UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(D)

OF THE SECURITIES EXCHANGE ACT OF 1934

DATE OF REPORT (DATE OF EARLIEST EVENT REPORTED): December 2, 1998

Euronet Services Inc.
(Exact name of registrant as specified in its charter)

Delaware		04-2806888
(STATE OR OTHER JURISDICTION OF INCORPORATION)	(COMMISSION FILE NUMBER)	(IRS EMPLOYER ID NUMBER)

Horvat u. 14-24 1027 Budapest, Hungary	N/A
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	(ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: 011-361-224-1000

N/A
(FORMER NAME OR FORMER ADDRESS, IF CHANGED SINCE LAST REPORT)

ITEM 2. ACQUISITION OR DISPOSITION OF ASSETS

On December 2, 1998, Euronet Services, Inc. (the "Company") completed the acquisition of Arkansas Systems Inc., an Arkansas corporation ("Arksys") through the merger of AE Merger Corp., an Arkansas corporation and a wholly owned subsidiary of the Company ("Merger Sub"), with and into Arksys (the "Merger") with Arksys remaining as the surviving corporation. Immediately prior to the effective time of the Merger, the real estate holdings of Arksys were sold, transferred and assigned to various Arksys shareholders in exchange for the redemption by Arksys of a portion of the Arksys common stock held by such shareholders. Accordingly, Arksys's real estate holdings were not included in the acquisition.

The Merger was consummated pursuant to terms and conditions of an Agreement and Plan of Merger entered into between the Company, Merger Sub, Arksys and certain shareholders of Arksys (the "Merger Agreement"). Upon the effective time of the Merger, the Company purchased all of the issued and outstanding capital stock of Arksys for a purchase price of $18.2 million of which $ 6 million are being held in escrow to provide for the payment of damages attributable to any breach of the representations and warranties contained in the Merger Agreement and certain post-closing payments set forth in the Merger Agreement. In addition, as a result of the Merger, each option to purchase shares of the common stock of Arksys held by optionholders with less than 1000 unvested options was cancelled and replaced by an option to purchase the same number of shares of the Company's common stock as the number of Arksys's shares that were subject to such option immediately prior to the Merger. Following the acquisition, Arksys became a wholly owned subsidiary of the Company.

Euronet operates the only independent, non-bank owned ATM network in Central Europe. Through agreements with local banks and international card issuers such as Visa, MasterCard, Europay, American Express and Diners Club International, Euronet's ATMs are able to process ATM transactions for holders of credit and debit cards issued by or bearing logos of such banks and card issuing organizations. Arksys, which is based in Little Rock, Arkansas, produces computer software for comprehensive electronic payment and transaction delivery systems. Arkysys's products and services include comprehensive ATM, POS, debt and smart card packages, EFT network solutions, interactive voice response, international credit card systems and Internet and intranet cash management, home banking, bill payment and presentment offerings. Arksys is also the primary supplier of ATM network software for the IBM AS/400 platform. Prior to the Merger, Arksys was a key software provider to Euronet's ATM transactions processing center in Central Europe. The Company plans to continue Arksys's business and operations.

The foregoing summary is qualified in its entirety by reference to the copy of the Merger Agreement.

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Financial Statements of Business Acquired

Unaudited consolidated balance sheets for the acquired business as of September 30, 1998 and December 31, 1997 and the related unaudited consolidated statements of operations and comprehensive income (loss), shareholders' equity and cash flows for the nine month period ended September 30, 1998 and for the year ended December 31, 1997 have been provided. These financial statements represent the business as carried out by the selling shareholders and, as such, certain aspects of the acquired business which will change as a result of the acquisition have not been reflected therein. Such adjustments will be presented with the Pro Forma Financial Information. The required financial information for the business acquired will be filed under cover of Form 8-K/A within 60 days of the date this Form 8-K was required to be filed.

(b) Pro Forma Financial Information

The required audited pro forma financial information will be filed under cover of Form 8-K/A within 60 days of the date this Form 8-K was required to be filed.

C. Exhibits

Exhibit 2.1 - Agreement of Merger dated as of November 3, 1998, by and among Euronet Services, Inc., AE Merger Corp., Arkansas Systems Inc. and certain shareholders of Arkansas Systems, Inc. (previously filed as Item 6 Exhibit 10 to Form 10Q filed with the Commission on November 14, 1998.)

Exhibit 2.2 - Escrow Agreement dated as of December 2, 1998 by and among Euronet Services, Inc., John Chamberlin, James Hendren, Donald B. Hatfield, Eugene Jones, David Payne and Mercantile Trust Company, N.A.

Exhibit 99 - Unaudited Consolidated Financial Statements for ARKSYS for period January 1, 1998 to September 30, 1998.

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 hereunto duly authorized.

Euronet Services Inc.

By: /s/ Daniel R. Henry

Daniel R. Henry
Chief Operating Officer

Date: December 16, 1998

ESCROW AGREEMENT

This Escrow Agreement, dated as of December ___, 1998, is entered into by and among Euronet Services, Inc., a Delaware corporation (the "Buyer"), John Chamberlin ("Chamberlin"), James Hendren ("Hendren"), Donald B. Hatfield ("Hatfield"), Eugene Jones ("Jones") and David Payne ("Payne") each in his capacity as a representative of the shareholders of Arkansas Systems, Inc., an Arkansas corporation (the "Company"), identified on Schedule 1 attached hereto and made a part hereof (collectively, the "Shareholders" and Chamberlin, Hendren, Hatfield, Jones and Payne collectively in such representative capacity, and their successors as provided herein, the "Shareholders' Representative Committee"), and Mercantile Trust Company, N.A. in its capacity as an escrow agent hereunder (in such capacity, the "Escrow Agent"). Capitalized terms used in this Agreement and not otherwise defined herein shall have the meaning ascribed thereto in the "Merger Agreement" (as defined below).

W I T N E S S E T H:

WHEREAS, the Buyer, AE Merger Corp., an Arkansas corporation and a wholly-owned subsidiary of the Buyer ("Merger Sub"), the Company and each member of the Shareholders' Representative Committee entered into that certain Agreement of Merger dated as of November 3, 1998 (the "Merger Agreement") pursuant to which the Buyer has agreed to acquire the business of the Company through the merger of Merger Sub with and into the Company (the "Merger"), with the Company as the surviving corporation in the Merger;

WHEREAS, $6,000,000 (the "Initial Escrowed Cash") of the consideration to be received by the Shareholders pursuant to the Merger Agreement is required to be deposited in escrow pursuant to the Merger Agreement to provide for (i) a possible adjustment to the Purchase Price for Damages to be paid from the Escrow Account as provided in the Merger Agreement, (ii) the payment of certain costs and expenses of the Company and the Shareholders as set forth in Section 7.4 of the Merger Agreement; and (iii) certain other post-closing payments to the Shareholders and/or the Buyer as set forth in the Merger Agreement; and

WHEREAS, as set forth in Article XIV of the Merger Agreement, Chamberlin, Hendren, Hatfield, Jones and Payne have been 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 any and all actions which may be made or taken by the Shareholders under the Merger Agreement and this Agreement, including, without limitation, the authority to act on behalf of the Shareholders with respect to the Escrowed Funds (defined below);

NOW, THEREFORE, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. DEFINED TERMS. The following capitalized terms shall have the meanings specified in this Section 1. Other capitalized terms used herein that are not otherwise defined shall have the meanings ascribed to such terms in the Merger Agreement.

"Aggregate Set Aside Amount" shall mean the aggregate of each Set Aside Amount subject to an outstanding unresolved Dispute.

