

# SECURITIES AND EXCHANGE COMMISSION

## FORM 8-K

Current report filing

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### FILER

#### STERLING SOFTWARE INC

CIK: **716714** | IRS No.: **751873956** | State of Incorpor.: **DE** | Fiscal Year End: **0930**  
Type: **8-K** | Act: **34** | File No.: **001-08465** | Film No.: **94541183**  
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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) July 31, 1994  
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Sterling Software, Inc.  
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(Exact name of registrant as specified in its charter)

Delaware  
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(State or other jurisdiction  
of incorporation)

1-8467  
-----

(Commission  
File Number)

75-1873956  
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(IRS Employer  
Identification No.)

8080 N. Central Expwy., Suite 1100, Dallas, Texas  
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(Address of principal executive offices)

75206  
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(Zip Code)

Registrant's telephone number, including area code (214) 891-8600  
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Item 5. Other Events.

On July 31, 1994, Sterling Software, Inc., a Delaware corporation ("Sterling"), and SSI Corporation, a Georgia corporation and a wholly-owned subsidiary of Sterling ("Sub"), entered into a definitive Agreement and Plan of Merger (the "Merger Agreement") with KnowledgeWare, Inc., a Georgia corporation ("KWI"), pursuant to which Sterling will acquire KWI through a merger of Sub with and into KWI (the "Merger").

Under the terms of the Merger Agreement, each outstanding share of the common stock, without par value, of KWI will be converted into the right to receive .2893 of a share of the common stock, par value \$.10 per share, of Sterling.

Consummation of the proposed Merger is subject to the approval of the stockholders of each of Sterling and KWI and other conditions set forth in the Merger Agreement.

Item 7. Exhibits.

Exhibit No. -----	Description -----
2	Agreement and Plan of Merger dated as of July 31, 1994, among Sterling Software, Inc., SSI Corporation and KnowledgeWare, Inc.
99.1	Stock Option Agreement dated as of July 31, 1994, between Sterling Software, Inc. and KnowledgeWare Inc.
99.2	Press Release dated August 1, 1994

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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 hereunto duly authorized.

STERLING SOFTWARE, INC.

Date: August 2, 1994

By: /s/ Jeannette P. Meier  
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Its: Executive Vice President  
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INDEX TO EXHIBITS

Exhibit  
Number

Exhibit

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2

-----  
Agreement and Plan of Merger  
dated as of July 31, 1994,  
among Sterling Software, Inc.,  
SSI Corporation and KnowledgeWare,  
Inc.

99.1

Stock Option Agreement dated  
as of July 31, 1993, between  
Sterling Software, Inc. and KnowledgeWare,  
Inc.

99.2

Press Release dated August 1, 1994

349306

AGREEMENT AND PLAN OF MERGER  
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AGREEMENT AND PLAN OF MERGER (this "Agreement"), dated as of July 31, 1994, among KNOWLEDGEWARE, INC., a Georgia corporation (the "Corporation"), STERLING SOFTWARE, INC., a Delaware corporation ("Buyer"), and SSI CORPORATION, a Georgia corporation and a wholly-owned subsidiary of Buyer ("Merger Sub").

RECITALS  
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A. The Boards of Directors of the Corporation and Buyer each have determined that a business combination between Buyer and the Corporation is in the best interests of their respective companies and stockholders, and presents an opportunity for their respective companies to achieve long-term strategic objectives, and accordingly have agreed to effect the merger provided for herein upon the terms and subject to the conditions set forth herein.

B. To induce Buyer to enter into this Agreement, simultaneously with the execution and delivery of this Agreement, the Corporation and Buyer have entered into a Stock Option Agreement, dated as of the date hereof (the "Stock Option Agreement"), pursuant to which the Corporation has granted to Buyer an option to acquire shares of common stock of the Corporation upon the occurrence of certain events and in accordance with certain terms and conditions set forth in the Stock Option Agreement.

C. To further induce Buyer to enter into this Agreement, certain holders of common stock of the Corporation have entered into Stockholder Agreements, dated as of the date hereof (the "Stockholder Agreements"), with Buyer pursuant to which such stockholders have agreed to vote their Shares (as hereinafter defined) in favor of the Merger (as hereinafter defined).

D. The Board of Directors of the Corporation has approved the acquisition of shares of the Corporation pursuant to the Stock Option Agreement and the transactions contemplated by the Stockholder Agreements in accordance with the provisions of Sections 14-2-1111(1) and 14-2-1132(a)(1) of the Georgia Business Corporation Code (the "GBCC").

E. The Corporation, Buyer and Merger Sub desire to make certain representations, warranties and agreements in connection with the Merger.

F. It is intended that for federal income tax purposes the merger provided for herein shall qualify as a reorganization within the meaning of Section 368 of the Internal Revenue Code of 1986, as amended (the "Code"), and for financial accounting purposes shall be accounted for as a "pooling of interests."

NOW, THEREFORE, in consideration of the foregoing, and of the representations, warranties, covenants and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE 1

1. The Merger.  
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1.1. The Merger. Subject to the terms and conditions of this Agreement,  
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at the Effective Time (as defined in Section 1.3), Merger Sub shall be merged with and into the Corporation in accordance with this Agreement and the separate corporate existence of Merger Sub shall thereupon cease (the "Merger"). The Corporation 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 Georgia, and the separate corporate existence of the Corporation with all its rights, privileges, powers, immunities, purposes and franchises shall continue unaffected by the Merger, except as set forth in Articles 2 and 3. The Merger shall have the effects specified in the GBCC.

1.2. The Closing. The closing of the Merger (the "Closing") shall take  
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place (i) at the executive offices of Buyer, in the State of Texas, at 9:00 a.m., local time, on the first business day immediately following the day on which the last to be fulfilled or waived of the conditions set forth in Article 8 shall be fulfilled or waived in accordance herewith or (ii) at such other time and place and/or on such other date as the Corporation and Buyer may agree. The date on which the Closing occurs is hereafter referred to as the "Closing Date."

1.3. Effective Time. If all the conditions to the Merger set forth in  
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Article 8 shall have been fulfilled or waived in accordance herewith and this Agreement shall not have been terminated in accordance with Article 9, the parties hereto shall cause a Certificate of Merger meeting the requirements of Section 14-2-1105(b) of the GBCC to be properly executed and filed in accordance with such Section on the Closing Date. The Merger shall become effective at the time of the filing of the Certificate of Merger in accordance with the GBCC or at such later time which the parties hereto have theretofore agreed upon and designated in such filing as the effective time of the Merger (the "Effective Time").

ARTICLE 2

2. Articles of Incorporation and Bylaws of the Surviving Corporation.  
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2.1. Articles of Incorporation. Effective at the Effective Time and  
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subject to the provisions of Section 7.17, the Articles of Incorporation of the

Corporation shall be the Articles of Incorporation of the Surviving Corporation, as amended as set forth in Exhibit 2.1.

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2.2. Bylaws. Subject to the provisions of Section 7.17, the Bylaws of

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Merger Sub in effect immediately prior to the Effective Time shall be the Bylaws of the Surviving Corporation, until duly amended in accordance with their terms and the GBCC.

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### ARTICLE 3

3. Directors and Officers of the Surviving Corporation.

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3.1. Directors. The persons who are directors of Merger Sub immediately

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prior to the Effective Time shall, from and after the Effective Time, be and become directors of the Surviving Corporation until their successors 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 and Bylaws.

3.2. Officers. The officers of the Corporation shall continue as

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officers of the Surviving Corporation until their resignation or removal.

### ARTICLE 4

4. Conversion of Shares in the Merger.

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4.1. Conversion of Shares. The manner of converting shares of the

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Corporation and Merger Sub in the Merger shall be as follows:

(i) At the Effective Time, each share of the Common Stock, without par value (the "Shares"), of the Corporation issued and outstanding immediately prior to the Effective Time (other than Shares owned by Buyer, Merger Sub or any other subsidiary of Buyer (the "Buyer Group") and Shares which are held by persons ("Dissenting Shareholders") exercising their right to dissent, if any, from the Merger pursuant to Article 13 of the GBCC) shall, by virtue of the Merger and without any action on the part of the holder thereof, be converted into the right to receive .2893 share of Common Stock, par value \$.10 per share (the "Buyer Common Stock") of Buyer (the "Exchange Ratio").

(ii) As a result of the Merger and without any action on the part of the holder thereof, all Shares (other than Shares owned by the Buyer

Group and Shares held by Dissenting Shareholders) shall cease to be outstanding and shall be cancelled and retired and shall cease to exist, and each holder of a certificate (a "Certificate") representing any Shares shall thereafter cease to have any rights with respect to such Shares, except the right to receive, without interest, the Buyer Common Stock and cash for fractional interests of the Buyer Common Stock in accordance with Section 4.1(i) upon the surrender of such Certificate, or the right, if any, of Dissenting Shareholders to receive fair value pursuant to Section 4.1(i) of this Agreement.

(iii) The warrants (the "Warrants") issued pursuant to that certain Warrant Agreement dated as of June 9, 1994 between the Corporation and Trust Company Bank and outstanding at the Effective Time shall, by virtue of the Merger, and without any further action on the part of the Corporation or the holder of any Warrant, be assumed by Buyer. The

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Warrants assumed by Buyer shall be exercisable upon the same terms and conditions existing at the date hereof except that (a) the Warrants shall be exercisable for that whole number of shares of Buyer Common Stock (to the nearer whole share) into which the number of Shares subject to the Warrants immediately prior to the Effective Time would be converted, and (b) the exercise price per share of Buyer Common Stock shall be an amount equal to the purchase price per Share immediately prior to the Effective Time divided by the Exchange Ratio (the price per share, as so determined, being rounded upward to the nearest full cent). No payment shall be made for fractional interests.

(iv) To the extent there exists a right to dissent, each Share issued and outstanding at the Effective Time and owned by any of the Buyer Group, and each Share issued and held in the Corporation's treasury at the Effective Time, by virtue of the Merger and without any action on the part of the holder thereof, shall cease to be outstanding and shall be cancelled and retired without payment of any consideration therefor and shall cease to exist.

(v) At the Effective Time, each share of Common Stock, par value \$.10 per share, of Merger Sub issued and outstanding immediately prior to the Effective Time as result of the Merger shall be converted and exchanged for one newly and validly issued, fully paid and nonassessable share of Common Stock of the Surviving Corporation.

(vi) At the Effective Time, all options (individually, a "Corporation Option" or collectively, the "Corporation Options") then outstanding under the Corporation's Incentive Stock Option Plan of 1984, Second Incentive Stock Option Plan of 1984, 1988 Stock Incentive Plan, 1989 Non-Employee Directors Stock Option Plan, 1989 Employee Stock Purchase Plan and 1993 Non-Employee Directors Stock Option Plan (collectively, the "Corporation Stock Option Plans") shall remain outstanding following the Effective Time and shall remain exercisable pursuant to the terms of such plans. At the Effective Time, such Corporation Options shall, by virtue of the Merger and without any further action on the part of the Corporation or the holder of any such Corporation Options, be assumed by Buyer in such manner that Buyer (a) is a corporation

"assuming a stock option in a transaction to which Section 424(a) applied" within the meaning of Section 424 of the Code, or (b) to the extent that Section 424 of the Code does not apply to any such Corporation Option, would be such a corporation were Section 424 applicable to such option. Each Corporation Option assumed by Buyer shall be exercisable upon the same terms and conditions as under the applicable Corporation Stock Option Plan and the applicable option agreement issued thereunder, except that (a) each such Corporation Option shall be exercisable for that whole number of shares of Buyer Common Stock (to the nearer whole share) into which the number of Shares subject to such Option immediately prior to the Effective Time would be converted under this Section 4.1, and (b) the option exercise price per share of Buyer Common Stock shall be an amount equal to the option price per Share subject to such Corporation Option in effect prior to the Effective Time divided by the Exchange Ratio (the price per share, as so determined, being rounded upward to the nearest full cent). The Corporation Disclosure Letter (as hereinafter defined) sets forth, as to each holder of a Corporation Option, the name of such holder, the number of Shares subject to such Corporation Option, the Corporation Stock Option Plan pursuant to which such Corporation

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Option was issued, the vesting schedule and the expiration date of such Corporation Option. No payment shall be made for fractional interests. From and after the date of this Agreement, no additional options shall be granted by the Corporation or its subsidiaries under the Corporation Stock Option Plans or otherwise.

(vii) To the extent there exists a right to dissent, each Share issued and outstanding at the Effective Time and held by Dissenting Shareholders, by virtue of the Merger and without action on the part of the holder thereof, shall cease to be outstanding and shall be cancelled and retired and shall cease to exist, and each Dissenting Shareholder shall thereafter cease to have any rights with respect to such Shares, except the right, if any, to receive payment from the Surviving Corporation of the "fair value" of such Shares as determined in accordance with the GBCC.

#### 4.2. Exchange of Certificates Representing Shares.

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(i) As of the Effective Time, Buyer shall make available, or shall cause to be made available, with an exchange agent selected by Buyer, which shall be Buyer's Transfer Agent or such other party reasonably satisfactory to the Corporation (the "Exchange Agent"), for the benefit of the holders of Shares, for exchange in accordance with this Article 4, certificates representing a sufficient number of shares of Buyer Common Stock necessary for the Exchange Agent to make payments pursuant to Section 4.1 hereof (such certificates for shares of Buyer Common Stock, together with the amount of any dividends or distributions with respect thereto, being hereinafter referred to as the "Exchange Fund") in exchange for outstanding Shares.

(ii) Promptly after the Effective Time, Buyer shall cause the

Exchange Agent to mail to each person who was, at the Effective Time, a holder of record (other than any of the Buyer Group or any Dissenting Shareholder) of a Certificate or Certificates (i) a letter of transmittal which shall specify that delivery shall be effected, and the risk of loss and title to the Certificates shall pass, upon (and only upon) delivery of the Certificates to the Exchange Agent, and which shall be in such form and have such other provisions as Buyer and the Exchange Agent may reasonably specify, and (ii) instructions for use in effecting the surrender of the Certificates in exchange for certificates representing Buyer Common Stock. Promptly following the surrender to the Exchange Agent of a Certificate for cancellation together with such letter of transmittal, duly executed and completed in accordance with the instructions thereto, the Exchange Agent shall deliver to the holder of such Certificate in exchange therefor a certificate representing that number of shares of Buyer Common Stock and unpaid dividends and distributions, if any, which such holder has the right to receive in respect of the Certificate surrendered pursuant to the provisions of this Article 4, after giving effect to any required tax withholdings, and the Certificate so surrendered shall forthwith be cancelled. No interest will be paid or accrued on the amount payable upon surrender of Certificates. In the event of a transfer of ownership of Shares which is not registered in the transfer records of the Corporation, a certificate representing the proper number of shares of Buyer Common Stock may be issued to such a transferee if the Certificate representing such

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Shares is presented to the Exchange Agent, accompanied by all documents required by the Exchange Agent to evidence and effect such transfer of Shares and to evidence that any applicable stock transfer taxes have been paid.

(iii) Notwithstanding any other provisions of this Agreement, no dividends on Buyer Common Stock shall be paid with respect to any Shares or other securities represented by a Certificate until such Certificate is surrendered for exchange as provided herein. Subject to the effect of applicable laws, following surrender of any such Certificate, there shall be paid to the holder of certificates representing shares of Buyer Common Stock issued in exchange therefor, without interest, (i) at the time of such surrender, the amount of dividends or other distributions with a record date after the Effective Time theretofore payable with respect to such shares of Buyer Common Stock and not paid, less the amount of any withholding taxes which may be required thereon, and (ii) at the appropriate payment date, the amount of dividends or other distributions with a record date after the Effective Time but prior to surrender thereof and a payment date subsequent to surrender thereof payable with respect to such shares of Buyer Common Stock, less the amount of any withholding taxes which may be required thereon.

(iv) At or after the Effective Time, there shall be no transfers on the stock transfer books of the Corporation of Shares which were outstanding immediately prior to the Effective Time. If, after the Effective Time, Certificates are presented to the Surviving Corporation, they shall be cancelled and exchanged for certificates for shares of Buyer Common Stock in accordance with the procedures set forth in this Article 4. Certificates

surrendered for exchange by any person constituting an "affiliate" of the Corporation within the meaning of Rule 145(c) under the Securities Act of 1933, as amended (the "Securities Act"), shall not be exchanged until Buyer has received a written agreement from such person as provided in Section 7.13.

