

PROSPECTUS

AGS COMPUTERS, INC.

Employee Stock Purchase Plan

250,000 Shares

Common Stock

(Par Value \$.10 per share)

This Prospectus is intended to be used by AGS Computers, Inc. (the "Company") in connection with the offer and sale from time to time of 250,000 shares of the Common Stock, \$.10 par value of the Company to employees of the Company and its subsidiaries pursuant to options granted under the terms of the Company's Employee Stock Purchase Plan (the "Purchase Plan"). In addition, this Prospectus may be used in connection with the offer and sale of an additional indeterminate number of shares of the Company's Common Stock which might become issuable because of changes in the outstanding Common Stock of the Company by reason of stock dividends, recapitalizations, mergers, consolidations, split-ups, combinations or exchanges of shares and the like. Provisions contained in the Purchase Plan regarding adjustments to options by reason of such events are described under the caption "Shares Subject to the Plan and Adjustment Upon Changes in Capitalization" as part of the description of the Purchase Plan herein contained. Offers to issue the shares will be made at the prices and on the terms and conditions contained in option agreements which will be entered into between the Company and the option holders at the time the options are granted.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION NOR HAS THE COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

The date of this Prospectus is June 17, 1983

No person has been authorized to give any information or to make any representation not contained in this Prospectus in connection with the offer made hereby. If given or made, such information or representation must not be relied upon as having been authorized by the Company. Neither delivery of this Prospectus nor any sale made hereunder shall under any circumstances create an implication that information contained herein is correct as of any time subsequent to the date hereof. Statements contained in this Prospectus as to the provisions of the Purchase Plan are not necessarily complete and in each instance reference is made to the copy of the Purchase Plan contained in or appended to the Registration Statement to which this Prospectus relates and filed with the Securities and Exchange Commission, and each such statement in this Prospectus is qualified in all respects by such reference. Each optionee who receives a copy of this Prospectus shall also receive a copy of the Purchase Plan, unless such optionee has previously received a copy of such Plan. This Prospectus does not constitute an offer or solicitation in any state or jurisdiction in which such offer or solicitation is unlawful.

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AVAILABLE INFORMATION

The Company is subject to the informational requirements of the Securities Exchange Act of 1934 and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission. Such reports, proxy statements and other information concerning the Company can be inspected and copied at the Public Reference Room of the Commission, 450 Fifth Street, N.W., Room 1024, Washington, D.C. 20549, and at the Commission's regional offices at 219 South Dearborn Street, Room 1204, Chicago, Illinois 60604; 26 Federal Plaza, Room 1102, New York, New York 10007; and 10960 Wilshire Boulevard, Suite 1710, Los Angeles, California 96024. Copies of such material can also be obtained from the Public Reference Section of the Commission, Washington, D.C. 20549, at prescribed rates.

A copy of the Company's Annual Report to Shareholders for its last fiscal year will be delivered with this Prospectus to each employee to whom this Prospectus is sent or given, unless such employee has otherwise received a copy of such Annual Report to Shareholders, in which case a copy of such Annual Report to Shareholders will be furnished, without charge, upon request of the employee.

The Company hereby undertakes to provide without charge to each person to whom this Prospectus is delivered, upon written or oral request, a copy of any of the documents incorporated herein by reference, except for the exhibits to such documents. Requests should be directed to Secretary, AGS Computers, Inc., 1135 Spruce Drive, Mountainside, New Jersey 07092, telephone (201) 654-4321.

GENERAL INFORMATION

The Company provides professional computer software and engineering services and proprietary software products to meet data processing, engineering and project management requirements of large commercial and financial institutions. In addition, the Company, through its subsidiaries, is one of the largest independent distributors of microcomputers, related peripheral equipment and packaged software in the United States. The Company was incorporated in New York in 1967. The Company's principal executive office is located at 1135 Spruce Drive, Mountainside, New Jersey 07092, and its telephone number is (201) 654-4321.

