitation, the Comprehensive Environmental Response Compensation and Liability Act, 42 U.S.C., (S)9601, et seq., as amended ("CERCLA"), the Resource

Conservation and Recovery Act, 42 U.S.C. (S)6901, et seq., as amended, the Clean

Air Act, 42 U.S.C. (S)7401 et seq., as amended, the Clean Water Act, 33 U.S.C

(S)1251, et seq., the Toxic Substance Control Act, 15 U.S.C (S)2601 et seq. and

the Occupational Safety and Health Act.

"Environmental Liabilities" has the meaning set forth in Section 8.9(j).

"Escrow Account" has the meaning set forth in the Escrow Agreement.

"Escrow Agent" has the meaning set forth in the Escrow Agreement.

"Escrow Agreement" means the Escrow Agreement, dated as of the Closing Date, by and among the Shareholders' Representative Committee, the Representing Shareholders, Buyer and Mercantile Trust Company, N.A. Bank, North Little Rock, Arkansas, as escrow agent, in form and substance consistent with the terms hereof and otherwise satisfactory to the parties thereto. Among other things, the Escrow Agreement shall provide for an interim distribution, as provided in Section 10.11(d), of any Receivables collected on or prior to March 31, 1999.

"Escrow Amount" means \$6,000,000.

"Escrow Damages" shall have the meaning set forth in Section 7.2 (a).

"Escrow Notice" has the meaning set forth in Section 12.1(f).

"Euronet Common Stock" shall mean the authorized common stock, par value \$0.02 per share, of Buyer.

"Euronet Option Grant" has the meaning set forth in Section 6.4(a).

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"Euronet Options" has the meaning set forth in Section 6.4(a).

"Excess A/R Collections" shall mean the amount by which the actual collections of Receivables, as of November 30, 1999, exceed the Net Accounts Receivable.

"Excess 401(k) and Profit Sharing Accruals" means the amount by which the accrual appearing in the Closing Balance Sheet for the contribution to the Company's 401(k) Plan and Profit Sharing Plan exceeds the actual payment made by the Company to such Plans attributable to the portion of the 1998 fiscal period ended on the date of the Closing Balance Sheet.

"Family Member" means as to any Person, such Person's spouse, child (including a stepchild or an adopted child), grandchildren, brothers or sisters and any trust for the exclusive benefit of any one or more of them and a Person controlled at all times by such Person and beneficially owned by such Person and any one or more of them.

"Final Settlement" has the meaning set forth in Section 7.5.

"Financial Statements" means, collectively, the 1996 Financial Statements, the 1997 Financial Statements and the 1998 Financial Statements.

"GAAP" means U.S. generally accepted accounting principles applied on a consistent basis.

"Government Contracts" means any contracts with any Governmental Entity.

"Governmental Entity" means any government or any agency, bureau, board, commission, court, department, official, political subdivision, tribunal or other instrumentality of any government.

"Gross Ownership Percentage" means, as to a Shareholder, the percentage

share of ownership in the Company that would have been held by such Shareholder
as of the Closing based on the number of shares of ARKSYS Common Stock owned by
the Shareholder, assuming the Vested Options had been exercised and the exercise
price had been paid therefor by the Vested Optionholders in cash rather than in
ARKSYS Common Stock as provided herein.

"Hatfield Termination Agreement" means a written agreement by which Donald

B. Hatfield and the Company terminate the employment of Mr. Hatfield as
President and CEO of the Company, which shall be in form and substance
reasonably satisfactory to Buyer.

"Hazardous Substance" means any pollutant, contaminant, toxic substance,

hazardous waste, hazardous material, or hazardous substance, or any oil,
petroleum or petroleum product, each as defined in any Environmental Laws.

"HSR Act" means the Hart-Scott-Rodino Anti-Trust Improvements Act of 1976,

as amended.

"HSR Approval" means the expiration or early termination of the waiting

period (including extensions thereof) and the waiver or withdrawal of any
objections, if applicable, under the HSR Act.

"Indemnification Percentage" means the respective percentage set forth for

each Representing Shareholder on Exhibit A attached hereto.

"Initial Purchase Price" has the meaning set forth in Section 7.2.

"Insurance Policies" has the meaning set forth in Section 8.17.

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"Intellectual Property Rights" means all right, title and interest of the

Company in and to all software (including source code and object code), licenses
(other than licenses with respect to the Company's use of off-the-shelf software
programs), trademarks, tradenames, service marks, patents, copyrights,
proprietary processes of every kind and description, software development
technical know-how and information, software production and technical data,
computer data, printouts, trade secrets and similar properties (including,
without limitation, all registrations, renewals or applications for registration
or renewal of any of the foregoing, in each case whether completed, pending or
in the process of development held by the Company or held by any Representing
Shareholder but to which the Company is legally entitled), and all licenses,
royalty agreements, permits and authorizations with respect to any of the
foregoing, in the United States or anywhere else in the world, now or previously
used, acquired or developed by or for the Company, together with the goodwill of
the Company's business associated with the foregoing.

"Knowledge" A Person will be deemed to have Knowledge of a particular fact

or other matter only if: (a) such individual is actually aware of such fact or
other matter, (b) such individual received written notice of such fact or other
matter, or (c) the individual has knowledge from which a person of reasonable
prudence and intelligence in the same circumstances would infer that the fact or
other matter in question exists.

"Knowledge of the Company" The Company shall be deemed to have Knowledge

of a particular fact or other matter if any individual who is serving, or who
has at any time during the 12-month period preceding the date hereof has served,
as a director or executive officer (President, any Vice President, Secretary,
Treasurer or Chief Financial Officer) of the Company or if a Representing
Shareholder has, or at any time had, Knowledge of such fact or other matter.

"Leased Real Property" has the meaning set forth in Section 8.8(b).

"Lien" means any claim, charge, easement, encumbrance, lease, covenant,

security interest, mortgage, lien, option, pledge, material right of others, or material restriction (whether on voting, sale, transfer, disposition, use or otherwise), whether imposed by agreement, understanding, law equity or otherwise (but excluding general restrictions on the use of property imposed by law and governmental regulations relating to use of property generally, e.g. zoning and general land use laws).

"LLC Distribution" means the distribution of the LLC Interests, the Barrow

& Kanis Real Estate and \$200,000 in cash to the LLC Interest Recipients in redemption of the Redemption Shares held by the LLC Interest Recipients as set forth herein. The LLC Distribution may be effected by the contribution by the Company of the LLC Interests, Barrow & Kanis Real Estate and \$200,000 cash to a new Arkansas limited liability company (the "New LLC Holding Company"), followed by the distribution of all of the ownership interests in the New LLC Holding Company to the LLC Interest Recipients in redemption of the Redemption Shares.

"LLC Distribution FMV" shall mean \$2,132,267, which is the sum of (i) fair

market value of the LLC Interests and the Barrow & Kanis Real Estate (as mutually determined by the Board of Directors of the Company and the LLC Interest Recipients following appraisal, with reduction for the potential sublease liability described in Section 11.2(o)) and (ii) the amount of cash contributed to the New LLC Holding Company in connection with the LLC Distribution, all of which is to be distributed in the LLC Distribution in redemption of the Redemption Shares as set forth herein. The Company shall make available to the Buyer, upon request, a copy of the appraisal utilized for purposes of determining the LLC Distribution FMV.

"LLC Distribution Percentage" means the percentage of the total LLC

Distribution FMV received by each LLC Interest Recipient.

"LLC Distribution Taxes" means any and all state and federal taxes (with

appropriate reduction for the benefit of the deduction of state taxes for federal income tax purposes), including without limitation real estate transfer taxes, payable by the Company as a result of the LLC Distribution. In calculating the state and federal corporate income tax included in the LLC Distribution Taxes, the gross amount of tax payable on the gain realized by the Company from the LLC Distribution shall be reduced by tax deductions which are actually allowed to the Company or the Buyer under

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applicable tax laws and regulations with respect to fiscal year 1998 as a result of the following transactions which are occurring in connection with the Merger as provided in this Agreement: any Section 83 and/or Section 421 deduction and any deduction for payroll taxes available as a result of the exercise of the Vested Options and immediate sale of the ARKSYS Common Stock received in respect thereof by Vested Optionholders in connection with this transaction, any deductions arising from severance payments made to Don Hatfield, and any deductions arising from the cancellation by Mr. Chamberlin and Mr. Hendren of the Deferred Compensation Agreements in exchange for the consideration paid to them in connection therewith. Otherwise, the amount of LLC Distribution Taxes shall not be increased or decreased because of any current year loss or change in net operating loss carryovers to future tax periods or other tax attributes of the Company as a result of the LLC Distribution.

"LLC Distribution Tax Estimate" shall mean an estimate as of the Closing

Date of the LLC Distribution Taxes made by the Company's accountants and reasonably acceptable to the Buyer and the Shareholders Representative Committee. Any dispute regarding such amount shall be resolved in the manner set forth in Section 15.11.

"LLC Interests" means all of the interests held by the Company in Arkansas

Systems Building Co., LLC, Arkansas Systems Land Co. LLC and Chenal Technology Center, LLC (collectively, the "LLCs").

"LLC Interest Recipients" means the stockholders of the Company receiving

the LLC Distribution.

"Losses" has the meaning set forth in Section 8.9(j).

"Material Adverse Change" means a change that has a Material Adverse

Effect, provided that for purposes of Section 11.2(m), a Material Adverse Change shall be considered to have occurred if the adverse financial impact of any Material Adverse Effect exceeds \$180,000.

"Material Adverse Effect" means, with respect to any Person, any effect

that is, or series of related effects that are, in the aggregate, materially adverse to the business, assets, properties, condition (financial or otherwise) or prospects of such Person. Any effect or series of effects, whether related or unrelated, shall be deemed to have a Material Adverse Effect if their financial impact exceeds \$75,000.

"Maximum Amount" has the meaning set forth in Section 12.1(c).

"Merger" has the meaning set forth in Section 2.1.

"Merger Sub" has the meaning set forth in the introductory paragraph to

this Agreement.

"Net Accounts Receivable" means the Receivables less the allowance for

doubtful accounts reflected in the Closing Balance Sheet included in the Closing Financial Statements.

"New LLC Holding Company" has the meaning set forth in the definition of

"LLC Distribution."

"Net Working Capital" means the excess of current assets over current

liabilities, as shown on the Closing Balance Sheet as provided herein. Without limiting the foregoing,

- current assets shall include all Receivables (net of the reserve for doubtful accounts), short term notes receivable and the note receivable of the Company from EFT in an approximate amount of \$26,000, cash on hand (including cash realized from or paid in connection with transactions contemplated by this Agreement and provided that the parties specifically acknowledge that current assets shall be deemed to include payments made by the Company pursuant to the Hatfield Termination Agreement) cash equivalents, investment securities, money market and ready asset accounts, inventory, work in process, deferred income taxes, deposits, prepaid expenses, advances and other amounts receivable from third parties and the cash surrender value of life insurance policies (except to the extent of any cash surrender value attributable to life insurance policies on the lives of Mr. Chamberlin and Mr. Hendren held by the

Company for purposes of satisfying the Deferred Compensation Agreements which are to be terminated as set forth herein), and

- current liabilities shall include accounts payable, and appropriate accruals under GAAP for deferred revenues, employment tax withholding contribution obligations, 401(k) and other benefit payments, deferred compensation liability of the Company (excluding (i) any deferred compensation liability extinguished through cancellation of the Deferred Compensation Agreements as set forth herein, (ii) any liability with

respect to the Hatfield Termination Agreement and (iii) any liability of the Company to Dissenting Shareholders, to the extent such liability to Dissenting Shareholders is withheld against the Purchase Price). In addition, the LLC Distribution Tax Estimate, which is otherwise reflected as a reduction of the Purchase Price as set forth herein, shall not be considered a current liability. For purposes of the Initial Purchase Price, the amount of Net Working Capital shall be calculated by the Company's auditors based on the October 31, 1998 internal financial statements of the Company, as adjusted to conform to GAAP.

Except as otherwise expressly contemplated hereby, for purposes of computing Net Working Capital, deferred income tax shall be computed in accordance with GAAP in a manner consistent with prior practices, but without effect for the transactions contemplated hereby.

"Optionholder" means a holder of Company Options.

"Option Exercise and/or Release Form" has the meaning set forth in Section 6.4(b).

"Owned Real Property" has the meaning set forth in Section 8.8(c).

"Ownership Percentage" means, as to a Shareholder, the Shareholder's percentage share of ownership in the Company determined as set forth herein based on the number of shares of ARKSYS Common Stock owned by the Shareholder as of the Closing, after reflecting the exercise of the Vested Options as provided herein.

"Permit" means any environmental permit, license, approval, consent or authorization issued by a federal, state or local Governmental Entity.

"Person" means an individual, sole proprietorship, corporation, partnership, limited liability company, joint venture, trust, unincorporated organization, company, estate, bank, trust company other organization, or a Governmental Entity.

"Property" or "Properties" means, collectively, the Owned Real Property and the Leased Real Property.

"Purchase Documents" means this Agreement, the Escrow Agreement, the Hatfield Termination Agreement, the Shareholder Releases and Option Exercise and/or Release Forms.

"Purchase Price" has the meaning set forth in Section 7.2.

"Receivables" has the meaning set forth in Section 8.21.

"Redemption Shares" shall mean the shares of ARKSYS Common Stock held by the LLC Interest Recipients which shall be redeemed by the Company at the Closing (and immediately prior to the Effective Time of the Merger) in exchange for the LLC Distribution as set forth herein. The number of Redemption Shares shall be equal to the number of shares of ARKSYS Common Stock issued and outstanding as of the Closing, after reflecting the exercise of the Vested Options as provided herein, multiplied by a fraction, the numerator of which shall be the LLC Distribution FMV and the denominator of which shall be the sum of (i) the LLC Distribution FMV and (ii) the Purchase Price.

"Release" means a "Release" as defined in any Environmental Laws.

"Representing Shareholders" has the meaning set forth in the first

paragraph of this Agreement.

"September 30, 1998 Audit" means an audit in accordance with GAAP of the

1998 Financial Statements, to be performed before the Closing as set forth
herein

"Settlement Date" shall mean November 30, 1999.

"Shareholders" means all of the shareholders of the Company as of the

Closing, including Vested Optionholders acquiring ARKSYS Common Stock upon
exercise of the Vested Options as set forth herein. "Shareholders'

Representative Committee" has the meaning set forth in Section 14.1.

"Shares" has the meaning set forth in Section 8.2.

"Subsidiary" means (a) any Person in an unbroken chain of Persons beginning

with the Company if each of the Persons other than the last Person in the
unbroken chain then owns equity securities possessing 50% or more of the total
combined voting power of all classes of equity securities in one of the other
Persons in such chain, (b) any partnership in which the Company or a Subsidiary
of the Company is a general partner, and (c) any partnership in which the
Company or a Subsidiary of the Company possesses or is entitled to a 50% or
greater interest in the total capital or total income of such partnership.

"Surviving Corporation" has the meaning set forth in Section 2.1.

"Tangible Personal Property" means furniture, fixtures, equipment,

machinery, vehicles, supplies, inventories, materials, apparatus, tools,
implements, appliances and other tangible personal property of every kind and
description.

"Tax Refunds" means Tax refunds (net of any out-of-pocket costs incurred by

the Company in pursuing such refunds) with respect to Tax refund claims relating
to the period prior to the Closing Date which are filed by the Company before
the Final Settlement, to the extent the Tax Refund receivable related thereto is
not included in the Closing Balance Sheet and is not otherwise attributable to
the transactions contemplated hereby.

"Tax Return" has the meaning set forth in Section 8.12(q).

"Taxes" means any federal, state, local, domestic, foreign, national,

international or other tax, duty, tariff, levy, fee or assessment, including,
without limitation, value added, income, gross receipts, profits, franchise,
withholding, social security, unemployment, license, sales, use, transfer, real
estate, excise, customs, payroll, and other taxes or governmental duties, fees
or charges, including any interest, penalties or additions on or to the
foregoing.

"Threshold" has the meaning set forth in Section 12.1(c).

"Total Share Pool" means all issued and outstanding shares of ARKSYS

Common Stock, including the Redemption Shares, as of the Closing, after
reflecting the exercise of the Vested Options as provided herein.

"Uncollected Receivables" shall mean the aggregate of all Receivables of

the Company as of the date of the Closing Balance Sheet, net of the reserve set
forth in the Closing Balance Sheet, which have not been collected as of November

30, 1999. However, the amount of Uncollected Receivables shall be reduced by the amount of deferred revenue attributable to any Receivables included in the Closing Balance Sheet, to the extent such deferred revenue is not realized as income under GAAP by the Company after the date of the Closing Balance Sheet.

"Unvested Options" has the meaning set forth in Section 8.2(b).

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"Vested Optionholders" has the meaning set forth in Section 8.2(b).

"Vested Options" has the meaning set forth in Section 8.2(b).

"Year 2000 Reserve" shall have the meaning set forth in Section 12.1(f).

"1996 Financial Statements" means the consolidated balance sheet of the

Company and its subsidiaries at December 31, 1996 and the related consolidated statements of income and cash flows for the Company's fiscal year commencing on January 1, 1996 and ending on December 31, 1996, audited by Rasco, Burris & Winter, including the footnotes thereto.

"1997 Financial Statements" means the consolidated balance sheet of the

Company and its subsidiaries at December 31, 1997 and the related consolidated statements of income and cash flows for the Company's fiscal year commencing on January 1, 1997 and ending on December 31, 1997, audited by Ernst & Young, including the footnotes thereto.

"1998 Financial Statements" means the unaudited consolidated balance sheet

of the Company and its subsidiaries at September 30, 1998 (the "September 30, 1998 Balance Sheet"), and the related unaudited consolidated statements of income and cash flows for the portion of the Company's fiscal year commencing on January 1, 1998 and ending on September 30, 1998, including the footnotes thereto, which have been delivered to Buyer in its due diligence on or before the date hereof.

1.2 Accounting Terms. Except as otherwise specifically provided herein,

all accounting terms shall be construed in accordance with GAAP. Except as otherwise specifically provided herein, all Financial Statements required to be delivered hereunder shall be prepared, and all accounting determinations and calculations shall be made, in accordance with GAAP.

ARTICLE II

THE MERGER; EFFECTIVE TIME -----

2.1 The Merger. Subject to the terms and conditions of this Agreement,

at the Effective Time, Merger Sub shall be merged with and into the Company and the separate corporate existence of Merger Sub shall thereupon cease (the "Merger"). The Company shall be the surviving corporation in the Merger (sometimes hereinafter referred to as the "Surviving Corporation") and shall continue to be governed by the laws of the State of Arkansas, and the separate corporate existence of the Company with all its rights, privileges, powers, immunities, purposes and franchises shall continue unaffected by the Merger.

2.2 Effective Time. If all the conditions set forth in Article XI shall

have been fulfilled or waived in accordance herewith and this Agreement shall not have been terminated in accordance with Article XIII, the Merger shall be

consummated by filing with the Arkansas Secretary of State appropriate Articles of Merger (the "Articles of Merger") in accordance with the Arkansas Business Corporation Act (the time of such filing is referred to herein as the

"Effective Time").

ARTICLE III

ARTICLES OF INCORPORATION AND BY-LAWS
OF THE SURVIVING CORPORATION

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3.1 Articles of Incorporation and Bylaws. At the Effective Time (a) the Articles of Incorporation of the Surviving Corporation as in effect immediately prior to the Effective Time shall be the Articles of Incorporation of the Surviving Corporation; and (b) the bylaws of the Surviving Corporation in effect immediately prior to the Effective Time shall be amended as of the Effective Time so as to contain the provisions, and only the provisions, contained in the bylaws of Merger Sub immediately prior to the Effective Time, in each case until duly amended in accordance with applicable law.

ARTICLE IV

DIRECTORS AND OFFICERS OF THE
SURVIVING CORPORATION

4.1 Directors and Officers. The persons listed on Schedule 4.1 shall, from and after the Effective Time, shall be and become directors and officers (as the case may be) of the Surviving Corporation until their successors shall have been duly elected or appointed and qualified or until their earlier death, resignation or removal in accordance with the Surviving Corporation's Articles of Incorporation, bylaws, and any applicable contracts relating thereto.

ARTICLE V

REDEMPTION OF REDEMPTION SHARES
AND
CANCELLATION OF REMAINING SHARES IN THE MERGER

5.1 Redemption and Cancellation.

- (a) (i) Prior to the Closing the Company shall complete the redemption of Shares owned by Jay R. Spriggs and William Nunnally/Calvary Baptist Church pursuant to agreements presently in effect with such persons, copies of which have been provided to Buyer on or prior to the date hereof.
- (ii) At the Closing, and immediately prior to the Effective Time, the LLC Distribution shall be effected so that the LLC Interests, the Barrow & Kanis Real Estate and \$200,000 shall be transferred to the New LLC Holding Company, and then all of the ownership interests in the New LLC Holding Company shall be transferred, assigned and delivered to the LLC Recipients as set forth herein in exchange for, and in redemption of, the Redemption Shares.
- (b) At the Effective Time, each share of ARKSYS Common Stock held in the treasury of the Company immediately prior to the Effective Time (including, after the redemption described in (a) above, the Redemption Shares) shall be canceled and retired and shall cease to exist.

(c) Immediately prior to the Closing, all Vested Options shall be, and be deemed to have been, exercised as provided herein by the holders of the Vested Options. In connection with such exercise, each Vested Optionholder shall pay, and be deemed to have paid, his/her aggregate exercise price thereof to the Company (as set forth for each Vested Optionholder on Schedule 7.2) by tendering to the Company shares of ARKSYS Common Stock equal in value to such exercise price, with such value appropriately and equitably determined on a basis consistent with the value of the Company as utilized herein (i.e., on the basis of the LLC Distribution FMV and the Purchase Price), taking into account the number of shares of ARKSYS Common Stock issued and outstanding, so that only the net shares issuable upon such cashless exercise shall be issued to each Vested Optionholder. Accordingly, the amount of consideration hereunder allocable to each Vested Optionholder shall be determined as set forth in Section 7.2(b) by -----
appropriately taking into account the respective exercise price payable by each such Vested Optionholder.

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(d) At the Effective Time, all shares of ARKSYS Common Stock, by virtue of the Merger and without any action on the part of the holders thereof, shall no longer be outstanding and shall be canceled and retired and shall cease to exist, and each holder of a certificate representing any such shares of ARKSYS Common Stock shall thereafter cease to have any rights with respect to such shares of ARKSYS Common Stock, except the right of such holders to receive a portion of the Purchase Price as provided in Article VII. After the Effective Time, there will be no transfers, or registration thereof, on the stock transfer books of the Company or the Surviving Corporation of the shares of ARKSYS Common Stock.

ARTICLE VI

CONVERSION OF SHARES AND OPTIONS

6.1 Conversion of Shares. At the Effective Time, by virtue of the Merger

and without any action on the part of Buyer, Merger Sub, the Company or any Shareholder:

(a) The common shares of Merger Sub issued and outstanding immediately prior to the Effective Time shall be converted into one share of common stock, par value 1/60 of one Dollar per share, of the Surviving Corporation. Such newly issued share shall thereafter constitute all of the issued and outstanding capital stock of the Surviving Corporation.

(b) Until surrendered in accordance with Section 6.2, each stock

certificate which immediately prior to the Effective Time represented shares of ARKSYS Common Stock, other than the Redemption Shares, (each a "Certificate") shall represent for all purposes (except as may otherwise be required by law with respect to rights of dissenting stockholders) only the right to receive a portion of the Purchase Price as provided in Article VII.

6.2 Payment for Shares. From and after the Effective Time, upon

surrender to the Surviving Corporation of either (i) a Certificate, duly endorsed in blank or accompanied by a duly executed stock power, or (ii) an affidavit of lost certificate in a customary form reasonably satisfactory to Buyer (which shall include appropriate indemnification provisions), the holder of such Certificate, or shares of ARKSYS Common Stock evidenced by such affidavit, shall be entitled to receive in exchange therefor solely the proportionate share of the Purchase Price as provided for in Article VII.