(v) Notwithstanding Section 4.1 or any other provision of this Section 4.2, no fractional shares of Buyer Common Stock will be issued and any holder of Shares entitled hereunder to receive a fractional share of Buyer Common Stock but for this Section 4.2(v) will be entitled hereunder to receive no such fractional share of Buyer Common Stock but a cash payment in lieu thereof, which payment shall represent such holder's proportionate interest in the net proceeds from the sale by the Exchange Agent on behalf of all such holders of the aggregate fractional shares of Buyer Common Stock that such holders would be entitled to receive but for this Section 4.2(v). Any such sale shall be made by the Exchange Agent within ten business days after the date upon which the Certificate(s) that would otherwise result in the issuance of shares of Buyer Common Stock have been received by the Exchange Agent.

(vi) Any portion of the Exchange Fund (including the proceeds of any investments thereof and any shares of Buyer Common Stock) that is unclaimed by the former stockholders of the Corporation during the one year period after the Effective Time shall be delivered to the Surviving Corporation. Any former stockholders of the Corporation who

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have not theretofore complied with this Article 4 shall thereafter look to the Surviving Corporation only as general creditors for payment of their shares of Buyer Common Stock, and cash in lieu of fractional shares, and unpaid dividends and distributions on shares of Buyer Common Stock, deliverable in respect of each Share such stockholder holds as determined pursuant to this Agreement, in each case without any interest thereon.

(vii) None of the Corporation, the Surviving Corporation, Merger Sub, the Exchange Agent or any other person shall be liable to any former holder of Shares for any amount properly delivered to a public official pursuant to applicable abandoned property, escheat or similar laws.

(viii) In the event any Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming such Certificate to be lost, stolen or destroyed and, if required by the Surviving Corporation, the posting by such person of a bond in such reasonable amount as the Surviving Corporation may direct as indemnity against any claim that may be made against it with respect to such Certificate, the Exchange Agent will issue in exchange for such lost, stolen or destroyed Certificate shares of Buyer Common Stock and cash in lieu of fractional shares, and unpaid dividends and distributions on shares of Buyer Common Stock as provided in Section 4.2(iii), deliverable in respect thereof pursuant to this Agreement.

4.3. Adjustment of Exchange Ratio. In the event that between the date  
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of this Agreement and the Effective Time, Buyer or the Corporation changes the number of shares of Buyer Common Stock or Shares issued and outstanding as a result of a stock split, reverse stock split, stock dividend, recapitalization or other similar transaction, the Exchange Ratio shall be appropriately adjusted.

4.4. Director Nominee. At the Effective Time, Buyer shall take such  
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action as is necessary in order to enable one individual designated by the Corporation to be elected to Buyer's Board of Directors (the "Designee"). Buyer's obligations under this Section 4.4 relate only to the Designee's initial election to Buyer's Board of Directors and Buyer will have no continuing obligation to the Corporation or the Designee with respect to the composition of Buyer's Board of Directors. The Corporation has selected as the Designee Francis A. Tarkenton.

4.5 Dissenters' Rights. To the extent there exists a right to dissent,  
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any Dissenting Shareholder who shall be entitled to "fair value" of his Shares as provided in Article 13 of the GBCC shall not be entitled to the Merger Consideration, unless and until the holder thereof shall have failed to perfect or shall have effectively withdrawn or lost his dissenter's rights with respect to the Merger under the GBCC and shall be entitled to receive from Buyer only the payment to the extent provided for in connection with Article 13 of the GBCC with respect to such Shares. If any Dissenting Shareholder shall fail to perfect or shall have effectively withdrawn his dissenter's rights, the Shares held by such Dissenting Shareholder shall thereupon be treated as though such Shares had been converted into the right to receive Buyer

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Common Stock pursuant to Section 4.1 and such Dissenting Shareholder shall thereupon have the exchange rights provided under Section 4.2.

## ARTICLE 5

5. Representations and Warranties of the Corporation. Except as set  
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forth in the disclosure letter delivered at or prior to the execution hereof to Buyer (the "Corporation Disclosure Letter"), the Corporation represents and warrants to Buyer as of the date of this Agreement as follows:

5.1. Existence; Good Standing; Corporate Authority; Compliance With Law.  
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The Corporation is a corporation duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation. The Corporation is duly licensed or qualified to do business as a foreign corporation and is in good standing under the laws of any other state of the United States in which the character of the properties owned or leased by it therein or in which the

transaction of its business makes such qualification necessary, except where the failure to be so qualified would not have a material adverse effect on the Corporation. As used in this Agreement, the term "material adverse effect" means, with respect to any entity, a material adverse effect on the financial condition, properties, business or results of operations of such entity and its subsidiaries taken as a whole, or on the ability of such entity to perform its obligations hereunder or to consummate the transactions contemplated hereby. The Corporation has all requisite corporate power and authority to own, operate and lease its properties and carry on its business as now conducted. The Corporation is not in default with respect to any order of any court, governmental authority or arbitration board or tribunal to which the Corporation is a party or is subject, and the Corporation is not in violation of any laws, ordinances, governmental rules or regulations to which it is subject, where such default or violation would have a material adverse effect on the Corporation. The Corporation has obtained all licenses, permits and other authorizations and has taken all actions required by applicable law or governmental regulation in connection with its business as now conducted where the failure to obtain any such item or to take any such action would have a material adverse effect on the Corporation. The copies of the Corporation's Articles of Incorporation and Bylaws previously delivered to Buyer are true and correct.

5.2. Authorization, Validity and Effect of Agreements. The Corporation  
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has the requisite corporate power and authority to execute and deliver this Agreement and the Stock Option Agreement and all agreements and documents contemplated hereby, and the consummation by the Corporation of the transactions contemplated hereby and thereby have been duly authorized by all requisite corporate action (subject, in the case of this Agreement, only to the approval of the Merger by the holders of a majority of the outstanding Shares in accordance with the GBCC). This Agreement and the Stock Option Agreement constitute, and all agreements and documents contemplated hereby (when executed and delivered pursuant hereto

for value received) will constitute, the valid and legally binding obligations of the Corporation enforceable in accordance with their terms.

5.3. Capitalization. The authorized capital stock of the Corporation  
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consists of 100,000,000 Shares and 50,000,000 shares of preferred stock, no par value (the "Preferred Stock"). As of June 30, 1994, there were 14,562,381 Shares issued and outstanding. As of such date there were no shares of Preferred Stock issued and outstanding. Since such date, no additional shares of capital stock of the Corporation have been issued except pursuant to the Corporation Stock Option Plans and the Warrants. Other than Shares reserved for issuance pursuant to the Stock Option Agreement, the Corporation has no Shares or shares of Preferred Stock reserved for issuance, except that, as of the above-referenced date, 59,979 Shares were reserved for issuance pursuant to the Incentive Stock Option Plan of 1984 and the Second Incentive Stock Option Plan of 1984, 1,487,701 Shares were reserved for issuance pursuant to the 1988 Stock

Incentive Plan, 6,000 Shares were reserved for issuance pursuant to the 1989 Non-Employee Directors Stock Option Plan, 392,778 Shares were reserved for issuance pursuant to the 1989 Employee Stock Purchase Plan, 50,000 Shares were reserved for issuance pursuant to the 1993 Directors Plan and 500,000 Shares were reserved for issuance pursuant to the Warrants. The Corporation has no outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote (or are convertible into or exercisable for securities having the right to vote) with the stockholders of the Corporation on any matter ("Voting Debt"). All such issued and outstanding Shares are duly authorized, validly issued, fully paid, nonassessable and free of preemptive rights. Other than as set forth above or in the Corporation Disclosure Letter, or as contemplated by this Agreement or the Stock Option Agreement, there are not at the date of this Agreement any existing options, warrants, calls, put rights, subscriptions, convertible securities, or other rights or other agreements or commitments which obligate the Corporation or any of its subsidiaries to issue, transfer, sell or purchase any shares of capital stock of the Corporation or any of its subsidiaries. After the Effective Time, the Surviving Corporation will have no obligation to issue, transfer or sell any Shares or shares of Preferred Stock or any other securities of the Surviving Corporation pursuant to any Benefit Plan (as defined in Section 5.12) or Corporation Stock Option Plan.

5.4. Subsidiaries. The Corporation owns directly or indirectly each of  
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the outstanding shares of capital stock of each of the Corporation's subsidiaries (individually, a "Corporation Subsidiary" and collectively, the "Corporation Subsidiaries"), except as set forth in the Corporation Reports (as defined in Section 5.7) filed prior to the date of this Agreement and the Corporation Disclosure Letter and except shares held by officers and directors of the Corporation and Corporation Subsidiaries or agents of the Corporation as nominees for the benefit of the Corporation or any Corporation Subsidiary. Each of the outstanding shares of capital stock of each of the Corporation Subsidiaries is duly authorized, validly issued, fully paid and nonassessable (or, in the case of foreign Corporation Subsidiaries, is appropriately authorized, validly issued and, if applicable under local law, nonassessable), and except as set forth in the Corporation Disclosure Letter are owned, directly or indirectly, by the Corporation free and clear of all liens, pledges, security interests, claims or other encumbrances. The following information for each Corporation Subsidiary is set forth in the Corporation Disclosure

Letter, as applicable: (i) its name and jurisdiction of incorporation; (ii) its authorized capital stock or share capital; (iii) the number of issued and outstanding shares of capital stock or share capital; and (iv) the names of its directors, officers and/or managing director.

5.5. Other Interests. Except as set forth in the Corporation Disclosure  
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Letter, neither the Corporation nor any Corporation Subsidiary owns directly or indirectly any interest or investment (whether equity or debt) in any corporation, partnership, joint venture, business, trust or entity (other than

investments in short-term investment securities and teaming, corporate partnering, development, cooperative marketing and similar undertakings and arrangements entered into in the ordinary course of business).

5.6. Noncontravention. Except as set forth in the Corporation  
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Disclosure Letter, neither the execution and delivery by the Corporation of this Agreement or the Stock Option Agreement, nor the consummation by the Corporation of the transactions contemplated hereby and thereby in accordance with the terms hereof and thereof, will: (i) conflict with or result in a breach of any provisions of the Articles of Incorporation or Bylaws of the Corporation; (ii) except as disclosed in the Corporation Reports (as hereinafter defined) or the Corporation Disclosure Letter, result in a breach or violation of, a default under, or the triggering of any payment or other material obligations pursuant to, or accelerate vesting under, any of the Corporation Stock Option Plans or any grant or award made under any of the Corporation Stock Option Plans, (iii) violate, or conflict with, or result in a breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination or in a right of termination or cancellation of, or accelerate the performance required by, or result in the creation of any lien, security interest, charge or encumbrance upon any of the material properties of the Corporation under, or result in being declared void, voidable, or without further binding effect, any of the terms, conditions or provisions of any note, bond, mortgage, indenture, deed of trust or any material license, franchise, permit, lease, contract, agreement or other instrument or commitment or obligation to which the Corporation or any of the Corporation Subsidiaries is a party ("Contracts") (other than Contracts with customers, software license agreements with third parties relating to the use of commercially available software and Contracts for the purchase or lease of tangible personal property entered into in the ordinary and usual course of business, but including without limitation, strategic alliance agreements, third party software development agreements and third party software license agreements relating to software incorporated into the Corporation's software products, and other than Contracts which require the consent of the other party or parties thereto to assign or transfer to Merger Sub or Buyer by reason of the execution of this Agreement or the consummation of the transactions contemplated hereby which required consents are set forth in the Corporation Disclosure Letter and with respect to which the parties hereto shall use reasonable efforts to obtain prior to the Closing), or by which the Corporation or any of its properties is bound or affected except with respect to matters which are not material to the Corporation; or (iv) other than the filings provided for in Article 1, as required under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 (the "HSR Act") and under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the Securities Act, applicable state securities and "Blue Sky" laws, and the rules and regulations promulgated

by the National Association of Securities Dealers, Inc. and in connection with the maintenance of qualification to do business in other jurisdictions (collectively, the "Regulatory Filings"), require any material consent, approval

or authorization of, or declaration, filing or registration with, any governmental or regulatory authority, domestic or foreign, of which the failure to obtain would have a material adverse effect on the Corporation.

5.7 Reports; Financial Statements. The Corporation has delivered to  
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Buyer each registration statement, report, proxy statement or information statement prepared by it since June 30, 1993, including, without limitation, (i) its Annual Report on Form 10-K for the year ended June 30, 1993, and (ii) its Quarterly Reports on Form 10-Q for the periods ended September 30, 1993, December 31, 1993 and March 31, 1994, each in the form (including exhibits and any amendments thereto) filed with the Securities and Exchange Commission (the "SEC") (collectively, the "Corporation Reports"). As of their respective dates, the Corporation Reports (i) were prepared in all material respects in accordance with the requirements of the Securities Act, the Exchange Act, and the rules and regulations thereunder and (ii) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Each of the consolidated balance sheets included in or incorporated by reference into the Corporation Reports (including the related notes and schedules) fairly presents the consolidated financial position of the Corporation and the Corporation Subsidiaries as of its date and each of the consolidated statements of income, retained earnings and of cash flows included in or incorporated by reference into the Corporation Reports (including any related notes and schedules) fairly presents the results of operations, retained earnings and cash flows, as the case may be, of the Corporation and the Corporation Subsidiaries for the periods set forth therein (subject, in the case of unaudited balance sheets and statements, to normal year-end audit adjustments which would not be material in amount or effect), in each case in accordance with the published rules and regulations of the SEC and generally accepted accounting principles consistently applied during the periods involved, except as may be noted therein. Except as and to the extent set forth on the consolidated balance sheet of the Corporation and the Corporation Subsidiaries at June 30, 1993, including all notes thereto, neither the Corporation nor any of the Corporation Subsidiaries has any material liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) that would be required to be reflected on, or reserved against in, a balance sheet of the Corporation or in the notes thereto, prepared in accordance with the published rules and regulations of the SEC and generally accepted accounting principles consistently applied, except liabilities arising in the ordinary course of business since such date. Except as set forth in the Corporation Disclosure Letter, other than the Corporation Reports and any reports filed subsequent to the date hereof, the Corporation has not filed any other definitive reports or statements with the SEC since March 31, 1994.

5.8. Litigation. Except as disclosed in the Corporation Disclosure  
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Letter, there are no actions, suits or proceedings pending against the Corporation or the Corporation Subsidiaries or, to the actual knowledge of the executive officers of the Corporation, threatened against the Corporation or the Corporation Subsidiaries, at law or in

equity, or before or by any federal, state, commission, board, bureau, agency or instrumentality that are reasonably likely to have a material adverse effect on the Corporation.

5.9. Absence of Certain Changes. Except as disclosed in the Corporation  
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Reports filed with the SEC prior to the date hereof, the Corporation Disclosure Letter and except for changes arising from the public announcement of the transactions contemplated by this Agreement, since June 30, 1993, the Corporation has conducted its business only in the ordinary course of such business and there has not been (i) any change in the Corporation or any development or combination of developments of which any of its executive officers has actual knowledge which has resulted or is reasonably likely to result in a material adverse effect on the Corporation; (ii) any declaration, setting aside or payment of any dividend or other distribution with respect to its capital stock; or (iii) any material change in its accounting principles, practices or methods.

5.10. Taxes and Tax Returns. The Corporation and each Corporation  
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Subsidiary (i) has timely filed all material federal, state and foreign income, franchise, property, sales, use, payroll and other tax returns and reports required to be filed by it for its tax years ended prior to the date of this Agreement or requests for extensions have been timely filed and any such request shall have been granted and not expired and all such filed returns are complete in all material respects, (ii) has paid or accrued all taxes shown to be due and payable on such returns, (iii) has properly accrued all such taxes for such periods subsequent to the periods covered by such returns, and (iv) the "open" years for federal income tax returns are set forth in the Corporation Disclosure Letter.