In addition to the Purchase Plan, the Board of Directors and the shareholders of the Company have adopted an Incentive Stock Option Plan and reserved for issuance thereunder 250,000 shares of the Company's Common Stock. Employees of the Company and its subsidiaries may participate in the Purchase Plan and the Incentive Stock Option Plan. Participation in the Purchase Plan is subject to the terms and provisions of the Purchase Plan described elsewhere in this Prospectus.

For information concerning the number of employees of the Company eligible to participate in the Purchase Plan, the number of employees participating in the Purchase Plan, the number of shares covered by outstanding options and the number of shares available for the grant of options pursuant to the Purchase Plan, see "Current Information" and "Options Outstanding" in the Appendix delivered with this Prospectus and in any updated Appendices delivered from time to time. The Company intends to update at least annually, and more often when necessary, the information contained in the Appendix by providing a new Appendix to persons who have received the Prospectus or, in the alternative, by including such updated information in reports or other documents filed with the Securities and Exchange Commission pursuant to the Exchange Act. Such Appendix, as updated and delivered from time to time, is incorporated herein by reference and constitutes a part of this Prospectus.

The Company has filed a Registration Statement with the Securities and Exchange Commission under the Securities Act of 1933, as amended, for the registration of shares of its Common Stock, \$.10 par value, which may be purchased by the exercise of the stock options which may be granted pursuant to the Purchase Plan. This Prospectus is applicable to (i) options which may be granted under the Purchase Plan, and (ii) the offer and sale of shares to optionees under the Purchase Plan.

Nature and Purpose of the Purchase Plan

The Purchase Plan is intended to be an "employee stock purchase plan" and to comply with Section 423 of the Internal Revenue Code of 1954, as amended.

The purpose of the Purchase Plan is to provide eligible employees, as that term is defined in the Purchase Plan of the Company and its subsidiaries, who wish to become shareholders of the Company, an opportunity to purchase Common Stock of the Company.

Duration and Modification

The Purchase Plan will terminate at the earlier of (i) the expiration of the last authorized offering period; or (ii) the day that employees participating in offerings under the Purchase Plan become entitled to purchase a number of shares of Common Stock equal to or greater than the number of shares remaining available for purchase; or (iii) at any time at the discretion of the Board of Directors. Any termination of the Purchase Plan will be effected so that the then existing rights of all participating employees shall not be adversely affected.

The Purchase Plan may be modified or amended by the Board of Directors at any time except that, without the approval of a majority of the shares of Common Stock of the Company then issued and outstanding and entitled to vote, no amendment may be made increasing the number of shares reserved under the Purchase Plan or decreasing the purchase price per share (in each case excepting any adjustment to avoid dilution upon changes in capitalization as discussed below), or withdrawing the administration of the Purchase Plan from the Employee Stock Purchase Plan Committee of the Board of Directors of the Company (the "Purchase Plan Committee").

Federal Income Tax Consequences

For information concerning the federal income tax consequences of participation in the Purchase Plan, see "Federal Income Tax Consequences" in the Appendix delivered with this Prospectus and in any updated Appendices delivered from time to time.

Shares Subject to the Purchase Plan and Adjustment Upon Changes in Capitalization

The shares of Common Stock to be issued by the Company pursuant to the Purchase Plan may be treasury shares, newly issued shares, or both. No more than an aggregate of 250,000

shares of Common Stock of the Company may be purchased pursuant to options granted under the Purchase Plan.

In the event of any change in the Common Stock of the Company by reason of stock dividends, split-ups, corporate separations, recapitalizations, mergers, consolidations, combinations, exchanges of shares and the like, the aggregate number and class of shares available under the Purchase Plan and the number, class and purchase price of shares under option but not yet issued under the Purchase Plan shall be adjusted to reflect such change. This adjustment shall only occur if any of the aforementioned events affects the number or class of shares held by holders of the Common Stock of the Company prior to the consummation of an event. However, no such adjustment shall be made which would result in the issuance of a fractional share of Common Stock or in a modification of the options granted under the Purchase Plan in a manner which would disqualify the Purchase Plan as an "employee stock purchase plan" under the provisions of Section 423 of the Code.