Notwithstanding anything herein to the contrary, neither the Company, the Buyer, any member of the Shareholders' Representative Committee, nor any other party hereto or any of their Affiliates, agents or representatives shall be liable to any Shareholder of the Company or any other Person for any Merger consideration delivered to a public official pursuant to and in accordance with applicable abandoned property, escheat or other similar laws.

6.3 Dissenting Shareholders. Notwithstanding anything in this Agreement

to the contrary, shares of ARKSYS Common Stock which are outstanding immediately prior to the Effective Time and which are held by shareholders (the "Dissenting Shareholders") who shall not have voted such shares in favor of the Merger and who shall have delivered to the Company notice perfecting their rights as a Dissenting Shareholder in the manner provided in the Arkansas Business Corporation Act (the "Dissenting Shares") shall be canceled but not converted into a right to receive the Purchase Price, and the holders thereof shall be entitled to payment of the fair value of such shares from the Surviving Corporation in accordance with the provisions of the Arkansas Business Corporation Act; provided, however, that if any holder fails to establish his entitlement to dissenter's rights or to demand payment for his shares as provided in the Arkansas Business Corporation Act, such holder or holders shall forfeit the right to the fair value for such shares and such shares shall thereupon be deemed to have been converted into and become exchangeable for, as of the Closing Date, the right to receive a cash payment equal to the consideration for such shares provided in Section 7.2 of this Agreement, without

any interest thereon.

6.4 Grant of Euronet Options; Cancellation of Company Options.

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(a) Buyer shall, as of the Closing Date, grant options to purchase shares of Buyer ("Euronet Options") to the Optionholders listed on Schedule 6.4

which includes only Optionholders with less than 1000 Unvested Options (the "Euronet Option Grant"). Each person listed on Schedule 6.4 shall receive an

option to purchase the same number of Euronet shares as the number of Company shares such person was entitled to purchase prior to Closing, which number is included on Schedule 6.4. The exercise price under the Euronet Options shall be

the closing price of the shares of Euronet on the Nasdaq National Market as of the Closing Date and the options shall vest in five tranches, with the first tranche vesting thirty (30) days following the Closing Date and the remaining tranches vesting on each of the four succeeding anniversary dates of the date such first tranche vests. Except as otherwise provided in this Section 6.4, the

options shall be granted on the terms and conditions of the 1998 Euronet Incentive Option Plan, a copy of which shall be made available upon request to the Shareholders and holders of Company Options. With respect to Optionholders whose names do not appear on Schedule 6.4 (all of whom have management level

responsibilities), Buyer intends to grant Euronet Options in appropriate amounts consistent with Euronet group option grant policies. Accordingly, Buyer shall, in its discretion, make a determination as to the appropriate grant of options to each such employee and shall grant such number of Euronet Options within ninety (90) days of the Closing Date.

(b) As a condition to the Closing, any and all rights of the Optionholders under any option or other agreement by which the Company has granted the right to purchase shares of the Company's stock shall be exercised as provided herein if Vested Options, or waived, released, canceled and/or extinguished, if Unvested Options; and all Optionholders shall deliver a confirmation of exercise and/or release in a form reasonably acceptable to the Company and the Buyer under which the Vested Optionholders exercise the Vested Options as set forth herein, and the Optionholders then release all other rights under any Company Options as further described in Section 10.12(ii) (each, an

"Option Exercise and/or Release Form"). Each Option Exercise and/or Release Form from a Vested Optionholder shall confirm the exercise by such Optionholder of the exercise of his/her options, under the terms and conditions set forth herein and in the Option Exercise and/or Release Form. The exercise of the Vested Options shall be a "cashless exercise" with the exercise price payable to the Company for the issuance of shares thereunder being paid by the each Vested Optionholder by tendering shares of ARKSYS Common Stock otherwise issuable upon such exercise as set forth in Section 5(c). The Representing Shareholders shall use commercially reasonable efforts to obtain an Option Exercise and/or Release

Form from all of the Optionholders, but shall not be required to expend any out-of-pocket funds or otherwise incur any liability or obligation for such purpose.

ARTICLE VII

CLOSING

7.1 Time and Place of Closing. The consummation of the transactions

contemplated hereby (the "Closing") shall take place on November 30, 1998 or on such later date not later than December 31, 1998 (as selected by Buyer upon five days prior written notice to the Company), or at such other time as is mutually agreed upon, in writing, by the Company and Buyer (the "Closing Date") at the offices of Friday, Eldredge & Clark, 400 West Capitol Avenue, Little Rock, Arkansas, or at such other place as is mutually agreed upon by the Company and Buyer. Each party hereto agrees to use commercially reasonable efforts to cause the Closing to be consummated as contemplated by this Agreement.

7.2 Purchase Price. (a) The price for the purchase of all ARKSYS Common

Stock (other than the Redemption Shares), including shares issued on exercise of the Vested Options, as provided in this Agreement (the "Purchase Price") shall be \$14,320,000,

plus (1) the amount of the Net Working Capital as of the date of the

Closing Balance Sheet or \$2,687,000, whichever is greater (the "Net Working Capital Payment"). The amount of Net Working Capital Payment made at Closing (the "Estimated Net Working Capital Payment") shall be estimated by the Company's auditors based on the internal financial statements of the Company as of October 31, 1998 and the

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Net Working Capital shall thereafter be finally determined for purposes of calculation of the Purchase Price based on the Closing Balance Sheet.

plus (2) the aggregate of (i) one hundred percent (100%) of the amount

of revenues received from the sale of software under the Designated Contracts (exclusive of maintenance, consulting, or other fees received for services other than the provision of the software which has already been developed) up to and including the Settlement Date, net of any sales expenses and commissions payable by the Company with respect to such revenues, and appropriately reduced for any Taxes payable by the Company with respect to such net amount (ii) the Excess 401(k) and Profit Sharing Accruals, (iii) Excess A/R Collections and (iv) the amount of the Tax Refunds;

less (3) the aggregate of (i) the LLC Distribution Tax Estimate, (ii)

the amount of Uncollected Receivables, and (iii) any Damages in excess of the Threshold with respect to claims for indemnification made by Buyer in writing in accordance with the terms of Section 12(f) prior to November 30,

1999 and paid from the Escrow Amount pursuant to the Escrow Agreement ("Escrow Damages").

(b) Subject to all of the terms and conditions set forth herein and in reliance on the representations and warranties of each Representing Shareholder and the Company set forth herein, upon the Closing, each Shareholder of the Company including each Vested Optionholder shall be entitled to a pro-rata portion of the Purchase Price, in proportion to its Ownership Percentage (but appropriately adjusted to reflect the LLC Distribution), so that in effect the amount ultimately allocable to each Shareholder hereunder (including each Vested Optionholder and each LLC Recipient) from the Purchase Price, after considering the LLC Distribution, shall be equal to the Shareholder's Gross Ownership Percentage multiplied by the aggregate of (i) the LLC Distribution FMV, (ii) the Purchase Price, and (iii) the aggregate amount of the exercise prices for all Vested Options, less, in the case of a Vested Optionholder, the amount of the

aggregate exercise price for his/her Vested Options (in each case as set forth on Schedule 7.2), and less, in the case of the LLC Recipients, the LLC Recipient's LLC Distribution Percentage multiplied by the LLC Distribution FMV. The LLC Distribution shall be allocable to the LLC Recipients as provided herein, and the Purchase Price shall be allocated to the Shareholders, appropriately taking into account the LLC Distribution, so that each Shareholder is allocated the appropriate and proper amount in accordance with the terms of this Agreement.

(c) In the event that the Buyer has reason to believe, based on the Estimated Closing Financial Statements or other information available at the time of the Closing that the Net Working Capital included in the Final Closing Financial Statements will be less than \$2,687,000, the Buyer may elect to terminate this Agreement and not proceed to Closing; provided that the Buyer may, at its option, waive this condition and elect to proceed to Closing.

(d) At Closing, Buyer shall make an estimated payment of the Purchase Price equal to \$14,320,000 plus the Estimated Net Working Capital Payment, less the amount of the LLC Distribution Tax Estimate (the "Initial Purchase Price"). Of the Initial Purchase Price, the Escrow Amount shall be paid to the Escrow Agent and the remainder shall be paid to the Shareholders Representative as provided in Section 7.3.

7.3 Payments and Deliveries at Closing; Reconciliation of

Payments.

(a) At the Closing, Buyer shall pay, or shall cause Merger Sub to pay, by wire transfer of immediately available funds in U.S. Dollars:

(i) the Escrow Amount to the Escrow Agent; and

(ii) the amount of the Initial Purchase Price less the Escrow Amount to the Shareholders' Representative Committee for distribution as soon as practical thereafter to the Shareholders (including holders of Vested Options) in accordance with the terms hereof. The Shareholders Representative Committee may by written notice delivered to Buyer prior to the Closing Date direct Buyer to pay such amount to the Escrow Agent for distribution as soon as practical thereafter to the Shareholders (including holders of Vested Options) in accordance with

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the terms hereof. The amount described in this Subsection 7.3(a)(ii) shall not become part of the Escrow Amount or subject to the terms of the Escrow Agreement.

(b) Notwithstanding the foregoing, to the extent any Shareholder fails to deliver to the Buyer and the Company at or before the Closing an affidavit of non-foreign status pursuant to Section 1445 of the Internal Revenue Code and regulations thereunder, then the amount, if any, required by the Internal Revenue Code and regulations thereunder to be withheld from the payment to any Stockholder hereunder (or under the Escrow Agreement) may be so withheld and paid to the Internal Revenue Service for the account of such Shareholder in accordance with applicable law and regulations thereunder.

(c) The amount allocable to each Shareholder under Section 7.3(a)(ii), as well as the amount allocable to each Shareholder with respect to any interim distribution from the Escrow Account as contemplated by Section 10.11(d), shall be determined to the extent necessary based on the Shareholder Representative Committee's reasonable estimate of the proportional amounts allocable to each Shareholder pursuant to the terms hereof, with appropriate reconciliation of any over or underpayment to any Shareholder being made at the time of the payment described in Section 7.5 and/or at the time of the Final Settlement, so that upon the Final Settlement each Shareholder will have been paid the appropriate amount to which such Shareholder is entitled hereunder taking into account all payments to such Shareholder under Section 7.3(a)(ii) and from the Escrow Account, as well as the LLC Distribution, and, if effected, the distribution of the EFT Interests upon exercise of the EFT Put Option.

7.4 Company Merger Costs and Expenses. The costs and expenses incurred by

the Company in connection with this transaction with respect to the period prior to the Closing (e.g., legal, accounting and appraisal fees) shall be paid by the Escrow Agent from the Escrow Amount upon receipt of an invoice and approval of payment by the Shareholders' Representative Committee; provided the aggregate amount of such costs and expenses to be paid from the Escrow Amount may not exceed \$ 100,000 without the Buyer's prior written approval. Such costs paid by the Escrow Agent shall not be included for purposes of determining Net Working Capital.

7.5 Final Settlement from Escrow. (a) Beginning on November 1, 1999,

Buyer and the Shareholders' Representative Committee shall work together to determine by November 30, 1999 each of the components of the Purchase Price as set forth in Section 7.2 and the amount of any indemnification obligation

arising under Section 12.1. Buyer shall provide the Shareholders'

Representative Committee with reasonable access to the books and records of the Company as reasonably necessary to make such determination. If Buyer and the Shareholders' Representative Committee reach agreement on such determination, they shall deliver a joint written notice to the Escrow Agent on or before December 5, 1999 of the amounts to be distributed from the Escrow Account to each party to give effect to such determination. If Buyer and the Shareholders' Representative Committee reach agreement only on a portion, but not all, of the amounts to be distributed, they shall deliver a joint written notice thereof to the Escrow Agent on or before December 5, 1999, and such undisputed portion shall be distributed by the Escrow Agent pursuant to such joint notice on or before December 15, 1999. The Escrow Agent shall retain the disputed portion in escrow pursuant to the Escrow Agreement until the dispute is resolved in accordance with the dispute resolution procedures set forth in the Escrow Agreement. Once the dispute is so resolved, the remaining amounts held by the Escrow Agent (except the Year 2000 Reserve) shall be distributed to the appropriate party or parties pursuant to the terms of the Escrow Agreement. The payment of the final amount pursuant to the Escrow Agreement shall be referred to herein as the "Final Settlement."

(b) Beginning on or before June 1, 2000, the parties shall work together to determine, by June 15, 2000 the amount of the Year 2000 Reserve which is appropriately distributable to the Shareholders, on the one hand or the Buyer, on the other hand. If they reach agreement, they shall deliver joint instructions to the Escrow Agent to make such distribution by June 30. If they are unable to agree, the matter shall be resolved through arbitration in accordance with Section 15.11 below.

ARTICLE VIII

REPRESENTATIONS AND WARRANTIES

OF THE COMPANY AND

THE REPRESENTING SHAREHOLDERS

Subject to the provisions of Article XII, the Company and each Representing

Shareholder hereby represent and warrant the following to Buyer, it being understood and agreed that (i) no specific representation or warranty shall limit the generality or applicability of a more general representation or warranty, except as provided in Section 8.30, and (ii) liability for any

breaches shall be, as among Representing Shareholders, allocated as provided in

Article XII.

The parties specifically acknowledge that Escrow Damages shall operate as an adjustment to the Purchase Price allocable to the Shareholders as set forth herein.

8.1 Organization. The Company is a corporation duly organized, validly

existing and in good standing under the laws of Arkansas and has the corporate power and authority to own or lease its properties and carry on its business as now being conducted. The Company is duly qualified to do business as a foreign corporation and is in good standing in every jurisdiction in which the operation of its business requires such qualification, except for failures, if any, to be so qualified and in good standing which would not have a Material Adverse Effect on the Company. The Representing Shareholders have, prior to the execution and delivery of this Agreement, made available to Buyer, certified copies of the Articles of Incorporation and bylaws of the Company, each as in effect on the date hereof. The minute books, stock certificate books and stock transfer ledgers of the Company (collectively, the "Corporate Books"), copies of which have been provided by the Representing Shareholders to Buyer as provided in Section 10.9, are complete and correct in all material respects and properly
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reflect all material transactions involving the business and operations of the Company that are customarily reflected in corporate minutes of the same or similar corporations.

8.2 Authorized Capitalization; Outstanding Stock and Options.

(a) The authorized capital stock of the Company consists only of one class of common stock, par value 1/60 of one dollar per share. As of the date of this Agreement, the Representing Shareholders, together with their respective Affiliates, hold at least 80% of the ARKSYS Common Stock issued and outstanding as of the date of this Agreement. Within ten (10) days after the execution of this Agreement, the Company shall deliver to the Buyer a certificate setting forth the number of shares of Common Stock of the Company that are issued and outstanding as of the time of execution of this Agreement (the "Shares"), the name of the legal and beneficial holder thereof together with the certificate number. Each Representing Shareholder shall represent and warrant in such certificate with respect to himself and any Affiliate that he owns beneficially and of record the Shares reflected as owned by such Representing Shareholder on such certificate and that he/it has good and valid title to such shares so owned by him/it free and clear of all Liens, except as otherwise set forth on said certificate. The Shares have been duly authorized, are validly issued and outstanding and are fully paid and non-assessable and free of preemptive rights and, except as may be reflected on such certificate, have not been issued in violation of any securities laws.

(b) Schedules 8.2(b) (1) and (2) set forth the number of options to

purchase shares of the Company's stock outstanding under any option agreement or plan entered into by the Company, whether qualified or unqualified, including all incentive or target based options which the Company has agreed to grant up to the Closing Date ("Company Options"). Schedule 8.2(b) (1) sets forth all

outstanding unvested Company Options ("Unvested Options"). Schedule 8.2(b) (2)

sets forth all outstanding Company Options that are vested or will become vested up to and including the Closing Date, including without limitation by virtue of any transactions contemplated by this Agreement ("Vested Options") and the holders thereof ("Vested Optionholders"). Except as set forth on Schedule 8.2(a)

or (b), there are no outstanding rights, warrants, options or agreements with
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respect to any class of capital stock of the Company.

(c) On or before the Final Settlement, the Shareholders Representative Committee shall deliver to the Buyer a certificate including a true and accurate calculation of the Total Share Pool, the number of outstanding

Shares held by each Shareholder as of the Closing, and the Ownership Percentage and Gross Ownership Percentage of each Shareholder, as well as an estimate of the number of Redemption Shares held by each Shareholder.

8.3 Subsidiaries. The Company has no Subsidiaries other than LLC's

included in the LLC Interests and than those Subsidiaries set forth on Schedule

8.3. Except as set forth on Schedule 8.3, the Company is not a party to any

partnership agreement or understanding or joint venture agreement or understanding. The Company's inactive subsidiaries, CLCA, Inc. and Blue Bridge Software Inc. have not engaged in any business for the last three years, and there are no liabilities or claims of any party whomsoever against those Subsidiaries or against the Company by reason of the ownership by the Company of shares in those Subsidiaries.

8.4 Authority: Binding Effect. Each of the Company and the Representing

Shareholders has full power, authority and capacity to execute and deliver each Purchase Document to which the Company or such Representing Shareholder is a party and to perform the transactions required of the Company or such Representing Shareholder thereunder and at the Closing, subject to approval of the Merger and the Purchase Documents by the Shareholders in accordance with the Arkansas Business Corporation Act. Each of the Representing Shareholders agrees to vote the shares of ARKSYS Common Stock owned by such Representing Shareholder in favor of the Merger upon the terms and conditions set forth in this Agreement. Subject to approval of the Merger and the Purchase Documents by the Shareholders in accordance with the Arkansas Business Corporation Act, each Purchase Document to which the Company or any Representing Shareholder is a party has been duly authorized, executed and delivered by the Company or such Representing Shareholder, as the case may be, and constitutes the legal, valid and binding obligations of the Company or such Representing Shareholder, as the case may be, enforceable against the Company or such Representing Shareholder, as the case may be, in accordance with the terms and provisions thereof, subject to general equity principles and to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws from time to time in effect affecting the enforcement of creditors' rights generally (regardless of whether such enforcement is considered in a proceeding in equity or at law). The representations and warranties of each Representing Shareholder under this

Section 8.4 are made only with respect to himself and the Company and not with

respect to any other Representing Shareholder. This provision shall not, however, diminish any provision herein under which the Representing Shareholders agree to provide indemnification for Damages arising from the breach by the Company or such Representing Shareholder of any of the representations and warranties made herein before the Closing Date.

8.5 Non-Contravention. (a) Subject to the qualifications set forth in

Section 8.5(b), except as set forth on Schedule 8.5, neither the execution and

delivery by the Company or any Shareholder of any Purchase Document to which the Company or such Shareholder is a party nor the consummation by the Company or such Shareholder of the transactions contemplated thereby (i) will violate any provision of the Articles of Incorporation or bylaws of the Company, (ii) will, to the Knowledge of the Representing Shareholders, violate or conflict with any applicable statute, law, ordinance, rule, regulation, order, judgment or decree applicable to the Company or any Shareholder, (iii) will conflict with or constitute a violation of or a default (or an event which with notice or lapse of time or both, would constitute a default) under, or will result in the termination of, or accelerate performance required by, any Contract to which the Company, or any contract to which any Shareholder is a party, or to which any of the assets or properties of the Company or any Shareholder are subject, or (iv) will result in the creation of any Lien upon any of the shares of ARKSYS Common Stock or upon any of the property or assets of the Company except, in the case of (ii) and (iii) above, any such conflict, violation or default that does not have a Material Adverse Effect on the Company. Except for the consent and approval of the Merger and the Purchase Documents, and the transactions contemplated thereby, by the Shareholders and by the Board of Directors of the Company (which approval of the Board of Directors has already been obtained), the consent of the lender to the LLCs and the members of the LLCs other than the Company as set forth in Section 11.1(1), and the HSR Approval, if required, to

the Knowledge of the Representing Shareholders, neither the execution nor delivery by the Company or any Shareholder of any Purchase Document to which the Company or such Shareholder is a party nor the consummation of the transactions contemplated thereby will require the consent, authorization or approval of, or notice to or filing or registration with, any Person.

(b) The Representing Shareholders make the representations set forth in Section 8.5(a)(iii) and (iv) without qualification as to Knowledge insofar as the statements therein apply to the Representing Shareholders themselves, but make such representations to their Knowledge insofar as such statements apply to the other Shareholders.

8.6 Financial Statements. (a) The Financial Statements, other than the

1998 Financial Statements, (true, correct and complete copies of which have been delivered to Buyer on or prior to the date hereof), are (a) true, accurate and complete in all material respects; and (b) fairly and in all material respects accurately present the properties, assets, liabilities, financial positions and results of operations of the Company as of the respective dates and for the respective periods covered thereby in accordance with GAAP except as noted on Schedule 8.6 (a)

(b) The unaudited 1998 Financial Statements (true, correct and complete copies of which have been delivered to Buyer on or prior to the date hereof) are not prepared in accordance with GAAP, but present in all material respects the properties, assets, liabilities, financial position of the Company in a fashion which is consistent with the internal reporting practices of the Company and with the other unaudited financial statements presented to the Buyer in connection with its due diligence examination of the Company. Except as otherwise disclosed in Schedule 8.6(b), to the Knowledge of the Representing

Shareholders and the Company, as of September 30, 1998, the Company did not have any liabilities or obligations (whether secured or unsecured, accrued, absolute, contingent or otherwise) which under GAAP should have been but which were not reflected or reserved against in the 1998 Financial Statements that would have a Material Adverse Effect on the Company. Since September 30, 1998, to the Knowledge of the Representing Shareholders and the Company, the Company has not incurred any liabilities or obligations (whether secured or unsecured, accrued, absolute, contingent or otherwise), including, without limitation, any items of litigation that would have a Material Adverse Effect on the Company, except any such liabilities or obligations (i) arising under and in compliance with the Contracts to which the Company is a party, (ii) incurred in the ordinary course of business of the Company, (iii) arising pursuant to this Agreement, or (iv) such other liabilities or obligations as shall be set forth in Schedule 8.6(b).

(c) As of the Closing, the Representing Shareholders and the Company shall deliver a certificate to the Buyer stating that:

(i) except as otherwise disclosed in the certificate, the 1998 Financial Statements, as audited in the September 30, 1998 Audit are (a) true, accurate and complete in all material respects; and (b) fairly and in all material respects accurately present the properties, assets, liabilities, financial positions and results of operations of the Company as of the date thereof and for the period covered thereby in accordance with GAAP;

(ii) except as otherwise disclosed in the certificate, to the Knowledge of the Representing Shareholders and the Company, as of September 30, 1998 the Company did not have any liabilities or obligations (whether secured or unsecured, accrued, absolute, contingent or otherwise) which, under GAAP, should have been but which were not reflected or reserved against in the 1998 Financial Statements that would have a Material Adverse Effect on the Company.

(iii) since September 30, 1998, to the Knowledge of the Representing Shareholders and the Company, the Company has not incurred any liabilities or obligations (whether secured or unsecured, accrued, absolute, contingent or otherwise), including, without limitation, any items of litigation that would have a Material Adverse Effect on the Company, except any such liabilities or obligations (i) arising under and in compliance with the Contracts to which the Company is a party, (ii) incurred in the ordinary course of business of the Company, (iii) arising pursuant to this Agreement and (iv) such other liabilities or obligations as shall be set forth in the certificate.

If any matters disclosed on the certificate described above constitute a Material Adverse Change, the Buyer shall be entitled under Section 11.2(m) to

elect not to proceed to Closing.