5.11. Proprietary Rights. The Corporation and the Corporation  
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Subsidiaries own or have the right to use pursuant to lease or license computer software programs, which, in the aggregate, are sufficient and adequate to operate the business of the Corporation and the Corporation's Subsidiaries. The Corporation Disclosure Letter sets forth all current versions or releases of the computer software programs ("software") owned or marketed by the Corporation or the Corporation Subsidiaries (other than commercially available software products which are not material to the Corporation). Except as set forth in the Corporation Disclosure Letter, the Corporation or one of the Corporation Subsidiaries has good and marketable rights, title and interest in and to all versions or releases of that software, free and clear of any liens, charges, restrictions or encumbrances or rights of any third party. Neither the existence nor use in the business of the Corporation or any Corporation Subsidiary of any version or release of any software program set forth in the Corporation Disclosure Letter infringes on any patent, trademark or copyright, violates any trade secret, know how, process or proprietary information of any

third party or entitles any third party to any interest in or right to compensation from the Corporation or any Corporation Subsidiary by reason of the use, exploitation or sale of any such software programs. Except with respect to programs licensed to the Corporation or one of the Corporation Subsidiaries and set forth in the Corporation Disclosure Letter, the Corporation or one of the Corporation Subsidiaries is in actual possession of the source code of each software program set forth in the Corporation Disclosure Letter and the Corporation or one of the Corporation Subsidiaries is in possession of all other

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documentation necessary for the effective use of each such software. The Corporation Disclosure Letter lists, by program, all third parties which have been provided with the source code to any of the software listed in the Corporation Disclosure Letter and any parties who would be entitled to receive such source code as a result of transactions contemplated by this Agreement. There are no defects in any of the software offered by the Corporation or any of the Corporation Subsidiaries in connection with its business which would, in any material and adverse respect, affect the functioning of any such software in accordance with the specifications therefor published by the Corporation or any of the Corporation Subsidiaries or provided to its customers or prospective customers, and each piece of such software, together with all know how and process used in connection therewith, functions as intended, is in machine readable form, conforms to all applicable standards, contains all current revisions of such software and includes all computer programs, materials, tapes, know how, object and source codes and procedures used by it in the conduct of its business. Except for rights of customers under Contracts or as disclosed in the Corporation Disclosure Letter, no other person has (i) any interest of any kind or nature in or with respect to any software program or portion thereof set forth in the Corporation Disclosure Letter, or (ii) any rights to use, market or exploit any such software program or portion thereof. The Corporation has registered the trademarks, service marks and copyrights identified in the Corporation Disclosure Letter, such trademarks, service marks and copyrights do not infringe upon the rights of any third parties, nor have any claims been asserted with respect thereto, which infringement would have a material adverse effect on the Corporation. To the actual knowledge of the executive officers of the Corporation, there exist no material defaults under contracts with Rottger & Osterberg Software - Technik GmbH, Burl Software Laboratories, Inc., Object Design, Inc., Integrated Microcomputer Systems, Inc., and International Business Machines Corporation ("IBM"); provided, however, this sentence shall not apply to the following contracts: (i) Stockholders Agreement dated as of August 18, 1989, by and among IBM, Francis A. Tarkenton, James Martin, Arthur Young United States and the Corporation, (ii) Common Stock Purchase Agreement by and between the Corporation and IBM, and (iii) Revolving Loan and Security Agreement by and between IBM Credit Corporation and the Corporation.

5.12. Employee Benefit Plans. All material employee benefit plans

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covering employees of the Corporation and the Corporation Subsidiaries, other than the Corporation Stock Option Plans, are listed in the Corporation Reports (the "Benefit Plans") and the Corporation Disclosure Letter. To the extent

applicable, the Benefit Plans comply, in all material respects, with the requirements of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the Code, and any Benefit Plan intended to be qualified under Section 401(a) of the Code has been determined by the Internal Revenue Service to be so qualified. No Benefit Plan is covered by Title IV of ERISA or Section 412 of the Code. Neither a Benefit Plan nor the Corporation has incurred any liability or penalty under Section 4975 of the Code or Section 502(i) of ERISA. Each Benefit Plan has been maintained and administered in all material respects in compliance with its terms and with ERISA and the Code to the extent applicable thereto. To the knowledge of the executive officers of the Corporation, there are no pending or anticipated material claims against or otherwise involving any of the Benefit Plans and no suit, action or other litigation (excluding claims for benefits

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incurred in the ordinary course of Benefit Plan activities) has been brought against or with respect to any such Benefit Plan. All material contributions required to be made as of the date hereof to the Benefit Plans have been made or provided for. All payments to employees pursuant to and vesting of benefits under employment, severance or termination agreements and pursuant to severance policies of the Corporation are set forth in the Corporation Disclosure Letter.

5.13. Labor Matters. The Corporation is not a party to or bound by any -----  
collective bargaining agreement. There is no unfair labor practice or labor arbitration proceedings pending or, to the actual knowledge of the executive officers of the Corporation and except as provided in the Corporation Disclosure Letter, threatened relating to its business. To the actual knowledge of the executive officers of the Corporation, there are not any organizational efforts presently being made or threatened involving employees of the Corporation.

5.14. Pooling of Interests. To the actual knowledge of the executive -----  
officers of the Corporation, the Corporation has not taken or failed to take any action which would prevent the accounting for the Merger as a pooling of interests in accordance with Accounting Principles Board Opinion No. 16, the interpretative releases issued pursuant thereto, and the pronouncements of the SEC.

5.15. No Brokers. Except as set forth in the Corporation Disclosure -----  
Letter, the Corporation has not entered into any contract, arrangement or understanding with any person or firm which may result in the obligation of Buyer to pay, and the Corporation is not aware of any claim for payment of, any finder's fees, brokerage or agent's commissions or other like payments in connection with the negotiations leading to this Agreement or the consummation of the transactions contemplated hereby.

5.16. Takeover Statutes. The provisions of Parts 2 and 3 of Article 11

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of the GBCC as they relate to the Corporation, the provisions of Article 8 of the Restated Articles of Incorporation of the Corporation and the provisions of Articles 13, 14 and 15 of the Bylaws of the Corporation do not and will not apply to this Agreement, the Stock Option Agreement, the Stockholder Agreements or the transactions contemplated hereby and thereby because the Corporation's Board of Directors has approved the execution and delivery of this Agreement and the Stock Option Agreement and the transactions contemplated hereby and thereby in accordance with those provisions of the GBCC, the Restated Articles of Incorporation of the Corporation and the Bylaws of the Corporation.

5.17. Related Parties. Except as disclosed in the Corporation

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Disclosure Letter or the Corporation Reports, to the actual knowledge of the executive officers of the Corporation, none of the executive officers or directors of the Corporation or the Corporation Subsidiaries, or any beneficial owner of two percent (2%) or more of the outstanding Shares, or any entity controlled by any of the foregoing or any member of the immediate family of any of the foregoing:

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(i) owns, directly or indirectly, any interest in (except for stock holdings not in excess of two percent (2%) held solely for investment purposes in securities which are listed on a national securities exchange or which are regularly traded in the over-the-counter market), or is an owner, sole proprietor, stockholder, partner, director, officer, employee, provider, consultant or agent of any person which is a competitor, lessor, lessee or customer of, or supplier of goods or services to, the Corporation or any of the Corporation Subsidiaries, except where the value to such person of any such arrangement with the Corporation and the Corporation Subsidiaries has been less than \$60,000 in the last 12 months;

(ii) owns, directly or indirectly, in whole or in part, any real property, leasehold interests, tangible property or intangible property with a fair market value of \$60,000 or more which the Corporation or any of the Corporation Subsidiaries currently use in their respective businesses;

(iii) has any cause of action or other suit, action or claim whatsoever against, or owes any amount to the Corporation or any of the Corporation Subsidiaries, except for claims in the ordinary course of business, such as for accrued vacation pay, accrued benefits under Compensation Plans and similar matters; or

(iv) has sold to, or purchased from, the Corporation or any of the Corporation Subsidiaries any assets or property for consideration in excess of \$60,000 in the aggregate since June 30, 1993.

As used in this Section 5.17, a person's immediate family shall mean such person's spouse, parents, grandparents, uncles, aunts, first cousins, children, siblings, mothers and fathers-in-law, sons and daughters-in-law, and brothers

and sisters-in-law.

ARTICLE 6

6. Representations and Warranties of Buyer. Except as set forth in the  
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disclosure letter delivered at or prior to the execution hereof by Buyer to the Corporation (the "Buyer Disclosure Letter"), Buyer represents and warrants to the Corporation as of the date of this Agreement as follows:

6.1. Existence; Good Standing; Corporate Authority; Compliance With Law.  
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Buyer is a corporation duly incorporated, validly existing in good standing under the laws of its state of incorporation. Buyer is duly licensed or qualified to do business as a foreign corporation and in good standing under the laws of any other state of the United States in which the character of the properties owned or leased by it therein or in which the transaction of its business makes such qualification necessary, except where the failure to be so qualified would not have a material adverse effect on Buyer. Buyer has all requisite corporate power and authority to own, operate and lease its properties and carry on its business as now conducted. Neither Buyer nor Merger Sub is in default with respect to any order of any court, governmental

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authority or arbitration board or tribunal to which Buyer or Merger Sub is a party or is subject, and neither Buyer nor Merger Sub is in violation of any laws, ordinances, governmental rules or regulations to which it is subject, where such default or violation would have a material adverse effect on Buyer. Buyer and Merger Sub have obtained all licenses, permits and other authorizations and have taken all actions required by applicable law or governmental regulations in connection with their business as now conducted, where the failure to obtain any such item or to take any such action would have a material adverse effect on Buyer. The copies of Buyer's Certificate of Incorporation and Bylaws previously delivered to the Corporation are true and correct. Merger Sub is a corporation duly incorporated, validly existing and in good standing under the laws of Georgia. Merger Sub has not conducted any business or incurred any liabilities other than in connection with the negotiation and execution of this Agreement. Merger Sub has the corporate power and authority to execute and deliver this Agreement and consummate the transactions contemplated hereby.

6.2. Authorization, Validity and Effect of Agreements. The sole  
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stockholder of Merger Sub has approved this Agreement. Subject only to the approval of the issuance of shares of Buyer Common Stock pursuant to this Agreement by the holders of a majority of the shares of Buyer Common Stock present and entitled to vote thereon, the execution and delivery of this Agreement and all agreements and documents contemplated hereby by Buyer and Merger Sub, and the consummation by them of the transactions contemplated hereby

and thereby, have been duly authorized by all requisite corporate action. This Agreement constitutes, and all agreements and documents contemplated hereby (when executed and delivered pursuant hereto for value received) will constitute, the valid and legally binding obligations of Buyer and Merger Sub, enforceable in accordance with their terms.

6.3. Capitalization. The authorized capital stock of Buyer consists of  
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50,000,000 shares of Buyer Common Stock and 10,000,000 shares of Preferred Stock, par value \$.10 per share. As of June 30, 1994, 20,275,521 shares of Buyer Common Stock were issued and outstanding, 1,743,398 shares of Buyer Common Stock were held in treasury and 200,000 shares of Preferred Stock were issued and outstanding. On or about the date of this Agreement, Buyer will issue approximately 306,550 shares of Buyer Common Stock in connection with an acquisition previously disclosed to the Corporation. The Corporation has no shares of Buyer Common Stock or Preferred Stock reserved for issuance, except that, as of the above-referenced date, an aggregate of 8,891,036 shares of Buyer Common Stock were reserved for issuance pursuant to stock option plans of, or assumed by, Buyer, an aggregate of 230,017 shares of Buyer Common Stock were reserved for issuance pursuant to certain warrants issued or assumed by Buyer and 4,056,437 shares of Buyer Common Stock were reserved for issuance pursuant to the terms of Buyer's 5 3/4% Convertible Subordinated Debentures. Buyer has no outstanding bonds, debentures, notes or other obligations the holders of which have the right to vote (or are convertible into or exercisable for securities having the right to vote) with the stockholders of Buyer on any matter ("Voting Debt"). All such issued and outstanding shares of Buyer Common Stock and Preferred Stock are duly authorized, validly issued, fully paid, nonassessable and free of preemptive rights. Other than as set forth in the Buyer Disclosure Letter, or as contemplated by this Agreement, there are not at the date of this Agreement any existing options, warrants,

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calls, subscriptions, convertible securities, or other rights or other agreements or commitments which obligate Buyer or any of its subsidiaries to issue, transfer or sell any shares of capital stock of Buyer or any of its subsidiaries in excess of the reserved share amounts set forth above.

6.4. Subsidiaries. Buyer owns directly or indirectly each of the  
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outstanding shares of capital stock of each of Buyer's subsidiaries (individually, a "Buyer Subsidiary" and collectively, the "Buyer Subsidiaries"), except as set forth in Buyer Reports (as defined in Section 6.6) filed prior to the date of this Agreement and except shares held by officers and directors of Buyer and Buyer Subsidiaries or agents of Buyer as nominees for the benefit of Buyer or any Buyer Subsidiary. The following information for each Buyer Subsidiary has been previously provided to the Corporation or will be provided in the Buyer Disclosure Letter as applicable: (i) its name and jurisdiction of incorporation; (ii) its authorized capital stock or share capital; (iii) the number of issued and outstanding shares of capital stock or share capital; and (iv) the names of its directors, officers and managing director.

6.5. Noncontravention. Except as set forth in the Buyer Disclosure  
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Letter, neither the execution and delivery by Buyer of this Agreement or the Stock Option Agreement, nor the consummation by Buyer of the transactions contemplated hereby and thereby in accordance with the terms hereof and thereof, will: (i) conflict with or result in a breach of any provisions of the Certificate of Incorporation or Bylaws of Buyer; (ii) violate, or conflict with, or result in a material breach of any provision of, or constitute a default (or an event which, with notice or lapse of time or both, would constitute a default) under, or result in the termination or in a right of termination or cancellation of, or accelerate the performance required by, or result in the creation of any material lien, security interest, charge or encumbrance upon any of the material properties of Buyer under, or result in being declared void, voidable, or without further binding effect, any of the terms, conditions or provisions of any Contract, to which Buyer is a party, or by which Buyer or any of its properties is bound or affected except with respect to matters which are not material to Buyer; or (iii) other than Regulatory Filings, require any material consent, approval or authorization of, or declaration, filing or registration with, any governmental or regulatory authority, of which the failure to obtain which would have a material adverse effect on Buyer.

6.6. Reports; Financial Statements. Buyer has delivered to the  
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Corporation each registration statement, report, proxy statement or information statement prepared by it since September 30, 1993, including, without limitation, (i) its Annual Report on Form 10-K for the year ended September 30, 1993, and (ii) its Quarterly Reports on Form 10-Q for the periods ended December 31, 1993, and March 31, 1994, each in the form (including exhibits and any amendments thereto) filed with the SEC collectively, the "Buyer Reports"). As of their respective dates, the Buyer Reports (i) were prepared in accordance with the requirements of the Securities Act, the Exchange Act, and the rules and regulations thereunder and (ii) did not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Each of the consolidated

balance sheets included in or incorporated by reference into the Buyer Reports (including any related notes and schedules) fairly presents the consolidated financial position of Buyer and the Buyer Subsidiaries as of its date and each of the consolidated statements of income, retained earnings and of cash flows included in or incorporated by reference into the Buyer Reports (including any related notes and schedules) fairly presents the results of operations, retained earnings and cash flows, as the case may be, of Buyer and the Buyer Subsidiaries for the periods set forth therein (subject, in the case of unaudited balance sheets and statements, to normal year-end adjustments which would not be material in amount or effect), in each case in accordance with the published rules and regulations of the SEC and generally accepted accounting principles consistently applied during the periods involved, except as may be noted

therein. Except as and to the extent set forth on the consolidated balance sheet of Buyer and the Buyer Subsidiaries at September 30, 1993, including all notes thereto, neither Buyer nor any of the Buyer Subsidiaries has any material liabilities or obligations of any nature (whether accrued, absolute, contingent or otherwise) that would be required to be reflected on, or reserved against in, a balance sheet of Buyer or in the notes thereto, prepared in accordance with the published rules and regulations of the SEC and generally accepted accounting principles except liabilities arising in the ordinary course of business since such date.