"Available Escrowed Funds" shall mean for the period commencing on the date of this Agreement and ending on and including June 29, 2000, the amount equal to the Escrowed Funds minus the sum of the Aggregate Set Aside Amount and the Year 2000 Reserve. After June 29, 2000, "Available Escrowed Funds" shall mean the amount equal to the Escrowed Funds minus the Aggregate Set Aside Amount.

"Closing Balance Sheet Adjustment" shall mean the difference between (i) the Net Working Capital Payment and (ii) the Estimated Net Working Capital Payment. If such amount is positive, such adjustment shall be in favor of the Shareholders, and if such amount is negative, such adjustment shall be in favor of the Buyer.

"Dispute" shall mean any dispute arising out of, pertaining to or in connection with the release of the Escrowed Funds.

"Escrow Account" shall mean the trust account established pursuant to this Agreement, and identified in Section 3, to be held, invested, administered, and disbursed as provided herein.

"Escrowed Funds" shall mean the Initial Escrowed Cash and any other funds deposited in the Escrow Account together with all investments and reinvestments thereof and all interest, profits and other earnings accumulated thereon ("Income") and proceeds therefrom, less any distributions made from time to time from the Escrow Account hereunder in accordance with the terms of this Agreement.

"Initial Escrowed Cash" shall mean the initial $6,000,000 deposit to the Escrow Account to be made by Buyer upon the Closing of the Merger as provided herein and in the Merger Agreement.

"Post-Closing Deposit" shall mean the remaining unpaid amount, if any, of the Purchase Price to be paid by Buyer pursuant to the Merger Agreement, determined in the manner contemplated by Section 7.5 of the Merger Agreement.

"Set Aside Amount" shall mean the amount set aside by the Escrow Agent with respect to any Dispute. The Set Aside Amount with respect to a Dispute shall equal the lesser of (i) the portion of the Escrowed Funds sufficient to pay the Damages (less any applicable Threshold) relating to such Dispute in full [determined by mutual agreement of the Buyer and the Shareholders' Representative Committee, or in the absence of agreement by arbitration as set forth in Section 14(c) hereof] or (ii) the balance of the Escrowed Funds as of the date such set aside occurs.

"Year 2000 Reserve" shall mean $200,000.

SECTION 2. <u>APPOINTMENT</u>. The Escrow Agent agrees to act as the escrow agent as set forth herein, and as such escrow agent to receive, invest and dispose of all of the Escrowed Funds on deposit, from time to time, in the Escrow Account as provided herein. The Escrow Agent agrees that it shall hold all of the Escrowed Funds on deposit, from time to time, in the Escrow Account in trust pursuant to the terms and conditions of this Agreement.

SECTION 3. ESTABLISHMENT AND MAINTENANCE OF ESCROW ACCOUNT.

(a) On the date hereof, the Buyer shall pay or cause Merger Sub to pay to the Escrow Agent, the Initial Escrowed Cash by wire transfer of immediately available funds in U.S. dollars. Upon receipt of the Initial Escrowed Cash, the Escrow Agent shall establish on its books at the office of the Escrow Agent, a trust account for the purposes contemplated hereby entitled the "ARKSYS-Euronet Escrow Account (the "Escrow Account").

(b) Within ten (10) Business Days after the final determination of Net Working Capital in the Closing Balance Sheet, either (i) Buyer shall pay to the Escrow Agent any Closing Balance Sheet Adjustment in favor of the Shareholders, plus interest at a rate equal to the lesser of (A) eight percent (8%) per annum or (B) the average rate of return earned on the Escrowed Funds from the date of receipt of the Initial Escrowed Cash to the date of payment by Buyer of any such Closing Balance Sheet Adjustment, or (ii) the Escrow Agent shall pay to the Buyer any Closing Balance Sheet Adjustment in favor of the Buyer (plus applicable Income earned thereon as set forth in Section 9), in each case pursuant to a written instruction letter signed by the Buyer and the Shareholders' Representative Committee. Upon written notice from the Shareholders Representative Committee, the Escrow Agent shall distribute to the Shareholders an amount equal to the lesser of (A) any amount paid to the Escrow Agent by Buyer pursuant to Section 3(b)(i) above and (B) the Available Escrowed Funds on such date.

(c) On or before December 5, 1999, the Buyer shall pay to the Escrow Agent the Post-Closing Deposit.

SECTION 4. INVESTMENT OF ESCROW FUNDS.

(a) The Escrow Agent shall invest and reinvest from time to time the Escrowed Funds (i) in any obligation of the United States with maturities not to exceed ninety (90) days, (ii) in one or more money market investment funds approved in writing by Buyer and the Shareholders' Representative Committee, the primary investment policy of which is to invest in short-term obligations guaranteed by the United States or any agency thereof, or (iii) in any other investment agreed to in writing by the Shareholders' Representative Committee and the Buyer. To the extent the Escrow Agent invests any Escrowed Funds in the manner provided for in this Section, no party hereto shall be liable for any loss which may be incurred by reason of such investment.

(b) The Escrow Agent shall have the power to reduce, sell or liquidate the foregoing investments whenever the Escrow Agent shall be required to release all or any portion of the Escrowed Funds. The Escrow Agent shall have no liability for any investment losses resulting from the investment, reinvestment, sale or liquidation of any portion of the Escrowed Funds, except in the case of the bad faith, gross negligence or willful misconduct of the Escrow Agent.

SECTION 5. CLAIMS AGAINST ESCROW FUNDS.

Subject to the limitations set forth in Section 12 of the Merger Agreement, at any time or times prior to the expiration of this Agreement, the Buyer may make claims against the Escrowed Funds for indemnification pursuant to and in accordance with Section 12 of the Merger Agreement (each an "Indemnification Claim"). The Buyer shall notify the Shareholders' Representative Committee and the Escrow Agent in writing of each Indemnification Claim (each an "Indemnification Claim Notice") pursuant to and in accordance with Section 12 of the Merger Agreement, including a description (based on information then available) of the amount and nature of each Indemnification Claim. If the Shareholders Representative Committee dispute an Indemnification Claim, the Shareholders' Representative Committee shall give written notice thereof (each an "Indemnification Dispute Notice") to the Buyer and to the Escrow Agent within ten (10) Business Days after date the Indemnification Claim Notice pertaining to such disputed Indemnification Claim was received by the Shareholders' Representative Committee. An Indemnification Dispute Notice must (i) describe the Indemnification Claim underlying the Dispute; (ii) identify the Indemnification Claim Notice containing a description of the disputed Indemnification Claim; and (iii) state the nature of the Dispute (based on information then available). Any disputed amount of an Indemnification Claim shall be held by the Escrow Agent in accordance with the terms of this Agreement. If an Indemnification Dispute Notice is not provided to the Buyer and the Escrow Agent within ten (10) Business Days after the date the Indemnification Claim Notice was received by the Shareholders' Representative Committee, the Indemnification Claim set forth on such Indemnification Claim Notice shall be deemed to be undisputed.

SECTION 6. DISPUTED INDEMNIFICATION CLAIMS. If the Shareholders' Representative Committee shall dispute an Indemnification Claim as above provided, the Escrow Agent shall set aside the appropriate Set Aside Amount on the date the Escrow Agent receives the Indemnification Dispute Notice pertaining to such disputed Indemnification Claim. Any Disputes regarding an Indemnification Claim and/or Set Aside Amount shall be settled either by (i) written agreement between the Shareholders' Representative Committee and the Buyer or (ii) by binding arbitration in accordance with Section 14(c) of this Agreement.