Eligibility

Any person who is a full-time employee of the Company as of the date of each offering under the Purchase Plan shall be eligible to receive options to purchase Common Stock of the Company ("Eligible Employee"), except the following persons shall not be eligible to participate in the Purchase Plan; (i) all persons who are Executive Officers of the Company, as defined by the rules and regulations of the Securities and Exchange Commission; and (ii) the five (5) highest paid employees of the Company, whether or not they are Executive Officers.

Other limitations upon an employee's participation in the Purchase Plan are as follows:

1. An otherwise eligible employee may not be granted an option under the Purchase Plan if the granting of the option would permit his rights to purchase Common Stock of the Company or its subsidiaries under the Purchase Plan to accrue at a rate which exceeds \$25,000 based upon fair market value of the stock, as determined at the time the option is granted, for each calendar year in which an option is outstanding at any time.

2. If, after the granting of the option, an employee would own Common Stock (including stock which such employee may purchase under outstanding options) possessing five (5%) percent or more of the total combined voting power or value of all classes of the capital stock of the Company, the employee shall be ineligible to participate in the Purchase Plan. Pursuant to Section 425(d) of the Code, an employee is deemed to own the

stock owned, directly or indirectly, by or for his brothers, sisters, spouse, ancestors and lineal descendants (children).

Method of Participation

The Purchase Plan Committee will offer Common Stock of the Company to employees under the Purchase Plan from time to time on the date or dates that it so designates. The Purchase Plan Committee will give notice to employees of each offering, specifying the aggregate number of shares of Common Stock available for option under the offering, the number of shares of Common Stock which may be covered by the option to be offered to the employee, the Initial Offering Price of the Common Stock being offered, the fixed term of the offering and the method or methods of payment for the shares of Common Stock so offered that will be acceptable to the Purchase Plan Committee. Options will be deemed granted on the date that the Purchase Plan Committee makes the determinations set forth in the preceding sentence. The grant of the option is conditioned upon the execution and delivery by the Eligible Employee of an option agreement provided by the Purchase Plan Committee.

Eligible employees shall become participants by completing and delivering to the Purchase Plan Committee such election and other forms (including option agreements) as may be required by the Purchase Plan Committee for participation in the Purchase Plan. Any employee who desires to exercise all or any part of the option must notify the Purchase Plan Committee of his election to do so within the offering period, using the form provided by the Purchase Plan Committee for such notification. The Purchase Plan Committee determines the number of shares to be offered and the offering period. This election shall continue in effect until the employee terminates his employment with the Company, which event is discussed below.

The Purchase Plan Committee determines the Initial Offering Price which may not be less than 85% of the fair market value of the Company's Common Stock as determined by the Purchase Plan Committee on the date of any offering. The Purchase Plan Committee may authorize payment of shares by the following methods, among others; (i) cash payment upon exercise of options, (ii) payroll deductions, and (iii) payment in cash subsequent to exercise of options.

Any employee who is authorized and elects to pay for his shares by payroll deductions may not have more than one payroll deduction in effect simultaneously.

If Eligible Employees accept, in any one offering, options which if exercised would result in the issuance of more

than the aggregate number of shares of Common Stock specified by the Purchase Plan Committee, the Purchase Plan Committee may either: (i) increase the number of shares in the offering, provided that no such increase shall increase the total number of shares authorized under the Purchase Plan; or (ii) adjust such options on a pro rata basis so that the aggregate number of shares subject to purchase under that offering does not exceed the specified number of shares.

Any and all funds held by the Company under the Purchase Plan may be used by the Company for any general purpose.

Purchase of Shares

As of the end of the offering period specified in each offering, the Purchase Plan Committee may determine an Alternative Offering Price. The Purchase Plan provides that the Alternative Offering Price may not be greater than the Initial Offering Price or less than 85% of the fair market value of the Company's Common Stock on the last day of the offering period.