6.7. Litigation. Except as disclosed in the Buyer Disclosure Letter,  
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there are no actions, suits or proceedings pending against Buyer or the Buyer Subsidiaries or, to the actual knowledge of the executive officers of Buyer, threatened against Buyer or the Buyer Subsidiaries, at law or in equity, or before or by any federal, state, commission, board, bureau, agency or instrumentality that are reasonably likely to have a material adverse effect on Buyer.

6.8. Absence of Certain Changes. Except as disclosed in the Buyer  
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Reports filed with the SEC prior to the date hereof and except for changes arising from the public announcement of the transactions contemplated by this Agreement, since September 30, 1993, Buyer has conducted its business only in the ordinary course of such business and there has not been (i) any change in Buyer or any development or combination of developments of which any of its executive officers has actual knowledge which has resulted or is reasonably likely to result in a material adverse effect on Buyer; (ii) except for regular dividends on Buyer's Preferred Stock, any declaration, setting aside or payment of any dividend or other distribution with respect to its capital stock; or (iii) any material change in its accounting principles, practices or methods.

6.9. Taxes and Tax Returns. Buyer (i) has timely filed all material  
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federal, state and foreign income, franchise, property, sales, use, payroll and other tax returns and reports required to be filed by it for the years ended prior to the date of this Agreement or requests for extensions have been timely filed and any such request shall have been granted and not expired and all such filed returns are complete in all material respects, (ii) has paid or accrued all taxes shown to be due and payable on such returns and (iii) has properly accrued all such taxes for periods subsequent to the periods covered by such returns.

6.10. Proprietary Rights. Buyer and Buyer Subsidiaries own or have the  
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right to use pursuant to lease or license computer software programs, which, in the aggregate, are sufficient and adequate to operate the business of the Buyer Subsidiaries. To the knowledge of the executive officers of Buyer, and except as described in the Buyer Disclosure Letter, Buyer's trademarks, service marks

and copyrights do not infringe upon the rights of any third parties, nor have any claims been asserted with respect thereto except for such infringement which would not have a material adverse effect on Buyer.

6.11. Labor Matters. Buyer is not a party to or bound any collective  
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bargaining agreement. There is no unfair labor practice or labor arbitration proceeding pending or, to the actual knowledge of the executive officers of Buyer, threatened relating to its business. To the actual knowledge of the executive officers of Buyer, there are not any organizational efforts presently being made or threatened involving employees of Buyer.

6.12. Pooling of Interests. To the actual knowledge of the executive  
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officers of Buyer, neither Buyer nor any "affiliate" of Buyer has taken or failed to take any action which would prevent the accounting for the Merger as a pooling of interests in accordance with Accounting Principles Board Opinion No. 16, the interpretative releases issued pursuant thereto, and the pronouncements of the SEC.

6.13. No Brokers. Except as set forth in the Buyer Disclosure Letter,  
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Buyer has not entered into any contract, arrangement or understanding with any person or firm which may result in the obligation of Buyer to pay, and Buyer is not aware of any claim for payment of, any finder's fees, brokerage or agent's commissions or other like payments in connection with the negotiations leading to this Agreement or the consummation of the transactions contemplated hereby.

6.14. Capital Stock. The shares of Common Stock of Merger Sub are  
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validly issued, fully paid and nonassessable and are owned directly by Buyer, free and clear of all liens, claims and encumbrances. The issuance and delivery by Buyer of shares of Buyer Common Stock in connection with the Merger have been duly and validly authorized by all necessary corporate action on the part of Buyer except for the approval of its shareholders contemplated by this Agreement. The shares of Buyer Common Stock to be issued in connection with the Merger, when issued in accordance with the terms of this Agreement, will be validly issued, fully paid and nonassessable and listed on the New York Stock Exchange ("NYSE").

## ARTICLE 7

### 7. Covenants. -----

7.1. Acquisition Proposals. Prior to the earlier of the Effective Time  
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or the termination of this Agreement, the Corporation agrees (a) that neither the Corporation nor any of the Corporation Subsidiaries, and the Corporation shall direct and use its best efforts to

cause their respective officers, directors, employees, agents and representatives (including, without limitation, any investment banker, attorney or accountant retained by it or any of the Corporation Subsidiaries) not to, initiate, solicit or encourage, directly or indirectly, any inquiries or the making or implementation of any proposal or offer (including, without limitation, any proposal or offer to its stockholders) with respect to a merger, acquisition, consolidation or similar transaction involving, or any purchase of all or any significant portion of the assets or any equity securities of, the Corporation or any of the Corporation Subsidiaries (any such proposal or offer being hereinafter referred to as an "Acquisition Proposal") or engage in any negotiations concerning, or provide any confidential information or data to, or have any discussions with, any person relating to an Acquisition Proposal, or otherwise facilitate any effort or attempt to make or implement an Acquisition Proposal; (b) that the Corporation will immediately cease and cause to be terminated any existing activities, discussions or negotiations with any parties conducted heretofore with respect to any of the foregoing and will take the necessary steps to inform the individuals or entities referred to in the first sentence hereof of the obligations undertaken in this Section 7.1; and (c) that the Corporation will notify Buyer immediately if any such inquiry or proposal is received by, any such information is requested from, or any such negotiations or discussions are sought to be initiated or continued with, the Corporation; provided, however, that nothing contained in this Section 7.1 shall prohibit the Board of Directors of the Corporation from (i) furnishing information to or entering into discussions or negotiations with, any person or entity that makes an unsolicited proposal to acquire the Corporation pursuant to a merger, consolidation, share exchange, purchase of a substantial portion of the assets, business combination or other similar transaction, if, and only to the extent that, (A) the Board of Directors, after consultation with and consideration of the written advice of independent legal counsel, determines in good faith that such action is required for the Board of Directors to comply with the Corporation's fiduciary duties to stockholders imposed by applicable law, (B) prior to furnishing such information to, or entering into discussions or negotiations with, such person or entity, the Corporation provides written notice to Buyer to the effect that the Corporation is furnishing information to, or entering into discussions or negotiations with, such person or entity, and (C) the Corporation keeps Buyer informed, on a current basis, of the status of any such discussions or negotiations (but the Corporation need not inform Buyer of the substance of such discussions or negotiations); and (ii) complying with Rule 14e-2 promulgated under the Exchange Act with regard to an Acquisition Proposal. The Corporation will use reasonable efforts to cause a person provided proprietary information in accordance with the foregoing to enter into a confidentiality agreement.

7.2. Interim Operations of the Corporation. The Corporation covenants  
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and agrees as to itself and the Corporation Subsidiaries that, from and after the date hereof until the Effective Time (except as Buyer shall otherwise agree or except as otherwise contemplated by this Agreement or the Stock Option

Agreement) :

(i) To the extent reasonably practicable taking into account any operational matters that may arise that are attributable to the pendency of the Merger, the business of the Corporation and the Corporation Subsidiaries shall be conducted only in the

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ordinary course and, to the extent consistent therewith, the Corporation and the Corporation Subsidiaries shall use their commercially reasonable efforts to preserve their business organization intact and maintain their existing relations with customers and suppliers.

(ii) The Corporation shall not (a) sell, pledge or otherwise transfer, or agree to sell, pledge or otherwise transfer any stock owned by it in any of its subsidiaries; (b) amend its Articles of Incorporation or Bylaws; (c) split, combine or reclassify any outstanding capital stock; (d) declare, set aside or pay any dividend payable in cash, stock or property with respect to any of its capital stock; or (e) repurchase, redeem or otherwise acquire, or permit any Corporation Subsidiary to purchase or otherwise acquire, directly or indirectly, any shares of its capital stock or any securities convertible into or exercisable for any shares of its capital stock.

(iii) Neither the Corporation nor any of the Corporation Subsidiaries shall (a) issue, sell, pledge, dispose of or encumber, or authorize or propose the issuance, sale, pledge, disposition or encumbrance of, any shares of, or securities convertible or exchangeable for, or options, warrants, calls, commitments or rights of any kind to acquire, any shares of its capital stock of any class or Voting Debt other than Shares issuable pursuant to options outstanding on the date hereof under the Corporation Stock Option Plans, the Warrants and the Stock Option Agreement; (b) transfer, lease, license, guarantee, sell, mortgage, pledge, dispose of any other property or assets or encumber any property or assets or incur or modify any indebtedness or other liability other than in the ordinary course of business; (c) authorize capital expenditures other than in the ordinary course of business; (d) make any acquisitions of, or investment in, the assets of or stock of any other person or entity; or (e) make any payment to third parties for goods or services which are not commercially reasonable or on an arm's length basis.

(iv) Neither the Corporation nor any of the Corporation Subsidiaries shall grant any bonus or pay increase or any severance or termination pay to, or enter into any Employment Agreement with, any director, officers or other employee of the Corporation or any of the Corporation Subsidiaries, except as (x) may be required to satisfy existing contractual obligations of the Corporation and the Corporation Subsidiaries as of the date hereof which are set forth in the Corporation Disclosure Letter or (y) required by applicable law.

(v) Except as set forth in the Corporate Disclosure Letter or as may be required to satisfy existing contractual obligations of the

Corporation and the Corporation Subsidiaries existing as of the date hereof and the requirements of applicable law, neither the Corporation nor any of the Corporation Subsidiaries shall establish, adopt, enter into, make or amend any collective bargaining, bonus, profit sharing, thrift, compensation, stock option, restricted stock, pension, retirement, employee stock ownership, deferred compensation, employment, termination, severance or other plan, trust, fund, policy or arrangement for the benefit of any class of directors, officers or employees or make, or accelerate the vesting of, any grants, awards, benefits or options under any such plans.

(vi) Neither the Corporation nor any of the Corporation Subsidiaries shall, except in the ordinary and usual course of business and on commercially reasonable terms, modify, amend or terminate any of its Contracts or waive, release or assign any rights or claims.

(vii) The Corporation shall not change its method of accounting as in effect at June 30, 1993, except as required by changes in generally accepted accounting principles as concurred to by the Corporation's independent auditors. The Corporation will not change its fiscal year.

(viii) The Corporation shall not take or cause to be taken any action which would disqualify the Merger as a "pooling of interests" for accounting purposes or as a "reorganization" within the meaning of Section 368(a) of the Code; provided, however, that nothing hereunder shall limit the ability of the Corporation to exercise any of its rights or perform any of its obligations under the Stock Option Agreement.

(ix) Neither the Corporation nor any of the Corporation Subsidiaries will authorize or enter into an agreement to do any of the actions referred to in paragraphs (i) through (viii) above unless such agreement is conditioned upon the consent of Buyer.

To the extent that the Corporation seeks approval to take any of the actions referred to in paragraphs (i) through (ix) above, such approval shall not be unreasonably withheld, giving effect however, to Buyer's operational objectives with respect to the Merger.

7.3. Interim Operations of Buyer. Buyer covenants and agrees as to

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itself and the Buyer Subsidiaries that, from and after the date hereof and until the Effective Time (except as the Corporation shall otherwise agree or except as otherwise contemplated by this Agreement, the Stock Option Agreement, or the Stockholder Agreements), neither Buyer nor Merger Sub shall take or cause to be taken any action which would disqualify the Merger as a "pooling of interests" for accounting purposes or as a "reorganization" within the meaning of Section 368(a) of the Code; provided, however, that nothing hereunder shall limit the ability of Buyer to exercise any of its rights or perform any of its obligations under the Stock Option Agreement, the Stockholder Agreements, or Section 9.5(b) of this Agreement. Neither Buyer nor any of the Buyer Subsidiaries will

authorize or enter into an agreement to do any of the actions referred to in this Section 7.3. Subject to the foregoing, as of the date hereof, Buyer does not anticipate that the business of Buyer and the Buyer Subsidiaries will be conducted in any manner materially inconsistent with its business in the ordinary and usual course, including the acquisition from time to time of the assets or stock of other businesses.

7.4. Meetings of Shareholders. Each of Buyer and the Corporation will  
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take all action necessary in accordance with applicable law and its Certificate or Articles of Incorporation and Bylaws to convene a meeting of its shareholders as promptly as practicable to consider and vote upon the approval of the Merger, in the case of the Corporation, and the

issuance of the Buyer Common Stock pursuant to the terms hereof, in the case of Buyer. The Board of Directors of each of the Corporation and Buyer shall, except to the extent such Board of Directors determines in good faith is required by fiduciary obligations under applicable law, to recommend such approval and the Corporation and the Buyer shall each take all lawful action to solicit such approval. The Corporation and Buyer shall coordinate and cooperate with respect to the timing of such meetings and shall use their reasonable efforts to hold such meetings on the same day. At any such meeting all of the Shares, if any, then owned by Buyer (or as to which Buyer shall have received a proxy) will be voted in favor of the Merger.

7.5. Filings; Other Action. Subject to the terms and conditions herein  
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provided, the Corporation and Buyer shall: (a) promptly make their respective filings and thereafter make any other required submissions under the HSR Act with respect to the Merger; and (b) use all reasonable efforts to cooperate with one another in (i) determining which filings are required to be made prior to the Effective Time with, and which consents, approvals, permits or authorizations are required to be obtained prior to the Effective Time from, governmental or regulatory authorities of the United States, the several States and foreign jurisdictions in connection with the execution and delivery of this Agreement, the Stock Option Agreement and the consummation of the transactions contemplated hereby and thereby and (ii) timely making all such filings and timely seeking all such consents, approvals, permits or authorizations; and (c) use all reasonable efforts to take, or cause to be taken, all other action and do, or cause to be done, all other things, necessary, proper or appropriate to consummate and make effective the transactions contemplated by this Agreement. In case at any time after the Effective Time any further action is necessary or desirable to carry out the purpose of this Agreement or the Stock Option Agreement, the proper officers and/or directors of Buyer, Merger Sub and the Corporation shall take all such necessary action.

7.6. Access. Each of the Corporation and Buyer shall afford the other  
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and their respective officers, employees, counsel, accountants and other

authorized representatives reasonable access, upon reasonable notice and during normal business hours throughout the period prior to the Effective Time, to all of the properties, books, contracts, commitments and records of the Corporation and the Corporation Subsidiaries, on the one hand, and Buyer, on the other hand, and, during such period, each of the Corporation and Buyer shall furnish promptly to Buyer and the Corporation, as the case may be, a copy of each report, schedule and other document filed or received by it pursuant to this Section 7.6.

7.7.       Publicity.   The initial press release shall be a joint press  
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release and thereafter the Corporation and Buyer shall consult with each other in issuing any press releases or otherwise making public statements with respect to the transactions contemplated hereby and in making any filings with any federal or state governmental or regulatory agency or with any national securities exchange with respect thereto.

7.8.       Registration Statement.   Buyer and the Corporation shall cooperate  
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and promptly prepare and file with the SEC as soon as practicable a Registration Statement on Form S-4 ("S-4") under the Securities Act, with respect to Buyer Common Stock issuable in the

Merger, a portion of which Registration Statement shall also serve as the joint proxy statement with respect to the meetings of the shareholders of the Corporation and of Buyer to approve the Merger (the "Proxy Statement/Prospectus"). The respective parties will use all reasonable efforts to cause the Proxy Statement/Prospectus and the S-4 to comply as to form in all material respects with the provisions of the Exchange Act and the rules and regulations thereunder, and to cause the S-4 to comply as to form in all material respect with the provisions of the Securities Act and the rules and regulations thereunder. Buyer shall use all reasonable efforts, and the Corporation will cooperate with Buyer, to have the S-4 declared effective by the SEC as promptly as practicable. Buyer shall use its reasonable efforts to obtain, prior to the effective date of the Proxy Statement/Prospectus, all necessary state securities law or "Blue Sky" permits or approvals required to carry out the transactions contemplated by this Agreement and will pay all expenses incident thereto. Buyer agrees that the S-4, when declared effective by the SEC, will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; provided, however, that the foregoing shall not apply to the extent that any such untrue statement of a material fact or omission to state a material fact was made by Buyer in reliance upon and in conformity with written information concerning the Corporation furnished to Buyer by the Corporation. The Corporation agrees that the information provided by it for inclusion in the Proxy Statement/Prospectus, when the Proxy Statement/Prospectus is mailed to Buyer's stockholders, will not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make

the statements therein, in light of the circumstances under which they were made, not misleading. No amendment or supplement to the Proxy Statement/Prospectus will be made by Buyer until it has consulted with the Corporation and its counsel. Buyer will advise the Corporation, promptly after it receives notice thereof, of the time when the S-4 has become effective or any supplement or amendment has been filed, of the issuance of any stop order, or the suspension of the qualification of Buyer Common Stock issuable in connection with the Merger for offering or sale in any jurisdiction or any request by the SEC for amendment of the Proxy Statement/Prospectus or the S-4 or comments thereon and responses thereto or requests for additional information. The Corporation represents that it meets the Registrant Requirements of Part I.A. of the General Instructions of Form S-3 promulgated under the Securities Act.