8.7 Interim Changes. Since September 30, 1998, the business of the

Company has been operated in the ordinary course and, except as set forth on Schedule 8.7, or as otherwise contemplated by this Agreement, the Company has

not (nor has it authorized or proposed or entered into any contract, agreement, commitment or arrangement to do any of the following) where such action, contract, agreement, commitment or arrangement, when considered separately or together with other actions, contracts, agreements, commitments or arrangements, would have a Material Adverse Effect on the Company:

(i) to the knowledge of the Representing Shareholders and the Company, incurred or become subject to, or agreed to incur or become subject to, any material liability (whether secured or unsecured, accrued, absolute, contingent or otherwise), except any such liabilities incurred in the ordinary course of its business, consistent with past practice, and such other liabilities or obligations disclosed herein or in the Schedules hereto;

(ii) except with respect to the transactions contemplated by this Agreement, entered into (A) any material transaction, contract or commitment outside the ordinary course of business, or (B) any other material commitment outside the ordinary course of business not terminable by the Company in less than thirty (30) days;

(iii) experienced any Material Adverse Change in its business or customer relations;

(iv) granted any general pay increases to its employees, officers or directors or changed the rate of compensation, commission, bonus or other remuneration payable to any of its employees, directors, officers, agents or shareholders, with the exception of increases to any such Person made in the ordinary course of business consistent in all material respects with past practices;

(v) sustained any damage or loss to its business or properties in excess of \$50,000 in the aggregate (whether or not covered by insurance), except as reflected in all material respects in the 1998 Financial Statements;

(vi) paid, canceled, waived or discharged any Lien other than in the ordinary course of business;

(vii) instituted or settled any litigation, action or proceeding relating to its business;

(viii) entered into any lease, whether as lessor or lessee, for real property or incurred any obligation to enter into any such lease or purchased any real property;

(ix) changed in any material respect its investment practices, payment and processing practices, policies regarding intercompany transactions or other policies or practices affecting in a material respect its assets, liabilities or business;

(x) made any direct or indirect redemption, purchase or other acquisition of any of its capital stock; or split, combined or reclassified any of its capital stock or issued any other security in respect of or in substitution therefor; or repurchased, redeemed or otherwise acquired any of its shares of capital stock, except pursuant to this Agreement;

(xi) canceled, amended or established any Employee Plan or made any payments or distributions under any Employee Plan, except for distributions and payments in the ordinary course to or for the benefit of plan participants in accordance with the applicable provisions of such Plan;

(xii) issued, delivered, pledged, encumbered, sold or purchased any shares of its capital stock or securities convertible into, or rights, warrants or options to acquire, any shares of its capital stock or other convertible securities of the Company;

(xiii) acquired or agreed to acquire by merging or consolidating with, or by purchasing any

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material portion of the capital stock or assets of, or by any other manner, any business, corporation, partnership, association or other business organization, or any division thereof;

(xiv) amended, canceled or terminated (other than by its terms) or waived any material provision of any Contract to which it is a party which required, requires or is anticipated to require payments in excess of \$50,000 in the aggregate, in any twelve-month period;

(xv) granted any Lien that is material in the context of the Company or its business;

(xvi) entered into any employment compensation or other agreement with any of its officers, directors, shareholders, Affiliates, employees or agents (other than in connection with the hiring of new employees in the ordinary course of business at an annual compensation not in excess of \$100,000 for any person) or terminated the employment of any of its officers or employees, except in the case of employees, non management employees in the ordinary course of business;

(xvii) canceled or compromised any of its material claims or liabilities other than in the ordinary course of business, or paid, canceled, waived or discharged any material Lien other than in the ordinary course of business;

(xviii) amended the Articles of Incorporation or bylaws of the Company;

(xix) received any notice of a material default under any Contract;

(xx) disposed of or permitted the lapse of any material Intellectual Property Rights;

(xxi) sold any marketable securities that were material to the Company other than in the ordinary course of business;

(xxii) disposed of or changed in any material respect any assets of the Company that were or are material to the Company or its business, other than in the ordinary course of business;

(xxiii) made any material changes in its methods of operation, other than changes in the ordinary course of business;

(xxiv) made any capital commitments or expenditures in excess of \$ 150,000 in the aggregate;

(xxv) paid or declared any dividends or issued or purchased any capital stock or rights relating thereto;

(xxvi) entered into any employment contracts not terminable at will by the Company;

(xxvii) made any material changes in its financial structure or accounting practices;

(xxviii) failed to pay or make any material bonus, incentive, contingent or other payments or expenditures which are consistent with historical practices or planned pursuant to the capital and operating budgets of the Company for its 1998 fiscal year or required by agreements in place at January 1, 1998; or

(xxix) otherwise suffered a Material Adverse Change.

From and after the date of execution of this Agreement and until the Closing Date or the date of termination of this Agreement, the Company shall not, without the prior approval of the Buyer, undertake or enter into any of the actions described in this Section 8.7 where such action, contract, agreement, ----- commitment or arrangement, when considered

separately or together with other actions, contracts, agreements, commitments or arrangements, could reasonably be considered to have a Material Adverse Effect on the Company.

8.8 Owned and Leased Property.

(a) Except as set forth in Schedule 8.8(a), the Company has good and marketable title to its owned Tangible Personal Property and Owned Real Property free and clear of all Liens except Liens for current Taxes and assessments not yet delinquent or being contested in good faith by appropriate proceedings.

(b) All leases and subleases pursuant to which the Company (i) leases (whether as lessee or lessor) its Tangible Personal Property, or (ii) leases or has leased (in the last three years) any real property as lessor or lessee (the "Leased Real Property") are set forth on Schedule 8.8(b). Such leases and subleases (other than the leases identified on Schedule 8.8(b) as no longer in effect) are in good standing and are valid and binding against the Company, and to the Knowledge of the Company, the other parties thereto, in accordance with their respective terms, subject to general equity principles and to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws from time to time in effect affecting creditors' rights generally (whether considered in a proceeding in equity or at law), and there is not, under any of such leases or subleases any existing default, event of default or event which with notice or lapse of time or both would constitute a default, in any material respect, by the Company or, to the Knowledge of the Company, any Person from or to whom the Company leases or subleases such Tangible Personal Property or Leased Real Property. None of the rights of the Company under any of such leases or subleases is subject to termination or modification as the result of the transactions contemplated by any Purchase Document, except as contemplated by Section 11.2(o).

(c) All real property owned by the Company or the LLCs on, or within three years prior to, the date hereof is set forth on Schedule 8.8(c) (the "Owned Real Property").

(d) To the Knowledge of the Company, there are no material encroachments upon any of the Properties and the improvements situated upon such Properties do not encroach upon any adjoining property or violate any rights of way or easements on the lands of others. The use of such Properties by the Company and the conduct of the business of the Company on such Properties does not, to the Knowledge of the Company, violate in any material respect any law, rule, regulation or zoning or use ordinance of any governmental body or authority applicable to such Properties and, in connection with such use and conduct, to the Knowledge of the Company, there are no violations in any material respect of applicable law or governmental rules with respect to water supply, sewage or waste disposal facilities.

(e) Except as set forth on Schedule 8.8(e), the Company has not received any notice of any special assessment or condemnation from a Governmental Entity with respect to any of the Properties.

8.9 Environmental Matters.

(a) All permits, licenses, registrations, consents, orders, certificates, approvals and other authorizations (each an "Environmental Permit") which are required under Environmental Laws for the conduct of business of the Company or the LLCs or the operation of any property owned, leased or occupied by the Company or the LLCs which are required to be obtained or applied for by the Company or the LLCs have been so obtained or applied for.

(b) Neither the Company nor the LLCs have failed to comply in any material respect with any Environmental Laws or any Environmental Permit and neither the Company nor any LLC has been notified by any Governmental Entity,

and to the Knowledge of the Company, there are no facts indicating, that any Environmental

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Permit will be modified, suspended, canceled or revoked or cannot be renewed in the ordinary course of business.

(c) Except as disclosed in Schedule 8.9, no Hazardous Substance is

presently or has been in the past generated, stored, handled, treated, transported to or from or disposed of on any property currently or formerly owned by the Company or the LLCs, or operated or leased by the Company or the LLCs (during the period of such operation or lease), and to the Knowledge of the Company, no property currently or formerly owned, operated or leased by the Company or the LLCs has been used by others, including but not limited to prior owners, lessees and operators, for the generation, storage, handling, treatment, transportation or disposal of any Hazardous Substance. Neither the Company nor the LLCs have generated, disposed of, transported or arranged for the transportation (directly or indirectly) of any Hazardous Substances to any location that is listed or, to the Knowledge of the Company, proposed for listing on the National Properties List or the CERCLA Information System under CERCLA, or under any similar state, local or foreign list, or where there has been a Release or suspected Release of a Hazardous Substance.

(d) Neither the Company nor any LLC has received any notice or order from any Person advising it that it is responsible for or potentially responsible for Cleanup or remediation of any Hazardous Substances nor has the Company nor any LLC entered into any agreements concerning such Cleanup. No work, repair, construction or capital expenditure is planned or required in respect of the assets of the Company pursuant to or to comply with any Environmental Law, nor has the Company received any notice of any such requirement.

(e) There is no Environmental Claim pending or, to the Knowledge of the Company, threatened against the Company or pending or, to the Knowledge of the Company, threatened against any other Person whose liability for any Environmental Claim the Company has or may have retained or assumed either contractually or by operation of law. No real property currently or formerly owned by the Company or the LLCs, or operated or leased by the Company or the LLCs (during the period of such operation or lease) has been impacted by any Release or threatened Release of any Hazardous Substance and no condition exists which may result in a claim, right of action, or recovery by any Person against the Company under any Environmental Law.

(f) There are no past or present (or to the Knowledge of the Company, future) actions, activities, circumstances, conditions, events or incidents (including, without limitation, the Release or presence of any Hazardous Substance) which could form the basis of any Environmental Claim against the Company or against any other Person whose liability for any Environmental Claim the Company has or may have retained or assumed either contractually or by operation of law.

(g) The Company has delivered or otherwise made available for inspection to Buyer true, accurate and complete copies and results of any reports, studies, analyses, tests or monitoring possessed or initiated by the Company pertaining to Hazardous Substances in, on, beneath or adjacent to any property or regarding compliance by the Company with applicable Environmental Laws.

(h) Except as set forth on Schedule 8.9, to the Knowledge of the

Company, there are no underground or above-ground storage tanks (whether or not currently in use) located on or under any real property currently owned, operated or leased by the Company, and no underground tank previously located on any real property currently owned, operated or leased by the Company has been removed from that property.

(i) None of the Property is located in a special flood hazard area, generally referred to as the 100-year flood plain.

(j) Neither the Company nor the LLCs are subject to any outstanding order, judgment, injunction, decree or writ from, or contractual obligation to or with, any Governmental Entity or other Person in respect of which the Company

or the LLCs may be required to incur any out-of-pocket expenses or attorneys' or accountants' fees (collectively, "Losses") with respect to any Environmental Claim, whether direct or indirect, known or unknown, current or potential, imposed by, under or pursuant to Environmental Laws, including, without limitation, all Losses

related to any remedial action, and all fees, disbursements and expenses of counsel, experts, personnel and consultants with respect to any Environmental Claim based on, arising out of or otherwise in respect of: (i) the ownership or operation of the business of the Company or the LLCs prior to the Closing (provided that the effect after the Closing of conduct prior to the Closing shall not be deemed to be limited by the preceding clause), or any property, assets, equipment or facilities, owned or leased by the Company; (ii) the environmental conditions existing on the Closing Date on, under or above the properties, assets, equipment or facilities currently or previously owned, leased or operated by the Company or the LLC or any of the Company's or the LLCs' predecessors or Affiliates; and (iii) expenditures necessary to cause any property or any aspect of the Company or the LLCs to be in compliance with any and all requirements of Environmental Laws as of the Closing Date including, without limitation, all Environmental Permits issued under or pursuant to such Environmental Laws (collectively "Environmental Liabilities") and costs arising from the Release or threatened Release of a Hazardous Substance.

8.10 Intellectual Property Rights.

(a) Schedule 8.10(a) lists: (i) all registered Intellectual Property Rights, together with applications therefor that are pending or in the process of development; (ii) all licenses (other than licenses with respect to the Company's use of off-the-shelf software programs) and other agreements allowing the Company to use the Intellectual Property Rights; (iii) all unregistered Intellectual Property Rights which are material to the business of the Company; and (iv) all royalty agreements relating to any Intellectual Property Rights or any of the expertise related thereto to which the Company is a party.

(b) The Company is the sole and exclusive owner of the Intellectual Property Rights listed on Schedule 8.10(a), free and clear of any claims or Liens other than such claims and Liens set forth on Schedule 8.10(b). The Company has the means, rights and information (including, without limitation, Intellectual Property Rights) in all material respects required to develop, process, sell, offer for sale and use the items and perform the services as presently being developed, processed, offered for sale, sold, used or performed by it, including, without limitation, the means, rights and information (including, without limitation, Intellectual Property Rights) required to develop, process, offer for sale, sell and use all such items and perform all such services without incurring any liability for license fees, royalties or other payments or any claims of infringement of any intellectual property rights of any other Person except as set forth on Schedule 8.10(a).

(c) None of the Intellectual Property Rights infringes upon the rights of any third party nor, to the Knowledge of the Company, except as disclosed on Schedule 8.10(a), does any use by any third party of any of the other Intellectual Property Rights, infringe upon any of the rights of the Company therein, and there are no claims pending or threatened in connection with any such infringement with respect to any of the Intellectual Property Rights.

(d) The Company has not received any notice that any of its processes or products infringe upon any intellectual property rights of any third party or that would prevent or materially hinder it from using anywhere in the world any of its Intellectual Property Rights.

(e) Except as listed on Schedule 8.10(e), the Company does not pay any royalty to any Person with respect to any of the Intellectual Property Rights or any of the expertise relating thereto, nor does the Company receive royalties with respect thereto. The Company has not licensed or sublicensed any

of the Intellectual Property Rights to any Person except to its customers, and the current list of such licenses under which the Company still has continuing maintenance obligations has been delivered to the Buyer contemporaneously herewith.

(f) All applicable registration fees with respect to the registered Intellectual Property Rights have been paid and the Company has not taken any action or failed to take any action that would impair in any material respect any of its right, title or interest in any of the Intellectual Property Rights (excluding licenses to customers in the ordinary course of business).

(g) The execution and delivery of the Purchase Documents and performance thereunder will not

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result in the loss or impairment of any of the Intellectual Property Rights.

8.11 Litigation. Except as set forth in Schedule 8.11, there are no actions, suits or proceedings by or before any court or Governmental Entity pending or, to the Knowledge of the Company, threatened by or against the Company or involving or affecting the business of the Company or any of its respective assets. The Company is not subject to any continuing obligations under any order, writ, injunction, judgment or decree of any court of proper jurisdiction.

8.12 Tax Matters.

(a) All Tax Returns of the Company which are required to be filed have been duly and timely filed with the appropriate Governmental Entities. All such Tax Returns are true, correct and complete in all material respects.

(b) All Taxes shown as due and owing on such Tax Returns have been fully and timely paid. With respect to any period for which Tax Returns of the Company have not been filed as of September 30, 1998 and/or the date of the Closing Balance Sheet, or for which Taxes are not yet due or owing as of September 30, 1998 and/or the date of the Closing Balance Sheet, the Company will make adequate provisions therefor in accordance with GAAP on the draft and/or final audited financial statements relating to such periods. The Company has made available to Buyer true and complete copies of all federal, state, foreign and local income Tax Returns of the Company filed by or with respect to the Company or with respect to the income or operations of the Company for the years ending on or after December 31, 1993.

(c) Except as set forth on Schedule 8.12(c), there is no action, suit, proceeding, audit, investigation or claim now pending or, to the Knowledge of the Company, threatened, regarding any Taxes or any Tax Return of the Company. No examination of any Tax Return of the Company is currently in progress except as set forth on Schedule 8.12(c).

(d) None of the Company's assets contain built-in gain (as defined in Section 1374 of the Code) which would subject the Company to tax under Section 1374 of the Code.

(e) There are no tax sharing agreements or arrangements to which the Company is now or ever has been a party. The Company is not liable for Taxes pursuant to Treasury Regulation 1.1502-6.

(f) Except as set forth on Schedule 8.12(c), there are no outstanding agreements or waivers extending the statutory period of limitation applicable to any return of the Company for any period with respect to any Tax.

(g) The Company has not requested any extension of time within which to file any Tax Return, which Tax Return has not since been filed by such extended date, if such extended date expired prior to the date hereof.

(h) Except for powers of attorney granted to the Company's accountants, Ernst & Young, no power of attorney has been granted by the Company with respect

to any matter relating to Taxes which is currently in force.

(i) Each of the Representing Shareholders and each Shareholder whose Shares will be redeemed in connection with the LLC Distribution is a resident of the United States of America.

(j) There are no Liens for Taxes on the assets of the Company other than for current Taxes not yet delinquent and due provision for such Taxes will be made therefor on the Closing Balance Sheet.

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(k) The Company has complied in all material respects (and until the Closing Date will comply in all material respects) with all applicable laws, rules and regulations relating to the payment and withholding of Taxes (including, without limitation, withholding of Taxes pursuant to Sections 1441 and 1442 of the Code) and has, within the time and in the manner prescribed by law, withheld from employee wages and paid over to the proper governmental authorities all amounts required to be so withheld and paid over under all applicable laws.

(l) No property of the Company is property that is or will be required to be treated as being owned by another Person pursuant to the provisions of Section 168(f)(8) of the Code (as in effect prior to amendment by Tax Reform Act of 1986) or is "tax exempt use property" within the meaning of Section 168 of the Code.

(m) The Company is not required to include in income any adjustments pursuant to Section 481(a) of the Code by reason of a voluntary change in accounting method initiated by the Company and, to the Knowledge of the Company, no such adjustment or change in accounting method has been proposed by any taxing authority.

(n) The Company has not consented to the application of Section 341(f)(2) of the Code (or any comparable state income tax provision).

(o) All transactions which could give rise to a "substantial understatement" of federal income tax (within the meaning of former Section 6661 of the Code or Section 6662 of the Code) were adequately disclosed on the tax returns of the Company as required by such Sections of the Code or had substantial authority for the positions giving rise to any such substantial understatements.

(p) The Company is not a party to any contract, arrangement or agreement that would result, separately or in the aggregate, in the payment of any "excess parachute payments" within the meaning of Section 280G of the Code.

(q) For purposes of this section, the term "Tax Return" means all tax returns, reports, estimates, information returns, schedules, workpapers and statements required to be filed with any Governmental Entity with respect to Taxes, and the term "Company" shall be deemed to include the Company and its Subsidiaries.

8.13 Compliance with Applicable Law. The Company has all material

licenses, permits, approvals and other authorizations as are required and necessary in order to enable it to own and conduct its business as currently conducted. To the Knowledge of the Company and the Representing Shareholders, since December 31, 1993, the Company has not violated or failed to comply with any, and the operations of the business of the Company are in compliance with all, applicable federal, state, foreign and/or local laws, statutes, codes, orders, plans, decrees, ordinances, rules and regulations, where such violation or failure to comply would have a Material Adverse Effect on the Company. Except as set forth in Schedule 8.13, the Company has not received notice of any

violation of, or liability or responsibility under, any applicable federal, state, foreign, or local law, statute, code, order, plan, ordinance, decree, rule or regulation which could have a Material Adverse Effect on the Company and, except as set forth in Schedule 8.13, since December 31, 1993 the Company

has not received notice of any threatened claim of such a violation, liability or responsibility (including any investigations relating thereto).

8.14 Contracts. Contemporaneously herewith the Company has delivered to

Buyer a list of each Contract. All Contracts are in full force and effect and are valid and binding on the Company, and to the Knowledge of the Company, on other parties thereto, subject to applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws now or hereafter in effect relating to or affecting the enforcement of creditors' rights generally and subject to general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity). Neither the Company nor, to the Knowledge of the Company, any other Person is in default under in any material respect, nor has the Company or, to the Knowledge of the Company, any other Person waived any material rights under, any of the Contracts, except waivers in the ordinary course of business that are not materially adverse to the Company.

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8.15 Employee Benefit Plans.

(a) Definitions. The following terms, when used in this Section 8.15,
----- shall have the following meanings:

"Benefit Arrangement" shall mean any employment, consulting, severance or

other similar contract, arrangement, practice or policy and each plan, arrangement (written or oral), program, agreement or commitment providing for insurance coverage (including any self-insured arrangements), workers' compensation, disability benefits, supplemental unemployment benefits, vacation benefits, employee relocation, retirement benefits, life, health, disability or accident benefits (including, without limitation, any "voluntary employees' beneficiary association" as defined in Section 501(c)(9) of the Code providing for the same or other benefits) or for deferred compensation, profit-sharing bonuses, stock options, stock appreciation rights, phantom stock, stock purchases or other forms of incentive compensation or post-retirement insurance, compensation or benefits which (A) is not a Welfare Plan, Pension Plan or Multiemployer Plan, (B) is entered into, maintained, contributed to or required to be contributed to, as the case may be, by the Company or any ERISA Affiliate, and (C) covers any employee or former employee of the Company.

"Employee Plans" shall mean all Benefit Arrangements, Multiemployer Plans,

Pension Plans and Welfare Plans.

"ERISA" shall mean the Employee Retirement Income Security Act of 1974, as

amended.

"ERISA Affiliate" shall mean any corporation or business which is now, or

at the relevant times was, a member of a controlled group of corporations or trades or businesses with the Company, as defined in Sections 414(b) or (c) of the Code or which is now, or at the relevant time was, part of an affiliated group with the Company under Section 414(m) of the Code.

"Multiemployer Plan" shall mean any "multiemployer plan," as defined in

Section 4001(a)(3) of ERISA, which the Company or any ERISA Affiliate maintains, administers, contributes to or is required to contribute to.

"Pension Plan" shall mean any "employee pension benefit plan," as defined

in Section 3(2) of ERISA (other than a Multiemployer Plan), which the Company or any ERISA Affiliate maintains, administers, or contributes to or is required to contribute to.

"Welfare Plan" shall mean any "employee welfare benefit plan," as defined

in Section 3(1) of ERISA, which the Company or any ERISA Affiliate maintains, administers, contributes to or is required to contribute to.

(b) Disclosure: Delivery of Copies of Relevant Documents and Other

Information. Schedule 8.15 sets forth a complete list of Employee Plans that

cover employees of the Company or former employees of the Company. The Company has delivered to Buyer true and complete copies of each of the following documents: (i) each Welfare Plan and Pension Plan (and, if applicable, related trust agreements) and all amendments thereto, all written interpretations thereof and written descriptions thereof which have been distributed to the employees of the Company and all annuity contracts or other funding instruments pertaining to each Welfare Plan and Pension Plan, (ii) each Benefit Arrangement including written descriptions thereof which have been distributed to the employees of the Company and a description of any such Benefit Arrangement which is not in writing, (iii) the most recent determination letter issued by the Internal Revenue Service with respect to each Pension Plan, (iv) for the three most recent plan years, Annual Reports on Form 5500 Series and all accompanying Schedules required to be filed with any governmental agency for each Pension Plan and Welfare Plan and the most recent audited financial statements, if any, relating to each Pension Plan, if applicable, for the three most recent plan years, and (v) any rulings, notices, determinations and opinions from any governmental agency. All documents listed in this Section 8.15 accurately

reflect all the terms of such Employee Plans (including without limitation any agreement or provision which would limit the ability of any entity to make prospective amendments or to terminate such Employee Plans). For purposes of this paragraph (b), Multiemployer Plans, Pension Plans and Welfare Plans shall only include those plans that cover any employee or former

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employee (or beneficiary of either of the foregoing) of the Company.

(c) (i) Pension Plans. Except as reflected on Schedule 8.15, the

Company has not established any Pension Plans.