SECTION 7. RELEASE OF ESCROWED FUNDS TO THE BUYER. The amount of any undisputed Indemnification Claim (including any such undisputed claim arising by reason of the failure to provide an Indemnification Dispute Notice as set forth in Section 5) shall be distributed promptly by the Escrow Agent to the Buyer by wire transfer of immediately available funds in U.S. Dollars, to an account designated in writing by an officer of the Buyer. If the amount of an undisputed Indemnification Claim exceeds the value of the Escrowed Funds, the Escrow Agent shall distribute the balance of the Escrowed Funds to the Buyer. Upon receipt of (i) a written instruction letter signed by the Shareholders' Representative Committee and an officer of the Buyer indicating that Escrowed Funds should be distributed to the Buyer, or (ii) a final written determination from an arbitration panel established pursuant to Section 14(c) hereof indicating that a portion of the Escrowed Funds are payable to the Buyer in connection with a Dispute, the Escrow Agent shall release promptly to the Buyer the lesser of (i) such amount payable to the Buyer or (ii) the balance of the Escrowed Funds on the date of such release.

SECTION 8. RELEASE OF THE ESCROWED FUNDS TO THE SHAREHOLDERS.

(a) On or before April 5, 1999, the Shareholders' Representative Committee and the Buyer shall send a joint written notice executed by an officer of the Buyer and the Shareholders' Representative Committee to the Escrow Agent (the "Interim Distribution Notice"). The Interim Distribution Notice shall indicate the amount of any Receivables collected on or prior to March 31, 1999 (the "Interim Distribution Amount"). Upon receipt of the Interim Distribution Notice, the Escrow Agent shall release and distribute to the Shareholders on or before April 9, 1999 (the "Interim Distribution Date") an amount of the Escrowed Funds equal to the lesser of (i) the Interim Distribution Amount or (ii) the Available Escrowed Funds on the Interim Distribution Date.

(b) Section 7.5 of the Merger Agreement contains provisions relating to certain post-closing adjustments to the Purchase Price. On or before December 5, 1999, the Buyer and the Shareholders' Representative Committee shall send a written instruction letter (the "Post-Closing Instruction Letter") regarding any amounts due to the Shareholders and/or Buyer pursuant to Section 7.5 of the Merger Agreement (the "Post-Closing Settlement"). Following receipt of, and as set forth in, the Post-Closing Instruction Letter, on December 15, 1999 (the "Post-Closing Settlement Date"), the Escrow Agent (A) shall release and distribute to the Shareholders the amount by which the undisputed portion of the Post-Closing Settlement payable to the Shareholders exceeds the sum of the Aggregate Set Aside Amount and the Year 2000 Reserve on the Post-Closing Settlement Date, and (B) shall release and distribute to the Buyer any undisputed portion of the Post Closing Settlement payable to the Buyer. Any Disputes regarding the Post-Closing Settlement shall be settled either by (i) written agreement between the Shareholders Representative Committee and the Buyer or (ii) by binding arbitration in accordance with Section 14(c) of this Agreement. If, upon the resolution of any Dispute regarding the Post-Closing Settlement the Shareholders or Buyer become entitled to a portion of the Escrowed Funds, such funds payable to the Shareholders shall be promptly released and distributed to the Shareholders, and such funds payable to the Buyer shall be promptly released and distributed to the Buyer.

(c) In accordance with Section 7.5(b) of the Merger Agreement, beginning on or before June 1, 2000, the Buyer and the Shareholders' Representative Committee shall work together to determine by June 15, 2000, the amount of the Year 2000 Reserve which is properly distributable to the Shareholders and/or the Buyer. To the extent they reach agreement, they shall deliver a joint written instruction letter to the Escrow Agent by June 15, 2000 executed by an officer of the Buyer and the Shareholders' Representative Committee. Following receipt of, and as set forth in, such written instruction letter, on or before June 30, 2000 the Escrow Agent shall release and distribute the undisputed portion of the Year 2000 Reserve to the Shareholders and/or the Buyer; provided, the Escrow Agent shall retain in escrow the amount of any Aggregate Set Aside Amounts until the Dispute relating thereto has been resolved as set forth herein.

(d) Distributions to the Shareholders made pursuant to this Agreement shall be made in accordance with their respective ownership interests therein as set forth in the Merger Agreement. With respect to each distribution to the Shareholders hereunder, the Shareholders' Representative Committee shall deliver written instructions to the Escrow Agent (with a copy to the Buyer) setting forth the amount of such distribution payable to each Shareholder in accordance with the Merger

Agreement, and either (i) appropriate wire transfer instructions with respect to the Shareholder's account to which such payment should be sent by wire transfer, or (ii) the address to which a check payable to such Shareholder should be mailed. Neither the Escrow Agent nor the Buyer shall have any liability to any Shareholder with respect to any payment so made pursuant to such written instructions from the Shareholders' Representative Committee.

SECTION 9. INCOME ON ESCROWED FUNDS. It is the intent of the Buyer and the Shareholders Representative Committee that the party receiving any distribution of Escrowed Funds hereunder shall also receive at the time of such distribution the Income earned on such funds so distributed during the period of time such funds were held in escrow hereunder. Accordingly, prior to the time of any distribution hereunder, the Buyer and the Shareholders' Representative Committee shall review the records of the Escrow Agent to determine in good faith the amount of Income on the Escrowed Funds properly allocable to the funds to be distributed, and at least one (1) Business Day prior to the day of such distribution, the Buyer and the Shareholders' Representative Committee shall deliver joint written instructions to the Escrow Agent of the amount of Income so determined to be included in such distribution. Any dispute regarding the determination of such allocable amount of Income shall be determined by arbitration in accordance with Section 14(c) hereof. As soon as practical hereafter, the Shareholders' Representative Committee shall provide to the Escrow Agent a list of the address and tax identification number for each Shareholder and Buyer shall provide to the Escrow Agent Buyer's tax identification number.

SECTION 10. TERMINATION. This Agreement shall terminate at such time as all outstanding Disputes have been resolved and the Escrow Agent has received a written notice executed by an officer of the Buyer and the Shareholders' Representative Committee to that effect and any and all amounts to be distributed to the parties hereunder have been so distributed.

SECTION 11. LIMITATION OF ESCROW AGENT'S DUTIES AND LIABILITY.

(a) All parties hereto acknowledge that the duties of the Escrow Agent hereunder are solely administerial in nature, and have been requested for their convenience. The Escrow Agent shall not be deemed to be the agent of any party hereto, to have any beneficial interest in any of the Escrowed Funds, or to have any knowledge of the terms of the Merger Agreement. The parties hereto agree that the Escrow Agent shall not be liable for any act or omission taken or suffered in good faith with respect to this Agreement, unless such act or omission is the result of the gross negligence or willful misconduct of the Escrow Agent.

(b) The Escrow Agent may consult with legal counsel and shall be fully protected and incur no liability relative to any action or inaction taken in good faith in accordance with the advice of such counsel. The Escrow Agent shall have no responsibility for determining the genuiness or validity of any certificate, document, notice or other instrument or item presented to or deposited with it, and shall be fully protected in acting in accordance with any written instruction given to it by any of the parties hereto and reasonably believed by the Escrow Agent to have been signed by the proper representatives of such parties.

(c) The Escrow Agent shall not be required to institute legal proceedings of any kind in connection with any dispute or other controversy hereunder, and the Escrow Agent shall not be required to defend any legal proceedings which may be instituted against it with respect to this Agreement unless requested to do so in writing by any of the parties hereto, and unless and until it is indemnified by the requesting party to the satisfaction of the Escrow Agent, in its sole discretion, against the cost and expense of such defense, including, without limitation, the reasonable fees and expenses of its legal counsel. If the Escrow Agent is confronted with any inconsistent or conflicting claims or demands by the parties hereto, the Escrow Agent shall not be required to determine the same or take any action thereon and may await settlement or resolution of the controversy by mutual written agreement between the Buyer and the Shareholders' Representative Committee or arbitration pursuant to Section 14(c) hereof. Upon the commencement of any action against or otherwise involving the Escrow Agent with respect to this Agreement, the Escrow Agent shall be entitled to interplead the parties to this Agreement and to deposit the amount in dispute with a court of competent jurisdiction in the State of Arkansas, and in such event, the Escrow Agent shall be relieved of and discharged from any and all further obligations and liabilities under this Agreement with respect to such amount so deposited with such court.