7.9. Listing Application. Buyer shall prepare and submit to the NYSE a  
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listing application covering Buyer Common Stock to be issued in connection with the Merger and shall use its reasonable efforts to obtain, prior to the Effective Time, approval for the listing of such Buyer Common Stock upon official notice of issuance.

7.10. Further Action. Each party hereto shall, subject to the  
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fulfillment at or before the Effective Time of each of the conditions of performance set forth herein or the waiver thereof, perform such further acts and execute such documents as may be reasonably required to effectuate the Merger.

7.11. Notification of Certain Matters. The Corporation shall give  
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prompt notice to Buyer of: (a) any notice of, or other communication which becomes known to an

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executive officer of the Corporation relating to, a default or event that, with notice or lapse of time or both, would become a default, received by the Corporation, or any of the Corporation Subsidiaries, subsequent to the date of this Agreement and prior to the Effective Time, under any Contract material to the businesses of the Corporation and to which the Corporation or one of the Corporation Subsidiaries is a party or is subject; and (b) any change that results in a material adverse effect on such party. The Corporation shall give prompt notice to Buyer of any notice or other communication from any third party that becomes known to an executive officer of the Corporation alleging that the consent of such third party is or may be required in connection with the transactions contemplated by this Agreement.

7.12. Legal Conditions to Merger. Each party shall, and shall cause  
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each of its subsidiaries to, use its reasonable efforts to take, or cause to be taken, all actions necessary to comply promptly with all legal requirements which may be imposed on such party or its subsidiaries with respect to the

Merger and, subject to the terms and conditions set forth in this Agreement, to consummate the transactions contemplated by this Agreement, the Stock Option Agreement, and the Stockholder Agreements; provided, however, that nothing in this Agreement shall limit the ability of Buyer or the Corporation to exercise any of its rights or perform any of its obligations under the Stock Option Agreement, the Stockholder Agreements or Section 9(b) of this Agreement. Each party will promptly cooperate with and furnish information to each other party in connection with any such restriction suffered by, or requirement imposed upon, it or any of its subsidiaries in connection with the foregoing.

7.13. Agreements by Affiliated Shareholders of the Corporation and  
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Buyer.  
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(i) At least ten days prior to the date of the meeting of the Corporation's shareholders contemplated by Section 7.4, the Corporation shall deliver to Buyer a list of names and addresses of those persons who were, in the Corporation's reasonable judgment, at the record date for such meeting, "affiliates" of the Corporation within the meaning of Rule 145 (each such person, together with the persons identified below, an "Affiliate") of the rules and regulations promulgated under the Securities Act ("Rule 145"). The Corporation shall provide Buyer such information and documents as Buyer shall reasonably request for purposes of reviewing such list. There shall be added to such list the names and addresses of any other person (within the meaning of Rule 145) which Buyer reasonably identifies (by written notice to the Corporation within five business days after Buyer's receipt of such list) as being a person who may be deemed to be an Affiliate of the Corporation within the meaning of Rule 145; provided, however, that no such person identified by Buyer shall be added to the list of Affiliates of the Corporation if Buyer shall receive from the Corporation, on or before the Effective Time, an opinion of counsel reasonably satisfactory to Buyer to the effect that such person is not an Affiliate. The Corporation shall use all reasonable efforts to deliver or cause to be delivered to Buyer, prior to the Effective Time, from each of the Affiliates of the Corporation identified in the foregoing list (as the same may be supplemented as aforesaid), Affiliates Letters in the form attached hereto as Exhibit 7.13(i). Buyer and Merger Sub shall be entitled to place legends as  
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specified in such Affiliates Letters on the certificate evidencing

any Buyer Common Stock to be received by such Affiliates pursuant to the terms of this Agreement, and to issue appropriate stop transfer instructions to the transfer agent for Buyer Common Stock, consistent with the terms of such Agreements.

(ii) At least ten days prior to the date of the meeting of Buyer's shareholders contemplated by Section 7.4, Buyer shall deliver to the Corporation a list of names and address of those persons who were, in Buyer's reasonable judgment, at the record date for such meeting, Affiliates of Buyer.

Buyer shall provide the Corporation such information and documents as the Corporation shall reasonably request for purposes of reviewing such list. There shall be added to such list the names and addresses of any other person (within the meaning of Rule 145) which the Corporation reasonably identifies (by written notice to Buyer within five business days after the Corporation's receipt of such list) as being a person who may be deemed to be an Affiliate of Buyer within the meaning of Rule 145; provided, however, that no such person identified by the Corporation shall be added to the list of Affiliates of Buyer if the Corporation shall receive from Buyer, on or before the Effective Time, an opinion of counsel reasonably satisfactory to the Corporation to the effect that such person is not an Affiliate. Buyer shall use all reasonable efforts to deliver or cause to be delivered to the Corporation, prior to the Effective Time, from each of the Affiliates of Buyer identified in the foregoing list (as the same may be supplemented as aforesaid), Affiliates Letters in the form attached hereto as Exhibit 7.13(ii).

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(iii) At the Closing, Buyer will enter into with each of the Affiliates of the Corporation a Registration Rights Agreement in the form attached hereto as Exhibit 7.13(iii).

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7.14. Employee Benefits.

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(i) Buyer hereby agrees to cause the Surviving Corporation to pay, in accordance with their terms as in effect on the date hereof, all amounts due and payable under the terms of all written employment, severance and termination contracts, agreements, plans, policies and commitments of the Corporation and its subsidiaries with or with respect to its current or former employees, officers and directors as set forth in the Corporation Disclosure Letter (the "Employee Agreements"), which amounts are vested on or prior to the date of this Agreement or which become vested as a result of the transactions contemplated hereby and will cause the Surviving Corporation to assume and continue to honor the terms of such Employee Agreements.

(ii) Buyer hereby acknowledges that the consummation of the Merger will constitute a "friendly" change of control of the Corporation (to the extent relevant) for all Benefit Plans, Employee Agreements, Corporation Stock Option Plans and other compensation arrangements of the Corporation.

7.15. Expenses. Whether or not the Merger is consummated, all costs and

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expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such expense except as expressly provided herein.

7.16. Documentation; Registration. Promptly following the Effective

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Time of the Merger, Buyer shall file a Registration Statement covering the shares of Buyer Common Stock issuable upon the exercise of the assumed Corporation Options. Buyer will use its reasonable efforts to cause such shares to be registered under the Securities Act and to maintain such registration in effect until the exercise or termination of all such Corporation Options.

7.17. Director and Officer Indemnification. Buyer agrees that all rights

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to indemnification and advancement of expenses existing in favor of the directors and officers of the Corporation (the "Indemnified Parties") under the provisions existing on the date hereof of the Articles of Incorporation, By-Laws and indemnification agreements of the Corporation shall survive the Effective Date for at least six years thereafter and Buyer agrees to indemnify and advance expenses to the Indemnified Parties to the full extent as would be required or permitted by the Corporation under the provisions existing on the date hereof of the Articles of Incorporation, Bylaws and indemnification agreements of the Corporation. Until the third anniversary of the Effective Time, Buyer shall cause the Surviving Corporation to maintain in effect with respect to matters occurring prior to the Effective Time, to the extent available, the policies of directors' and officers' liability insurance currently maintained by the Corporation; provided that the Surviving Corporation may substitute therefor policies containing coverage, terms and conditions which are no less advantageous; provided that in no event shall Buyer or the Surviving Corporation be required to expend more than \$500,000 in the aggregate to maintain or procure insurance coverage pursuant hereto and further provided that if Buyer or the Surviving Corporation is unable to obtain the insurance called for by this Section, Buyer or the Surviving Corporation will obtain as much comparable insurance as is available for an aggregate expenditure of \$500,000.

## ARTICLE 8

8. Conditions.

8.1. Conditions to Each Party's Obligation to Effect the Merger. The

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respective obligation of each party to effect the Merger shall be subject to the fulfillment in all material respects at or prior to the Effective Time of the following conditions:

(i) The Merger shall have been approved in the manner required by law by the holders of the issued and outstanding shares of the Corporation's capital stock entitled to vote thereon.

(ii) The waiting period applicable to the consummation of the Merger under the HSR Act shall have expired or been terminated.

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(iii) None of the parties hereto shall be subject to any order or injunction against the consummation of the transaction contemplated by this

Agreement. In the event any such order or injunction shall have been issued, each party agrees to use its reasonable efforts to have any such injunction lifted.

(iv) The Registration Statement contemplated by Section 7.8 shall have become effective and no stop order with respect thereto shall be in effect.

(v) Each party shall have received an opinion from its independent auditors to the effect that the Merger should be treated as a "pooling of interests" under applicable accounting standards.

(vi) The issuance of Buyer Common Stock pursuant to the Merger shall have been approved by the holders of a majority of the outstanding shares of Buyer Common Stock represented at a special meeting of stockholders called for such purpose and at which a quorum is present, in accordance with applicable law, and the Certificate of Incorporation and Bylaws of Buyer.

8.2. Conditions to Obligation of the Corporation to Effect the Merger.  
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The obligation of the Corporation to effect the Merger shall be subject to the fulfillment in all material respects at or prior to the Effective Time of the following conditions:

(i) Buyer and Merger Sub shall have performed each agreement contained in this Agreement required to be performed on or prior to the Effective Time and the representations and warranties of Buyer contained in this Agreement shall be true in all material respects on and as of the Effective Time (other than any failure to so perform or any misrepresentation or omission which would not materially influence the investment decision of a reasonable purchaser of securities); and the Corporation shall have received a certificate of the President or a Vice President of Buyer, certifying to such effect.

(ii) The Designee shall have been elected to the Board of Directors of Buyer, effective as of the Effective Time.

(iii) The Corporation shall have received the opinion of counsel to the Corporation, dated the Closing Date, to the effect that the Merger will be treated for Federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code, and that the Corporation, Merger Sub and Buyer will each be a party to that reorganization within the meaning of Section 368(b) of the Code.

8.3. Conditions to Obligation of Buyer and Merger Sub to Effect the  
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Merger. The obligation of Buyer and Merger Sub to effect the Merger shall be  
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subject to the fulfillment in all material respects at or prior to the Effective Time of the following conditions:

(i) The Corporation shall have performed its agreements contained in this Agreement required to be performed on or prior to the Effective Time and the representations and warranties of the Corporation contained in this Agreement shall be true in all material respects on and as of the Effective Time (other than any failure to so perform or any misrepresentation or omission which would not materially influence the investment decision of a reasonable purchaser of securities); and Buyer shall have received a certificate of the President or a Vice President of the Corporation certifying to such effect.

(ii) Buyer shall have received the opinion of Jackson & Walker, L.L.P., counsel to Buyer, dated the Closing Date, to the effect that the Merger will be treated for Federal income tax purposes as a reorganization within the meaning of Section 368(a) of the Code, and that Buyer, Merger Sub and the Corporation will each be a party to that reorganization within the meaning of Section 368(b) of the Code.

(iii) Holders of Shares representing in the aggregate the right to receive 5% or more of the Buyer Common Stock issuable upon effectiveness of the Merger shall not have delivered to the Corporation written notice of their intent to demand payment for their shares of Corporation Common Stock pursuant to the exercise of dissenters' rights, if any.

ARTICLE 9

9. Termination.

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9.1. Termination by Mutual Consent. This Agreement may be terminated

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and may be abandoned at any time prior to the Effective Time, before or after the approval of this Agreement by the shareholders of the Corporation or Buyer, by the mutual consent of Buyer, Merger Sub and the Corporation.

9.2. Termination by Either Buyer or the Corporation. This Agreement may

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be terminated and the Merger may be abandoned by action of the Board of Directors of either Buyer or the Corporation if (i) the Merger shall not have been consummated by January 31, 1995, (ii) the approval of the Corporation's stockholders required by Section 8.1(i) shall not have been obtained at a meeting duly convened therefor or at any adjournment thereof, or (iii) the approval of Buyer's stockholders as required by Section 8.1(vi) shall not have been obtained at a meeting duly convened therefor, provided, in the case of a termination pursuant to clause (i) above, the terminating party shall not have breached in any material respect its obligations under this Agreement in any manner that shall have proximately contributed to the occurrence of the failure referred to in said clause.

9.3. Termination by the Corporation. This Agreement may be terminated

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and the Merger may be abandoned at any time prior to the Effective Time, before or after the adoption and approval by stockholders of the Corporation referred to in Section 8.1(i), by action of the Board of Directors of the Corporation, if (i) the Board of

Directors of Buyer shall have withdrawn or modified in a manner adverse to the Corporation its approval or recommendation of this Agreement or the Merger, (ii) the average closing price for Buyer Common Stock on the NYSE Composite Tape for five consecutive business days shall be \$22.00 or less, or (iii) there has been a breach by Buyer or Merger Sub of any representation, warranty, covenant or agreement contained in this Agreement or the Stock Option Agreement which would have a material adverse effect on Buyer which is not curable or, if curable, is not cured within 30 days after written notice of such breach is given by the Corporation to the party committing such breach.

9.4. Termination by Buyer. This Agreement may be terminated and the

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Merger may be abandoned at any time prior to the Effective Time, before or after the approval by the stockholders of Buyer referred to in Section 8.1(vi), by action of the Board of Directors of Buyer, if (i) the Board of Directors of the Corporation shall have withdrawn or modified in a manner adverse to Buyer its approval or recommendation of the Merger, or shall have recommended to stockholders of the Corporation an Acquisition Proposal, (ii) any person shall have made an Acquisition Proposal for the Corporation and the conditions specified in Sections 8.1(iii) or 8.3(i) cannot be or are not satisfied on or prior to January 31, 1995 or (iii) there has been a breach by the Corporation of any representation, warranty, covenant or agreement contained in this Agreement or the Stock Option Agreement which would have a material adverse effect on the Corporation which is not curable or, if curable, is not cured within 30 days after written notice of such breach is given by Buyer to the Corporation.

9.5. Effect of Termination and Abandonment. (a) In the event of

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termination of this Agreement and the abandonment of the Merger pursuant to this Article 9, no party hereto (or any of its directors or officers) shall have any liability or further obligation to any other party to this Agreement except as provided in Section 9.5(b), Section 7.15 (subject to Section 9.5(b)) and Section 10.6 below, other than the Confidentiality Agreement and except that nothing herein will relieve any party from liability for any breach of this Agreement.

(b) In the event that any person shall have made an Acquisition Proposal for the Corporation and thereafter the Agreement is terminated by either party (other than pursuant to the breach of this Agreement by Buyer), then the Corporation, if requested by Buyer, shall, subject to the provisions set forth below, promptly, but in no event later than two days after the date of such request, pay Buyer a fee of \$4,000,000, which amount shall be payable by wire transfer of same day funds; provided however, that no fee shall be payable to Buyer pursuant to this Section 9.5(b) unless and until (i) any person (other than Buyer) (an "Acquiring Party") has entered into a definitive agreement to

acquire, by purchase, merger, consolidation, sale, assignment, lease, transfer or otherwise, in a transaction or a series of transactions, a majority of the voting power of the outstanding securities of the Corporation or 50% or more of the assets of the Corporation, (ii) there has been executed a definitive agreement with respect to a consolidation, merger or similar transaction between the Corporation and an Acquiring Party in which the stockholders of the Corporation immediately prior to such proposed consolidation, merger or similar transaction do not own securities representing at least 50% of the outstanding voting power of the surviving entity (or, if applicable, any entity in control of such Acquiring Party) of such proposed consolidation, merger or similar transaction immediately following the consummation thereof, or (iii) an Acquiring Party, or any "group"

(as such term is defined under Section 13(d) of the Exchange Act) acquires beneficial ownership or the right to acquire beneficial ownership of 50% of the common stock of the Corporation, whether by tender offer, exchange offer or otherwise (any such transaction described in clauses (i) through (iii) being a "Business Combination"). The Corporation acknowledges that the agreements contained in this Section 9.5(b) are an integral part of the transactions contemplated in this Agreement, and that, without these agreements, Buyer and Merger Sub would not enter into this Agreement; accordingly, if the Corporation fails to promptly pay the amount due pursuant to this Section 9.5(b), and, in order to obtain such payment, Buyer or Merger Sub commences a suit which results in a judgment against the Corporation for the fee set forth in this paragraph (b), the non-prevailing party shall pay to the prevailing party its costs and expenses (including attorneys' fees) in connection with such suit, together with interest on the amount of the fee at the prime rate of Bank of Boston, N.A. in effect on the date such payment was required to be made.