(ii) Employee Plans. Except as set forth on Schedule 8.15, no

Employee Plan provides benefits, including, without limitation, death or medical benefits (whether or not insured), with respect to current or former employees of the Company after retirement or other termination of service (other than (i) coverage mandated by applicable law including, without limitation, health benefit continuation rights under federal and state law, (ii) death benefits or retirement benefits under any "employee pension plan," as that term is defined in Section 3(2) of ERISA, (iii) deferred compensation benefits accrued as liabilities on the books of the Company or any ERISA Affiliate, or (iv) benefits, the full cost of which is borne by the current or former employee (or his or her beneficiary)). No amounts payable under the Employee Plans or any other agreement or arrangement to which the Company is a party will, as a result of the transaction contemplated hereby, fail to be deductible for federal income tax purposes by virtue of Section 280G of the Code.

(iii) Multiemployer Plans. Neither the Company nor any ERISA

Affiliate contributes to, or within the past six years has been obligated to contribute to, any Multiemployer Plan.

(iv) Compliance with Law. Each Welfare Plan which is a "group

health plan," as defined in Section 607(1) of ERISA, has been operated, in all material respects, in compliance with provisions of Part 6 of Title I of ERISA and Section 4980B of the Code at all times.

(v) Benefit Arrangements. Each Benefit Arrangement which covers

employees of the Company has been maintained, in all material respects, in compliance with its terms and, in all material respects, with the applicable requirements of the Code or ERISA.

(vi) Fiduciary Duties and Prohibited Transactions. Neither the

Company nor any plan fiduciary of any Welfare Plan or Benefit Arrangement which covers or has covered employees or former employees of the Company or any ERISA Affiliate, has engaged in (a) any transaction in violation of Sections 404 or 406 of ERISA or (b) any "prohibited transaction," as defined in Section 4975 of the Code for which no exemption exists under Section 408 of ERISA or Section 4975(c)(2) or (d) of the Code.

(vii) No Liability. The Company has not taken any action, nor has

any event occurred, that has resulted or will likely result in liability under Title IV of ERISA, including, but not limited to, withdrawal liability with respect to any Multiemployer Plan, which liability will become a liability of Buyer. All Employee Plans are fully paid up or fully funded or adequate provision shall have been made therefor in accordance with GAAP in the Closing Financial Statements for all liabilities or obligations of the Company in respect of or relating to any period or portion thereof on or before the date of the Closing Balance Sheet.

(viii) Governmental Inquiry. No suit, administrative proceeding,

action or other litigation has been brought, or to the Knowledge of the Company is threatened against or with respect to any Employee Plan.

8.16 Transactions with Affiliates. Except as set forth in Schedule 8.16

and except for contracts involving payment or performance of less than \$5,000 and oral employment contracts in the ordinary course of business terminable at will by the Company, the Company is not a party to any contract, agreement or other arrangement with any of its shareholders, officers, directors, employees or Affiliates.

8.17 Insurance. Each insurance policy currently in effect that insures

the business, property (whether real or personal), operations, employees or officers of the Company is listed on Schedule 8.17 (collectively, the

"Insurance Policies") and is in full force and effect, the premiums due thereunder have been paid as they became due and payable and the Company has not received any notice of cancellation or termination in respect of any such policy or is in default

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thereunder. To the Knowledge of the Company, such policies are sufficient in all material respects for compliance with all requirements of law. Schedule 8.17

sets forth all outstanding claims under any Insurance Policy.

8.18 Labor Relations.

(a) No work stoppage against the business of the Company is pending or, to the Knowledge of the Company, is threatened. The Company is not involved in or, to the Knowledge of the Company, threatened with any labor dispute, arbitration, lawsuit or administrative proceeding relating to labor matters involving any of the employees of the Company with respect to its business, including without limitation, any form of discrimination or sexual harassment. Except as set forth on Schedule 8.16, there are no outstanding loans or advances to any officer, director, employee or shareholder of the Company.

(b) Except as set forth on Schedule 8.18(b), the Company:

(i) is not liable for any accrued bonus compensation, vacation pay, severance pay or arrears of wages except as reflected on the 1998 Financial Statements or in the Closing Balance Sheet;

(ii) is not currently involved in or in the past 3 years has not had any activity or proceedings by a labor union or representative thereof to organize any of its employees and no such activity or proceeding is, or in the past 3 years, has been, threatened against the Company; and

(iii) is not subject to any pending or, to the Knowledge of the Company, threatened complaints or investigations involving the Company by any Person responsible for the investigation and enforcement of any foreign, federal, state or local labor, employment or discrimination laws, statutes, public policies, orders, regulations, ordinances or other requirements respecting any labor employment and employment practices, discrimination, terms and conditions of employment, or wages and hours.

8.19 Location of Off Site Assets. Except as set forth on Schedule 8.19

and except for back-up data storage, goods in transit and financial assets, no material part of the tangible assets of the Company is located on any real property other than the Properties owned or leased by the Company as of the date hereof.

8.20 Inventory. All inventory of the Company has been and will be

acquired in the ordinary course of business and consistent in all material respects with its prior practice. Except as shown on Schedule 8.20, and except

for obsolete items not reflected in the inventory included in the 1998 Financial Statements, all of the inventory (including raw materials, work-in-process, finished goods, and all packing, packaging and instructional materials for the same) of the Company is reflected in the 1998 Financial Statements, or was acquired thereafter and is, and as of the Closing will be, in all material respects, in good condition, not obsolete, defective or subject to any material backlog, and is and will be in all material respects usable or saleable in the usual and ordinary course of business and is valued (a) for purposes of such inventory reflected in the 1998 Financial Statements, on a basis consistent in all material respects with past practices, and (b) as of the Closing, at the lower of cost (determined on a first-in first-out basis) or market value. For purposes of the immediately preceding sentence, "obsolete inventory" shall mean any inventory of the Company (other than inventory of replacement parts) (a) which has not sold within the six-month period preceding the date hereof, or (b) for which there was a supply of greater than six months' inventory "turn" as measured by sales of the Company in the six month period preceding the date hereof. The Company is not under any liability or obligation with respect to the return or repurchase of any goods in the possession of customers except for amounts which are not material and are consistent in all material respects with historical levels of returns and allowances.

8.21 Accounts Receivable. Schedule 8.21(a) lists (i) all of the accounts

receivable of the Company in excess of \$5,000 written off since December 31, 1996 or against which a specific reserve has been provided, and (ii) each account receivable of the Company not arising in the ordinary course of its business. All accounts receivable of the Company as of date of the Closing Balance Sheet, shall be referred to herein as "Receivables," provided that accounts receivable from the Buyer in the amount of \$181,000 shall not be included as a Receivable for purposes of this

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Agreement.

8.22 Agents. The Company has delivered to Buyer contemporaneously

herewith a list of all distributors and commercial agents appointed by the Company. Except for agents for service of process and customs brokers and except as set forth on such list or on Schedule 8.22, the Company has not

designated or appointed any Person to act for it or on its behalf pursuant to any power of attorney or agency which is presently in effect.

8.23 Warranty and Product Liability Claims. (a) Except as disclosed on

Schedule 8.23(a) or except as provided in the Company's current form of customer

contract, the Company has not made any express warranties or guaranties with respect to any products developed or sold or services rendered in the operation of its business, and no claims are pending or asserted or, to the Knowledge of the Company, threatened that any product of the Company was defective or caused any injury or harm to any person or property, including all such claims or allegations relating to returns, express or implied warranty violations, failure to warn or similar matters, except the Buyer acknowledges that the Company is subject to routine customer complaints from time to time in the ordinary course of business. To the Knowledge of the Company no Person has any basis upon which to make any such claims, excluding routine customer complaints from time to time in the ordinary course of business. Except as otherwise set forth on Schedule 8.23(a), all pending, or, to the Knowledge of the Company, threatened

or asserted claims set forth on Schedule 8.23(a) are covered by insurance and

are not subject to any deductibles other than the amount of the deductible set forth opposite such claim on such Schedule.

(b) Schedule 8.23(b) sets forth all accidents since December 31,

1993 that have alleged to have been, or that, to the Knowledge of the Company, reasonably could be alleged to have been, caused by any product developed or sold by the Company or by any services rendered by the Company, regardless of whether a claim therefor has been asserted or threatened against any Person.

8.24 No Brokers. Neither any of the Representing Shareholders nor the

Company has employed any broker, finder, advisor or intermediary in connection with the transactions contemplated hereby which would be entitled to a broker's, finder's or similar fee or commission in connection therewith or upon the consummation thereof.

8.25 No Other Agreements to Sell. Except as otherwise disclosed herein

or in the Schedules hereto, neither any Representing Shareholder nor the Company, nor, to the Knowledge of the Representing Shareholders and the Company, any other Shareholder is a party to any agreement to sell all or a portion of any of the capital stock of the Company or any of its respective assets (other than the sale of inventory in the ordinary course of business) to any Person other than Buyer.

8.26 Disclosure. To the Knowledge of the Company and the Representing

Shareholders, no representation or warranty of the Company contained in any Purchase Document or in any agreement, document or instrument executed by the Company or the Representing Shareholders in connection therewith or in any certificate or schedule attached thereto or delivered by the Company or the Representing Shareholders in connection therewith, whether heretofore furnished to Buyer or hereafter required to be furnished by the Company or the Representing Shareholders to Buyer on or prior to the Closing Date, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained therein not misleading.

8.27 Material Adverse Effect. To the Knowledge of the Representing

Shareholders and the Company, no Material Adverse Effect with respect to the Company has occurred since January 1, 1998, except as otherwise contemplated by or disclosed in this Agreement or any Schedule hereto.

8.28 Copies of Documents. The Representing Shareholders have caused to

be delivered to Buyer and its advisers, true, complete and correct copies of all documents referred to in this Article VIII or in any Schedule attached hereto.

8.29 Loans. Except as set forth on Schedule 8.16, there are no loans

outstanding to employees, officers,

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directors or Affiliates of the Company.

8.30 Year 2000 Compliance. The parties agree as follows with respect to

matters relating to change of century ("Year 2000") compliance of the software of the Company:

(a) The Company represents and warrants as follows:

(i) The Company has thoroughly tested its ITM Release Level 1.4 (PTF level 0503694) and higher, and Flexicheck and Flexiremittance Level 5.02 and higher products in accordance with reasonable Year 2000 industry standards (including such applicable standards established by the Federal Reserve for the U.S. banking industry). To the Company's Knowledge based in particular on such testing, such products are Year 2000 enabled, including with respect to date and time data, provisions for century recognition, provisions for calculations that accommodate same-century and multi-century formulas and

date values, and date data interface values that reflect the century. To the Company's Knowledge such products will successfully:

(1) manage and manipulate data involving dates and times, including single-century formulas and multi-century formulas;

(2) provide that all date-related user interface functionalities and data fields include the indication of century; and

(3) provide that all date-related data interface functionalities and data fields include the indication of century.

Software which is Year 2000 enabled as described in the previous two sentences will be referred to herein as being "Year 2000 Enabled."

(ii) The Company estimates that it will require approximately 700 man-hours of time for one or more of the technicians currently on the Company's staff to make the Company's "ITM-PC" products Year 2000 Enabled for the four clients who have opted to require the Company to do so. Buyer agrees to allocate qualified staff to making such products Year 2000 Enabled. In the event the Company is required to incur costs exceeding the cost of 700 man-hours of staff time to make the Company's "ITM PC" products Year 2000 Enabled, an amount equal to the excess of (x) the actual cost reasonably incurred by the Company (with labor costs determined at rate not in excess of \$75.00 per hour) for such purpose, over (y) the cost attributable to the 700 man-hours of staff time shall constitute Damages subject to the terms and limitations set forth in Article XII.

(b) With respect to all products not subject to maintenance ("CS&WE") coverage, should claims relative to Year 2000 readiness arise from licensees of the Company's software products no longer under paid CS&WE coverage, Buyer agrees to cause the Company to use commercially reasonable efforts in addressing the claim. However, should Damages result from such claims despite such efforts, such Damages shall constitute Damages subject to the terms and limitations set forth in Article XII; provided that for purposes of Damages under this Section 8.30(b), the Threshold shall be \$10,000 per occurrence and \$75,000 in the aggregate.

(c) Labor costs incurred by the Company under this Section 8.30, such costs will be computed using an hourly labor rate not exceeding \$75.00/hour for internal labor and actual cost incurred for external labor.

(d) Damages resulting from a claim relating to Year 2000 matters shall not constitute Damages for purposes of this Agreement to the extent they result from acts or omissions of the Company after the Closing Date. Any Damages arising under this Section 8.30 shall be subject to the terms and limitations set forth in Article XII; provided that for purposes of Damages for a breach of representation or warranty under this Section 8.30, the Threshold shall be \$10,000 per occurrence and \$75,000 in the aggregate.

(e) The Parties agree that the provisions of Section 8.30 constitute the sole and exclusive representations and warranties of the Representing Shareholders and the Company regarding Year 2000 matters and that the provisions of Section 8.23 shall not apply to any Year 2000 matters.

ARTICLE IX

REPRESENTATIONS AND WARRANTIES OF BUYER

Each of Buyer and Merger Sub hereby jointly and severally represents and warrants the following to each Shareholder, and no specific representation or warranty shall limit the generality or applicability of a more general representation or warranty:

9.1 Organization. Each of Buyer and Merger Sub is a corporation duly

organized, validly existing and in good standing under the laws of the State of Delaware and Arkansas, respectively, has the corporate power and authority to carry on its business as now being conducted. Each of Buyer and Merger Sub is duly qualified to do business as a foreign corporation and is in good standing

in every jurisdiction in which the operation of its business requires such qualification, except for failures, if any, to be so qualified and in good standing which would not have a Material Adverse Effect on it.

9.2 Authority; Binding Effect. Each of Buyer and Merger Sub has full

power, authority and capacity to execute and deliver each Purchase Document to which Buyer or Merger Sub is a party and to perform the transactions required of Buyer or Merger Sub thereunder and at the Closing. Each Purchase Document to which Buyer or Merger Sub is a party has been duly authorized, executed and delivered by Buyer or Merger Sub, as the case may be, and constitutes the legal, valid and binding obligations of Buyer or Merger Sub, as the case may be, enforceable against Buyer or Merger Sub, as the case may be, in accordance with the terms and provisions thereof, subject to general equity principles and to applicable bankruptcy, insolvency, reorganization, moratorium and other similar laws from time to time in effect affecting the enforcement of creditors' rights generally (regardless of whether such enforcement is considered in a proceeding in equity or at law).

9.3 Non-Contravention. Neither the execution and delivery by Buyer or

Merger Sub of any Purchase Document to which Buyer or Merger Sub is a party nor the consummation by Buyer or Merger Sub of the transactions contemplated thereby (a) will violate any provision of the Articles of Incorporation or bylaws of Buyer or Merger Sub, (b) to the Knowledge of Buyer and Merger Sub will violate or conflict with any applicable statute, law, ordinance, rule, regulation, order, judgment or decree applicable to Buyer or Merger Sub in such a way as to cause a Material Adverse Effect, or (c) will conflict with or constitute a violation of or a default (or an event which with notice or lapse of time or both, would constitute a default) under, or will result in the termination of, or accelerate performance required by, any contract to which Buyer or Merger Sub is a party or to which any of the assets or properties of Buyer or Merger Sub are subject. Except for HSR Approval, if required, neither the execution or delivery by Buyer or Merger Sub of any Purchase Document to which Buyer or Merger Sub is a party nor the consummation of the transactions contemplated thereby will require the consent, authorization or approval of, or notice to or filing or registration with, any Person.

9.4 Disclosure. To the Knowledge of the Buyer and Merger Sub, no

representation or warranty of the Buyer or Merger Sub contained in any Purchase Document or in any agreement, document or instrument executed in connection therewith or in any certificate or schedule relating thereto or delivered in connection therewith, whether heretofore furnished to Buyer or hereafter required to be furnished to Buyer, contains or will contain any untrue statement of a material fact or omits or will omit to state a material fact necessary to make the statements contained therein not misleading. Buyer does not have actual knowledge of any representations or warranties of the Company or the Representing Shareholders that are untrue or incorrect in any material respect.

ARTICLE X

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FURTHER AGREEMENTS OF THE PARTIES

10.1 Maintenance of Corporate Existence. Between the date hereof and the

Closing Date (or the earlier termination of this Agreement in accordance with Article XIII), the Representing Shareholders shall cause the Company (i) to

maintain its corporate existence in its jurisdiction of incorporation, and (ii) to be in good standing in its jurisdiction of incorporation and in such other States in which the conduct of its business or the maintenance of its assets requires it to be in good standing.

10.2 Filings: Other Action. Between the date hereof and the Closing

Date (or the earlier termination of this Agreement in accordance with Article XIII), the Representing Shareholders shall cause the Company to and

Buyer shall (i) use commercially reasonable efforts to cooperate with one another in (A) determining which filings or registrations are required to be made prior to the Closing Date with, and which consents, approvals, permits or authorizations are required to be obtained prior to the Closing Date from, any Governmental Entity in connection with the execution and delivery of each Purchase Document and the consummation of the transactions contemplated thereby, and (B) timely make all such filings and registration and timely seek all such consents, approvals, permits or authorizations required on the part of such party; and (ii) use all reasonable efforts to take, or cause to be taken, all other action and do, or cause to be done, all other commercially reasonable things necessary, proper or appropriate to consummate and make effective the transactions contemplated by each Purchase Document, subject to the terms and conditions contained herein.

10.3 Access to Information. Between the date hereof and the Closing Date

(or the earlier termination of this Agreement in accordance with Article XIII),

the Representing Shareholders shall, and shall cause the officers and employees of the Company to, afford Buyer and its representatives complete access at all reasonable times to the properties, books and records of the Company in accordance with that certain Memorandum of Intent entered into by and between Buyer and the Company dated as of September 18, 1998 (the "Memorandum of Intent"). Any information disclosed in connection therewith shall be governed by the confidentiality provisions of the Memorandum of Intent.

10.4 Publicity. The Representing Shareholders and the Company

acknowledge that Buyer will issue a press release concerning the transactions contemplated by this Agreement on the date of this Agreement (the "Press Release") and will hold a conference call with analysts concerning the transaction following the Press Release. The Shareholders' Representative Committee shall be given a reasonable opportunity (subject to Buyer's time and filing requirements) to comment on the Press Release and any filing with the Securities and Exchange Commission on Form 8-K to be made by Buyer (in each case, to the extent it relates specifically to this transaction); provided,

however, it is expressly understood and agreed that Buyer shall have no

obligation to include any of such comments in such press release or Form 8-K. Except for the Press Release and except as may be required by applicable securities or other laws, or to the Stockholders or Optionholders, or in connection with any court filings in connection with any litigation or arbitration proceedings between the parties, none of Buyer, the Representing Shareholders or the Company shall issue any press releases or make any other public communications concerning the execution or performance of this Agreement.

10.5 Bank Accounts. At least two weeks prior to the Closing the Company

shall deliver to Buyer a list setting forth all banks and other financial institutions with which the Company maintains an account or a safe deposit box, showing the account numbers of all such accounts and the names of the persons authorized as signatories thereon or to act or deal in connection therewith. The Representing Shareholders shall cause the Company to cooperate with Buyer and to execute all necessary documentation to effect fully any changes desired, as of the Closing, by Buyer in the persons authorized as signatories thereon or to act or deal in connection therewith.

10.6 No Solicitation of Transactions. From the date hereof through the

Closing Date (or the earlier termination of this Agreement pursuant to Article XIII), the Representing Shareholders will not, nor will they permit the

Company to, directly or indirectly, solicit, initiate or continue any discussions or negotiations with, or encourage

or respond to any inquiries or proposals by, or participate in any negotiations with Persons (other than Buyer and its representatives) relating to any acquisition or purchase of any assets of, or any equity interest in, the Company or any merger, consolidation or business combination with the Company (excluding licenses and sales of assets in the ordinary course of business).

10.7 Taxes and Fees. Each Shareholder shall bear or pay all applicable

income, social security, sales, use, transfer, real estate transfer, registration, excise and other similar Taxes and fees (including stamps duties), if any, resulting from the sale by such Shareholders of shares of ARKSYS Common Stock pursuant to this Agreement, provided to the extent such sale results in taxable income to the Shareholder under Section 83 or 421 of the Internal Revenue Code, the Shareholder shall not be responsible for any of the employer's share of applicable employment taxes (e.g., medicare, social security, and unemployment taxes). Each Shareholder shall also be responsible for all income and/or capital gains tax assessed or payable by such Shareholder in connection with the sale by such Shareholders of shares of ARKSYS Common Stock pursuant to this Agreement. The Shareholders shall bear or pay all fees, out-of-pocket third party costs and expenses incurred by or for the account of any Shareholder or the Company (with respect to the period prior to Closing) in connection with the negotiation, execution and delivery of the Purchase Documents and the consummation of the transactions contemplated thereby and to the extent any of such payments are paid by the Company on behalf of the Shareholders and not otherwise reflected as a reduction in Net Working Capital, an amount equal to such payments shall be deducted from the Initial Purchase Price. Otherwise, such fees, costs and expenses shall be paid by the Escrow Agent from the Escrow Amount as set forth herein and in the Escrow Agreement. The LLC Distribution Tax Estimate shall be treated as a reduction in the Purchase Price as provided herein and the amount of the excess, if any, of the LLC Distribution Taxes over the LLC Distribution Tax Estimate shall be treated as Damages, in each case as set forth herein.

10.8 Cooperation. Each party shall provide the other with such

commercially reasonable cooperation as may reasonably be requested, at the expense of the requesting party (unless the requesting party is to be indemnified with respect thereto pursuant to the terms hereof, in which case such cooperation shall be given at the expense of the indemnifying party), in connection with the post-Closing matters contemplated by this Agreement, including, without limitation, the defense of any claims whether existing on the Closing Date or arising thereafter out of, or relating to, an occurrence or event happening on or before the Closing Date.

10.9 Access to Books and Records. Each party shall make available to the

other such books and records of the Company in its possession and, in the case of Buyer, in the possession of the Company, as may be required by the other party in connection with any legal, regulatory or administrative proceeding, including tax audits or investigations, and in connection with any covenant, indemnity or other agreement contained herein. Such books and records will be open for inspection upon reasonable notice during regular business hours.

10.10 Non-Competition by Certain Shareholders. At the Closing James

Hendren and Donald B. Hatfield each agree to deliver to Buyer a written certificate acknowledging and ratifying the provisions of their respective Employment and/or Termination Agreements regarding non-competition with the Company and confidentiality and restrictions on use of the Company's trade secrets, software and other intellectual property, and confirming that such provisions shall survive the execution and performance of this Agreement and shall be effective for the entire duration of their stated terms.

10.11 Collection of Receivables.

(a) (i) After the Closing Date, Buyer shall cause the Company to use commercially reasonable efforts, consistent with prior business practices of the Company, to collect all Receivables, but Buyer shall not be required to initiate any legal proceedings or incur any out-of-pocket expenses (other than costs of routine in-house collection efforts such as letters, phone calls, customer site visits and employee time relating thereto consistent with past practices the "Ordinary Collection Costs") or legal fees in connection therewith. During the period from the Closing Date to November 30, 1999, the Company shall maintain its internal collections committee, consisting of Mr. John Chamberlin, Mr. David Payne and the CEO of the Company, which shall make recommendations concerning the efforts of the Company regarding collection of Receivables. With respect to any payments on Receivables, Buyer and the Company

shall apply such payments in the order of the oldest invoice first unless the customer shall have disputed the invoice to which a payment must be applied. In the event of any customer shall dispute the invoice, the issue shall be resolved as provided in Section 10.11(b) below.

(ii) The Buyer may cause the Company to compromise the Company's claim against any obligor of any Receivable, provided that to the extent any such compromise is effected without the written consent of Mr. Chamberlin, such Receivable shall not be treated as an Uncollected Receivable for purposes of this Agreement.