SECTION 12. INDEMNIFICATION OF ESCROW AGENT. The Escrow Agent shall be reimbursed and indemnified for, and held harmless against, any loss, liability or out-of-pocket expense, including, but not limited to, reasonable attorneys' fees, incurred in good faith and without gross negligence or willful misconduct on the part of the Escrow Agent, arising out of or in connection with the acceptance of this Agreement, or the performance of its duties and obligations hereunder, as well as the reasonable costs and expenses of defending itself against any claim or liability arising out of or relating to this Agreement, incurred in good faith and without gross negligence or willful misconduct on the part of the Escrow Agent. All of such amounts owing to the Escrow Agent pursuant to this Section 11 shall be shared equally between the Buyer, on the one hand, and the Shareholders' Representative Committee (on behalf of and for the account of the Shareholders) on the other, unless either of them has acted in bad faith in which event the party that has been determined to have acted in bad faith shall be obligated to pay all of such amounts.

SECTION 13. ESCROW AGENT'S FEES. As compensation for its services to be rendered hereunder, the Escrow Agent will receive a fee in accordance with the Schedule of Fees attached hereto and incorporated herein by reference as Schedule 2, until termination of this Agreement. In addition, the Escrow Agent will be reimbursed for all out-of-pocket expenses, including reasonable attorneys' fees, if any, incurred by it in good faith (without gross negligence or willful misconduct on the part of the Escrow Agent), in connection with the carrying out of its duties under this Agreement upon request and presentation to and approval of the Buyer and the Shareholders' Representative Committee of receipts or other documentary evidence to reasonably support such expenses. All of such fees and expenses shall be shared equally between the Buyer, on the one hand, and the Shareholders' Representative Committee (on behalf of and for the account of the Shareholders) on the other hand. The Shareholders' share of any such fees may be paid from time to time with Available Escrowed Funds and Buyer's share of any such fees shall be paid directly by the Buyer. To the extent the Shareholders' share of any such fees exceed Available Escrowed Funds, such fees shall be paid by the Shareholders' Representative Committee (on behalf of and for the account of the Shareholders)

SECTION 14. MISCELLANEOUS.

(a) The Escrow Agent (or any successor to it as escrow agent hereafter appointed (i) in writing by the Buyer and the Shareholders' Representative Committee or (ii) by a court of competent jurisdiction) may at any time be removed from such appointment by mutual written agreement of the Buyer and the Shareholders' Representative Committee, or may resign and be discharged from the duties imposed hereunder by giving at least thirty (30) days notice to each of the parties hereto, such resignation to take effect upon a successor escrow agent's acceptance of such appointment and the delivery of the Escrowed Funds to the successor escrow agent. If no successor escrow agent accepts such appointment, the Escrow Agent may apply to a court of competent jurisdiction for the appointment of a successor escrow agent. In the event the Escrow Agent is removed by mutual written agreement of the Buyer and the Shareholders' Representative Committee, such Escrow Agent shall promptly deliver the Escrowed Funds to the successor escrow agent appointed by Buyer and the Shareholders' Representative Committee.

(b) This Agreement shall be construed, and the obligations, rights and remedies of the parties hereunder shall be determined, in accordance with the laws of the State of Delaware without resort to its conflict of laws rules. The invalidity or uneforceability of any particular provision of this Agreement shall not affect the other provisions hereof, and in such event this Agreement shall be construed in all respects as if such invalid or unenforceable provision was omitted.

(c) Any controversy, Dispute or claim arising out of or relating to this Agreement or the breach thereof, including, but not limited to, any disputes regarding the release of the Escrowed Funds, shall be settled by binding arbitration in Little Rock, Arkansas, in accordance with the commercial arbitration rules of the American Arbitration Association ("AAA") and the laws of the State of Delaware. The three-member arbitration panel shall be selected in accordance with Section 15.11 of the Merger Agreement. Judgment upon the award rendered by the arbitrators may be entered in any court having jurisdiction thereof. 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.

(d) This Agreement (and as between the Buyer and the Shareholders, the Merger Agreement) sets forth the entire agreement between the parties hereto with respect to the subject matter hereof. If any of the terms and provisions of any other agreement (excluding any amendment to this Agreement) between any of the parties hereto conflict or are inconsistent with any of the terms and provisions of this Agreement, the terms and provisions of this Agreement shall govern and control in all respects, except as between the Buyer and the Shareholders, they acknowledge and agree that it is their intent that this Agreement and the Merger Agreement shall be construed consistently together.

(e) This Agreement shall be binding upon the parties hereto and their heirs, administrators, executors, successors and assigns, respectively; provided that no party may assign its interests hereunder without the prior written consent of the other parties, except that the interests of any deceased Shareholder in the Escrowed Funds shall succeed to the decedent's personal representative for distribution in accordance with such Shareholder's will, or in the absence thereof in accordance with applicable laws of intestate succession. The members of the Shareholders' Representative Committee shall be succeeded in such position as set forth in Section 14.1 of the Merger Agreement.

(f) 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) three (3) 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 (provided that a confirmation copy is sent in the manner provided in Section 14(f)(ii) or (iii) above written thirty-six (36) hours after such transmission), 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; *provided*, *however*, all notices to the Escrow Agent shall be deemed delivered upon the Escrow Agent's actual receipt thereof. All notices and other communications hereunder shall be given as follows:

If to the Escrow Agent to it at:

Mercantile Trust Company N.A.
P.O. Box 15008
Little Rock, AR 72231-5008
Attn: Mr. Hank Hull
Telecopy:(501) 688-7980

If to the Buyer to it at:

Euronet Services, Inc.
Horvat u. 14-24
1027 Budapest
Hungary
Attn: Jeffrey B. Newman, Vice President, General Counsel
Telecopy: 011-36-1-224-1023

with a copy to:

Arent Fox Kintner Plotkin & Kahn, PLLC
1050 Connecticut Avenue, N.W.
Washington, D.C. 20036-5339
Attn: Arnold Westerman
Telecopier: (202) 857-6395

If to the Shareholders Representative Committee to:

John Chamberlin
1518 Ellen Cane
Little Rock, Arkansas 72212
Telecopier: (501) 224-3062

James Hendren
#12 Perdido Circle
Little Rock, Arkansas 72211
Telecopier:

Donald B. Hatfield
148 Valley Club Circle
Little Rock, Arkansas 72212
Telecopier: (501) 223-0348

Eugene Jones
2823 Painted Valley Drive
Little Rock, Arkansas 72212
Telecopier: (501) 225-3721

David Payne
12425 Timber Bend Drive
Little Rock, Arkansas 72212
Telecopier: (501) 218-7302

with a copy to:

Friday, Eldredge & Clark
400 W. Capital Avenue, Suite 2000
Little Rock, Arkansas 72201
Attn: Walter M. Ebel, III
Telecopier: (501) 376-2147

(or to such other addresses and telephone numbers as a party may designate as to itself by notice to the other parties). Notices hereunder from the Shareholders' Representative Committee shall be effective if signed by John Chamberlin (or his successor) and two or more members of such committee or by James Hendren (or his successor) and two or more members of such committee, or by any other member of the committee or representative or agent thereof authorized in writing by the Shareholders' Representative Committee.

(g) In performing their respective obligations under this Agreement, the Buyer and the Shareholders' Representative Committee agree to act in good faith.