9.6. Extension; Waiver. At any time prior to the Effective Time of the  
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Merger, any party hereto, by action taken by its Board of Directors, may, to the extent legally allowed, (i) extend the time for the performance of any of the obligations or other acts of the other parties hereto, (ii) waive any inaccuracies in the representations and warranties made to such party contained herein or in any document delivered pursuant hereto and (iii) waive compliance with any of the agreements or conditions for the benefit of such party contained herein. Any agreement on the part of a party hereto to any such extension or waiver shall be valid only if set forth in an instrument in writing signed on behalf of such party.

ARTICLE 10

10. General Provisions.  
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10.1. Nonsurvival of Representations, Warranties and Agreements. All  
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representations, warranties and agreements in this Agreement or in any instrument delivered pursuant to this Agreement shall be deemed to the extent expressly provided herein to be conditions to the Merger and shall not survive the Merger, provided, however, that the agreements contained in Article 4 and in Sections 7.12, 7.13(ii), 7.14, 7.15, 7.17, and 10.6 and the Agreements delivered pursuant to this Agreement shall survive this Agreement.

10.2. Notices. Any notice required to be given hereunder shall be in  
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writing and given by facsimile transmission, overnight courier service, hand delivery or certified or registered mail (return receipt requested and first-class postage prepaid), addressed as follows:

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If to the Corporation:

KnowledgeWare, Inc.  
3340 Peachtree Road, N.E.  
Suite No. 1100  
Atlanta, Georgia 30326  
Attention: President  
FAX: (404) 364-0883

Copy to:

Hicks, Maloof & Campbell  
Suite 2200, Marquis Two Tower  
285 Peachtree Center Avenue, N.E.  
Atlanta, Georgia 30303  
Attention: Maurice N. Maloof  
FAX: (404) 420-7474

If to Buyer or Merger Sub:

8080 N. Central Expressway  
Dallas, Texas 75206  
Attention: President  
FAX: (214) 750-0905

Copy to:

8080 N. Central Expressway  
Dallas, Texas 75206  
Attention: General Counsel  
FAX: (214) 750-0905

Copy to:

Jackson & Walker, L.L.P.  
901 Main Street, Suite 6000  
Dallas, Texas 75202  
Attention: Charles D. Maguire, Jr.

or to such other address as any party shall specify by written notice so given. Such notice shall be deemed given and received on the date it is delivered if given by telecopy, overnight courier or hand-delivery or on the fifth business day following the date it is so mailed.

10.3. Binding Effect; Benefit. This Agreement shall be binding upon and -----

shall inure to the benefit of the parties hereto and their respective successors and assigns.

Notwithstanding anything contained in this Agreement to the contrary, except for the provisions of Article 4 and Sections 7.12, 7.13(ii), 7.14, 7.15, 7.17, and 10.6 nothing in this Agreement, expressed or implied, is intended to confer on any person other than the parties hereto or their respective heirs, successors, executors, administrators and assigns any rights, remedies, obligations or liabilities under or by reason of this Agreement.

10.4. Entire Agreement. This Agreement, the Stock Option Agreement, the -----

Confidentiality Agreement, the Exhibits, Disclosure Letters and other documents and agreements among the parties hereto, constitute the entire agreement among the parties with respect to the subject matter hereof and supersede all prior agreements and understandings, among the parties with respect thereto. No addition to or modification of any provision of this Agreement shall be binding upon any party hereto unless made in writing and signed by all parties hereto.

10.5. Amendment. This Agreement may be amended by the parties hereto, -----

by action taken by their respective Board of Directors, at any time before or after approval of matters presented in connection with the Merger by the stockholders of the Corporation but after any such stockholder approval, no amendment shall be made which by law requires the further approval of stockholders without obtaining such further approval. This Agreement may not be amended except by an instrument in writing signed on behalf of each of the parties hereto.

10.6. Governing Law. This Agreement shall be governed by and construed -----

in accordance with the laws of the State of Delaware without regard to its rules of conflict of laws; provided, however, the Merger of Merger Sub into the Corporation shall be governed by the laws of the State of Georgia.

10.7. Counterparts. This Agreement may be executed by the parties -----

hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument. Each counterpart may consist of a number of copies

hereof each signed by less than all, but together signed by all of the parties hereto.

10.8. Headings. Headings of the Articles and Sections of this

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Agreement are for the convenience of the parties only, and shall be given no substantive or interpretive effect whatsoever.

10.9. Interpretation. In this Agreement, unless the context otherwise

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requires, words describing the singular number shall include the plural and vice

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versa, and words denoting any gender shall include all genders and words

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denoting natural persons shall include corporations and partnerships and vice

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versa.

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10.10. Waivers. Except as provided in this Agreement, no action taken

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pursuant to this Agreement, including, without limitation, any investigation by or on behalf of

any party, shall be deemed to constitute a waiver by the party taking such action of compliance with any representations, warranties, covenants or agreements contained in this Agreement. The waiver by any party hereto of a breach of any provision hereunder shall not operate or be construed as a waiver of any prior or subsequent breach of the same or any other provision hereunder.

10.11. Incorporation of Exhibits and Disclosure Letters. All Exhibits and

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Disclosure Letters attached hereto and referred to herein are hereby incorporated herein and made a part hereof for all purposes as if fully set forth herein.

10.12. Severability. If for any reason whatsoever, any one or more of the

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provisions of this Agreement shall be held or deemed to be inoperative, unenforceable or invalid as applied to any particular case or in all cases, such circumstances shall not have the effect of rendering such provision invalid in any other case or of rendering any of the other provisions of this Agreement inoperative, unenforceable or invalid.

10.13. Obligation of Buyer. Buyer shall cause Merger Sub to perform each

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of its duties and obligations under this Agreement.

IN WITNESS WHEREOF, the parties have executed this Agreement and caused the same to be duly delivered on their behalf on the day and year first hereinabove written.

THE CORPORATION:

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KNOWLEDGEWARE, INC., a Georgia corporation

By: /s/ Francis A. Tarkenton

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Francis A. Tarkenton, Chairman of the Board  
and Chief Executive Officer

BUYER:

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STERLING SOFTWARE, INC., a  
Delaware corporation

By: /s/ Sterling L. Williams

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Sterling L. Williams,  
President

MERGER SUB:

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SSI CORPORATION, a Georgia corporation

By: /s/ Sterling L. Williams

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Sterling L. Williams,  
President

(i) Paragraph (b) of Article 4 of the Corporation's Restated Articles of Incorporation shall be amended and restated to read in its entirety as follows:

"(b) The total number of shares of stock which the Corporation shall have authority to issue is Eleven Thousand (11,000) shares, consisting of Ten Thousand (10,000) shares of Common Stock, having a par value of \$.10 per share, and One Thousand (1,000) shares of Preferred Stock, having a par value of \$.10 per share."

(ii) Article 8 of the Corporation's Restated Articles of Incorporation shall be deleted in their entirety, and all subsequent Articles (except as provided herein) and cross-references thereto shall be deemed renumbered accordingly.

(iii) Article 9 of the Corporation's Restated Articles of Incorporation (to be renumbered Article 7 pursuant to the amendments to be effected hereby) shall be amended and restated to read in its entirety as follows:

"7

The number of directors of the Corporation shall be determined in accordance with the Bylaws of the Corporation."

EXHIBIT 7.13(i)

FORM OF AFFILIATE LETTER

Sterling Software, Inc.  
8080 N. Central Expressway, Suite 1100  
Dallas, Texas 75206

Ladies and Gentlemen:

I have been advised that as of the date of this letter I may be deemed to be an "affiliate" of KnowledgeWare, Inc, a Georgia corporation (the "Corporation"), as the term "affiliate" is (i) defined for purposes of paragraphs (c) and (d) of Rule 145 of the rules and regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), and/or (ii) used in and for purposes of Accounting Series, Releases 130 and 135, as amended, of the Commission. Pursuant to the terms of the Agreement and Plan of Merger dated as of July 31, 1994 (the "Merger Agreement") among Sterling Software, Inc., a Delaware corporation (the "Buyer"), SSI Corporation, a Georgia corporation ("Merger Sub"), and the Corporation, Merger Sub will be merged with and into the Corporation (the "Merger").

As a result of the Merger, I may receive shares of common stock, par value \$.10 per share, of the Buyer (the "Buyer Securities") in exchange for shares owned by me of common stock, no par value, of the Corporation (the "Shares").

I represent, warrant and covenant to the Buyer that in the event I receive any Buyer Securities as a result of the Merger:

A. I shall not make any sale, transfer or other disposition of the Buyer Securities in violation of the Act or the Rules and Regulations.

B. I have carefully read this letter and the Merger Agreement and discussed the requirements of such documents and other applicable limitations upon my ability to sell, transfer or otherwise dispose of Buyer Securities to the extent I felt necessary, with my counsel or counsel for the Corporation.

C. I have been advised that the issuance of Buyer Securities to me pursuant to the Merger has been registered with the Commission under the Act on a Registration Statement on Form S-4. However, I have also been advised that, since at the time the Merger was submitted for a vote of the stockholders of the Corporation, I may be deemed to have been an affiliate of the Corporation and the distribution by me of the Buyer Securities has not been registered under the Act, I may not sell, transfer or otherwise dispose of Buyer Securities issued to me in the Merger unless (i) such sale,

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transfer or other disposition has been registered under the Act, (ii) such sale, transfer or other disposition is made in conformity with the volume and other limitations of Rule 145 promulgated by the Commission under the Act, or (iii) in the opinion of counsel reasonably acceptable to Buyer, such sale, transfer or other disposition is otherwise exempt from registration under the Act.

D. I understand that the Buyer is under no obligation to register the sale, transfer or other disposition of the Buyer Securities by me or on my behalf under the Act or to take any other action necessary in order to make compliance with an exemption from such registration available except, as applicable, as set forth in the Merger Agreement.

E. I also understand that stop transfer instructions will be given to the Buyer's transfer agent with respect to the Buyer Securities and that there will be placed on the certificates for the Buyer Securities issued to me, or any substitutions therefor, a legend stating in substance:

"THE SHARES REPRESENTED BY THIS CERTIFICATE WERE ISSUED IN A TRANSACTION TO WHICH RULE 145 PROMULGATED UNDER THE SECURITIES ACT OF 1933 APPLIES. THE SHARES REPRESENTED BY THIS CERTIFICATE MAY ONLY BE

TRANSFERRED IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT DATED \_\_\_\_\_, 1994 BETWEEN THE REGISTERED HOLDER HEREOF AND STERLING SOFTWARE, INC., A COPY OF WHICH AGREEMENT IS ON FILE AT THE PRINCIPAL OFFICES OF KNOWLEDGEWARE, INC.

F. I also understand that unless the transfer by me of my Buyer Securities has been registered under the Act or is a sale made in conformity with the provisions of Rule 145, the Buyer reserves the right to put the following legend on the certificates issued to my transferee:

"THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 AND WERE ACQUIRED FROM A PERSON WHO RECEIVED SUCH SHARES IN A TRANSACTION TO WHICH RULE 145 PROMULGATED UNDER THE SECURITIES ACT OF 1933 APPLIES. THE SHARES HAVE BEEN ACQUIRED BY THE HOLDER NOT WITH A VIEW TO, OR FOR RESALE IN CONNECTION WITH, ANY DISTRIBUTION THEREOF WITHIN THE MEANING OF SECURITIES ACT OF 1933 AND MAY NOT BE SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT IN ACCORDANCE WITH AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933."

It is understood and agreed that the legends set forth in paragraphs E and F above shall be removed by delivery of substitute certificates without such legend if such legend is not required for purposes of the Act or this Agreement.

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I further represent to and covenant with the Buyer that I have not and will not, during the 30 days prior to the Effective Time (as defined in the Merger Agreement), sell, transfer or otherwise dispose of any Shares that I may hold and, furthermore, that I will not sell, transfer or otherwise dispose of any shares of the Buyer Securities received by me in the Merger or any other shares of the capital stock of the Buyer or enter into any transaction or agreement with respect to any securities issued by or related to Buyer or its securities (including, without limitation, options, derivative securities, convertible securities or similar instruments or securities or "short sale" transactions) until after such time as results covering at least 30 days of combined operations of the Corporation and the Buyer have been published by the Buyer, in the form of a quarterly earnings report, an effective registration statement filed with the Commission, a report to the Commission on Form 10-K, 10-Q, or 8-K, or any other public filing or announcement which includes the combined results of operations.

Execution of this letter should not be considered an admission on my part that I am an "affiliate" of the Corporation as described in the first paragraph of this letter, or as a waiver of any rights I may have to object to any claim that I am such an affiliate on or after the date of this letter.

Very truly yours,

-----  
(Signature)

-----  
(Printed Name)

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EXHIBIT 7.13(ii)

FORM OF AFFILIATE LETTER

KnowledgeWare, Inc.  
3340 Peachtree Road, N.E.  
Suite No. 1100  
Atlanta, GA 30326

Ladies and Gentlemen:

I have been advised that as of the date of this letter I may be deemed to be an "affiliate" of Sterling Software, Inc., a Delaware corporation (the "Buyer"), as the term "affiliate" is (i) defined for purposes of paragraphs (c) and (d) of Rule 145 of the rules and regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") under the Securities Act of 1933, as amended (the "Act"), and/or (ii) used in and for purposes of Accounting Series, Releases 130 and 135, as amended, of the Commission. Pursuant to the terms of the Agreement and Plan of Merger dated as of July 31, 1994 (the "Merger Agreement") among KnowledgeWare, Inc., a Georgia corporation (the "Corporation"), SSI Corporation, a Georgia corporation ("Merger Sub"), and Buyer, Merger Sub will be merged with and into the Corporation.

I represent to and covenant with the Corporation that I have not and will not, during the 30 days prior to the Effective Time (as defined in the Merger Agreement), sell, transfer or otherwise dispose of any shares of common stock, par value \$.10 per share, of Buyer ("Buyer Common Stock") that I may hold and, furthermore, that I will not sell, transfer or otherwise dispose of any shares of the Buyer Common Stock received by me in the Merger or any other shares of the capital stock of the Buyer or enter into any transaction or agreement with respect to any securities issued by or related to Buyer or its securities (including without limitation, options, derivative securities, convertible securities, or similar instruments or securities or "short sale" transactions) until after such time as results covering at least 30 days of

combined operations of the Corporation and the Buyer have been published by the Buyer, in the form of a quarterly earnings report, an effective registration statement filed with the Commission, a report to the Commission on Form 10-K, 10-Q, or 8-K, or any other public filing or announcement which includes the combined results of operations.

- 1 -

Execution of this letter should not be considered an admission on my part that I am an "affiliate" of the Buyer as described in the first paragraph of this letter, or as a waiver of any rights I may have to object to any claim that I am such an affiliate on or after the date of this letter.

Very truly yours,

---

(Signature)

---

(Printed Name)

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EXHIBIT 7.13(iii)

REGISTRATION RIGHTS AGREEMENT

This REGISTRATION RIGHTS AGREEMENT (this "Agreement") is dated as of \_\_\_\_\_, 1994 by and among Sterling Software, Inc., a Delaware corporation (the "Buyer"), and the former stockholders of KnowledgeWare, Inc., a Georgia corporation (the "Corporation"), listed on the signature page hereto (the "Stockholders").