If the Purchase Plan Committee fixes an alternative offering price, all participating employees shall have the opportunity to purchase shares at such price. Employees who paid for their shares during the offering period at the original offering price shall be entitled to receive a refund of a portion of the price paid to reflect the difference between the original purchase price paid and the price that would have been paid had the shares been purchased at the Alternative Offering Price.

Death and Termination of Employment

In the event that the employment of an employee who has exercised an option or options to purchase shares in an offering or offerings under the Purchase Plan is terminated prior to the time he purchases shares pursuant to the options because of death, total and permanent disability, or retirement at or after age 65 or earlier with the consent of the Company, he or his legal representative, as applicable, may, within the time periods provided in the Purchase Plan, either: (i) cancel his option(s) and receive a refund of any payments made towards the purchase price of the shares, or (ii) elect to exercise the options outstanding and purchase the shares in accordance with the terms of the offering. The election of an employee or his legal representative must be made within three (3) months of the date of the event causing the termination of employment and within twenty-seven (27) months from the date of grant of the option. If no notification of election has been filed with the Purchase Plan Committee within the prescribed period, the Company will cancel the terminated employee's option(s).

In the event that the employment of an employee who is participating in an offering or offerings under the Purchase Plan is terminated for any reason other than those specified in the preceding paragraph, the options to purchase shares hereunder shall be terminated and cancelled upon the termination of the employee's employment and the employee shall have no further right to purchase shares under the option.

Transferability of Rights Under the Plan

An employee's rights or options under the Purchase Plan are exercisable, during his lifetime, only by him, and such rights or options may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution. Any attempt to sell, pledge, assign or transfer such rights or options shall be void, and shall automatically cause all options held by an employee to be terminated.

Jurisdiction of New Jersey Courts

The Purchase Plan provides that each employee participating in the Purchase Plan consents to the resolution of all disputes arising under the Purchase Plan or any agreement entered into in connection therewith which involve judicial adjudication in the courts of the State of New Jersey or the United States District Court for the District of New Jersey. In addition, such participating employees consent to submit to the jurisdiction of such courts and to service of process by any means permitted by the New Jersey Court Rules, which include service by registered or certified mail or in the event that registered or certified mail is not accepted or claimed, by ordinary mail. Accordingly, any employee who wishes to initiate legal action to resolve a dispute arising under the Purchase Plan or any agreement related thereto must initiate such action in the courts of the State of New Jersey or the United States District Court for the District of New Jersey.

Administration of the Purchase Plan

The Purchase Plan is administered by the Employee Stock Purchase Plan Committee consisting of at least two directors of the Company (who may also be employees of the Company) chosen by the Board of Directors to serve at its pleasure. The Purchase Plan Committee is authorized to determine any questions arising in the administration, interpretation and application of the Purchase Plan and to make such uniform rules as may be necessary to carry out its provisions. All such determinations shall be final and binding on employees participating in the Purchase

Plan. For information concerning the present composition of the Employee Stock Purchase Plan Committee, see "Administration of the Purchase Plan" in the Appendix delivered with this Prospectus and in any updated Appendices delivered from time to time.

Options Outstanding

For information concerning the number of outstanding options to purchase shares of Common Stock granted under the Purchase Plan, see "Options Outstanding" in the Appendix delivered with this Prospectus and in any updated Appendices delivered from time to time.

Description of Capital Stock

The following description of the Company's capital stock is a brief summary of certain provisions contained in its Certificate of Incorporation and By-laws, as amended, copies of which have been filed with the Securities and Exchange Commission. This description does not purport to be complete and is subject in all respects to the detailed provisions of such documents and to applicable New York law.

Holders of Common Stock are entitled to one (1) vote per share on all matters to be voted on by the stockholders generally, including the election of directors. Stockholders are entitled to receive such dividends as may be declared from time to time by the Board of Directors out of funds legally available therefor, and in the event of liquidation, dissolution or winding up of the Company, to share ratably in all assets remaining after payment of liabilities. In the opinion of counsel, the shares issuable upon exercise of options granted under the Purchase Plan when issued in accordance with the Purchase Plan will be duly issued, fully paid and non-assessable.