(b) Except as provided in Section 10.11 (a)(ii) above, all Receivables that have not been collected in full as of November 30, 1999 (net of the reserve for doubtful accounts reflected in the Closing Balance Sheet) shall be considered Uncollected Receivables unless Mr. John Chamberlin has determined that the Buyer did not made a good faith effort to collect a Receivable in compliance with the provisions of Section 10.11 (a) above (all such Receivables,

"Contested Receivables"). Mr. Chamberlin shall make the determination described in this Section 10.11 whether or not he is an employee of the Company as of the

time such determinations must be made, but if Mr. Chamberlin is unable to make such determination, an arbitrator appointed pursuant to Section 15.11 shall make

such determination. Except as provided in Section 10.11 (a)(ii) above, the Buyer shall, under all circumstances, be considered to have made a good faith effort to collect a Receivable if it has followed the good faith commercially reasonable recommendations of the collections committee referred to above that are consistent with the Company's past practices. Mr. Chamberlin will notify the Buyer of any determination that a Receivable is a Contested Receivable in writing by November 15, 1999 stating the reasons for making such determination with respect to each Receivable. If Buyer does not contest such determination with respect to a Contested Receivable, such Receivable will not be considered an Uncollected Receivable for purposes of this Agreement. If Buyer contests a decision regarding a Contested Receivable, and the Buyer and Mr. Chamberlin cannot reach a decision regarding such determination, the dispute shall be resolved in the manner provided in Section 15.11, provided Mr. Chamberlin's

determination regarding a Receivable shall not be overruled by such arbitrator unless the arbitrator finds that the determination was clearly erroneous.

(c) If Buyer subsequently collects any Receivable for which Buyer has been reimbursed as provided hereunder, Buyer shall remit the amounts so collected to the Shareholders' Representative Committee, for the benefit of the Shareholders, to the extent Buyer has been reimbursed (as provided herein) for such Receivable. With respect to any Uncollected Receivable resulting in a reduction in the Purchase Price as set forth herein, such Uncollected Receivable shall be assigned by the Company to the Shareholder Representative Committee for the benefit of the Shareholders; provided however, notwithstanding anything set forth herein to the contrary, no such assignment shall be made with respect to, and no Shareholder shall be entitled to an assignment of, or the proceeds of, any account receivable charged against the specific reserves therefor set forth in the Closing Balance Sheet.

(d) The Escrow Agreement shall provide that on April 10, 1999, the Escrow Agent shall distribute to the Shareholders as provided herein and in the Escrow Agreement an amount equal to all Receivables that have been collected on or before March 31, 1999.

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10.12 Releases. It shall be a condition to the Buyer's obligation to

close the transactions contemplated hereby that:

(i) each Shareholder of the Company deliver at the Closing a release in form and substance reasonably satisfactory to the Buyer ("Shareholder Release") whereby the Shareholder releases and discharges the Company and its officers, directors, agents and Affiliates of and from all debts, demands, actions, causes of actions, suits, contracts, agreements, damages and any and all claims, demands and liabilities whatsoever of every kind and nature, whether known or unknown, suspected or unsuspected, both in law and equity (each a "Claim"), which such Shareholder now has or ever had against the Company with respect to the period up to and including the Closing Date,

including Claims relating to the consummation by the Company of the transactions provided for in this Agreement except (a) the obligations of the Company and the Buyer set forth in the Purchase Documents or in any other documents, instruments or agreements delivered in connection therewith, (b) the obligations, if any, of the Company to any Shareholder for accrued and unpaid compensation and vacation pay through the Closing Date and routine employee Company expense reimbursement in the ordinary course of business consistent with past practices, (c) the obligations of the Company under Employee Benefit Plans for the benefits to which such Shareholder is entitled thereunder, including medical benefits under the Company's medical insurance plan, (d) the obligations imposed by applicable law to provide continued health insurance coverage following termination of employment (e.g. COBRA continuation health insurance coverage), (e) in the case of Mr. Chamberlin, obligations under his employment agreement with the Company as extended and approved by Buyer, and (f) in the case of any officer or director of the Company, obligations of the Company to indemnify officers and directors of the Company to the fullest extent permitted by the Arkansas Business Corporation Act pursuant to existing resolutions and policies of the Board of Directors of the Company ("D&O Indemnification Obligations").

(ii) each Optionholder shall deliver at the Closing an Option Exercise and/or Release Form, which shall be in form and substance reasonably satisfactory to the Buyer, whereby the Optionholder releases and discharges the Company and its officers, directors, agents and Affiliates of and from all Claims arising with respect to his/her Company Options which such Shareholder now has or ever had against the Company with respect to the period up to and including the Closing Date. In each Shareholder Release or Option Exercise and/or Release Form, each Shareholder or Optionholder shall irrevocably covenant to refrain from, directly or indirectly, asserting any Claim released thereby, or commencing, instituting or causing to be commenced any proceeding of any kind, against the Company based upon any matter released thereby.

10.13 Designated Contracts. Buyer agrees to use good faith commercially

reasonable efforts consistent with the Company's customary business practices to enter into and perform the Designated Contracts; provided, however, that Buyer shall not be required to perform any services under any Designated Contracts other than services for pre-existing software unless the Buyer is paid on standard commercial terms for such services. John Chamberlin shall have the right to assist Buyer in negotiating and consummating the Designated Contracts, provided the final form of such contracts shall be subject to Buyer's approval, which approval will not be unreasonably withheld or delayed. Buyer agrees not to take or require any action substantially intended to delay or defer revenues under the Designated Contracts to time periods beyond the Settlement Date in order to minimize the Purchase Price.

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10.14 Put Option Covering Interests in EFT Network Technology. Subject to

the terms and conditions set forth in this Section 10.14, for a period commencing as of the Closing Date and expiring one hundred eighty (180) days following Closing Date, Buyer and the Company shall have an option, upon written notice to the Shareholders' Representative Committee, to distribute all interests (the "EFT Interests") in EFT to the New LLC Holding Company (the "EFT Put Option"). If Buyer or the Company exercises such option, the Purchase Price shall be reduced by \$150,000 and this amount shall be offset against the Escrow Amount payable to the Shareholders' Representative Committee in the Final Settlement. In the event the EFT Put Option is exercised, the provisions of this Agreement (and the Escrow Agreement) relating to the allocation of amounts to each Shareholder shall be appropriately adjusted to take into account the distribution of the EFT Interests as set forth herein, and such distribution shall be deemed to have been made in consideration of the exchange of a portion of the shares of ARKSYS Common Stock owned by the LLC Interest Recipients utilizing a \$150,000 value attributable to the EFT Interests for such purposes. In addition, Buyer, the Representing Shareholders and the New LLC Holding Company shall take any reasonable steps and execute any commercially reasonable documentation necessary to give effect to the EFT Put Option. The Buyer's and the Company's right to exercise the EFT Put Option shall be conditioned upon the following:

(i) the percentage interest in EFT which is transferred to the New LLC Holding Company shall be at least as high as the percentage interest held in EFT by the Company as of the Closing Date, and the EFT Interests shall be subject to no lien, claim or encumbrance (other than those relating to the EFT Interests

existing as of the Closing Date, arising as a result of acts, facts or circumstances existing prior to the Closing Date or attributable to a breach of this Agreement by the Company or the Representing Shareholders, other than a breach by the Company after the Closing), and the Operating Agreement of EFT shall not have been amended or modified in any way which materially and adversely affects rights or obligations with respect thereto or the value of the EFT Interests;

(ii) the New LLC Holding Company shall not be required to assume any liability or obligation in connection with the acceptance of the EFT Interest (other than those relating to the EFT Interests existing as of the Closing Date, arising as a result of acts, facts or circumstances existing prior to the Closing Date or attributable to a breach of this Agreement by the Company or the Representing Shareholders, other than a breach by the Company after the Closing);

(iii) Buyer shall not have imposed or directed EFT to take any action or business decision other than to operate EFT in the ordinary course of business consistent with past practices and shall not have granted its consent to such a decision unless it shall have obtained the approval of the New LLC Holding Company as provided in the next sentence. In the event any management decision which is required to be made during the term of the EFT Put Option regarding EFT appears to fall outside the ordinary course of business, the Buyer shall be entitled to request instructions from the New LLC Holding Company regarding such decision and, provided the Buyer complies with such instructions, shall not be deemed to have failed to meet the conditions provided in this Section 10.14(iii)

by reason of such decision;

(iv) any covenant not to compete between the Company and any of the owners of the New LLC Holding Company shall be deemed amended hereby so that ownership of EFT and participation in the business of EFT shall not constitute a breach thereof.

10.15 [Intentionally Deleted.]

10.16 Termination of Deferred Compensation Agreements/Sale of Life

Insurance Policies. At the Closing, the transactions described in Section

11.2(r) in regard to the termination of the Deferred Compensation Agreements shall be effected as set forth in said Section 11.2(r). In addition, at the Closing the other life insurance policies owned by the Company on the lives of Mr. Hendren and Mr. Chamberlin, respectively (i.e., those life insurance policies that were not held for the purposes of satisfying the Deferred Compensation Agreements) shall be sold by the Company for the cash surrender value thereof plus any and all taxes arising or out of pocket expenses incurred in connection therewith by the Company which are not otherwise reflected in the Net Working Capital, to a trust or partnership in which one or more members of Mr. Hendren's family (or trusts for their benefit) are the beneficiaries/partners and a trust or partnership in which one or more members of Mr. Chamberlin's Family (or trusts for their benefit) are the beneficiaries/partners,

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respectively.

10.17 Compliance with Section 83 and 421 Reporting Requirements.

Following the Closing, Buyer shall cause the Company to comply with the applicable reporting requirements of the Code and the regulations thereunder necessary to claim any available deduction contemplated by Section 83 or 421 of the Code with respect to the exercise of the Vested Options as set forth herein and the disposition by the Vested Optionholders of the shares of ARKSYS Common Stock received by reason of such exercise as set forth herein. To the extent any income tax deduction attributable to such exercise and/or disposition is not allowed for the Company's current tax year, but is allowed under applicable income tax laws and regulations in a later tax year, the parties will negotiate in good faith prior to the Closing a fair method whereby the actual reduction in income taxes otherwise payable by the Company and/or Buyer resulting from such later deduction (which does not otherwise operate to reduce the LLC Distribution Tax Estimate) will be paid as an adjustment to the Purchase Price in favor of the Shareholders (including the Vested Optionholders) but only to the extent the

financial impact thereof to the Buyer is no different than would have been the case had such deduction operated to reduce the LLC Distribution Tax Estimate as contemplated hereby. The Buyer and the Company agree that the Company will not treat the cancellation of any right of first refusal or formula purchase price restriction on any of the Shares as a compensatory event, and that no income tax deduction will be taken by the Company with respect to such cancellation, and a written statement will be given to each Shareholder at the Closing to this effect.

10.18 Tax Refund Claims. Buyer agrees to use good faith commercially

reasonable efforts to cause the Company to pursue by appropriate proceedings the Tax Refunds.

ARTICLE XI
CONDITIONS TO CLOSING

11.1 Conditions to Obligations of Representing Shareholders and the

Company. The obligations of each Representing Shareholder and the Company to

consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following further conditions, unless the Company and all of the Representing Shareholders, in their sole discretion, shall waive such fulfillment:

(a) Representations and Warranties. Each of the representations and

warranties of Buyer and Merger Sub contained in this Agreement shall be true and correct in all material respects as of the date made and as of the Closing Date, as if made on such date, and the Shareholders' Representative Committee shall have received from an authorized executive officer of Buyer and Merger Sub a certificate, dated as of the Closing Date, to such effect.

(b) Covenants and Conditions. Buyer shall have paid the Initial

Purchase Price as set forth herein and Buyer and Merger Sub shall have complied with in all material respects all other covenants contained in this Agreement to be complied with by Buyer or Merger Sub at or before the Closing. Each condition precedent contained herein to the obligations of the Representing Shareholders and the Company hereunder shall have been satisfied (or waived by the Representing Shareholders or the Company, as the case may be).

(c) Opinion of Counsel. The Company and the Representing Shareholders

shall have received an opinion of counsel to the Buyer, dated as of the Closing Date, covering the matters provided in Sections 9.1, 9.2 and 9.3. Such opinion

may be subject to such limitations and conditions and contain such assumptions and qualifications based on such counsel's actual knowledge as are generally contained in opinions covering similar transactions.

(d) No Litigation. No suit, action or other proceeding shall be

pending or threatened before any court or Governmental Entity as of the Closing Date seeking to restrain, prohibit or to obtain damages or other relief in connection with, or as a consequence of, any Purchase Document or the consummation of the transactions contemplated thereby, and the Shareholders' Representative Committee shall have received from an authorized

executive officer of Buyer and Merger Sub a certificate, dated as of the Closing Date, to such effect, to the best of such officer's Knowledge.

(e) Secretary's Certificate. The Shareholders' Representative

Committee shall have received from each of Buyer and Merger Sub a certificate executed by its Secretary or Assistant Secretary certifying (i) copies of resolutions duly adopted by its Board of Directors authorizing the execution and

delivery by Buyer and/or Merger Sub, as the case may be, of each Purchase Document to which it is a party and the performance by it of the transactions contemplated thereby, and that such resolutions have not been amended or rescinded and are in full force and effect as of the Closing Date, (ii) the bylaws of Buyer or Merger Sub, as the case may be, to be true and complete as of the Closing Date, (iii) the name, title and signature of the officers of Buyer or Merger Sub, as the case may be, authorized to execute and deliver each Purchase Document to which it is a party, and (iv) that there has been no amendment to the Certificate of Incorporation of Buyer or Merger Sub, as the case may be, approved by its Board of Directors or stockholders or filed with their respective Secretaries of State, since the date hereof.

(f) Charter Documents. Shareholders' Representative Committee shall

have received from each of Buyer and Merger Sub a copy of its Certificate of Incorporation certified by the Secretary of State of the State of their respective states of formation as of a date no earlier than thirty (30) days prior to the Closing Date.

(g) HSR Approval. The HSR Approval shall have been obtained or shall

have been mutually determined by the Company and the Buyer to not be applicable.

(h) Purchase Documents. Buyer and Merger Sub (to the extent they are a

party thereto) shall have executed and delivered to the Shareholders' Representative Committee this Agreement and the Escrow Agreement and each other Purchase Document, if any, to which Buyer or Merger Sub is a party.

(i) Grant of Euronet Options. Buyer shall have granted the Euronet

Options.

(j) Releases. Shareholder Releases and Option Exercise and/or Release

Forms shall have been delivered to the Buyer and the Company by all Shareholders and Optionholders and all waiting or consideration periods which condition effectiveness of such releases shall have expired.

(k) Shareholder Approval. The Shareholders entitled to vote thereon

shall have approved the Merger and this Agreement in accordance with the Arkansas Business Corporation Act.

(l) Consents. All consents, approvals and authorization of, and

notices to and filings and registrations with, any Person that may be required to be made or obtained in connection with the transactions contemplated by any Purchase Document (including, without limitation, all filings and notices required pursuant to the HSR Act, if any, and consents of the lender to the LLCs and the members of the LLCs, other than the Company, to the LLC Distribution) shall have been made or obtained.

The agreements, certificates, documents, other evidence of compliance and opinion described in this Section 11.1 shall be in form and substance

reasonably satisfactory to the Shareholders' Representative Committee in their reasonable discretion and shall, except as otherwise provided, be delivered to the Shareholders' Representative Committee at the Closing.

11.2 Conditions to Obligations of Buyer. The obligations of Buyer

and Merger Sub to consummate the transactions contemplated by this Agreement shall be subject to the fulfillment, at or prior to the Closing, of each of the following further conditions, unless Buyer, in its sole discretion, shall waive such fulfillment:

(a) Representations and Warranties. Each of the representations and

warranties of the Company and of each Shareholder contained in this Agreement or in each Purchase Document to which such Shareholder is a party shall be true and correct in all material respects as of the date made and as of the Closing Date as if such

representations and warranties were made as of such dates and Buyer shall have received from an authorized executive officer of the Company and from each of the Representing Shareholders a certificate, dated as of the Closing Date, to such effect with respect to such representations and warranties of the Company and such Representing Shareholder.

(b) Covenants and Conditions. All covenants or conditions contained

herein or in any other Purchase Document to be complied with by any Shareholder on or before the Closing shall have been complied with in all material respects. Each condition precedent contained herein to the obligations of Buyer and Merger Sub hereunder shall have been satisfied (or waived by Buyer and Merger Sub).

(c) Opinion of Counsel. Buyer shall have received an opinion of

Friday, Eldredge & Clark, counsel to the Representing Shareholders and the Company, dated as of the Closing Date, in form and substance reasonably acceptable to counsel to the Buyer. Such opinion may be subject to such limitations and conditions and contain such assumptions and qualifications based on such counsel's actual knowledge as are generally contained in opinions covering similar transactions.

(d) No Litigation. No suit, action or other proceeding shall be

pending or threatened before any court or Governmental Entity as of the Closing Date seeking to restrain, prohibit or to obtain damages or other relief in connection with, or as a consequence of, any Purchase Documents or the consummation of the transactions contemplated thereby, and Buyer shall have received from each Representing Shareholder a certificate, dated as of the Closing Date, to such effect, to the Knowledge of such Representing Shareholder.

(e) Charter Documents. The Representing Shareholders shall have

delivered to Buyer a copy of the Articles of Incorporation of the Company certified by the Secretary of State of Arkansas, as of a date no earlier than thirty (30) days prior to the Closing Date.

(f) Certificate of Good Standing. The Representing Shareholders shall

have delivered to Buyer a certificate issued by the applicable authority set forth on Schedule 11.2(f), dated as of a date no earlier than thirty (30) days

prior to the Closing Date, evidencing the good standing of the Company in the States specified on Schedule 11.2(f).

(g) Escrow Agreement. The Shareholders Representative Committee and

Escrow Agent shall have executed and delivered to Buyer the Escrow Agreement.

(h) Stock Certificates. Each Shareholder shall have delivered to

Buyer the Certificates or Affidavits as provided in Section 6.2.

(i) Bank Accounts. The Representing Shareholders shall have delivered

to Buyer the list required by Section 10.5.

(j) Resignations. There shall have been delivered to Buyer letters of

resignation by which each officer and director of the Company (other than John Chamberlin) shall have resigned from such positions, as specified by Buyer prior to Closing.

(k) Purchase Documents. Each Shareholder shall have executed and

delivered to Buyer each Purchase Document to which it/he/she is a party.

(l) Consents. All consents, approvals and authorization of, and

notices to and filings and registrations with, any Person that may be required to be made or obtained in connection with the transactions contemplated by any

Purchase Document (including, without limitation, all filings and notices required pursuant to the HSR Act, if any, and consents of the lenders to the LLCs to the LLC Distribution) shall have been made or obtained.

(m) Material Adverse Change. No Material Adverse Change shall have

occurred in the business or operations of the Company since January 1, 1998. It is understood that the financial condition of the Company as

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reflected on the unaudited September 30, 1998 Financial Statements to the extent such statements are accurate and complete in all material respects is accepted by the Buyer and the information contained thereon shall not constitute a Material Adverse Change. The preceding sentence shall not preclude a failure of the condition contained in this Section 11.2(m) or the condition included in Section 11.2(y) if adjustments (other than routine period ending adjustments

consistent in all material respects with past practices) to the September 30 Financial Statements required by GAAP to constitute a Material Adverse Change.

(n) Secretary's Certificate. Buyer shall have received from the

Company a certificate executed by its Secretary or Assistant Secretary certifying (i) copies of resolutions duly adopted by its Board of Directors authorizing the execution and delivery by it of each Purchase Document to which it is a party and the performance by it of the transactions contemplated thereby, and that such resolutions have not been amended or rescinded and are in full force and effect as of the Closing Date, (ii) copies of resolutions duly adopted by the Shareholders regarding the Merger and the transactions contemplated by the Purchase Documents and the consummation thereof and that such resolutions have not been amended or rescinded and are in full force and effect as of the Closing Date, (iii) the bylaws of the Company to be true and complete as of the Closing Date, (iv) the name, title and signature of the officers of the Company authorized to execute and deliver each Purchase Document to which it is a party, and (v) that there has been no amendment to the Articles of Incorporation of the Company, approved by its Board of Directors or stockholders or filed with the Arkansas Secretary of State since March 29, 1996.

(o) Sublease and Amendment of Lease Agreement. The New LLC Holding

Company shall have entered into a sublease from the Company for the approximately 5007 square foot premises of the Company on the first floor of the Company's office premises located at Chenal Parkway, Little Rock Arkansas for rent equal to the amount of rent payable by the Company pursuant to the underlying lease with respect to such space for the period after the commencement date of such sublease, and on terms otherwise reasonably satisfactory to the Buyer and the New LLC Holding Company. Such sublease shall begin on the first Business Day following the date on which the Company vacates such premises and shall continue through the remaining term of the underlying lease. The lease agreement for the Company premises on the fourth and fifth floor of such building shall have been amended on terms satisfactory to Buyer to permit subleasing, subject to the agreement of the lessor of such premises, which agreement may not be unreasonably withheld or delayed.

(p) Hatfield Termination Agreement. Donald B. Hatfield shall have

executed and delivered to Buyer the Hatfield Termination Agreement. Buyer acknowledges that it has made a preliminary review of a draft of such agreement presented by Mr. Hatfield and that the terms thereof, subject to final review, appear agreeable to the Buyer.

(q) Shareholder Approval. The Shareholders entitled to vote thereon

shall have approved the Merger and this Agreement in accordance with the Arkansas Business Corporation Act and all outstanding Options other than Vested Options shall have been terminated and canceled and all Vested Options shall have been exercised as provided for herein.

(r) Termination of Deferred Compensation Agreements. Mr. Hendren and

Mr. Chamberlin shall have waived and released the Company from any continuing obligation or liability under the Deferred Compensation Agreements, in exchange for the transfer to Messrs. Hendren and Chamberlin of an amount equal to the

cash value as of the Closing Date of the life insurance policies obtained to secure the respective obligations to make such payments. Any and all expenses arising to the Company (other than the expense deduction for such payment) from such waiver and release (including without limitation any Taxes other than the employer's share of employment taxes) shall be borne by Messrs. Hendren and Chamberlin and shall be offset against the amount of the Purchase Price payable to them hereunder.

(s) Releases. Shareholder Releases and Option Exercise and/or Release

Forms shall have been delivered by all Shareholders and Optionholders to the Buyer and all waiting or consideration periods which condition effectiveness of such releases shall have expired.

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(t) Dissenting Shareholders. No more than 5% of the Shareholders

shall be Dissenting Shareholders.

(u) Certificates of Representing Shareholders. The Representing

Shareholders and the Company shall have each delivered the certificates referred to in Section 8.6 and elsewhere in this Agreement, subject to qualifications which do not, individually or in the aggregate, constitute a Materially Adverse Effect.

(v) Environmental Due Diligence. A Phase I environmental study of

the Barrow & Kanis Real Estate shall have been performed and shall not, to the reasonable satisfaction of the Buyer, reveal any actual, potential or suspected cause for an Environmental Claim.

(w) [intentionally omitted]

(x) Net Working Capital Amount/Financial Performance of the Company

during 1998. No information shall have come to the attention of the Buyer

(including, without limitation the results of updating the September 30, 1998 Audit and preparation of the Estimated Closing Financial Statements) on the basis of which the Buyer may reasonably conclude that, as reflected in the final Closing Financial Statements:

(A) the Net Working Capital of the Company shall be less than \$2,687,000; or

(B) the Company shall have incurred net losses for the period January 1, 1998 through the date of the Closing Financial Statements exceeding \$525,000, excluding any expenses or deductions which arise solely as a result of the transactions contemplated hereby.

(y) September 30, 1998 Audit. The September 30, 1998 Audit shall

have been completed and delivered to the Buyer and the September 30, 1998 Financial Statements, as audited and adjusted to conform to GAAP, shall not have revealed any Material Adverse Change in business or financial condition of the Company as compared with the situation reflected on the unaudited September 30, 1998 Financial Statements attached hereto (other than routine period ending adjustments consistent in all material respects with past practices).