(h) This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original instrument and all of which together shall constitute a single agreement.

IN WITNESS WHEREOF, each of the undersigned has executed this Agreement or caused this Agreement to be executed by its duly authorized officer, as the case may be, as of the date first written above.

SHAREHOLDERS'
REPRESENTATIVE COMMITTEE:

____
John Chamberlin

____
James Hendren

____
Donald B. Hatfield

____
Eugene Jones

____
David Payne

ESCROW AGENT:

MERCANTILE TRUST COMPANY, N.A.

By:____
Name: _____________________________________
Title: ____________________________________

BUYER:

EURONET SERVICES INC.

By:____
Name: _____________________________________
Title: ____________________________________

Schedule 1
to
Escrow Agreement
Dated as of December ___, 1998

List of Shareholders

[See attached]

UNAUDITED
CONSOLIDATED FINANCIAL STATEMENTS

ARKANSAS SYSTEMS, INC. AND SUBSIDIARIES D/B/A ARKSYS

Nine month period ended September 30, 1998 and year ended December 31, 1997

Arkansas Systems, Inc. and Subsidiaries
d/b/a ARKSYS

Consolidated Balance Sheets
Unaudited

	SEPTEMBER 30 1998	DECEMBER 31 1997
ASSETS		
Current assets:		
Cash and cash equivalents	$1,688,615	$2,438,246
Investment securities	6,989	57,660
Accounts receivable:		
Trade, less allowance for doubtful accounts of $252,000 at September 30, 1998 and December 31, 1997	3,482,022	2,870,388
Other	70,519	33,622
Note receivable from affiliate	26,555	26,555
Costs and estimated earnings in excess of billings on software installation contracts	603,733	640,165
Income taxes receivable	139,146	-
Deferred income taxes	375,163	331,536
Prepaid expenses and other assets	126,170	116,281
Total current assets	6,518,912	6,514,453
Investment in affiliates	352,029	499,116
Receivable from affiliates	1,000	390,121
Net property and equipment	825,202	879,500
Cash surrender value of life insurance policies	928,488	847,620
Total assets	$8,625,631	$9,130,810

	SEPTEMBER 30 1998	DECEMBER 31 1997
LIABILITIES		
Current liabilities:		
Accounts payable	$ 340,666	$ 388,151
Income taxes payable	-	189,055
Accrued expenses	897,705	1,153,549
Advance payments on contracts	1,384,343	1,253,385
Billings in excess of costs and estimated earnings on software installation contracts	273,437	316,713
Total current liabilities	2,896,151	3,300,853
Deferred compensation	499,597	476,790
Deferred rent	106,607	68,573
Total liabilities	3,502,355	3,846,216
Stockholders' equity:		
Common stock, ($.000167 par value, authorized 6,000,000 shares; issued and outstanding: September 30, 1998--2,655,301; December 31, 1998--2,654,461	443	443
Additional paid in capital	393,885	387,517
Unrealized gain on investments (net of tax of $1,225 at September 30, 1998 and $1,524 at December 31, 1997)	1,973	2,454
Retained earnings	6,552,862	6,632,772
	6,949,163	7,023,186
Less treasury stock, at cost (September 30, 1998--1,102,809 shares; December 31, 1997--1,090,935 shares)	(1,825,887)	(1,738,592)
Total stockholders' equity	5,123,276	5,284,594
Total liabilities and stockholders' equity	$ 8,625,631	$ 9,130,810

See accompanying notes.

Arkansas Systems, Inc. and Subsidiaries
d/b/a ARKSYS

Consolidated Statements of Operations and Comprehensive Income (Loss)
Unaudited

	NINE MONTH PERIOD ENDED SEPTEMBER 30 1998	YEAR ENDED DECEMBER 31 1997
Revenue:		
Software, maintenance and related revenue	$8,767,193	$11,143,465
Gross profit on hardware sales	182,630	292,045
Total revenue	8,949,823	11,435,510
Operating expense:		
Salaries, wages and employee benefits	7,104,425	8,147,139
Depreciation	200,577	260,980
Other general and administrative	2,736,502	3,606,598
Expenses billed to customers	(635,628)	(896,984)
Total operating expense	9,405,876	11,117,733
(Losses) earnings from operations	(456,053)	317,777
Other income (expense):		
Interest income	64,229	110,663
Interest expense	(7)	(12)
Loss on sale of property	-	(157,306)
Other, net	148,289	105,970
Total other income	212,511	59,315
(Loss) income before equity in loss of affiliates and income taxes	(243,542)	377,092
Equity in loss of affiliates	(26,921)	(16,978)
(Loss) income before income taxes (benefit)	(270,463)	360,114
Provision for income taxes (benefit):		
Current	(146,926)	240,315
Deferred	(43,627)	(124,195)
	(190,553)	116,120
Net (loss) income	(79,910)	243,994
Other comprehensive income, net of tax:		
Unrealized gains on investments:		
Unrealized holding gains arising during period	219	909
Less: reclassification adjustments for gains included in net income	(700)	-
Other comprehensive income (loss)	(481)	909
Comprehensive income (loss)	$ (80,391)	$ 244,903

See accompanying notes.

Arkansas Systems, Inc. and Subsidiaries
d/b/a ARKSYS

Consolidated Statements of Changes in Stockholders' Equity
Unaudited
Nine month period ended September 30, 1998 and year ended December 31, 1997

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	UNREALIZED GAIN (LOSS) ON INVESTMENTS	RETAINED EARNINGS	TREASURY STOCK	TOTAL
Balance at January 1, 1997	$443	$368,065	$1,545	$6,388,778	$(1,632,287)	$5,126,544
Net income for 1997	-	-	-	243,994	-	243,994
Sales of stock to employees	-	19,452	-	-	-	19,452
Purchases of treasury stock--(19,547 shares at $5.44 average per share)	-	-	-	-	(106,305)	(106,305)
Change in unrealized gain (loss) on investments	-	-	909	-	-	909
Balance at December 31, 1997	443	387,517	2,454	6,632,772	(1,738,592)	5,284,594
Net loss for 1998	-	-	-	(79,910)	-	(79,910)
Sales of stock to employees	-	6,368	-	-	-	6,368
Purchases of treasury stock--(11,874 shares at $7.35 average per share)	-	-	-	-	(87,295)	(87,295)
Change in unrealized gain (loss) on investments	-	-	(481)	-	-	(481)
Balance at September 30, 1998	$443	$393,885	$1,973	$6,552,862	$(1,825,887)	$5,123,276

See accompanying notes

Arkansas Systems, Inc. and Subsidiaries
d/b/a ARKSYS

Consolidated Statements of Cash Flows

Unaudited

	NINE MONTH PERIOD ENDED SEPTEMBER 30 1998	YEAR ENDED DECEMBER 31 1997
OPERATING ACTIVITIES		
Net (loss) income	$ (79,910)	$ 243,994
Adjustments to reconcile net (loss) income to cash provided by (used in) operating activities:		
Depreciation	200,577	260,980
Loss on sale of property	-	157,305
Undistributed loss of affiliates	26,921	16,978
Deferred income taxes	(43,627)	(124,195)
Changes in operating assets and liabilities:		
Accounts and other receivables	(648,531)	(1,132,450)
Receivable from affiliates	389,121	669,822
Income taxes receivable	(139,146)	-
Income taxes payable	(189,055)	475,420
Costs and estimated earnings in excess of billings on software installation contracts	36,432	(294,027)
Prepaid expenses and other assets	(9,889)	55,155
Cash surrender value of life insurance policies	(80,868)	(46,233)
Accounts payable and accrued expenses	(303,329)	357,396
Advance payments on contracts	130,958	305,482
Billings in excess of costs and estimated earnings on software installation contracts	(43,276)	77,206
Deferred compensation	22,807	72,595
Deferred rent	38,034	24,656
Net cash (used in) provided by operating activities	(692,781)	1,120,084
INVESTING ACTIVITIES		
Proceeds from sale of property and equipment	-	963,783
Proceeds from maturities of investments	50,190	-
Purchases of property and equipment	(146,279)	(50,962)
Purchases of investment securities	-	(461)
Additional investment in affiliates	120,166	(86,653)
Net cash provided by investing activities	24,077	825,707
FINANCING ACTIVITIES		
Proceeds from sale of stock	6,368	19,452
Purchase of treasury stock	(87,295)	(106,305)
Net cash used by financing activities	(80,927)	(86,853)
(Decrease) increase in cash and cash equivalents	(749,631)	1,858,938
Cash and cash equivalents:		
Beginning balance	2,438,246	579,308
Ending balance	$1,688,615	$ 2,438,246

See accompanying notes.