WHEREAS, the Buyer, SSI Corporation, a Georgia corporation and a wholly owned subsidiary of the Buyer ("Merger Sub") and the Corporation entered into an Agreement and Plan of Merger dated as of July 31 (the "Merger Agreement"; capitalized terms not defined herein shall have the meanings set forth in the Merger Agreement); and

WHEREAS, Section 7.13 of the Merger Agreement contemplates that Buyer will enter into this Agreement; and

WHEREAS, the Stockholders executed Stockholders Agreements dated as of \_\_\_\_\_, 1994 providing that the Stockholders would vote in favor of the transactions contemplated by the Merger Agreement; and

WHEREAS, to induce the Stockholders to enter into the Stockholders Agreement, the Buyer has agreed to grant the Stockholders certain registration rights as set forth herein;

NOW THEREFORE, in consideration of the foregoing and the covenants set forth herein, in the Merger Agreement and the Stockholders Agreements, the Stockholder and Buyer agree as follows:

1. Registration Rights. The Buyer shall prepare and file a registration statement (on an appropriate form) under the Securities Act to permit the sale or other disposition, on a delayed or continuous basis, of any or all shares of Buyer Common Stock that have been acquired by or are issuable to the Stockholders with respect to the Shares and the Corporation Options (if such Stockholder is not otherwise able to sell such shares free from restriction under the federal securities laws). The Buyer shall use its reasonable efforts to cause such registration statement to become effective as promptly as reasonably practicable following the publication of 30 days of combined financial results of Buyer and the Surviving Corporation, and to obtain all consents or waivers of other parties which are required thereof and to keep such registration statement effective for such period as may be reasonably necessary to effect such sale or other disposition; provided, however, Buyer shall not be obligated to keep such registration statement effective after such time as all Stockholders are eligible to sell their shares of Buyer Common Stock pursuant to Rule 144 or 145 under the Securities Act without being subject to volume resale limitations; and provided, further, the Buyer shall not be required to prepare audited financial statements (other than annual audited financial statements) in order to maintain the effectiveness of the registration statement. In connection with any sale by any Stockholder of Buyer Common Stock pursuant to such registration statement, such Stockholder must give and

the Buyer must receive written notice of such Stockholder's intention to make such a sale no less than two (2) nor more than twenty (20) business days prior to the date of the proposed sale, which notice shall include the number of shares proposed to be sold, the proposed plan of distribution and the time period during the thirty (30) days following the date of such notice during which the shares may be sold (the "Sale Period"), and such Stockholder shall not, during any Sale Period, deliver any prospectus that is part of such registration statement during any period of time when, but only so long as, the Buyer gives such Stockholder written notice (a "Delay Notice") that the Buyer is in possession of material non-public information that, in the exercise of its reasonable judgement, would be required to be disclosed in such registration statement in order to comply with the Securities Act and the rules and regulations of the SEC thereunder; provided that the Buyer shall promptly provide written notice to such Stockholder when such delay is no longer applicable; provided further that no stockholder shall be so prevented from selling such Buyer Common Stock for a period longer than ninety (90) consecutive days (a "Delay Period") following receipt of a Delay Notice and any two Delay Periods must be at least fifteen (15) days apart.

2. Indemnification; Contribution.

(a) Indemnification by the Buyer. The Buyer agrees to indemnify and hold harmless each Stockholder, its officers, directors, agents, employees, representatives and each person or entity who controls such Stockholder (within the meaning of the Securities Act), against all losses, claims, damages, liabilities and expenses (including reasonable costs of investigation) arising out of or based upon any untrue or alleged untrue statement of material fact contained in any registration statement, any amendment or supplement thereto, any prospectus or preliminary prospectus or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as the same arise out of or are based upon any such untrue statement or omission contained in any information furnished in writing to the Buyer by such Stockholder for use in the preparation thereof. In connection with an underwritten offering, the Buyer will indemnify the underwriters thereof, their officers and directors and each person who controls such underwriters (within the meaning of the Securities Act) to the same extent as provided above with respect to the indemnification of the Stockholders.

(b) Indemnification by Stockholders. In connection with any registration statement in which a Stockholder is participating, each such Stockholder will furnish to the Buyer in writing such information with respect to the name and address of such Stockholder, the amount of Buyer Common Stock held by such Stockholder and the nature of such holdings, and such other information as is required by the Buyer for use in connection with any such registration statement or prospectus and agrees to indemnify and hold harmless the Buyer, its directors, officers, agents, employees, representatives and each person or entity who controls the Buyer (within the meaning of the Securities Act), against all losses, claims, damages, liabilities and expenses (including reasonable costs of investigation) arising out of or based upon any untrue or alleged untrue statement of material fact contained in any registration statement, any amendment or supplement thereto, any prospectus or preliminary prospectus or any omission to

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state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, to the extent that such untrue statement is contained in or omission arises from any information furnished in writing by such Stockholder for use in the preparation thereof. In no event shall the liability of any selling Stockholder of Buyer Common Stock hereunder be greater in amount than the dollar amount of the proceeds received by such Stockholder upon the sale of the Buyer Common Stock giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. Any person entitled to indemnification hereunder agrees to give prompt written notice to the indemnifying party after the receipt by such person of any written notice of the commencement of any action, suit, proceeding or investigation or threat thereof made in writing for which such person will claim indemnification or contribution pursuant to this Agreement and, unless in the reasonable judgment of such indemnified party (i) a conflict of interest may exist between such indemnified

party and the indemnifying party with respect to such claim or (ii) the named parties to any such action, suit, proceeding or investigation (including any impleaded parties) include both an indemnifying party and an indemnified party, and such indemnified party shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the indemnifying party, permit the indemnifying party to assume the defense of such claim with counsel reasonably satisfactory to such indemnified party. Whether or not such defense is assumed by the indemnifying party, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent will not be unreasonably withheld). No indemnifying party will consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation. If the indemnifying party is not entitled to, or elects not to, assume the defense of a claim, it will not be obligated to pay the fees and expenses of more than one counsel with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim, in which event the indemnifying party shall be obligated to pay the fees and expenses of one additional counsel.

(d) Contribution. If the indemnification provided for in this Section 2 from the indemnifying party is unavailable to an indemnified party hereunder in respect of any losses, claims, damages, liabilities or expenses referred to therein, then the indemnifying party, in lieu of indemnifying such indemnified party, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages, liabilities or expenses in such proportion as is appropriate to reflect the relative fault of the indemnifying party and indemnified parties in connection with the actions which resulted in such losses, claims, damages, liabilities or expenses, as well as any other relevant equitable considerations. The relative fault of such indemnifying party and indemnified parties shall be determined by reference to, among other things, whether any statement of a material fact or omission or alleged omission to state a material fact has been made by, or relates to information supplied by, such indemnifying party or indemnified parties, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action. The amount paid or payable by a party as a result

of the losses, claims, damages, liabilities and expenses referred to above shall be deemed to include, subject to the limitations set forth in Section 2(c), any legal or other fees or expenses reasonably incurred by such party in connection with any investigation or proceeding.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 2(d) were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to in the immediately preceding paragraph. Notwithstanding the provisions of this Section 2(d), no selling Stockholder

shall be required to contribute any amount in excess of the amount by which the total price at which the Buyer Common Stock of such selling Stockholder were offered to the public exceeds the amount of any damages which such selling Stockholder has otherwise been required to pay by reason of such untrue statement or omission. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation.

If indemnification is available under this Section 2, the indemnifying parties shall indemnify each indemnified party to the full extent provided in Section 2(a) and (b) without regard to the relative fault of said indemnifying party or indemnified party or any other equitable consideration provided for in this Section 2(d).

### 3. Miscellaneous.

(a) Expenses. Except as otherwise provided herein, each of the parties hereto shall bear and pay all costs and expenses incurred by it or on its behalf in connection with the exercise of registration rights granted hereunder, including fees and expenses of its own counsel.

(b) Waiver and Amendment. Any provision of this Agreement may be waived at any time by the party that is entitled to the benefits of such provision. This Agreement may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the parties hereto.

(c) Entire Agreement; No Third-Party Beneficiary; Severability. Except as otherwise set forth in the Merger Agreement, this Agreement (including other documents and instruments referred to herein or therein) (i) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof and (ii) is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or a governmental entity to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

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(d) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to any applicable conflicts of law rules.

(e) Descriptive Headings. The descriptive headings contained herein are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

(f) Notices. All notices and other communications hereunder shall be in writing and shall be given by overnight courier, by delivering the same in

person, by telecopy (with confirmation) or by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

If to the Buyer to:

Sterling Software, Inc.  
8080 N. Central Expressway, Suite 1100  
Dallas, Texas 75206  
Telecopier No.: (214) 750-0905  
Attention: President

with a copy to:

Jackson & Walker, L.L.P.  
901 Main Street, Suite 6000  
Dallas, Texas 75202  
Telecopier No.: (214) 953-5822  
Attention: Charles D. Maguire, Jr.

If to the Stockholder to:

Such address as appears on the signature page hereof

Such notice shall be deemed delivered and received on the date on which it is received if sent by overnight courier, hand-delivered or telecopy, or on the fifth business day following the date on which it is so mailed.

(g) Counterparts. This Agreement and any amendments hereto may be executed in two counterparts, each of which shall be considered one and the same agreement and shall become effective when both counterparts have been signed by each of the parties and delivered to the other party, it being understood that both parties need not sign the same counterpart.

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(h) Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder shall be assigned by any party hereto.

(i) Specific Performance. The parties hereto agree that this Agreement may be enforced by either party through specific performance, injunctive relief and other equitable relief. The parties further agree to waive any requirement for the securing or posting of any bond in connection with the obtaining of any such equitable relief and that this provision is without prejudice to any other rights that the parties hereto may have for any failure to perform this Agreement.

IN WITNESS WHEREOF, the Stockholders and the Buyer have caused this Registration Rights Agreement to be signed, all as of the date first written above.

BUYER:

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STERLING SOFTWARE, INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Address for Notice:

STOCKHOLDERS:

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## STOCK OPTION AGREEMENT

This STOCK OPTION AGREEMENT (this "Agreement") is dated as of July 31, 1994 by and between KnowledgeWare, Inc., a Georgia corporation (the "Corporation"), and Sterling Software, Inc., a Delaware corporation (the "Buyer").

WHEREAS, the Buyer, SSI Corporation, a Georgia corporation and a wholly owned subsidiary of the Buyer ("Merger Sub"), and the Corporation propose to enter into an Agreement and Plan of Merger dated as of the date hereof (the "Merger Agreement"; capitalized terms not defined herein shall have the meanings set forth in the Merger Agreement), providing for, among other things, the merger of Merger Sub with and into the Corporation with the Corporation as the surviving corporation; and

WHEREAS, as a condition and an inducement to the Buyer's willingness to enter into the Merger Agreement, the Buyer has requested that the Corporation agree, and the Corporation has agreed, to grant the Buyer the Option (as defined below);

NOW, THEREFORE, in consideration of the foregoing and the respective representations, warranties, covenants and agreements set forth herein and in the Merger Agreement, the Corporation and the Buyer agree as follows:

1. Grant of Option. Subject to the terms and conditions set forth herein, the Corporation hereby grants to the Buyer an irrevocable option (the "Option") to acquire up to 1,200,000 (as adjusted as set forth in Section 6 hereof) shares (the "Option Shares") of Common Stock, no par value, of the Corporation ("Corporation Common Stock") at an exercise price of \$8.75 per Option Share (the "Purchase Price").

2. Exercise of Option. (a) The Buyer may exercise the Option, in whole or in part, at any time and from time to time following the occurrence of an Exercise Event (as defined below); provided that, except as otherwise provided in this Section 2(a), the right to exercise the Option pursuant to this Section 2 shall expire and be of no further force and effect upon: (i) the Effective Time; or (ii) twelve months following the first occurrence of an Exercise Event. Notwithstanding the expiration of the Option, the Buyer shall be entitled to acquire those Option Shares with respect to which it has exercised the Option in accordance with the terms hereof prior to the expiration of the Option.

(b) An "Exercise Event" shall occur for purposes of this Agreement upon the occurrence of any of the following:

(i) (x) the Merger Agreement shall have been terminated by mutual

consent of the Corporation and the Buyer, (y) an Acquisition Proposal shall have been received by the Corporation prior to such termination and (z) within twelve months after such termination, the Corporation shall have consummated a Business Combination with any person or entity (other than the Buyer or its subsidiaries or affiliates);

(ii) the Board of Directors of the Corporation shall have withdrawn, modified or changed its recommendation of the Merger Agreement or the Merger in a manner

adverse to the Buyer or shall have resolved to do any of the foregoing at a time when Buyer is not in material breach of the Merger Agreement and, within twelve months after termination of the Merger Agreement, the Corporation shall have consummated an Acquisition Proposal with any person or entity;

(iii) (x) a tender offer or exchange offer for twenty percent (20%) or more of the outstanding shares of capital stock of the Corporation shall have been commenced while the Merger Agreement is in effect, (y) the Board of Directors of the Corporation, within 10 business days after such tender offer or exchange offer has been so commenced, either fails to recommend against acceptance of such tender offer or exchange offer by its stockholders or takes no position with respect to the acceptance of such tender offer or exchange offer by its stockholders and such tender offer is consummated and (z) the Buyer shall have terminated the Merger Agreement;

(iv) (x) any person shall have acquired beneficial ownership or the right to acquire beneficial ownership, or any "group" (as such term is defined under Section 13(d) of the Exchange Act) shall have been formed which beneficially owns, or has the right to acquire beneficial ownership of, twenty-five percent (25%) or more of the then outstanding Corporation Common Stock while the Merger Agreement is in effect, and (y) the Buyer shall have terminated the Merger Agreement; provided, however, this Section 2(b)(iv) shall not apply with respect to any person who has executed a Stockholder Agreement or any "group" of which such person is a member; or

(v) (v) the Merger Agreement shall have failed to receive the requisite vote for approval and adoption by the stockholders of the Corporation at the stockholders' meeting called for that purpose, (w) at such time, an Acquisition Proposal shall have been made and the Board of Directors of the Corporation either fails to recommend against acceptance of such Acquisition Proposal by its stockholders or takes no position with respect to such Acquisition Proposal, (x) at the time of such stockholders' meeting, the Buyer shall not have been in material breach of the Merger Agreement, (y) the Merger Agreement shall have been terminated, and (z) within twelve months after the termination, the Corporation consummates such Acquisition Proposal.

(c) In the event the Buyer wishes to exercise the Option, it shall send to the Corporation a written notice (the "Notice"; the date of such notice being

herein referred to as the "Notice Date") specifying (i) the total number of Option Shares it intends to acquire pursuant to such exercise and (ii) a place and date not earlier than three business days nor later than 15 business days from the Notice Date for the closing of such acquisition (the "Closing Date"); provided that, if the closing of the acquisition pursuant to the exercise of the Option (the "Closing") cannot be consummated by reason of any applicable law, the period of time that otherwise would run pursuant to this sentence shall run instead from the date on which such restriction on consummation has expired or been terminated; and provided further, without limiting the foregoing, that if prior notification to or approval of any governmental or regulatory authority, agency, court or other entity (a "Governmental Entity") is required in connection with such acquisition, the Buyer shall promptly file the required notice or application for approval and shall expeditiously process the same (and the Corporation shall cooperate with the Buyer in the filing of any such notice or application and the obtaining of any such approval), and the period

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of time that otherwise would run pursuant to this sentence shall run instead from the date on which, as the case may be (i) any required notification period has expired or been terminated or (ii) such approval has been obtained, and in either event, any requisite waiting period has passed.

(d) Notwithstanding Section 2(c), in no event shall any Closing Date be more than 12 months after the related Notice Date, and if the Closing Date shall not have occurred within 12 months after the related Notice Date due to the failure to obtain any such required approval, the exercise of the Option effected on the Notice Date shall be deemed to have expired. Notwithstanding the first sentence of this paragraph (d), in the event (i) the Buyer receives official notice that an approval of any Governmental Entity required for the purchase of Option Shares would not be issued or granted or (ii) a Closing Date shall not have occurred within 12 months after the related Notice Date due to the failure to obtain any such required approval, the Buyer shall be entitled to exercise the Option in connection with the resale of Corporation Common Stock or other securities pursuant to a registration statement as provided in Section 7.