The agreements, certificates, documents, other evidence of compliance and opinion described in this Section 11.2 shall be in form and substance

reasonably satisfactory to Buyer in its reasonable discretion and shall, except as otherwise provided, be delivered to Buyer at the Closing.

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ARTICLE XII

INDEMNIFICATION

12.1 Indemnification. (a) Subject to the limitations set forth herein,

the Representing Shareholders agree to indemnify and hold harmless Buyer and its Affiliates and their respective successors, assigns, shareholders, officers, directors, employees and agents (collectively, "Buyer Indemnitees" and individually a "Buyer Indemnitee") from and against and in respect of any Damages to the extent not covered by insurance with respect to a breach of any representation or warranty of the Company or a Representing Shareholder set forth in this Agreement or in any Purchase Document or non-fulfillment of any agreement on the part of the Company (to the extent such agreement must be performed by the Company on or prior to the Closing) or such Representing Shareholder under the terms thereof. In addition, subject to the limitations set forth herein, each Representing Shareholder agrees to indemnify and hold harmless the Buyer Indemnitees from and against all Damages incurred with respect to the non-performance of any covenant of such Representing Shareholder set forth in any Purchase Document and with respect to any breach by such Representing Shareholder or the Company of any representation or warranty relating to the ownership of good and valid title free and clear of all Liens to any such Representing Shareholder's shares of ARKSYS Common Stock. Escrow Damages shall be an adjustment to the Purchase Price as set forth herein and shall be paid and borne solely out of the Escrow Account so that such Escrow Damages are shared by all of the Shareholders in proportion to their respective Ownership Percentages. Only the Representing Shareholders shall be subject to the obligation to indemnify for any Damages exceeding the amount of the Escrow Account and such obligation shall be borne by each Representing Shareholder in proportion to his respective Indemnification Percentage, subject to the limitations set forth herein. The indemnification provisions set forth herein (including those set forth in subsection (b) below), as well as any claims for Damages from the Escrow Agent pursuant to the Escrow Agreement, are intended to be provided only to the extent the Damages are not otherwise covered by applicable insurance. In addition, Buyer shall have no right to indemnification hereunder or to assert any claims for Damages from the Escrow Agent pursuant to the Escrow Agreement to the extent the Damages would have been covered by applicable insurance maintained by the Company immediately prior to the Closing if Buyer shall have failed to cause the Company to maintain and keep in effect the same comparable insurance coverage after the Closing.

(b) The LLC Recipients shall as a condition to the LLC Distribution agree, in accordance with their respective LLC Distribution Percentages, to indemnify Buyer Indemnitees, subject to the limitations set forth herein, from and against and in respect of any Damages incurred by or asserted against the Company after the Closing with respect to the Company's ownership of the LLC Interests or the LLC Distribution. For purposes of application of paragraphs (c) through (f) of this Section 12 to the indemnification obligation provided in

this paragraph (b), the term "Representing Shareholders" shall be read to mean the "LLC Recipients," provided the aggregate amount of indemnification under Section 12.1(a) and this Section 12.1(b) shall not in total exceed the Maximum Amount, and for each Representing Shareholder shall not exceed such Representing Shareholder's Indemnification Percentage multiplied by such Maximum Amount. The aggregate amount of indemnification under this Section 12.1(b) for each LLC Recipient, who is not a Representing Shareholder, shall not exceed such LLC Interest Recipient's LLC Distribution Percentage multiplied by the LLC Distribution FMV.

(c) The Buyer shall first resort to the Escrow Amount pursuant to the Escrow Agreement for any Damages to which Buyer is entitled to indemnification hereunder prior to proceeding to collect such Damages directly against any Representing Shareholder, it being the intent of the parties that the indemnification hereunder against any individual Representing Shareholder shall only be made to the extent the Escrow Amount is insufficient for such purposes, subject to the limitations set forth herein. Anything contained in this Agreement to the contrary notwithstanding, (i) no Shareholder other than a Representing Shareholder shall be personally liable, beyond the amount held in the Escrow Account, to any Buyer Indemnitee for any Damages, (ii) no claim shall be asserted by the Buyer for Damages from the Escrow Amount or against the Representing Shareholders, until the aggregate amount for which the Buyer Indemnitees are entitled to indemnification under this Agreement or the Escrow Agreement exceeds \$100,000 (the "Threshold") and then only to the extent such Damages exceed such Threshold; and (iii) the Representing Shareholders collectively shall in no event be personally liable to any Buyer Indemnitee for any Damages in excess of

Six Million Dollars (\$6,000,000), in the aggregate, less any amounts paid in respect thereof from the Escrow Amount, (the "Maximum Amount"), or individually for an amount in excess of their respective Indemnification Percentage multiplied by such Maximum Amount.

(d) The indemnification obligations of the Representing Shareholders as provided in this Agreement shall only be with respect to indemnification claims made by Buyer in writing in accordance with the terms hereof on or before the Settlement Date; provided, however, the indemnification obligations of the

Representing Shareholders with respect to Damages relating to:

- (i) fraud (which is intentional) or intentional misrepresentation;
- (ii) a breach of Section 8.9 (Environmental Matters);

- (iii) a breach of Section 8.12 (Tax Matters);

- (iv) a breach of Section 8.30 (Year 2000 Compliance); and

- (v) D&O Indemnification Obligations

shall survive until thirty (30) days after the expiration of the applicable statute of limitations (including any extensions thereof) or, in the case of clause (iv) above, on June 30, 2000; provided such indemnification obligations with respect to clause (ii) shall only be with respect to indemnification claims made by Buyer in writing within three (3) years after the date hereof.

Moreover, the indemnification obligations with respect to the immediately preceding clause (i) and (v) shall not be subject to the Threshold requirements set forth in Section 12.1(c), shall not be included in any computation to

determine whether the Threshold has been reached, shall not be subject to the Maximum Amount limitation, and shall not be included in any computation to determine whether the Maximum Amount has been reached, but shall be limited to a maximum aggregate amount equal to the Purchase Price multiplied by the Representing Shareholder's respective Indemnification Percentage; provided in the case of Damages relating to any D&O Indemnification Obligations, the Indemnification Percentages shall be grossed-up on a pro-rata basis so that the Indemnification Percentages total 100%.

(e) The applicable Buyer Indemnitee shall give written notice to the Shareholders' Representative Committee within the applicable time periods set forth herein of any claim or commencement of any action, suit or proceeding in respect of which indemnity may be sought hereunder and will give the Shareholders' Representative Committee such information with respect thereto as the Shareholders Representative Committee may reasonably request. Such notice shall reasonably set forth the basis for such claim hereunder by reference to the applicable the Section(s) under Article VIII which Buyer believes have been

breached and given rise to entitlement to indemnification hereunder. Such notice shall be given as soon as practical, and in any event within thirty (30) days of the date on which such Buyer Indemnitee received notice of such claim, action, suit or proceeding (and at least ten (10) days prior to the time an answer or other responsive pleading is required to be filed with respect to any suit or proceeding); provided that failure to give such notice shall not relieve

the Representing Shareholders of any liability hereunder except to the extent the failure to provide timely notice shall have prejudiced any right or remedy of the Representing Shareholders or shall have caused the Representing Shareholders to suffer any actual damage thereby. The Representing Shareholders shall have the right to undertake, at their expense, by counsel chosen by the Representing Shareholders, who is reasonably acceptable to such Buyer Indemnitee, the defense of any such action, suit or proceeding involving a third party. In such event, such Buyer Indemnitee shall have the right to employ its own counsel in any such action, but the fees and expenses of such counsel shall

be at the sole expense of such Buyer Indemnitee unless (i) the employment of counsel by such Buyer Indemnitee has been authorized by the prior written consent of the all of the Representing Shareholders, (ii) such Buyer Indemnitee and its counsel have reasonably concluded that there may be legal defenses available to such Buyer Indemnitee not available to the Representing Shareholders (in which case the Representing Shareholders shall not have the right to direct the defense of such action on behalf of such Buyer Indemnitee), or (iii) the Representing Shareholders have not in fact employed counsel to assume the defense of such action within a reasonable time after receiving notice of the commencement of such action, in each of which cases the reasonable fees and expenses of counsel will be at the expense of the Representing Shareholders, and the Representing Shareholders shall, subject to the limitations contained herein, reimburse such Buyer Indemnitee, or pay such fees and expenses as they are incurred. Whether or not the Representing Shareholders choose to defend or prosecute any claim involving a third party, all the parties hereto shall cooperate, in good faith, in the defense or prosecution thereof and in minimizing Damages in respect thereof, and shall furnish such books, records, financial information and other information, and testimony, and attend such conferences, discovery proceedings, hearings, trials and appeals, as may be reasonably requested in connection therewith.

(f) With respect to any Damages for which Buyer is entitled to indemnification pursuant to this Agreement and that are to be satisfied from the Escrow Amount, Buyer shall deliver to Shareholders' Representative Committee and the Escrow Agent notice of such claim for Damages consistent with the notice requirements set forth above (each of the foregoing documents, an "Escrow Notice"). Unless the Escrow Notice is disputed by the Shareholders Representative Committee as provided in the Escrow Agreement, the Escrow Agent shall pay the amount of such Damages to Buyer, subject to the limitations set forth herein, within the time period set forth in the Escrow Agreement. To the extent the Purchase Price is reduced by Damages and such Damages are paid to Buyer as set forth in the Escrow Agreement, or otherwise result in a reduction in the amount of the Purchase Price actually paid by the Buyer, such Damages shall not again be treated as Damages for purposes of this Article XII (i.e.,

Buyer shall not be entitled to duplicative recovery thereof). Notwithstanding the provisions of Section 7.5 above, the Escrow Agreement shall provide that

\$200,000 of the amount which is otherwise available for distribution to the Shareholders in the Final Settlement shall be held in Escrow until June 30, 2000 to secure Damages arising from any breach of the representations and warranties set forth in Section 8.30 (the "Year 2000 Reserve").

(g) The amount of any Damages hereunder shall be fairly and equitably reduced to the extent such Damages arose by reason of a negligent or intentional wrongful act or omission of any Buyer Indemnitee. Notwithstanding any provision to the contrary contained herein, the Company shall not be considered a Buyer Indemnitee for purposes of this Section 12.1(g), except with respect to any

negligent or intentional wrongful act or omission by the Company occurring after the Closing.

12.2 Remedies Exclusive. Except in the event of fraud, or intentional misrepresentation, the remedies provided in this Article XII shall be the exclusive remedies of the Buyer Indemnitees from and after the Closing in

connection with any breach of a representation or warranty by the Company or the Representing Shareholders, or non-performance, partial or total, of any covenant or agreement of the Company (required to be performed by the Company on or prior to the Closing) or the Representing Shareholders contained herein. The provisions of this Article XII shall apply to claims for indemnification

asserted as between the parties hereto as well as to third-party claims.

ARTICLE XIII

TERMINATION

13.1 Termination. Subject to the provisions of Section 13.2, this

Agreement may be terminated at any time prior to the Closing by written notice given by Buyer, the Company or the Representing Shareholders to the others:

(a) by the mutual consent of Buyer, the Company and a majority in interest of the Representing Shareholders;

(b) by either Buyer, the Company or the Representing Shareholders if the Closing has not occurred on or before 12:00 Midnight (Central Standard time) on December 31, 1998; provided, however, that the right to terminate this

Agreement under this clause (b) shall not be available to any party whose intentional failure to fulfill any obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing to have occurred on or before such date;

(c) by Buyer in the event of a breach by the Company or any Shareholder of any provision of this Agreement which has not been cured within twenty (20) Business Days following receipt by the Company and the Representing Shareholders of written notice thereof; or

(d) by the Company and the Representing Shareholders in the event of a breach by Buyer or Merger Sub of any provision of this Agreement which has not been cured within twenty (20) Business Days following receipt by the Buyer of written notice thereof.

Nothing set forth in this Section 13.1 shall relieve any party of any

liability for a breach of this Agreement or for a breach of the provisions of Section 6 of the Memorandum of Intent.

13.2 Specific Performance. The obligations of the Representing

Shareholders, Buyer and Merger Sub under this Agreement are unique. If either the Representing Shareholders, Buyer or Merger Sub should default in their respective obligations under this Agreement, the Representing Shareholders, Buyer and Merger Sub acknowledge that it would be extremely impracticable to measure the resulting damages. Accordingly, the Representing Shareholders, Buyer and Merger Sub may, in addition to any other available rights or remedies, sue in equity for specific performance, and hereby expressly waive the defense that a remedy in damages will be adequate.

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ARTICLE XIV

SHAREHOLDERS' REPRESENTATIVE COMMITTEE

14.1 Shareholders' Representative Committee.

(a) John Chamberlin, James Hendren, Don Hatfield, Eugene Jones and David Payne shall serve as, and hereby are authorized, appointed and directed to act as, the "Shareholders' Representative Committee" and to make any and all decisions to be made and to take or omit to take any and all actions which may be made or be taken by the Shareholders (including the Vested Optionholders) under this Agreement or the Escrow Agreement, including, without limitation, executing the Escrow Agreement and closing certificates on behalf of the Shareholders (including the Vested Optionholders), receiving distributions on their behalf thereunder and making and approving disbursements thereunder, and making, compromising, settling or paying claims thereunder, including claims for Escrow Damages. All out-of-pocket expenses incurred by the Shareholders' Representative Committee in acting on behalf of the Shareholders including the Vested Optionholders with respect to such matters shall be shared among all Shareholders including the Vested Optionholders in proportion to their Ownership Percentages to the extent that the amount of such expenses are not fully recovered from Buyer.

(b) In making decisions with respect to matters within the authority of the Shareholders' Representative Committee hereunder, John Chamberlin and James Hendren (and their successors) shall each be entitled to two (2) votes and

the remaining members shall be entitled to one (1) vote each. In the event John Chamberlin or James Hendren become unable or unwilling to serve as a member of the Shareholders' Representative Committee, his spouse, if able and willing, shall serve as successor in his position thereunder. In the event such spouse is unable or unwilling to serve, he shall be succeeded in position by his oldest child, if of majority age, able and willing to serve. Any other vacancy on the Shareholders' Representative Committee shall be filled by an individual appointed by the remaining members of such committee.

(c) The Shareholders' Representative Committee shall have no liability in the performance of their services in such capacity, and shall be held harmless by the Shareholders (including the Vested Optionholders) from and against any actions so taken or omitted in connection therewith, save and except bad faith conduct that constitutes gross willful misconduct, fraud or a knowing violation of law.

(d) The Shareholders' Representative Committee shall be deemed to constitute trustees of a liquidating trust for purposes of the distribution of the Purchase Price and resolution of other matters and taking of such other actions as set forth herein, and each Shareholder (including each Vested Optionholder) shall be deemed to have been issued a nontransferable (other than by death or incompetence) interest in such trust equal to its/his/her ownership interest in the Company as of the Closing as set forth herein, and to have elected, appointed, authorized, and empowered the members of the Stockholders' Representative Committee to serve as trustees of such trust granting to them all of the powers, privileges and preferences described herein, in addition to such powers, privileges and preferences that may be granted to such persons under law.

ARTICLE XV

GENERAL

15.1 Amendment and Waiver. No amendment of any provision of this

Agreement shall in any event be effective, unless the same shall be in writing and signed by the parties hereto. Any failure of any party to comply with any obligation, agreement or condition hereunder may only be waived in writing by the other party but such waiver shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure. No failure by any party to take any action against any breach of this Agreement or default by the other party shall constitute a waiver of such party's right to enforce any provision hereof or to take any such action.

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15.2 Notices. Any notices or other communications required to be given

pursuant to this Agreement shall be in writing and shall be deemed given: (i) upon delivery, if by hand; (ii) five (5) Business Days after mailing, if sent by registered or certified mail, postage prepaid, return receipt requested; (iii) one (1) Business Day after mailing, if sent via overnight courier; or (iv) upon transmission, if sent by telex or facsimile except that if such notice or other communication is received by telex or facsimile after 5:00 p.m. on a Business Day at the place of receipt, it shall be effective as of the following Business Day. All notices and other communications hereunder shall be given as follows:

(a) If to Buyer, to it at:

Euronet Services Inc.
Horvat u. 14-24
1027 Budapest Hungary
Attn: Jeffrey B. Newman, Vice President, General Counsel

Telephone No.: + (36 1) 224-1020
Telecopier No.: + (36 1) 224-1023

with a copy to:

ARENT FOX KINTNER PLOTKIN & KAHN, PLLC
1050 Connecticut Avenue, N.W.
Washington, D.C. 20036-5339

Attn: Arnold R. Westerman

Telephone No.: 202-857-6000
Telecopier No.: 202-857-6395

(b) if to the Company, any Representing Shareholder or the Shareholders' Representative Committee to:

John Chamberlin
1518 Ellen Lane
Little Rock, Arkansas 72212

Telephone No.: 501-224-4904
Telecopier No.: 501-224-3062

James Hendren
12 Perdido Circle
Little Rock, AR 72211

Telephone No.: 501-225-4881

Donald B. Hatfield
148 Valley Club Circle
Little Rock, Arkansas 72212

Telephone No.: 501-223-2627
Telecopier No.: 501 223-0348

Eugene Jones
2823 Painted Valley Drive

47

Little Rock, Arkansas 72212

Telephone No.: 501-221-9447
Telecopier No.: 501-225-3721

David Payne
12425 Timber Bend Drive
Little Rock, Arkansas

Telephone No.: 501-227-8243

with a copy to:

FRIDAY, ELDREDGE & CLARK
400 W. Capitol, Suite 2000
Little Rock, AR 72201
Attn: Walter M. Ebel III

Telephone No.: 501-370-1557
Telecopier No: 501-376-2147

Any party may change its address for receiving notice by written notice given to the other names above in the manner provided above.

15.3 Counterparts. This Agreement may be executed in two or more

counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

15.4 Parties in Interest. This Agreement shall bind and inure to the

benefit of the parties hereto, (and as applicable, the Shareholders including the Vested Optionholders) and their respective heirs, successors and assigns. This Agreement shall not be assignable by any party without the prior written consent of the other party. Any attempted assignment of this Agreement in breach of this provision shall be void and of no effect.

15.5 Entire Agreement. This Agreement, together with the exhibits and

schedules attached hereto and the other Purchase Documents, contains the entire

agreement and understanding of the parties hereto with respect to the matters herein set forth, and all prior negotiations and understandings relating to the subject matter of the Purchase Documents are merged therein and are superseded and canceled by the Purchase Documents. There are no representations, warranties or other agreements between the parties hereto with respect to the subject matter contained herein other than the Purchase Documents, and the other documents, instruments and agreements to be delivered at the Closing pursuant to the terms hereof. This Agreement may not be modified except in writing and in accordance with the provisions of Section 15.1. So as not to require duplicative disclosures, to the extent any matter or item is disclosed in one Schedule hereto, such matter or item shall be deemed disclosed in all other Schedules hereto as relevant in the particular circumstances.

15.6 Applicable Law. This Agreement shall be governed by and construed

in accordance with the internal substantive laws of the State of Delaware, without giving effect to the principles of conflicts of laws thereof.

15.7 Headings. The section and other headings contained in this Agreement

are for reference purposes only and shall not affect any way the meaning or interpretation of this Agreement.

15.8 Third Parties. Nothing herein expressed or implied is intended or

shall be construed to confer upon or give to any person or entity other than the parties hereto and their affiliates, (and, as applicable, the Shareholders, including the Vested Optionholders and the Shareholders' Representative Committee) and their respective heirs, successors and assigns, any rights or remedies under or by reason of this agreement.

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15.9 Survival of Representations Etc. (a) The representations and

warranties of each Shareholder and Buyer contained herein shall survive the consummation of the transactions contemplated hereby and the Closing for the periods set forth herein. All such representations and warranties shall survive until the Settlement Date; provided, however, that the representations and

warranties in Sections 8.9 (Environmental Matters) shall survive for a period of

three (3) years following the Closing, the representations and warranties in Section 8.12 (Tax Matters) shall survive until 30 days following the expiration

of the applicable statute of limitations (including any extensions thereof) relating thereto and the representations and warranties in Section 8.30 (Year

2000 Compliance) shall survive until June 30, 2000. The termination of the representations and warranties as provided herein shall not affect the rights of a party hereto in respect of any claim made by such party in a writing in accordance with the terms hereof received by the other parties hereto prior to the expiration of the applicable survival period provided herein.

(b) All covenants and agreements respectively made by the Shareholders (including the Representing Shareholders) and Buyer in the Purchase Documents will survive the consummation of the transactions contemplated hereby and the Closing, and will remain in full force and effect thereafter, until the expiration of the terms or periods respectively specified therein or (in the case of covenants and agreements that have no such specified term or period), until the expiration of the applicable statute of limitations (including any extensions thereof) relating thereto.

15.10 Jurisdiction: Agents for Service of Process. Any judicial

proceeding brought against any of the parties to this Agreement on any dispute arising out of the Purchase Documents or any matter related thereto may be brought in the federal courts of Little Rock, Arkansas, and, by execution and delivery of this Agreement, each of the parties to this Agreement accepts the nonexclusive jurisdiction of such courts and irrevocably agrees to be bound by any final judgment (after all appeals have been resolved or the time for filing further appeals have expired) rendered thereby in connection with such Purchase Document.

15.11 Dispute Resolution. Unless otherwise specifically provided to the

contrary in any other Purchase Document, any controversy, dispute or claim arising out of or relating to the Purchase Documents or the breach thereof shall be settled by binding arbitration in accordance with the laws of Delaware and the rules, regulations and procedures of the American Arbitration Association ("AAA"). The arbitration panel shall consist of three arbitrators, with one arbitrator selected by the Shareholders' Representative Committee (or with respect to a dispute concerning only the Hatfield Termination Agreement by Mr. Hatfield), one arbitrator selected by Buyer and the third by the two arbitrators. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. The site of the arbitration shall be Little Rock, Arkansas. The arbitrators shall award reimbursement of attorneys' fees and other costs of arbitration to the prevailing party, in such manner as the arbitrators shall deem appropriate. In addition, the losing party shall reimburse the prevailing party for attorneys' fees and disbursements and court costs incurred by the prevailing party in successfully seeking any preliminary equitable relief or judicially enforcing any arbitration award. If any party fails to appoint its arbitrator within thirty (30) days of receipt of a notice from the first party seeking to institute an arbitration proceeding or if the two arbitrators fail to appoint a third arbitrator within 20 days of the selection of the second arbitrator, the arbitrators shall be selected in accordance with the rules, regulations and procedures of the AAA.

15.12 Severability. If any portion of this Agreement (other than the

substantive provisions regarding the Purchase Price and the consummation of the Merger) is held invalid, illegal or unenforceable, such determination shall not impair the enforceability of the remaining terms and provisions contained herein, and to this end such provisions of this Agreement are declared to be severable.

15.13 Further Assurances. The parties agree that from time to time

hereafter, upon request, each of them will execute, acknowledge and deliver such other documents and instruments, and take such further action, as may be reasonably necessary to carry out the intent of this Agreement.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Agreement has been duly executed and delivered by or on behalf of each of the parties hereto as of the date first above written.

COMPANY:

ARKANSAS SYSTEMS, INC.

By: _____

Name: _____

Title: _____

BUYER:

EURONET SERVICES, INC.

By: _____

Name: _____

Title: _____

MERGER SUB:
AE MERGER CORP

By: _____

Name: _____

Title: _____

REPRESENTING SHAREHOLDERS:

John Chamberlin

James Hendren

Donald B. Hatfield

Eugene Jones

David Payne

SCHEDULE 4.1

Officers and Directors of the Surviving Corporation

Officers

President and Chief Executive Officer:	Michael J. Brown
Vice President, Treasurer and Chief Financial Officer:	Bruce Colwill
Vice President, Secretary and General Counsel:	Jeffrey B. Newman
Vice President and Chief Information Officer:	Anthony M. Ficarra

All persons who are Vice Presidents as of the date of this Agreement will remain in office until removed or replaced.