Notes to Consolidated Financial Statements
Unaudited
September 30, 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION AND BUSINESS

Founded in 1975 and managed by software professionals Arkansas Systems, Inc. and Subsidiaries d/b/a ARKSYS, ("ARKSYS" or the "Company") sells payment and financial transaction delivery systems worldwide. ARKSYS is a closely-held, independently controlled corporation that is owned 98%, directly and indirectly, by current employees.

ARKSYS provides payment and transaction processing solutions on the IBM AS/400 platform. Its core solution, Integrated Transaction Management ("ITM"), is a modular, comprehensive software architecture for ARKSYS' offerings. Offerings include:

- ATM and network processing software
- Electronic funds transfer software interfaces
- Electronic funds transfer switch control software
- Credit/debt card processing software
- Corporate cash management and personal financial management access products

Headquartered in Little Rock, Arkansas, ARKSYS has satellite offices in Budapest, Hungary, and Orlando, Florida. Arkansas-based marketing and regional sales representatives and a global network of distributors market and sell its offerings and services. Technical staff members, which include delivery, development, research and support personnel, are based in Little Rock.

ARKSYS' client base includes more than 350 active clients in the United States and approximately 70 countries worldwide. ARKSYS has approximately 140 employees.

PRINCIPLES OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Arkansas Systems, Inc. and its wholly owned subsidiary, Arkansas Systems, Inc. International (a Foreign Sales Corporation). All significant intercompany accounts and transactions have been eliminated in consolidation.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH EQUIVALENTS

ARKSYS considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

INVESTMENT SECURITIES

All marketable securities are classified as available-for-sale and are available to support current operations or to take advantage of other investment opportunities. Those securities are stated at estimated fair value based upon market quotes. Unrealized gains and losses, net of tax, are computed on the basis of specific identification and are included in Retained Earnings.

INVESTMENT IN COMMON STOCK OF LIMITED LIABILITY COMPANIES

ARKSYS is accounting for its investments in Arkansas Systems Building Company, LLC, a 48.389% owned affiliate, Arkansas Systems Land Company, LLC, a 50% owned affiliated, Chenal Technology Center, LLC, a 17% owned affiliate, and EFT Network Services, LLC, a 33 1/3% owned affiliate, by the equity method of accounting. Under this method, ARKSYS's share of the net income or loss of each affiliate is reflected in ARKSYS's investment account, and dividends received from an affiliate are treated as a reduction of the investment account.

RECOGNITION OF REVENUES

ARKSYS offers banking and financial software products under licensing agreements with monthly and annual maintenance support. Revenues from licensing agreement contracts are recognized on a percentage of completion basis whereby a pro rata portion of revenue and related costs are recognized as the work progresses. Maintenance agreement revenues are recognized over the terms of the maintenance contracts on a monthly basis. Licensing and maintenance contract revenues received before they are earned are included in the balance sheets as "Advance payments on contracts".

FINANCIAL INSTRUMENTS WITH MARKET RISK AND CONCENTRATION OF CREDIT RISK

ARKSYS maintains its cash in bank deposit accounts which, at times, may exceed federally insured limits. ARKSYS has not experienced any losses in such accounts and does not believe it is exposed to any significant credit risk on cash and cash equivalents.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Also, ARKSYS's investment portfolio is comprised primarily of U.S. Government obligations which are backed by the full faith and credit of the United States Government.

The concentration of credit risk in the Company's receivables with respect to the financial services industry is mitigated by the Company's credit evaluation policy, reasonably short collection terms and geographical dispersion of sales transactions. The Company generally does not require collateral or other security to support accounts receivables.

At September 30, 1998, 79% of the Company's total accounts receivable resulted from foreign sales. Customers in Hungary accounted for approximately 2% of the Company's total accounts receivable at September 30, 1998.

PROPERTY AND EQUIPMENT

Property and equipment are stated at cost, less accumulated depreciation. Depreciation is provided using the straight line method. The building and building additions have been assigned depreciable lives of 10 to 30 years. The depreciable lives of automobiles, office furniture and data processing equipment are 3 to 8 years.

IMPAIRMENT OF ASSETS

The Company accounts for any impairment of its long-lived assets using SFAS No. 121, "Accounting for Impairment of Long-Lived Assets and for Long-lived Assets to be Disposed Of". Under SFAS No. 121, impairment losses are recognized when information indicates the carrying amount of long-lived assets, identifiable intangibles and any goodwill related to those assets will not be recovered through future operations or sale.

INCOME TAXES

The liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

Notes to Consolidated Financial Statements (continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RESEARCH AND DEVELOPMENT EXPENDITURES

Research and development expenditures, consisting primarily of employee salaries and computer-related expenses, incurred for the development of new software systems, are expensed as incurred and amounted to approximately $1,300,000 for the nine months ended September 30, 1998 and $1,700,000 for December 31, 1997.

USE OF ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

ADVERTISING COSTS

The Company expenses advertising costs as incurred. Advertising costs included in other general and administrative expenses totaled $66,620 for the nine months ended September 30, 1998 and $66,390 for December 31, 1997.

STOCK-BASED COMPENSATION

The Company accounts for its stock-based compensation in accordance with Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees", and accordingly, recognized no compensation expense for the stock option grants.

2. INVESTMENT SECURITIES

The cost and fair value of investments in debt and equity securities consist of the following:

	SEPTEMBER 30, 1998			
	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
Equity securities	$3,791	$3,198	$ -	$6,989
	$3,791	$3,198	$ -	$6,989

2. INVESTMENT SECURITIES (CONTINUED)

	DECEMBER 31, 1997			
	COST	GROSS UNREALIZED GAINS	GROSS UNREALIZED LOSSES	FAIR VALUE
Equity securities	$ 3,791	$2,844	$ -	$ 6,635
Obligations of local governments	49,891	1,134	-	51,025
	$53,682	$3,978	$ -	$57,660

Debt securities at December 31, 1997 matured in 1998.

The fair market value of these financial instruments is based upon quoted market prices for these or similar investments.