3. Payment and Delivery of Certificates. (a) On each Closing Date, the Buyer shall pay the Corporation, in immediately available funds by wire transfer to a bank account designated by the Corporation, an amount equal to the Purchase Price multiplied by the number of Option Shares to be purchased on such Closing Date.

(b) At such Closing, simultaneously with the delivery of the consideration specified in Section 3(a), the Corporation shall deliver to the Buyer a certificate or certificates representing the Option Shares to be acquired at such Closing, which Option Shares shall be free and clear of all liens, claims, charges and encumbrances of any kind whatsoever (including any preemptive rights of any shareholder).

(c) Certificates evidencing the shares delivered at each Closing pursuant

to Section 3(b) shall be endorsed with the restrictive legend set forth below in its entirety:

"THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. NO REGISTRATION OF TRANSFER OF SUCH SECURITIES WILL BE MADE ON THE BOOKS OF THE ISSUER UNLESS SUCH TRANSFER IS MADE IN CONNECTION WITH AN EFFECTIVE REGISTRATION STATEMENT UNDER SUCH ACT OR PURSUANT TO AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF SUCH ACT OR SUCH ACT DOES NOT APPLY."

It is understood and agreed that this legend shall be removed by delivery of substitute certificate(s) without such legend if the Buyer shall have delivered to the Corporation a copy of a letter from the staff of the Securities and Exchange Commission, or an opinion of counsel (from counsel reasonably acceptable to the Corporation) in form and substance reasonably satisfactory to the Corporation and its counsel, to the effect that such legend is not required for purposes of the Securities Act of 1933, as amended (the "Securities Act").

4. Representations and Warranties of the Corporation. The representations and warranties of the Corporation set forth in Sections 5.2 and 5.6 of the Merger Agreement are

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incorporated herein by reference as though set forth herein in full and shall survive any termination of the Merger Agreement. In addition, the Corporation hereby represents and warrants to the Buyer that (i) the Corporation has taken all necessary corporate and other action to reserve, and at all times from the date hereof until the obligation to deliver Corporation Common Stock upon the exercise of the Option terminates will have reserved for issuance, upon exercise of the Option, shares of Corporation Common Stock equal to the number of shares of Corporation Common Stock for which the Option may be exercised, and the Corporation will take all necessary corporate action to reserve for issuance all additional shares of Corporation Common Stock or other securities which may be issued upon exercise of the Option pursuant to Section 6 of this Agreement and (ii) the shares of Corporation Common Stock to be issued upon due exercise of the Option, including all additional shares of Corporation Common Stock or other securities which may be issuable pursuant to Section 6 of this Agreement, upon issuance and payment therefor pursuant hereto, shall be validly issued, fully paid and nonassessable, and shall be delivered free and clear of all liens, claims, charges and encumbrances of any kind whatsoever, including any preemptive rights of any shareholder of the Corporation.

5. Representations and Warranties of the Buyer. The representations and warranties of the Buyer set forth in the second and third sentences of Section 6.2 and Section 6.5 of the Merger Agreement are incorporated herein by reference as if set forth herein in full and shall survive any termination of the Merger Agreement. In addition, the Buyer hereby represents and warrants to the Corporation that the Option is not being taken, and any Option Shares or other securities acquired by the Buyer upon exercise of the Option will not be taken,

with a view to the public distribution thereof and will not be transferred or otherwise disposed of except in a transaction registered or exempt from registration under the Securities Act.

6. Adjustment upon Share Issuances, Changes in Capitalization, Etc. (a) In the event of any change in Corporation Common Stock by reason of, without limitation, a stock dividend, split-up, recapitalization, combination, exchange of shares or similar transaction, the type and number of shares or securities to be delivered by the Corporation pursuant to the Option shall be adjusted appropriately, and proper provision shall be made in the agreements governing such transaction, so that the Buyer shall receive upon exercise of the Option the number and class of shares or other securities or property that the Buyer would have received if the Option had been exercised immediately prior to such event, or the record date therefor, as applicable.

(b) In the event that the Corporation shall enter into an agreement (i) to consolidate with or merge into any person, other than the Buyer or one of its subsidiaries, and shall not be the continuing or surviving corporation of such consolidation or merger, (ii) to permit any person, other than the Buyer or one of its subsidiaries, to merge into the Corporation and the Corporation shall be the continuing or surviving corporation, but, in connection with such merger, the then outstanding shares of Corporation Common Stock shall be changed into or exchanged for stock or other securities of the Corporation or any other person or cash or any other property or then outstanding shares of Corporation Common Stock shall after such merger represent less than 50% of the outstanding shares and share equivalents of the merged company or (iii) to sell or otherwise transfer all or substantially all of its assets to any person, other than the Buyer or one of its subsidiaries, then, and in each such case, the agreement governing such transaction shall make proper provision so that the Option shall, upon the consummation of any

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such transaction and upon the terms and conditions set forth in this Agreement, be converted into, or exchanged for, an option to acquire the same consideration received by the holders of Corporation Common Stock pursuant to such a transaction had the Option been exercised in full prior to the consummation of such transaction. The provisions of this Agreement, including Sections 1, 2, 6 and 7, shall apply with appropriate adjustments to any securities for which the Option becomes exercisable pursuant to this Section 6.

7. Registration Rights. The Corporation shall, if requested by the Buyer at any time and from time to time (a) within three years after the first Closing Date or (b) for 20 business days following the occurrence of either of the events set forth in clauses (i) and (ii) of Section 2(d), as expeditiously as possible prepare and file up to three registration statements under the Securities Act if such registration is necessary in order to permit the sale or other disposition of any or all shares of Corporation Common Stock or other securities that have been acquired by or are issuable to the Buyer upon exercise of the Option by the Buyer, including a "shelf" registration statement under

Rule 415 under the Securities Act or any successor provision, and the Corporation shall use its best efforts to qualify such shares or other securities under any applicable state securities laws. The Buyer agrees to use all reasonable efforts to cause, and to cause any underwriters of any sale or other disposition to cause, any sale or other disposition pursuant to such registration statement to be effected on a widely distributed basis so that upon consummation thereof no purchaser or transferee shall own beneficially 5% or more of the then outstanding voting power of the Corporation. The Corporation shall use all reasonable efforts to cause each such registration statement to become effective, to obtain all consents or waivers of other parties which are required thereof and to keep such registration statement effective for such period as may be reasonably necessary to effect such sale or other disposition; provided, however, the Corporation shall not be required to prepare audited financial statements in order to maintain the effectiveness of the registration statement. In the event that the Buyer requests the Corporation to file a registration statement following the failure to obtain a required approval for an exercise of the Option as described in Section 2(d), the closing of the sale or other disposition of Corporation Common Stock or other securities pursuant to such registration statement shall occur substantially simultaneously with the exercise of the Option. The obligations of the Corporation hereunder to file a registration statement and to maintain its effectiveness may be suspended for one or more periods of time not exceeding 90 days in the aggregate for all such periods (and such periods being at least 15 days apart) if the Board of Directors of the Corporation shall have determined that the filing of such registration statement or the maintenance of its effectiveness would require disclosure of nonpublic information that would materially and adversely affect the Corporation. Any registration statement prepared and filed under this Section 7, and any sale covered thereby, shall be at the Corporation's expense except for underwriting discounts or commissions, brokers' fees and the fees and disbursements of the Buyer's counsel related thereto. The Buyer shall provide all information reasonably requested by the Corporation for inclusion in any registration statement to be filed hereunder. In connection with any registration pursuant to this Section 7, the Corporation and the Buyer shall provide each other and any underwriter of the offering with customary representations, warranties, covenants, indemnification and contribution in connection with such registration. In the event of a Business Combination proper provision shall be made in the definitive acquisition agreement executed in connection therewith to provide that the acquiring party or successor party thereto shall be bound by the provisions of this Section 7 as if such party was a signatory hereto.

8. Division of Option. This Agreement and the Option granted hereby are exchangeable, without expense, at the option of the Buyer upon partial exercise of the Option or partial assignment of the Option, in both instances as provided herein, upon presentation and surrender of this Agreement at the principal office of the Corporation, for other Agreements providing for Options of different denominations entitling the holder thereof to acquire in the aggregate the same number of shares of Corporation Common Stock which may be acquired

hereunder. The terms "Agreement" and "Option" as used herein include any other Agreements and related Options for which this Agreement and the Option granted hereby may be exchanged.

9. Miscellaneous: (a) Expenses. Except as otherwise provided in the Merger Agreement, each of the parties hereto shall bear and pay all costs and expenses incurred by it or on its behalf in connection with the transactions contemplated hereunder, including fees and expenses of its own counsel.

(b) Waiver and Amendment. Any provision of this Agreement may be waived in writing at any time by the party that is entitled to the benefits of such provision. This Agreement may not be modified, amended, altered or supplemented except upon the execution and delivery of a written agreement executed by the parties hereto.

(c) Entire Agreement; No Third-Party Beneficiary; Severability. Except as otherwise set forth in the Merger Agreement, this Agreement (including other documents and instruments referred to herein or therein) (i) constitutes the entire agreement and supersedes all prior agreements and understandings, both written and oral, between the parties with respect to the subject matter hereof and (ii) is not intended to confer upon any person other than the parties hereto any rights or remedies hereunder. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or a Governmental Entity to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

(d) Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware without regard to any applicable conflicts of law rules.

(e) Descriptive Headings. The descriptive headings contained herein are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Agreement.

(f) Notices. All notices and other communications hereunder shall be in writing and shall be given by overnight courier, by delivering the same in person, by telecopy (with confirmation) or by registered or certified mail (return receipt requested) to the parties at the following addresses (or at such other address for a party as shall be specified by like notice):

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If to the Buyer to:

Sterling Software, Inc.  
8080 N. Central Expressway, Suite 1100  
Dallas, Texas 75206  
Telecopier No.: (214) 750-0905  
Attention: President

with a copy to:

Jackson & Walker, L.L.P.  
901 Main Street, Suite 6000  
Dallas, Texas 75202  
Telecopier No.: (214) 953-5822  
Attention: Charles D. Maguire, Jr.

If to the Corporation to:

KnowledgeWare, Inc.  
3340 Peachtree Road, N.E.  
Suite No. 1100  
Atlanta, GA 30326  
Telecopier No.: (404) 364-0883  
Attention: President

with a copy to:

Hicks, Maloof & Campbell  
Suite No. 2200, Two Marquis Two Tower  
285 Peachtree Center Ave., N.E.  
Atlanta, GA 30303  
Telecopier No.: (404) 420-7474  
Attention: Maurice N. Maloof

Such notice shall be deemed delivered and received on the date on which it is received if sent by overnight courier, hand-delivery or telecopy, or on the fifth business day following the date on which it is so mailed.

(g) Counterparts. This Agreement and any amendments hereto may be executed in two counterparts, each of which shall be considered one and the same agreement and shall become effective when both counterparts have been signed by each of the parties and delivered to the other party, it being understood that both parties need not sign the same counterpart.

(h) Assignment. Neither this Agreement nor any of the rights, interests or obligations hereunder or under the Option shall be assigned by the Corporation (whether by operation of law

or otherwise) without the prior written consent of the Buyer. The Buyer may assign its rights, interests or obligations under this Agreement or the Option to any person, including without limitation an assignment of its rights under Section 7 of this Agreement in connection with the sale of Corporation Common Stock to any purchaser thereof. Subject to the first sentence of this

Agreement, this Agreement shall be binding upon, inure to the benefit of and be enforceable by the parties and their respective successors and assigns.

(i) Mutual Drafting. Each party hereto has participated in the drafting of this Agreement, which each party acknowledges is the result of extensive negotiations between the parties.

(j) Further Assurances. In the event of any exercise of the Option by the Buyer, the Corporation and the Buyer shall execute and deliver all other documents and instruments and take all other action that may be reasonably necessary in order to consummate the transactions provided for by such exercise.

(k) Specific Performance. The parties hereto agree that this Agreement may be enforced by either party through specific performance, injunctive relief and other equitable relief. Both parties further agree to waive any requirement for the securing or posting of any bond in connection with the obtaining of any such equitable relief and that this provision is without prejudice to any other rights that the parties hereto may have for any failure to perform this Agreement.

IN WITNESS WHEREOF, the Corporation and the Buyer have caused this Stock Option Agreement to be signed by their respective officers thereunto duly authorized, all as of the date first written above.

KNOWLEDGEWARE, INC.

By: /s/ Francis A. Tarkenton

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Francis A. Tarkenton, Chairman of the Board  
and Chief Executive Officer

STERLING SOFTWARE, INC.

By: /s/ Sterling L. Williams

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Sterling L. Williams, President

## STERLING SOFTWARE ANNOUNCES

## ACQUISITION OF KNOWLEDGEWARE INC.

DALLAS and ATLANTA, August 1, 1994 -- Sterling Software Inc. (SSW-NYSE) and KnowledgeWare Inc. (KNOW-NASDAQ) today announced that they have signed a definitive agreement providing for the acquisition by Sterling of KnowledgeWare in a stock transaction valued at approximately \$143 million. Under the terms of the merger, Sterling will issue .2893 of a share of its common stock for each outstanding share of KnowledgeWare common stock. The result will be the issuance of approximately 4,213,000 shares of Sterling Software common stock. Approximately 24,488,000 shares of Sterling Software common stock will be outstanding after such issuance.

The proposed merger is subject to the approval of each company's shareholders and certain regulatory authorities, but has received unanimous approval from the respective boards of directors. For accounting purposes, the merger will be structured as a pooling of interests and for federal income tax purposes, as a tax-free exchange to KnowledgeWare's shareholders. The companies anticipate a closing by November 1, 1994. The combined company will operate as Sterling Software. Following the merger, Francis A. Tarkenton, chairman of the board and chief executive officer of KnowledgeWare, will join the Sterling board of directors.

Sterling L. Williams, president and chief executive officer of Sterling Software, said, "This merger is a quantum leap for Sterling Software in the application development arena and instantly makes us a market leader. The combination of KnowledgeWare's client/server development and legacy migration tools and our tools for enterprise systems completes a powerful picture for our customers. Following the merger, we will provide our customers with the broadest suite of application development products and services in the industry."

Fran Tarkenton, chairman and chief executive officer of KnowledgeWare, said "We believe our decision to merge with Sterling was an excellent one that will benefit our shareholders, customers and employees. Sterling has completed a number of highly successful acquisitions and its decentralized operating style will allow KnowledgeWare's people and products to thrive as part of a larger, financially strong technology leader."

For its fiscal year ended September 30, 1993, Sterling Software reported

revenue of \$411.8 million. For its fiscal year ended June 30, 1993, KnowledgeWare reported revenue of \$128.8 million.

In connection with the merger agreement, KnowledgeWare granted to Sterling an option to purchase 1,200,000 shares of its common stock. The option is exercisable only following the

occurrence of certain events and will expire upon the closing. Certain KnowledgeWare shareholders holding approximately 16 percent of the voting power of KnowledgeWare's outstanding shares have agreed to vote their shares in favor of the merger.

A registration statement relating to the shares of Sterling common stock to be issued in the merger will be filed with the Securities and Exchange Commission. The sterling shares will be offered only by means of a prospectus included in the registration statement. No proxies will be solicited and no Sterling shares will be offered until the registration statement becomes effective.

KnowledgeWare Inc., headquartered in Atlanta, is a worldwide provider of client/server application development tools, business process reengineering products, data access and warehousing software, and services for rapidly responding to business needs and requirements. KnowledgeWare employs approximately 700 people in more than 35 offices worldwide.

Sterling Software Inc., headquartered in Dallas, is a worldwide leader in electronic commerce, systems software and government-related professional services. Sterling employs approximately 2,900 people in more than 50 offices worldwide organized into four groups and sixteen divisions to focus on its three key markets and the international marketplace.

Contacts:

Anna Vahala  
Vice President, Investor Relations  
Sterling Software Inc.  
(214) 891-8600

Denese Van Dyne  
Director of Communications  
KnowledgeWare Inc.  
(404) 231-3510, ext. 2345