Directors

Chairman:	Michael J. Brown
Other Directors:	John Chamberlin
	Daniel Henry

SCHEDULE 6.4

Optionholders to Receive Euronet Options

NAME	OPTIONS
------	---------

Greg McKee	900
Sharon Morris	700
Gail Hart	80
Harold Wright	900
Betty Eddins	80
Martha St'vnt	80
Margie Akins	80
Kathy Hatcher	900
Mike Pierce	900
Ben Waldron	200
Lance Reaves	350
Robbie Ryburn	80
Elden May	80
J McKernan	140
Rekha Patel	60
James Calva	350
Dave Tackett	140
J Rahmann	700
G Soderquist	80
Chris Ring	700
Tony Warren	750
Jan McVay	450
Sean LeCrone	80
Gibson Garrett	350
Rodney Farmer	700
S Appleton	350
J Gallegos	230
David Motley	260
Paul Russell	80
Gina Spencer	400
J Jacovelli	80
Gary Steik	80
Frank Lady	400
Kent Bryant	200
Kim Powell	60

Lee Page	900
S Vickers	500
Pek Ng	260
Rob Roedel	700
Matt Simmons	700
Gerald Koonce	650
Rodney Payne	550
S Bishop	200
S Tripcony	350
R Brackensiek	900
Debbie Lee	60
Joe Morgan	80
Fred Stanchi	900
T Garland	200
Sam Ora	550
Robt Jensen	200

Total 19,670

SCHEDULE 7.2

Option Strike Price for Vested Optionholders

Emp #	Seq #	Grant Date	Quantity	Price	Vesting 4/1/97	Vesting 4/1/98	Vesting 4/1/99	Extension	Exercise Price
35	9601	Eugene Jones	4/1/96	5,000	6.46	1,000	1,000	1,000	19,380.00
35	9701	Eugene Jones	4/1/97	5,000	6.91		1,000		13,820.00
35	9801	Eugene Jones	4/1/98	2,500	7.61		500		3,805.00

168	9601 Karen Halbert	4/1/96	5,000	6.46	1,000	1,000	1,000	19,380.00	
168	9701 Karen Halbert	4/1/97	5,000	6.91		1,000	1,000	13,820.00	
168	9801 Karen Halbert	4/1/98	5,000	7.61			1,000	7,610.00	40,810.00
202	9601 Greg McKee	4/1/96	500	6.46	100	100	100	1,938.00	
202	9701 Greg McKee	4/1/97	500	6.91		100	100	1,382.00	
202	9801 Greg McKee	4/1/98	500	7.61			100	761.00	4,081.00
204	9601 Sharon Morris	4/1/96	500	6.46	100	100	100	1,938.00	
204	9701 Sharon Morris	4/1/97	500	6.91		100	100	1,382.00	
204	9801 Sharon Morris	4/1/98	250	7.61			50	380.50	3,700.50
218	9801 Gail Hart	4/1/98	100	7.61			20	152.20	152.20
235	9601 Harold Wright	4/1/96	500	6.46	100	100	100	1,938.00	
235	9701 Harold Wright	4/1/97	500	6.91		100	100	1,382.00	
235	9801 Harold Wright	4/1/98	500	7.61			100	761.00	4,081.00
249	9801 Betty Eddins	4/1/98	100	7.61			20	152.20	152.20
250	9601 David Morris	4/1/96	1,000	6.46	200	200	200	3,876.00	
250	9701 David Morris	4/1/97	1,000	6.91		200	200	2,764.00	
250	9801 David Morris	4/1/98	750	7.61			150	1,141.50	7,781.50
256	9801 Martha Sturdivant	4/1/98	100	7.61			20	152.20	152.20
259	9601 David Payne	4/1/96	2,500	6.46	500	500	500	9,690.00	
259	9701 David Payne	4/1/97	2,500	6.91		500	500	6,910.00	
259	9801 David Payne	4/1/98	2,500	7.61			500	3,805.00	20,405.00
261	9601 John Wright		2,000	6.46	400	400	400	7,752.00	
261	9701 John Wright	4/1/97	2,500	6.91		500	500	6,910.00	
261	9801 John Wright	4/1/98	1,500	7.61			300	2,283.00	16,945.00
264	9601 Jack Stone	4/1/96	5,000	6.46	1,000	1,000	1,000	19,380.00	
264	9701 Jack Stone	4/1/97	2,500	6.91		500	500	6,910.00	
264	9801 Jack Stone	4/1/98	1,500	7.61			300	2,283.00	28,573.00
267	9801 Margie Akins	4/1/98	100	7.61			20	152.20	152.20
289	9801 Greg Blalack	4/1/98	1,500	7.61			300	2,283.00	2,283.00
290	9601 Mary Gay Olsen	4/1/96	1,000	6.46	200	200	200	3,876.00	
290	9701 Mary Gay Olsen	4/1/97	1,000	6.91		200	200	2,764.00	
290	9801 Mary Gay Olsen	4/1/98	750	7.61			150	1,141.50	7,781.50
299	9601 Calvin Jones	4/1/96	1,000	6.46	200	200	200	3,876.00	
299	9701 Calvin Jones	4/1/97	1,000	6.91		200	200	2,764.00	
309	9601 Chris Ring	4/1/96	500	6.46	100	100	100	1,938.00	
309	9701 Chris Ring	4/1/97	500	6.91		100	100	1,382.00	
309	9701 Chris Ring	4/1/98	250	7.61			50	380.50	3,700.50
332	9601 Kathy Hatcher	4/1/96	500	6.46	100	100	100	1,938.00	
332	9701 Kathy Hatcher	4/1/97	500	6.91		100	100	1,382.00	
332	9801 Kathy Hatcher	4/1/98	500	7.61			100	761.00	4,081.00
335	9601 Cindy Ashcraft	4/1/96	2,000	6.46	400	400	400	7,752.00	
335	9701 Cindy Ashcraft	4/1/97	2,500	6.91		500	500	6,910.00	
335	9801 Cindy Ashcraft	4/1/98	1,500	7.61			300	2,283.00	16,945.00
340	9601 Mike Pierce	4/1/96	500	6.46	100	100	100	1,938.00	
340	9701 Mike Pierce	4/1/97	500	6.91		100	100	1,382.00	
340	9801 Mike Pierce	4/1/98	500	7.61			100	761.00	4,081.00
348	9601 Sue Stone	4/1/96	1,000	6.46	200	200	200	3,876.00	
348	9701 Sue Stone	4/1/97	1,000	6.91		200	200	2,764.00	
348	9801 Sue Stone	4/1/98	750	7.61			150	1,141.50	7,781.50
359	9601 Kevin Liles	4/1/96	2,000	6.46	400	400	400	7,752.00	
359	9701 Kevin Liles	4/1/97	2,500	6.91		500	500	6,910.00	
359	9801 Kevin Liles	4/1/98	1,500	7.61			300	2,283.00	16,945.00
364	9801 Ben Waldron	4/1/98	250	7.61			50	380.50	380.50
375	9701 Kim Powell	4/1/97	100	6.91		20	20	276.40	276.40
382	9601 Karl Liss	4/1/96	2,500	6.46	500	500	500	9,690.00	
382	9701 Karl Liss	4/1/97	2,500	6.91		500	500	6,910.00	
382	9801 Karl Liss	4/1/98	1,500	7.61			300	2,283.00	18,883.00
390	9601 Tom Kleinsorge	4/1/96	500	6.46	100	100	100	1,938.00	
390	9701 Tom Kleinsorge	4/1/97	500	6.91		100	100	1,382.00	
390	9801 Tom Kleinsorge	4/1/98	500	7.61			100	761.00	4,081.00
398	9601 Lee Page	4/1/96	500	6.46	100	100	100	1,938.00	
398	9701 Lee Page	4/1/97	500	6.91		100	100	1,382.00	
398	9801 Lee Page	4/1/98	500	7.61			100	761.00	4,081.00
400	9601 Suzanne Vickers	4/1/96	500	6.46	100	100	100	1,938.00	
400	9701 Suzanne Vickers	4/1/97	500	6.91		100	100	1,382.00	
418	9701 Pek Yee Ng	4/1/97	100	6.91		20	20	276.40	
418	9801 Pek Yee Ng	4/1/98	250	7.61			50	380.50	656.90
448	9601 Matt Simmons	4/1/96	500	6.46	100	100	100	1,938.00	
448	9701 Matt Simmons	4/1/97	500	6.91		100	100	1,382.00	
448	9801 Matt Simmons	4/1/98	250	7.61			50	380.50	3,700.50
451	9601 Gerald Koonce	4/1/96	250	6.46	50	50	50	969.00	
451	9701 Gerald Koonce	4/1/97	250	6.91		50	50	691.00	
451	9801 Gerald Koonce	4/1/98	500	7.61			100	761.00	2,421.00
452	9601 Rodney Payne	4/1/96	500	6.46	100	100	100	1,938.00	
452	9701 Rodney Payne	4/1/97	250	6.91		50	50	691.00	
452	9801 Rodney Payne	4/1/98	250	7.61			50	380.50	3,009.50
456	9801 Spencer Bishop	4/1/98	250	7.61			50	380.50	380.50
460	9701 Shane Tripcony	4/1/97	250	6.91		50	50	691.00	
460	9801 Shane Tripcony	4/1/98	250	7.61			50	380.50	1,071.50

463	9601	Rob Brackenseik	4/1/96	500	6.46	100	100	100	1,938.00	
463	9701	Rob Brackenseik	4/1/97	500	6.91		100	100	1,382.00	
463	9801	Rob Brackenseik	4/1/98	500	7.61			100	761.00	4,081.00
481	9601	Doug Goodwin	4/1/96	2,000	6.46	400	400	400	7,752.00	
481	9701	Doug Goodwin	4/1/97	2,500	6.91		500	500	6,910.00	
481	9801	Doug Goodwin	4/1/98	1,500	7.61			300	2,283.00	16,945.00
482	9701	Debbie Lee	4/1/97	100	6.91		20	20	276.40	276.40
489	9801	Joe Morgan	4/1/98	100	7.61			20	152.20	152.20
490	9601	Fred Stanchi	4/1/96	500	6.46	100	100	100	1,938.00	
490	9701	Fred Stanchi	4/1/97	500	6.91		100	100	1,382.00	
490	9801	Fred Stanchi	4/1/98	500	7.61			100	761.00	4,081.00
493	9601	Scott Zust	4/1/96	2,500	6.46	500	500	500	9,690.00	
493	9701	Scott Zust	4/1/97	50,000	6.91		10,000	10,000	138,200.00	147,890.00
498	9801	Theresa Garland	4/1/98	250	7.61			50	380.50	380.50
499	9601	Sam Ora	4/1/96	500	6.46	100	100	100	1,938.00	
499	9701	Sam Ora	4/1/97	250	6.91		50	50	691.00	
499	9801	Sam Ora	4/1/98	250	7.61			50	380.50	3,009.50
501	9801	Robert Jensen	4/1/98	250	7.61			50	380.50	380.50
511	9701	Lance Reaves	4/1/97	250	6.91		50	50	691.00	
511	9801	Lance Reaves	4/1/98	250	7.61			50	380.50	1,071.50
515	9801	Robbie Ryburn	4/1/98	100	7.61			20	152.20	152.20
518	9801	Elden May	4/1/98	100	7.61			20	152.20	152.20
520	9701	James McKernan	4/1/97	100	6.91		20	20	276.40	
520	9801	James McKernan	4/1/98	100	7.61			20	152.20	428.60
503	9701	Rekha Patel	4/1/97	100	6.91		20	20	276.40	276.40
527	9701	James Calva	4/1/97	250	6.91		50	50	691.00	
527	9801	James Calva	4/1/98	250	7.61			50	380.50	1,071.50
536	9701	Dave Tackett	4/1/97	100	6.91		20	20	276.40	
536	9801	Dave Tackett	4/1/98	100	7.61			20	152.20	428.60
538	9601	Jennifer Rahman	4/1/96	500	6.46	100	100	100	1,938.00	
538	9701	Jennifer Rahman	4/1/97	500	6.91		100	100	1,382.00	
538	9801	Jennifer Rahman	4/1/98	250	7.61			50	380.50	3,700.50
539	9801	Glenn Soderquist	4/1/98	100	7.61			20	152.20	152.20
544	9601	Lloyd Walker	4/1/96	500	6.46	100	100	100	1,938.00	
544	9701	Lloyd Walker	4/1/97	500	6.91		100	100	1,382.00	
544	9801	Lloyd Walker	4/1/98	1,500	7.61			300	2,283.00	5,603.00
546	9701	Tony Warren	4/1/97	250	6.91		50	50	691.00	
546	9801	Tony Warren	4/1/98	750	7.61			150	1,141.50	1,832.50
549	9601	Janet McVay	4/1/96	250	6.46	50	50	50	969.00	
549	9701	Janet McVay	4/1/97	250	6.91		50	50	691.00	
549	9801	Janet McVay	4/1/98	250	7.61			50	380.50	2,040.50
551	9801	Sean LeCrone	4/1/98	100	7.61			20	152.20	152.20
556	9701	Gibson Garrett	4/1/97	250	6.91		50	50	691.00	
556	9801	Gibson Garrett	4/1/98	250	7.61			50	380.50	1,071.50
561	9601	Rodney Farmer	4/1/96	500	6.46	100	100	100	1,938.00	
561	9701	Rodney Farmer	4/1/97	500	6.91		100	100	1,382.00	
561	9801	Rodney Farmer	4/1/98	250	7.61			50	380.50	3,700.50
570	9701	Steve Appleton	4/1/97	250	6.91		50	50	691.00	
570	9801	Steve Appleton	4/1/98	250	7.61			50	380.50	1,071.50
575	9601	Lori Majors	4/1/96	1,000	6.46	200	200	200	3,876.00	
575	9701	Lori Majors	4/1/97	1,000	6.91		200	200	2,764.00	
575	9801	Lori Majors	4/1/98	1,500	7.61			300	2,283.00	8,923.00
576	9701	Janelle Gallegos	4/1/97	250	6.91		50	50	691.00	
576	9801	Janelle Gallegos	4/1/98	100	7.61			20	152.20	843.20
578	9701	David Motley	4/1/97	100	6.91		20	20	276.40	
578	9801	David Motley	4/1/98	250	7.61			50	380.50	656.90
585	9801	Paul Russell	4/1/98	100	7.61			20	152.20	152.20
590	9801	Gina Spencer	4/1/98	500	7.61			100	761.00	761.00
591	9701	Dale Cook	4/1/97	250	6.91		50	50	691.00	
591	9801	Dale Cook	4/1/98	750	7.61			150	1,141.50	1,832.50
604	9801	Steve Brown	4/1/98	750	7.61			150	1,141.50	1,141.50
610	9801	Jason Jacovelli	4/1/98	100	7.61			20	152.20	152.20
611	9801	Gary Steik	4/1/98	100	7.61			20	152.20	152.20
619	9801	Steve Freeman	4/1/98	1,500	7.61			300	2,283.00	2,283.00
622	9801	Frank Lady	4/1/98	500	7.61			100	761.00	761.00
623	9801	Kent Bryant	4/1/98	250	7.61			50	380.50	380.50
						8,900	27,640	35,940	494,631.80	494,631.80
	Hendren			6.46		3,000	3,000	3,000	58,140.00	58,140.00
	Hendren			6.46		19,981			129,077.26	129,077.26
	Chamberlin			6.46		3,000	3,000	3,000	58,140.00	58,140.00
	Chamberlin			6.46		30,559			197,411.14	197,411.14
	Hatfield			6.46		151,862			981,028.52	981,028.52
						217,302	33,640	41,940	1,918,428.72	1,918,428.72

SCHEDULE 8.2 (b) (1)

Unvested Options

Emp #	Seq #	Grant Date	Quantity	Price	Vesting 4/1/00	Vesting 4/1/01	Vesting 4/1/02	Vesting 4/1/03
35	9601	Eugene Jones	4/1/96	5,000	6.46	1,000	1,000	
35	9701	Eugene Jones	4/1/97	5,000	6.91	1,000	1,000	1,000
35	9801	Eugene Jones	4/1/98	2,500	7.61	500	500	500
168	9601	Karen Halbert	4/1/96	5,000	6.46	1,000	1,000	
168	9701	Karen Halbert	4/1/97	5,000	6.91	1,000	1,000	1,000
168	9801	Karen Halbert	4/1/98	5,000	7.61	1,000	1,000	1,000
202	9601	Greg McKee	4/1/96	500	6.46	100	100	
202	9701	Greg McKee	4/1/97	500	6.91	100	100	100
202	9801	Greg McKee	4/1/98	500	7.61	100	100	100
204	9601	Sharon Morris	4/1/96	500	6.46	100	100	
204	9701	Sharon Morris	4/1/97	500	6.91	100	100	100
204	9801	Sharon Morris	4/1/98	250	7.61	50	50	50
218	9801	Gail Hart	4/1/98	100	7.61	20	20	20
235	9601	Harold Wright	4/1/96	500	6.46	100	100	
235	9701	Harold Wright	4/1/97	500	6.91	100	100	100
235	9801	Harold Wright	4/1/98	500	7.61	100	100	100
249	9801	Betty Eddins	4/1/98	100	7.61	20	20	20
250	9601	David Morris	4/1/96	1,000	6.46	200	200	
250	9701	David Morris	4/1/97	1,000	6.91	200	200	200
250	9801	David Morris	4/1/98	750	7.61	150	150	150
256	9801	Martha Sturdivant	4/1/98	100	7.61	20	20	20
259	9601	David Payne	4/1/96	2,500	6.46	500	500	
259	9701	David Payne	4/1/97	2,500	6.91	500	500	500
259	9801	David Payne	4/1/98	2,500	7.61	500	500	500
261	9601	John Wright	4/1/96	2,000	6.46	400	400	
261	9701	John Wright	4/1/97	2,000	6.91	500	500	500
261	9801	John Wright	4/1/98	1,500	7.61	300	300	300
264	9601	Jack Stone	4/1/96	5,000	6.46	1,000	1,000	
264	9701	Jack Stone	4/1/97	2,500	6.91	500	500	500
264	9801	Jack Stone	4/1/98	1,500	7.61	300	300	300
267	9801	Margie Akins	4/1/98	100	7.61	20	20	20
289	9801	Greg Blalack	4/1/98	1,500	7.61	300	300	300
290	9601	Mary Gay Olsen	4/1/96	1,000	6.46	200	200	
290	9701	Mary Gay Olsen	4/1/97	1,000	6.91	200	200	200
290	9801	Mary Gay Olsen	4/1/98	750	7.61	150	150	150
299	9601	Calvin Jones	4/1/96	1,000	6.46	200	200	
299	9701	Calvin Jones	4/1/97	1,000	6.91	200	200	200
309	9601	Chris Ring	4/1/96	500	6.46	100	100	
309	9701	Chris Ring	4/1/97	500	6.91	100	100	100
309	9701	Chris Ring	4/1/98	250	7.61	50	50	50
332	9601	Kathy Hatcher	4/1/96	500	6.46	100	100	
332	9701	Kathy Hatcher	4/1/97	500	6.91	100	100	100
332	9801	Kathy Hatcher	4/1/98	500	7.61	100	100	100
335	9601	Cindy Ashcraft	4/1/96	2,000	6.46	400	400	
335	9701	Cindy Ashcraft	4/1/97	2,500	6.91	500	500	500
335	9801	Cindy Ashcraft	4/1/98	1,500	7.61	300	300	300
340	9601	Mike Pierce	4/1/96	500	6.46	100	100	
340	9701	Mike Pierce	4/1/97	500	6.91	100	100	100
340	9801	Mike Pierce	4/1/98	500	7.61	100	100	100
348	9601	Sue Stone	4/1/96	1,000	6.46	200	200	
348	9701	Sue Stone	4/1/97	1,000	6.91	200	200	200
348	9801	Sue Stone	4/1/98	750	7.61	150	150	150
359	9601	Kevin Liles	4/1/96	2,000	6.46	400	400	
359	9701	Kevin Liles	4/1/97	2,500	6.91	500	500	500
359	9801	Kevin Liles	4/1/98	1,500	7.61	300	300	300
364	9801	Ben Waldron	4/1/98	250	7.61	50	50	50
375	9701	Kim Powell	4/1/97	100	6.91	20	20	20
382	9601	Karl Liss	4/1/96	2,500	6.46	500	500	
382	9701	Karl Liss	4/1/97	2,500	6.91	500	500	500
382	9801	Karl Liss	4/1/98	1,500	7.61	300	300	300

390	9601 Tom Kleinsorge	4/1/96	500	6.46	100	100		
390	9701 Tom Kleinsorge	4/1/97	500	6.91	100	100	100	
390	9801 Tom Kleinsorge	4/1/98	500	7.61	100	100	100	100
398	9601 Lee Page	4/1/96	500	6.46	100	100		
398	9701 Lee Page	4/1/97	500	6.91	100	100	100	
398	9801 Lee Page	4/1/98	500	7.61	100	100	100	100
400	9601 Suzanne Vickers	4/1/96	500	6.46	100	100		
400	9701 Suzanne Vickers	4/1/97	500	6.91	100	100	100	
418	9701 Pek Yee Ng	4/1/97	100	6.91	20	20	20	
418	9801 Pek Yee Ng	4/1/98	250	7.61	50	50	50	50
448	9601 Matt Simmons	4/1/96	500	6.46	100	100		
448	9701 Matt Simmons	4/1/97	500	6.91	100	100	100	
448	9801 Matt Simmons	4/1/98	250	7.61	50	50	50	50
451	9601 Gerald Koonce	4/1/96	250	6.46	50	50		
451	9701 Gerald Koonce	4/1/97	250	6.91	50	50	50	
451	9801 Gerald Koonce	4/1/98	500	7.61	100	100	100	100
452	9601 Rodney Payne	4/1/96	500	6.46	100	100		
452	9701 Rodney Payne	4/1/97	250	6.91	50	50	50	
452	9801 Rodney Payne	4/1/98	250	7.61	50	50	50	50
456	9801 Spencer Bishop	4/1/98	250	7.61	50	50	50	50
460	9701 Shane Tripcony	4/1/97	250	6.91	50	50	50	
460	9801 Shane Tripcony	4/1/98	250	7.61	50	50	50	50
463	9601 Rob Brackenseik	4/1/96	500	6.46	100	100		
463	9701 Rob Brackenseik	4/1/97	500	6.91	100	100	100	
463	9801 Rob Brackenseik	4/1/98	500	7.61	100	100	100	100
481	9601 Doug Goodwin	4/1/96	2,000	6.46	400	400		
481	9701 Doug Goodwin	4/1/97	2,500	6.91	500	500	500	
481	9801 Doug Goodwin	4/1/98	1,500	7.61	300	300	300	300
482	9701 Debbie Lee	4/1/97	100	6.91	20	20	20	
489	9801 Joe Morgan	4/1/98	100	7.61	20	20	20	20
490	9601 Fred Stanchi	4/1/96	500	6.46	100	100		
490	9701 Fred Stanchi	4/1/97	500	6.91	100	100	100	
490	9801 Fred Stanchi	4/1/98	500	7.61	100	100	100	100
493	9601 Scott Zust	4/1/96	2,500	6.46	500	500		
493	9701 Scott Zust	4/1/97	50,000	6.91	10,000	10,000	10,000	
498	9801 Theresa Garland	4/1/98	250	7.61	50	50	50	50
499	9601 Sam Ora	4/1/96	500	6.46	100	100		
499	9701 Sam Ora	4/1/97	250	6.91	50	50	50	
499	9801 Sam Ora	4/1/98	250	7.61	50	50	50	50
501	9801 Robert Jensen	4/1/98	250	7.61	50	50	50	50
511	9701 Lance Reaves	4/1/97	250	6.91	50	50	50	
511	9801 Lance Reaves	4/1/98	250	7.61	50	50	50	50
515	9801 Robbie Ryburn	4/1/98	100	7.61	20	20	20	20
518	9801 Elden May	4/1/98	100	7.61	20	20	20	20
520	9701 James McKernan	4/1/97	100	6.91	20	20	20	
520	9801 James McKernan	4/1/98	100	7.61	20	20	20	20
503	9701 Rekha Patel	4/1/97	100	6.91	20	20	20	
527	9701 James Calva	4/1/97	250	6.91	50	50	50	
527	9801 James Calva	4/1/98	250	7.61	50	50	50	50
536	9701 Dave Tackett	4/1/97	100	6.91	20	20	20	
536	9801 Dave Tackett	4/1/98	100	7.61	20	20	20	20
538	9601 Jennifer Rahman	4/1/96	500	6.46	100	100		
538	9701 Jennifer Rahman	4/1/97	500	6.91	100	100	100	
538	9801 Jennifer Rahman	4/1/98	250	7.61	50	50	50	50
539	9801 Glenn Soderquist	4/1/98	100	7.61	20	20	20	20
544	9601 Lloyd Walker	4/1/96	500	6.46	100	100		
544	9701 Lloyd Walker	4/1/97	500	6.91	100	100	100	
544	9801 Lloyd Walker	4/1/98	1,500	7.61	300	300	300	300
546	9701 Tony Warren	4/1/97	250	6.91	50	50	50	
546	9801 Tony Warren	4/1/98	750	7.61	150	150	150	150
549	9601 Janet McVay	4/1/96	250	6.46	50	50		
549	9701 Janet McVay	4/1/97	250	6.91	50	50	50	
549	9801 Janet McVay	4/1/98	250	7.61	50	50	50	50
551	9801 Sean LeCrone	4/1/98	100	7.61	20	20	20	20
556	9701 Gibson Garrett	4/1/97	250	6.91	50	50	50	
556	9801 Gibson Garrett	4/1/98	250	7.61	50	50	50	50
561	9601 Rodney Farmer	4/1/96	500	6.46	100	100		
561	9701 Rodney Farmer	4/1/97	500	6.91	100	100	100	
561	9801 Rodney Farmer	4/1/98	250	7.61	50	50	50	50
570	9701 Steve Appleton	4/1/97	250	6.91	50	50	50	