3. PROPERTY AND EQUIPMENT

Property and equipment consists of the following:

	SEPTEMBER 30 1998	DECEMBER 31 1997
Land	$ 107,088	$ 107,088
Building and improvements	15,176	6,747
Data processing equipment	1,786,257	2,088,947
Office equipment and automobiles	622,885	591,935
	2,531,406	2,794,717
Less accumulated depreciation	(1,706,204)	(1,915,217)
Net property and equipment	$ 825,202	$ 879,500

4. CONTRACTS IN PROCESS

The software installation contracts in process consist of the following:

	SEPTEMBER 30 1998	DECEMBER 31 1997
Costs and estimated earnings on software installation contracts	$ 4,496,700	$ 3,911,139
Less billings to date	(4,166,404)	(3,587,687)
	$ 330,296	$ 323,452

4. CONTRACTS IN PROCESS (CONTINUED)

Components are included in the accompanying consolidated balance sheets under the following captions:

	SEPTEMBER 30 1998	DECEMBER 31 1997
Costs and estimated earnings in excess of billings on software installation contracts	$ 603,733	$ 640,165
Billings in excess of costs and estimated earnings on software installation contracts	(273,437)	(316,713)
	$ 330,296	$ 323,452

5. INVESTMENT IN LIMITED LIABILITY COMPANIES (UNAUDITED)

Condensed financial information for Arkansas Systems Building Company, LLC; Arkansas Systems Land Company, LLC; EFT Network Services, LLC; and Chenal Technology Center, LLC consist of the following:

	NINE MONTH PERIOD ENDED SEPTEMBER 30, 1998			
	BUILDING COMPANY	LAND COMPANY	NETWORK SERVICES	TECHNOLOGY CENTER
ASSETS				
Cash	$ 369,980	$ 211	$ 17,117	$ 178,805
Property and equipment (net)	11,274,322	-	195,470	166,200
Other	-	421,453	75,459	1,397,034
Total assets	$11,644,302	$421,664	$288,046	$1,742,059
LIABILITIES AND EQUITY				
Payable to ARKSYS	$ 94,662	$ 1,000	$ 26,555	$ -
Other payables	-	421,453	76,795	36,523
Debt	10,505,433	-	-	813,704
Capital	490,279	64,695	262,134	406,081
Retained earnings (deficit)	553,928	(65,484)	(77,438)	485,751
Total liabilities and equity	$11,644,302	$421,664	$288,046	$1,742,059
Revenue	$ 1,705,419	$ -	$414,897	$1,164,202
Cost of sales	-	-	65,642	264,542
Operating expenses	1,405,799	23,765	403,101	113,715
Net income (loss)	$ 299,620	$(23,765)	$(77,438)	$ 785,945
Percent owned by ARKSYS	48.389	50	33.33	17

5. INVESTMENT IN LIMITED LIABILITY COMPANIES (UNAUDITED) (CONTINUED)

	YEAR ENDED DECEMBER 31, 1997			
	BUILDING COMPANY	LAND COMPANY	NETWORK SERVICES	TECHNOLOGY CENTER
ASSETS				
Cash	$ 381,480	$ 267	$ 54,597	$ 17,352
Property and equipment (net)	11,467,503	-	201,297	168,460
Other	-	421,453	112,213	2,427,481
Total assets	$11,848,983	$421,720	$ 368,107	$2,613,293
LIABILITIES AND EQUITY				
Payable to ARKSYS	$ 389,121	$ 1,000	$ 26,555	$ -
Other payables	-	-	42,733	30,939
Debt	10,602,196	421,453	-	2,077,886
Capital	623,398	80,525	676,628	804,662
Retained earnings (deficit)	234,268	(81,258)	(377,809)	(300,194)
Total liabilities and equity	$11,848,983	$421,720	$ 368,107	$2,613,293
Revenue	$ 1,999,697	$ -	$ 372,453	$ 303,100
Cost of sales	-	-	39,115	180,931
Operating expenses	1,823,436	41,719	567,892	216,723
Net income (loss)	$ 176,261	$(41,719)	$(234,554)	$ (94,554)
Percent owned by ARKSYS	48.389	50	33.33	17

None of the debt incurred by the above entities is with recourse to the owners.

6. EMPLOYEE BENEFIT PLANS

ARKSYS has established a Profit Sharing and 401(k) plan for all employees who have completed one year of service. Each plan participant can contribute up to the maximum amount allowed by the Internal Revenue Service to the Plan through payroll deductions. ARKSYS's matching contribution to the plan is discretionary and is determined each year by the Board of Directors. The employees' vested percentage regarding the employer's contribution varies according to years of service. ARKSYS's expense for contributions to the plan for the nine month period ended September 30, 1998 and the year ended December 31, 1997 was $224,408 and $287,624, respectively.

6. EMPLOYEE BENEFIT PLANS (CONTINUED)

ARKSYS maintains a self-funded health insurance program which covers all full-time employees and their families at no charge to the employees. In order to administer this program, ARKSYS has entered into a contractual agreement with a third party administrator by which ARKSYS pays a monthly service fee to the administrator based upon employee enrollment. ARKSYS has also purchased stop/loss insurance to limit ARKSYS's liability to $25,000 per employee per year and a total loss on all claims to approximately $21,400 per month. Health care claims are accrued as the services are rendered and, accordingly, the cost of claims incurred but not yet paid of approximately $65,000 and $63,000 at September 30, 1998 and December 31, 1997, respectively is included in accrued liabilities in the accompanying balance sheets.

Until October 1, 1996, ARKSYS also had a nonqualified, unfunded deferred compensation plan for certain key executives providing for payments upon retirement or death. The retirement benefit to be provided was based upon the length of service rendered and a fixed amount determined at the date of initial participation. ARKSYS had insured the lives of the participants in the deferred compensation plan to assist in the funding of the deferred compensation liability. On October 1, 1996, ARKSYS terminated the deferred compensation plan. As of December 31, 1996, five of the seven participants in the deferred compensation plan had received life insurance policies in their names, in full settlement of the related liability.

In 1997, the obligation related to the remaining two participants was converted into a new retirement agreement under which payments are to be made monthly beginning in 2012, for a maximum of 15 years, to either the employee or their beneficiary. The liability had a present value, at an assumed discount rate of 9%, of $499,597 at September 30, 1998. ARKSYS has insured the lives of the participants covered by the new retirement agreement to assist in funding of the deferred compensation liability by acquiring insurance contracts with a combined cash surrender value of $519,276 at September 30, 1998. The assets and liabilities are reported gross in the accompanying balance sheets because the insurance contracts have not been irrevocably assigned to the employees or any plan or trust and accordingly, the insurance contracts are subject to the claims of creditors.

7. STOCK OPTION PLAN

Effective January 1, 1996, ARKSYS established an incentive stock-based compensation plan under which stock options may be granted to officers and other key employees. The plan provides for option prices based on the fair value of the stock on the date the option is granted, as established by the Board of Directors based upon a formula which takes into consideration the Company's book value, gross sales and retained earnings. Options granted under this plan become exercisable in five equal installments commencing one year from the date of the grant.

Shares issued pursuant to options granted under this plan shall not exceed 1,000,000.

Transactions relating to the incentive stock-based compensation plan are summarized as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE PRICE PER SHARE
Options outstanding at January 1, 1997	60,250	$6.46
Granted	152,884	6.91
Exercised	(200)	6.46
Terminated	(9,000)	6.57
Options outstanding at December 31, 1997	203,934	6.82
Granted	154,967	7.17
Exercised	-	-
Terminated	(74,700)	7.33
Options outstanding at September 30, 1998	284,201	6.88

As of September 30, 1998, options for 251,362 shares were exercisable and 715,599 shares were available for stock option grants under the 1996 plan.

Effective April 1, 1996, ARKSYS established a nonqualified stock-based compensation plan under which stock option smay be granted to members of the Board of Directors of the Company. The plan provides for option prices as established by the Board of Directors. Options granted under this plan become exercisable, based on the form of the stock option agreement, either upon the date of grant (incentive form) or in five equal installments commencing one year from the date of the grant (longevity form).