The Company has not paid cash dividends on its Common Stock since 1972. The present policy of the Board of Directors is to retain earnings to provide funds for the operation and expansion of the Company's business. Accordingly, it is anticipated that no cash dividends will be paid to holders of Common Stock in the foreseeable future. The payment of cash dividends is prohibited under certain loan arrangements. In addition, payment of cash dividends is restricted under the provisions of the Indenture pursuant to which the Company's 12% Convertible Subordinated Debentures Due 2002 were issued. The Indenture prohibits the payment of dividends (other than in stock) and the purchase of its own stock by the Company unless the amount expended for such purchases after September 20, 1982, is less than consolidated net income after September 30, 1982, plus proceeds received by the Company after October 15, 1982,

from the sale of its stock and convertible indebtedness.

Registrar & Transfer Company of Cranford, New Jersey acts as the transfer agent for the Common Stock of the Company.

Restriction on Resale

The Purchase Plan does not contain any provision requiring an optionee to hold stock purchased under the Purchase Plan for any period after exercise of the option. As stated in the Appendix in connection with the discussion of the tax treatment of options granted under the Purchase Plan, unless stock purchased under the Purchase Plan is held for more than two years after the grant of the option and more than one year after the transfer of purchased shares to the optionee, certain tax benefits associated with employee stock purchase plans will not be available to the optionee.

Resale of Shares by Affiliates

Shares of the Company's Common Stock purchased upon exercise of options granted under the Purchase Plan may be resold freely, except that any person deemed to be an "affiliate" of the Company within the meaning of the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder, may not sell shares acquired upon exercise of options granted under the Purchase Plan unless such shares have been registered by the Company under the Act for resale by such person or an exemption from registration under the Act is available. Rule 144, promulgated under the Act, which contains limitations on the manner of sale and the amount of shares that may be sold, provides an exemption from registration under the Act. An employee who is not an officer or director of the Company generally would not be deemed an "affiliate" of the Company.

Information Incorporated by Reference

The following documents filed with or furnished to the Securities and Exchange Commission, or information included therein, are incorporated hereby by reference.

(a) The Company's latest Annual Report on Form 10-K filed pursuant to Section 13 or 15(d) of the Exchange Act or any later Prospectus filed pursuant to Rule 424(b) or (c) under the Securities Act, which contains, either directly or by incorporation by reference, certified financial statements for the Company's latest fiscal year for which such statements have been filed.

(b) All other reports filed by the Company pursuant to

Section 13 or 15(d) of the Exchange Act since the end of the fiscal year covered by the Annual Report on Form 10-K or the Prospectus referred to in (a) above.

(c) The Company's latest definitive proxy statement filed pursuant to section 14 of the Exchange Act in connection with an annual meeting of shareholders, and any definitive proxy or information statement so filed in connection with any subsequent special meeting of shareholders.

(d) Information concerning the Purchase Plan, including the options outstanding and the exercise, prices and expiration of options, which will be included in the future either in Appendices to this Prospectus or in the Company's Proxy Statements or Annual Report on Form 10-K.

All documents subsequently filed by the Company pursuant to Sections 13, 14 and 15(d) of the Exchange Act, and before the filing of a post-effective amendment which indicates that all shares of Common Stock offered have been sold or which deregisters all shares of Common Stock remaining unsold, shall be deemed to be incorporated by reference in and to be a part of this Prospectus from the date of filing of such documents.

Legal Matters

The validity of the issuance of the shares of Common Stock offered hereby will be passed upon for the Company by Greenberg, Margolis, Ziegler & Schwartz, P.A., Roseland, New Jersey. Mr. Leonard E. Schwartz, an officer and shareholder in this law firm is a director of one of the subsidiaries of the Registrant.