570	9801 Steve Appleton	4/1/98	250	7.61	50	50	50	50
575	9601 Lori Majors	4/1/96	1,000	6.46	200	200		
575	9701 Lori Majors	4/1/97	1,000	6.91	200	200	200	
575	9801 Lori Majors	4/1/98	1,500	7.61	300	300	300	300
576	9701 Janelle Gallegos	4/1/97	250	6.91	50	50	50	
576	9801 Janelle Gallegos	4/1/98	100	7.61	20	20	20	20
578	9701 David Motley	4/1/97	100	6.91	20	20	20	
578	9801 David Motley	4/1/98	250	7.61	50	50	50	50
585	9801 Paul Russell	4/1/98	100	7.61	20	20	20	20
590	9801 Gina Spencer	4/1/98	500	7.61	100	100	100	100
591	9701 Dale Cook	4/1/97	250	6.91	50	50	50	
591	9801 Dale Cook	4/1/98	750	7.61	150	150	150	150
604	9801 Steve Brown	4/1/98	750	7.61	150	150	150	150
610	9801 Jason Jacovelli	4/1/98	100	7.61	20	20	20	20
611	9801 Gary Steik	4/1/98	100	7.61	20	20	20	20
619	9801 Steve Freeman	4/1/98	1,500	7.61	300	300	300	300
622	9801 Frank Lady	4/1/98	500	7.61	100	100	100	100
623	9801 Kent Bryant	4/1/98	250	7.61	50	50	50	50
					35,940	35,940	27,040	8,300

SCHEDULE 8.2 (b) (2)

Outstanding Vested Options

Emp #	Seq #	Grant Date	Quantity	Price	Vesting 4/1/97	Vesting 4/1/98	Vesting 4/1/99
35	9601 Eugene Jones	4/1/96	5,000	6.46	1,000	1,000	1,000
35	9701 Eugene Jones	4/1/97	5,000	6.91		1,000	1,000
35	9801 Eugene Jones	4/1/98	2,500	7.61			500
168	9601 Karen Halbert	4/1/96	5,000	6.46	1,000	1,000	1,000
168	9701 Karen Halbert	4/1/97	5,000	6.91		1,000	1,000
168	9801 Karen Halbert	4/1/98	5,000	7.61			1,000
202	9601 Greg McKee	4/1/96	500	6.46	100	100	100
202	9701 Greg McKee	4/1/97	500	6.91		100	100
202	9801 Greg McKee	4/1/98	500	7.61			100
204	9601 Sharon Morris	4/1/96	500	6.46	100	100	100
204	9701 Sharon Morris	4/1/97	500	6.91		100	100
204	9801 Sharon Morris	4/1/98	250	7.61			50
218	9801 Gail Hart	4/1/98	100	7.61			20
235	9601 Harold Wright	4/1/96	500	6.46	100	100	100
235	9701 Harold Wright	4/1/97	500	6.91		100	100
235	9801 Harold Wright	4/1/98	500	7.61			100
249	9801 Betty Eddins	4/1/98	100	7.61			20
250	9601 David Morris	4/1/96	1,000	6.46	200	200	200
250	9701 David Morris	4/1/97	1,000	6.91		200	200
250	9801 David Morris	4/1/98	750	7.61			150
256	9801 Martha Sturdivant	4/1/98	100	7.61			20
259	9601 David Payne	4/1/96	2,500	6.46	500	500	500
259	9701 David Payne	4/1/97	2,500	6.91		500	500
259	9801 David Payne	4/1/98	2,500	7.61			500
261	9601 John Wright		2,000	6.46	400	400	400
261	9701 John Wright	4/1/97	2,500	6.91		500	500
261	9801 John Wright	4/1/98	1,500	7.61			300
264	9601 Jack Stone	4/1/96	5,000	6.46	1,000	1,000	1,000
264	9701 Jack Stone	4/1/97	2,500	6.91		500	500

264	9801 Jack Stone	4/1/98	1,500	7.61			300
267	9801 Margie Akins	4/1/98	100	7.61			20
289	9801 Greg Blalack	4/1/98	1,500	7.61			300
290	9601 Mary Gay Olsen	4/1/96	1,000	6.46	200	200	200
290	9701 Mary Gay Olsen	4/1/97	1,000	6.91		200	200
290	9801 Mary Gay Olsen	4/1/98	750	7.61			150
299	9601 Calvin Jones	4/1/96	1,000	6.46	200	200	200
299	9701 Calvin Jones	4/1/97	1,000	6.91		200	200
309	9601 Chris Ring	4/1/96	500	6.46	100	100	100
309	9701 Chris Ring	4/1/97	500	6.91		100	100
309	9701 Chris Ring	4/1/98	250	7.61			50
332	9601 Kathy Hatcher	4/1/96	500	6.46	100	100	100
332	9701 Kathy Hatcher	4/1/97	500	6.91		100	100
332	9801 Kathy Hatcher	4/1/98	500	7.61			100
335	9601 Cindy Ashcraft	4/1/96	2,000	6.46	400	400	400
335	9701 Cindy Ashcraft	4/1/97	2,500	6.91		500	500
335	9801 Cindy Ashcraft	4/1/98	1,500	7.61			300
340	9601 Mike Pierce	4/1/96	500	6.46	100	100	100
340	9701 Mike Pierce	4/1/97	500	6.91		100	100
340	9801 Mike Pierce	4/1/98	500	7.61			100
348	9601 Sue Stone	4/1/96	1,000	6.46	200	200	200
348	9701 Sue Stone	4/1/97	1,000	6.91		200	200
348	9801 Sue Stone	4/1/98	750	7.61			150
359	9601 Kevin Liles	4/1/96	2,000	6.46	400	400	400
359	9701 Kevin Liles	4/1/97	2,500	6.91		500	500
359	9801 Kevin Liles	4/1/98	1,500	7.61			300
364	9801 Ben Waldron	4/1/98	250	7.61			50
375	9701 Kim Powell	4/1/97	100	6.91		20	20
382	9601 Karl Liss	4/1/96	2,500	6.46	500	500	500
382	9701 Karl Liss	4/1/97	2,500	6.91		500	500
382	9801 Karl Liss	4/1/98	1,500	7.61			300
390	9601 Tom Kleinsorge	4/1/96	500	6.46	100	100	100
390	9701 Tom Kleinsorge	4/1/97	500	6.91		100	100
390	9801 Tom Kleinsorge	4/1/98	500	7.61			100
398	9601 Lee Page	4/1/96	500	6.46	100	100	100
398	9701 Lee Page	4/1/97	500	6.91		100	100
398	9801 Lee Page	4/1/98	500	7.61			100
400	9601 Suzanne Vickers	4/1/96	500	6.46	100	100	100
400	9701 Suzanne Vickers	4/1/97	500	6.91		100	100
418	9701 Pek Yee Ng	4/1/97	100	6.91		20	20
418	9801 Pek Yee Ng	4/1/98	250	7.61			50
448	9601 Matt Simmons	4/1/96	500	6.46	100	100	100
448	9701 Matt Simmons	4/1/97	500	6.91		100	100
448	9801 Matt Simmons	4/1/98	250	7.61			50
451	9601 Gerald Koonce	4/1/96	250	6.46	50	50	50
451	9701 Gerald Koonce	4/1/97	250	6.91		50	50
451	9801 Gerald Koonce	4/1/98	500	7.61			100
452	9601 Rodney Payne	4/1/96	500	6.46	100	100	100
452	9701 Rodney Payne	4/1/97	250	6.91		50	50
452	9801 Rodney Payne	4/1/98	250	7.61			50
456	9801 Spencer Bishop	4/1/98	250	7.61			50
460	9701 Shane Tripcony	4/1/97	250	6.91		50	50
460	9801 Shane Tripcony	4/1/98	250	7.61			50
463	9601 Rob Brackenseik	4/1/96	500	6.46	100	100	100
463	9701 Rob Brackenseik	4/1/97	500	6.91		100	100
463	9801 Rob Brackenseik	4/1/98	500	7.61			100
481	9601 Doug Goodwin	4/1/96	2,000	6.46	400	400	400

481	9701	Doug Goodwin	4/1/97	2,500	6.91		500	500
481	9801	Doug Goodwin	4/1/98	1,500	7.61			300
482	9701	Debbie Lee	4/1/97	100	6.91		20	20
489	9801	Joe Morgan	4/1/98	100	7.61			20
490	9601	Fred Stanchi	4/1/96	500	6.46	100	100	100
490	9701	Fred Stanchi	4/1/97	500	6.91		100	100
490	9801	Fred Stanchi	4/1/98	500	7.61			100
493	9601	Scott Zust	4/1/96	2,500	6.46	500	500	500
493	9701	Scott Zust	4/1/97	50,000	6.91		10,000	10,000
498	9801	Theresa Garland	4/1/98	250	7.61			50
499	9601	Sam Ora	4/1/96	500	6.46	100	100	100
499	9701	Sam Ora	4/1/97	250	6.91		50	50
499	9801	Sam Ora	4/1/98	250	7.61			50
501	9801	Robert Jensen	4/1/98	250	7.61			50
511	9701	Lance Reaves	4/1/97	250	6.91		50	50
511	9801	Lance Reaves	4/1/98	250	7.61			50
515	9801	Robbie Ryburn	4/1/98	100	7.61			20
518	9801	Elden May	4/1/98	100	7.61			20
520	9701	James McKernan	4/1/97	100	6.91		20	20
520	9801	James McKernan	4/1/98	100	7.61			20
503	9701	Rekha Patel	4/1/97	100	6.91		20	20
527	9701	James Calva	4/1/97	250	6.91		50	50
527	9801	James Calva	4/1/98	250	7.61			50
536	9701	Dave Tackett	4/1/97	100	6.91		20	20
536	9801	Dave Tackett	4/1/98	100	7.61			20
538	9601	Jennifer Rahman	4/1/96	500	6.46	100	100	100
538	9701	Jennifer Rahman	4/1/97	500	6.91		100	100
538	9801	Jennifer Rahman	4/1/98	250	7.61			50
539	9801	Glenn Soderquist	4/1/98	100	7.61			20
544	9601	Lloyd Walker	4/1/96	500	6.46	100	100	100
544	9701	Lloyd Walker	4/1/97	500	6.91		100	100
544	9801	Lloyd Walker	4/1/98	1,500	7.61			300
546	9701	Tony Warren	4/1/97	250	6.91		50	50
546	9801	Tony Warren	4/1/98	750	7.61			150
549	9601	Janet McVay	4/1/96	250	6.46	50	50	50
549	9701	Janet McVay	4/1/97	250	6.91		50	50
549	9801	Janet McVay	4/1/98	250	7.61			50
551	9801	Sean LeCrone	4/1/98	100	7.61			20
556	9701	Gibson Garrett	4/1/97	250	6.91		50	50
556	9801	Gibson Garrett	4/1/98	250	7.61			50
561	9601	Rodney Farmer	4/1/96	500	6.46	100	100	100
561	9701	Rodney Farmer	4/1/97	500	6.91		100	100
561	9801	Rodney Farmer	4/1/98	250	7.61			50
570	9701	Steve Appleton	4/1/97	250	6.91		50	50
570	9801	Steve Appleton	4/1/98	250	7.61			50
575	9601	Lori Majors	4/1/96	1,000	6.46	200	200	200
575	9701	Lori Majors	4/1/97	1,000	6.91		200	200
575	9801	Lori Majors	4/1/98	1,500	7.61			300
576	9701	Janelle Gallegos	4/1/97	250	6.91		50	50
576	9801	Janelle Gallegos	4/1/98	100	7.61			20
578	9701	David Motley	4/1/97	100	6.91		20	20
578	9801	David Motley	4/1/98	250	7.61			50
585	9801	Paul Russell	4/1/98	100	7.61			20

590	9801 Gina Spencer	4/1/98	500	7.61		100
591	9701 Dale Cook	4/1/97	250	6.91	50	50
591	9801 Dale Cook	4/1/98	750	7.61		150
604	9801 Steve Brown	4/1/98	750	7.61		150
610	9801 Jason Jacovelli	4/1/98	100	7.61		20
611	9801 Gary Steik	4/1/98	100	7.61		20
619	9801 Steve Freeman	4/1/98	1,500	7.61		300
622	9801 Frank Lady	4/1/98	500	7.61		100
623	9801 Kent Bryant	4/1/98	250	7.61		50
					8,900	27,640
						35,940
	Hendren		6.46	3,000	3,000	3,000
	Hendren		6.46	19,981		
	Chamberlin		6.46	3,000	3,000	3,000
	Chamberlin		6.46	30,559		
	Hatfield		6.46	151,862		
					217,302	33,640
						41,940
						292,882

SCHEDULE 8.3

Subsidiaries

1. Blue Bridge Software, Inc.
2. CLCA, Inc.
3. EFT Network Services, LLC ("EFT")
4. Arkansas Systems Inc. International
5. LLCs, as defined in the Agreement

Operating Agreements for EFT and each of the LLCs, copies of which have been delivered to Buyer.

SCHEDULE 8.5

Non-Contravention

NONE

SCHEDULE 8.6(a) and 8.6(b)

GAAP Exceptions/Other Liabilities

1. 1998 Financial statements are subject to routine period ending adjustments to conform to GAAP consistent with past practices.

2. Internal 1998 Financial Statements are based on a fiscal year beginning February 1, 1998, and the 1998 Financial Statements as adjusted by the September 30 Audit will be based on a calendar year beginning January 1, 1998.

SCHEDULE 8.7

Interim Changes

1. Stock Redemption from Mr. Sprigg and Mr. Nunnally/ Calvary Baptist Church (See Section 5.1(a) of the Agreement).
2. Letter from Brooks, Ward & Robertson dated 9/28/98 (copy of which has been provided to Buyer) (the "Brooks Ward Letter Matter").
3. Cadence Mgmt. Corp. Matter (copies of the relevant documents/correspondence have been provided to Buyer (the "Cadence Matter").
4. Partial liquidation of Alex Brown Gateway Fund to fund some of the transactions contemplated hereby.

SCHEDULE 8.8(a)

Tangible Personal Property-Title Exceptions

UCC Financing Statements in favor of:

1. First Commercial Bank (# 393297 - Inventory and Accounts Receivable).
2. First Commercial Bank (# 883484 - Accounts, Inventory, etc.).
3. IBM (# 893364 - Inventory and equipment as specified therein).
4. Support Net, Inc. (# 1045629 - Products and all inventory, licenses, goods, materials, accounts, merchandise, equipment, documents, instruments, chattel paper, contract rights, general intangibles, and proceed related to or arising from the sale of the Products as described in the invoices...).
5. Twin City Bank (# 908306 - This relates to rents, royalties, issues and revenues, etc. from Lots 15 and 16 in the Kanis Commercial Park - Property no longer owned by the Company).

SCHEDULE 8.8(b)

Leased Real Property

1. Lease Agreement dated April 18, 1997 (and Addendum thereto dated April 18, 1997) between the Company and Arkansas Systems Building Co., LLC - Company headquarters in Little Rock, Arkansas.
2. Service Agreement dated January 1, 1998 between the Company and Altamonte Lakeside Executive Suites - Suite #s 106, 107 and 136 - Florida office space and furniture.
3. Lease - Walnut Ridge Apartments - two apartments - leases expired approximately 3 years ago.
4. Company occupies space in Budapest, Hungary without a lease.

Schedule 8.8(c)

Real Property owned within the last three years:

Arkansas Systems, Inc.

Arkansas Systems Building Co. LLC: Interest in five story office building, 17500 Chenal Parkway (Ownership Interest in this LLC is to be distributed prior to closing as part of the LLC Distributions).

Three story office building: 8901 Kanis Road, Little Rock, AR (sole 1/15/97)

8901 Kanis Road Lot (sold 1/5/96)

Lit 17, Kanis Commercial Subdivision (to be distributed prior to closing as part of the LLC Distribution)

Arkansas Systems Land Co. LLC

Interest in Lot 1, Kirk Property on Chenal Parkway (to be distributed prior to closing as part of the LLC Distribution)

Chenal Technology Center LLC

Interest in Lots 3,3,5,6,7,8,9,10 and 11, Kirk Property (to be distributed prior to closing as party of the LLC Distribution)

Real Property Leased Property (See Schedule 8.8(b))

Arkansas Systems Building Co. LLC (current corporate headquarters)

Altamonte Lakeside Executives Suites (offices 106,107 and 136, lease terminates on 1/31/99) Florida office space plus furniture rental

Walnut Ridge Apartments (two apartments-leases expired approx. 3 yrs. ago)

There is no written lease for the office space occupied in Budapest, Hungary

SCHEDULE 8.8(e)

Special Assessments, Etc.

Special Improvement District Taxes are assessed on various properties listed in Schedule 8.8(c).

SCHEDULE 8.9 and 8.9(c)

Environmental Matters - Hazardous Substances/Storage Tanks

1. Routine maintenance and cleaning materials utilized in the ordinary course of business in compliance with applicable Environmental Laws.

SCHEDULE 8.10(a)

Intellectual Property Rights

(S)8.10(a)(i):

1. ASSURE Service Mark (USPT Reg. #2,020,886 - Dec. 3, 1996).
2. INTEGRATION TRANSACTION MANAGEMENT Trademark (USPT Reg. #2,070,913 - June 10, 1997).
3. ARKANSAS SYSTEMS Trademark (USPT Reg. #2,175,793 - July 21, 1998).
4. ACCESS - Application to register in process.
5. ARKSYS - Application to register in process.

(S)8.10(a)(ii):

Software of the Company held for license to customers in the ordinary course of business.

SCHEDULE 8.10(b)

Intellectual Property Rights

(Claims & Liens)

None, except to the extent covered by any of the UCC Financing Statements described in Schedule 8.8(a).

SCHEDULE 8.10(e)

Intellectual Property Rights

(Royalties)

The Company has a Distribution Agreement with Bugbusters Software Engineering, Inc. dating from August 1992. Pursuant to this agreement the Company pays a royalty in exchange for a non-exclusive right to license RSF for use by customers of the Company.

SCHEDULE 8.11

Litigation

1. Brooks Ward Letter Matter.
2. Cadence Matter.

SCHEDULE 8.12(c)

Taxes

The Company and Arkansas Systems Inc. International presently have IRS examinations in process for the year 1995. These examinations are expected to be concluded prior to year end. The Company anticipates that any additional taxes due as a result of these examinations would not be material.

SCHEDULE 8.13

Compliance With Applicable Law

Prior notices of Investigations:

1. Department of Labor (Wage and Hour investigations in 1993 and 1995) - Both examinations were completed and settled.
2. Department of Labor (Pension and Welfare Benefits Admn. Audit - 1997) - No action or recommendations made.

SCHEDULE 8.15

Employee Benefit Plans

1. Employee Benefit Plans referenced in the ARKSYS Employee Handbook, a copy of which has been provided to the Buyer.
2. ARKSYS Profit Sharing and 401(k) Plan.
3. ARKSYS Cafeteria Plan.
4. ARKSYS Medical Reimbursement Plan.
5. ARKSYS Other Insurance Reimbursement Plan.
6. ARKSYS Dependent Care Assistance Plan.
7. Part time employee benefit plan. [????]
8. Deferred Compensation Agreements (Hendren and Chamberlin)
9. Deferred Compensation Plans continuing payments:

KRH	\$5,143
BEJ	\$4,359
CPJ	\$2,901
GM	\$2,854
DJP	\$1,533
10. Stock Option Plans - Options Referenced in Schedules 8.2(b)(1) and (b)(2).
11. Employee Benefit Plans referenced in the 1997 Financial Statements.

SCHEDULE 8.16

Transactions With Affiliates

1. Software license agreement with EFT for Goldnet software.
2. Amount owed by EFT to the Company as reflected on the September 1998 Financial Statements.
3. Lease with Arkansas Systems building Co., LLC disclosed on Schedule 8.8(b).
4. Those transactions and agreements referenced in other Schedules and/or in the footnotes to the 1997 Financial Statements.
5. Resolutions and policies to indemnify officers and directors in accordance with the Arkansas Business Corporation Act.
6. Directors fees (Terminable at will by the Board of Directors).

SCHEDULE 8.17

Insurance Policies and Claims

(See Attached)

SCHEDULE 8.18(b)

Labor Relations

1. Severance pay pursuant to the Hatfield Termination Agreement.

SCHEDULE 8.19

Location of Off Site Assets

Lap top computers are used by Company employees off-site in the ordinary course of business.

SCHEDULE 8.20

Inventory

The Company maintains replacement parts inventory, some of which has been on hand for periods in excess of six (6) months, but which the Company believes should be maintained in the ordinary course of business.

SCHEDULE 8.21(a)

Accounts Receivable

(Write-offs in excess of \$5,000 since 12/31/96)

(Listing Delivered to Buyer prior to the Execution of the Agreement)

SCHEDULE 8.22

Agents

1. Power of Attorney granted to Ernst & Young.
2. Arkansas Systems Inc. International - ABN Amro Bank of St. Thomas serves as local agent.
3. Distributor list delivered to Buyer prior to the execution of the Agreement.

SCHEDULE 8.23(a)

Warranty and Product Liability Claims

1. Brooks Ward Letter Matter (may not be covered by insurance).
2. Company also makes warranty pursuant to an addendum to its standard Software License Agreement. A copy of the standard form of Addendum has been provided.

SCHEDULE 8.23(b)

Accidents

None (assuming "accidents" means personal injury).

SCHEDULE 11.2(f)

State of Incorporation and States Where Qualified to do Business

1. Arkansas.
2. In the process of registering as a foreign corporation in Florida.
3. Registered in Pennsylvania for tax purposes.

<ARTICLE> 5
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