7. STOCK OPTION PLAN (CONTINUED)

Shares issued pursuant to options granted under this plan shall not exceed 240,000. Transactions relating to the nonqualified stock-based compensation plan are summarized as follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE PRICE PER SHARE
Options outstanding at January 1, 1997	30,000	$6.46
Granted	4,342	6.46
Exercised	-	-
Terminated	-	-
Options outstanding at December 31, 1997	34,342	6.46
Granted	35,620	6.46
Exercised	-	-
Terminated	-	-
Options outstanding at September 30, 1998	69,962	$6.46

As of September 30, 1998, options for 51,940 shares were exercisable and 170,038 shares were available for stock option grants under the 1996 nonqualified plan.

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation ("SFAS 123"). Accordingly, no compensation cost has been recognized for the stock option plans. Had compensation cost for the Company's stock option plan been determined based on the fair value at the grant date for awards during the nine month period ended September 30, 1998 and the year ended December 31, 1997 consistent with the provisions of SFAS 123, the Company's pro forma net (loss) income would have been $(198,723) and $197,131, respectively.

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model. The following weighted-average assumptions were used for grants during the nine month period ended September 30, 1998: dividend yield of 0%; expected volatility of 0%; risk-free interest rate of 4.33% and expected life of 5 years. The following weighted-average assumptions were used for grants in 1997: dividend yield of 0%; expected volatility of 0%, risk-free interest rate of 6.73% and expected life of 5 years.

8. EMPLOYEE STOCK PLANS

The Company also has an employee stock purchase plan for purposes of providing employees with ownership opportunities. The Plan is a non-compensatory plan available to all employees who have completed three full quarters of employment. After meeting the length of employment requirement, an employee accrues rights at the rate of twenty shares per full quarter of employment if employed prior to March 1, 1991. Employees who were employed subsequent to February 28, 1991 accrue ten purchase rights per quarter. Employees who were employed prior to December 31, 1980 accrue four hundred rights per full quarter of employment. Rights granted on or after March 1, 1991 expire if not exercised within three years. Shares of stock purchased with these rights fully vest to the employee immediately upon purchase. All purchases and sales of stock are at values established by the Board of Directors based upon a formula which takes into consideration the Company's book value, gross sales, and retained earnings. The Company retains a right of first refusal on all proposed sales of Company stock.

The Board of Directors may also grant purchase rights to employees on a discretionary basis. Shares of stock purchased with these granted rights vest to the employee over a five year period.

There were rights to purchase 26,603 and 30,213 shares of stock outstanding at September 30, 1998 and December 31, 1997, respectively. Rights were exercised to purchase 840 shares during the nine month period ended September 30, 1998 and 2,570 shares during the year ended December 31, 1997.

9. LINE OF CREDIT

At September 30, 1998, ARKSYS had a $1,500,000 unused line of credit with a bank to be drawn upon as needed, with interest at the lower of 10.0% or the New York Premium rate. The line expires on July 5, 1999. The line has no outstanding balance.

Arkansas Systems, Inc. and Subsidiaries
d/b/a ARKSYS

Notes to Consolidated Financial Statements (continued)

10. FEDERAL AND STATE INCOME TAXES

Significant components of the Company's deferred tax liabilities and assets are as follows:

	NINE MONTH PERIOD ENDED SEPTEMBER 30, 1998		
	CURRENT	NONCURRENT	TOTAL
Deferred tax liabilities:			
Property and equipment	$ -	$ 74,950	$ 74,950
Deferred revenue	121,229	-	121,229
Other	-	1,225	1,225
Prepaid expenses	4,212	-	4,212
Total deferred tax liabilities	125,441	76,175	201,616
Deferred tax assets:			
Bad debt reserve	96,491	-	96,491
Deferred rent	-	40,820	40,820
Deferred compensation	191,296	-	191,296
Accrued vacation	104,665	-	104,665
Contributions	4,012	-	4,012
Net operating losses and credits	-	135,783	135,783
Other	3,712	-	3,712
Total deferred tax assets	400,176	176,603	576,779
Net deferred tax (liabilities)/assets	$ 274,735	$ 100,428	$ 375,163

	YEAR ENDED DECEMBER 31, 1997		
	CURRENT	NONCURRENT	TOTAL
Deferred tax liabilities:			
Property and equipment	$ -	$ (92,534)	$ (92,534)
Deferred revenue	(123,850)	-	(123,850)
Other	-	(940)	(940)
Prepaid expenses	(4,323)	-	(4,323)
Total deferred tax liabilities	(128,173)	(93,474)	(221,647)
Deferred tax assets:			
Bad debt reserve	96,491	-	96,491
Deferred rent	-	26,257	26,257
Deferred compensation	-	182,563	182,563
Accrued medical claims	14,641	-	14,641
Accrued bonuses	111,274	-	111,274
Accrued vacation	118,756	-	118,756
Other	2,262	939	3,201
Total deferred tax assets	343,424	209,759	553,183
Net deferred tax (liabilities)/assets	$ 215,251	$ 116,285	$ 331,536

10. FEDERAL AND STATE INCOME TAXES (CONTINUED)

The use of the liability method in accounting for income taxes requires that deferred tax assets are reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred tax assets will not be realized. Whether a deferred tax asset will be realized depends upon sufficient future taxable income and consideration of limitation on the ability to utilize net operation loss carryforwards and other tax attributes.

Management has considered appropriate factors in assessing the probability of realizing these deferred tax assets. These factors include the deferred tax liabilities of $204,528 and the projection of future taxable earnings. The Company believes that the benefits of the deferred tax assets of $587,856 will be realized, therefore a valuation allowance has not been provided for the deferred tax asset.

At September 30, 1998, the Company has federal and state net operating loss carryforwards of approximately $57,000 and $685,000, respectively. The net operating losses will expire in the year 2018 for federal and 2003 for state. The Company also has general business credits of approximately $78,000 that will expire in 2013.

A reconciliation of the statutory federal income tax rate to the Company's effective rate is presented below.

	1998	1997
Income tax at the statutory rate of 34%	$ (91,957)	$ 122,439
Federal income tax effects of:		
State income taxes	-	(3,637)
Nondeductible portion of meals and entertainment	8,082	10,915
Cash surrender value of life insurance	(27,495)	(15,719)
Benefit of nontaxable income from Arkansas Systems, Inc.		
International	(33,150)	(37,563)
Other	(46,033)	28,989
Federal income taxes	(190,553)	105,424
State income taxes	-	10,696
Provision for income taxes	$ (190,553)	$ 116,120

No income taxes were paid for the nine month period ended September 30, 1998. Income taxes paid for the year ended December 31, 1997 was $6,500.

11. RELATED PARTY

During 1996, ARKSYS entered into an agreement with Arkansas Systems Building Company, LLC, an affiliate, to lease office space. The lease is classified as an operating lease and provides for specified annual percentage increases. Minimum future rental payments under this noncancelable operating lease as of September 30, 1998, for each of the next 5 years and in the aggregate are:

1999	$1,071,844
2000	1,103,999
2001	1,137,119
2002	1,171,233
2003	1,206,370
Total minimum future rental payments	$5,690,565

ARKSYS incurred lease expense of $774,909 for the nine month period ended September 30, 1998 and $1,071,242 for December 31, 1997, respectively.

12. COMMITMENTS

The Company has an agreement with a former shareholder to repurchase shares of the Company's common stock over a period extending through 2006. Under the terms of the agreement the Company will pay the former shareholder approximately $60,000 per year through 2006.

13. YEAR 2000 CONSIDERATION

ARKSYS has developed a plan to modify its information technology to be ready for the year 2000 and has begun converting critical data processing systems. ARKSYS currently expects the project to be substantially complete by early 1999. ARKSYS does not expect this project to have a significant effect on operations.

14. PENDING SALE

On September 18, 1998, management of the Company signed a letter of understanding with Euronet Services, Inc. for the sale of all outstanding stock of the Company. The transaction is expected to close the first week of December 1998 with an effective closing date of November 30, 1998.