Experts

The consolidated financial statements and related schedules of the Company incorporated by reference into this Prospectus and elsewhere in the Registration Statement have been examined by Coopers & Lybrand and Laventhol & Horwath, independent certified public accountants, to the extent and for the periods indicated in their reports with respect thereto, and are included herein in reliance upon such reports and upon the authority of such firms as experts in auditing and accounting.

Indemnification

Reference is made to the provisions of Sections 721 through 726 of the New York Business Corporation Law.

Insofar as indemnification for liabilities arising under

the Securities Act of 1933 may be permitted to directors, officers or persons controlling the Company pursuant to the foregoing provisions, the Company has been informed that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act of 1933 and is therefore unenforceable.

APPENDIX

This Appendix, dated June 17, 1983, supplements the information contained in the Prospectus, dated June 17, 1983 (the "Prospectus") constituting a part of the Registration Statement on Form S-8 relating to the Purchase Plan (as defined in the Prospectus) of AGS Computers, Inc. (the "Company"). The Company intends to update at least annually, and more often when necessary, the information contained herein by providing a new Appendix to persons who have received the Prospectus or, in the alternative, by providing such updated information in appropriate reports or other filings required by the Securities Exchange Act of 1934, as amended.

Current Information

As of March 31, 1983, the Company had 895 employees. On such date, 890 of the employees of the Company were eligible for participation in the Purchase Plan. On such date, none of the Company's employees were participating in the Purchase Plan.

Options Outstanding

As of March 31, 1983, no options were outstanding under the Purchase Plan.

There are outstanding, as of March 31, 1983, options to purchase 11,000 shares of Common Stock under a terminated stock option plan. The options have exercise prices ranging from \$1.58 to \$8.00 per share. Options with respect to 4,500 shares will expire in 1985 and the options with respect to the remaining 6,500 shares will expire in 1986.

Additionally, pursuant to the Company's Incentive Stock Option Plan there were, as of March 31, 1983, options outstanding with respect to 122,396 shares of the Company's Common Stock. Options with respect to 95,596 and 26,800 shares under the Incentive Plan expire in 1987 and 1988 respectively. The average per share exercise price of the 122,396 shares outstanding pursuant to options granted under the Incentive Plan is \$11.17.

Federal Income Tax Consequences

An option granted under the Purchase Plan is intended to constitute an option granted pursuant to an "employee stock purchase plan" within the meaning of Section 423 of the Code and any regulations thereunder. Moreover, the Purchase Plan is not a qualified pension, profit sharing or stock bonus plan under Section 401(a) of the Code.

The tax consequences relating to options granted and stock issued pursuant to the Purchase Plan are as follows:

1. An optionee will realize no taxable income by reason

of being granted an option so long as the option granted under the Purchase Plan does not have a "readily ascertainable market value". Additionally, no taxable income will be realized by an employee at the time options granted pursuant to the Purchase Plan are exercised.

2. No taxable income will be realized by an employee until he disposes of the stock acquired under the Purchase Plan.

3. In the event that an employee disposes of stock acquired under the Purchase Plan more than two years after the date of the granting of the option and more than one year after the transfer of the stock to the employee pursuant to the exercise of the option, or in the event of an employee's death, there will be included as compensation in the employee's gross income for the taxable year in which the date of disposition occurs or for the taxable year in which his death occurs, whichever is applicable, an amount equal to the lesser of:

- (a) the excess of the fair market value of the stock at the time of such disposition or death over the option exercise price paid for the stock under the Purchase Plan, or
- (b) the excess of the fair market value of the stock at the time the option was granted over the option exercise price.

Any further gain upon disposition is taxed at capital gain rates.

Where an employee or the estate of an employee disposes of stock acquired pursuant to the Purchase Plan either after satisfying the requisite holding periods mentioned in this paragraph 3, or upon such employee's death, the Company may not take a business expense deduction with respect to the issuance of such shares of stock or the later disposition thereof.

4. In the event that an employee disposes of stock acquired under the Purchase Plan prior to the expiration of the requisite holding period described in paragraph 3 above (a "Disqualifying Disposition"), he will realize ordinary income in the year of such Disqualifying Disposition to the extent that the fair market value of the stock on the date of exercise exceeds the option exercise price.

In the case of a Disqualifying Disposition of stock by an employee, where the disposition price (i.e. the price at which the stock is sold or otherwise transferred) is less than the option exercise price, the employee has both (a) ordinary income in the amount of the difference between the option exercise price and the fair market value of the stock on the date of the exercise of the option; and (b) a capital loss in the amount of the excess of the option exercise price over such disposition

price. In the event of an employee's Disqualifying Disposition of stock acquired under the Purchase Plan, the Company will be allowed a business expense deduction to the extent that an employee is required to realize ordinary income pursuant to the foregoing rules. The deduction will be allowed in the Company's accounting period which includes the close of the taxable year in which such Disqualifying Disposition is made. In accordance with Section 3402(a) of the Code and the regulations and rulings promulgated thereunder, the Company may be required to withhold from the wages of an employee making a Disqualifying Disposition additional income taxes on the amount that is considered compensation includable in the employee's gross income.

5. An employee's basis for determining gain or loss upon the sale of the stock acquired pursuant to the Purchase Plan will be the option exercise price plus the amount of any ordinary income realized by him upon the disposition. Any amount realized by an employee in excess of his basis in the stock will be taxable as long or short-term capital gain, depending upon his holding period for the stock. The holding period required for long-term capital gain treatment is described in paragraph 3 above. An individual may deduct from gross income 60% of the excess of his net long-term capital gain over his short-term capital loss. The remaining 40% of his gain is taxed in accordance with his other income at ordinary income tax rates. In addition, 60% of the amount by which an employee's net long term capital gain (including long-term capital gain realized upon the disposition of shares acquired under the Purchase Plan) exceeds an employee's net short-term capital loss is an item of tax preference commonly referred to as the "capital gains tax preference item." The "capital gains tax preference item" is part of the alternative minimum tax which is discussed below.

The Alternative Minimum Tax is imposed upon the alternative minimum taxable income of a noncorporate taxpayer to the extent that it produces a tax greater than the taxpayer's regular tax liability. For tax years beginning after December 31, 1982, adjusted alternative minimum taxable income is defined as the taxpayer's gross income, increased by the sum of certain items of tax preference specified in the Code, and reduced by the sum of certain deductions allowable for the taxable year, and by an allowed exemption (\$40,000 for individuals filing joint returns; \$30,000 for an individual filing a single return; and \$20,000 for married individuals, filing separate returns). The alternative minimum tax is then computed by applying a 20% tax rate to the resulting alternative minimum taxable income.

The foregoing is a summary of the Federal Income Tax treatment of options granted and stock issued under the Purchase Plan. The summary is broad in scope and does not apply to every specific transaction which may arise. In addition, applicable provisions of the Code and regulations promulgated thereunder are subject to change. The foregoing summary pertains to Federal Income Tax treatment and does not deal with the tax consequences

to an employee under the laws of any State or foreign jurisdiction.

EACH EMPLOYEE SHOULD CONSULT HIS OWN TAX ADVISOR WITH RESPECT TO HIS PARTICIPATION IN THE PURCHASE PLAN INCLUDING, THE IMPACT OF ANY STATE OR FOREIGN TAX LAWS.

Administration of the Purchase Plan

The present members of the Stock Purchase Plan Committee are Messrs. Lawrence J. Schoenberg, Joseph Abrams and Anthony F. Stepanski. Mr. Schoenberg is Chairman of the Board of Directors and Chief Executive Officer of the Company, Mr. Abrams is President, Chief Operating Officer and Director of the Company and Anthony F. Stepanski is Executive Vice President and Director of the Company. By reason of their stock ownership and positions with the Company, Messrs. Schoenberg, Abrams and Stepanski might be deemed "affiliates" of the Company within the meaning of the Securities Act of 1933, as amended. The address of each of Messrs. Schoenberg, Abrams and Stepanski is AGS Computers, Inc., 1135 Spruce Drive, Mountainside, New Jersey 07092.