

## AGS PROFIT SHARING PLAN

AGS' Profit Sharing Plan is the second largest item in the AGS compensation structure. The amounts have averaged approximately \$1,500 per eligible employee per year. Earnings have averaged 16% on a compounded basis over four (4) years.

We believe that the best way to explain the general concepts of our Plan is to follow the Alltime Great Systemperson (better known as Alti), as Alti enters, works and retires from AGS. First a little background. The Profit Sharing Plan was created to provide for retirement benefits. It is a defined payment plan as opposed to a defined benefit plan. This means that the amount eventually received by an individual is determined by the amount contributed by the company plus any voluntary contribution by the employee plus the earnings of the plan on these contributions. The retirement amount cannot be determined in advance, but it is still reasonable to estimate the benefits after agreeing on a series of assumptions. These are that the average pay, contributions and earnings will remain the same in the future as they have been over the actual five years of the Plan. These funds are paid into a totally segregated trust. The employees benefits became vested at a rate of 20% per year starting one year after the first contribution is made. In general, practical terms a participant is fully vested both for prior and current contributions after seven years of employment.

Now let's follow Alti -

Alti joins AGS at the end of 1971 at the age of 28. AGS revenues passed \$1,000,000 in 1971 and Alti's salary was \$20,000. In 1972 AGS' revenues

rose to \$1,372,000 as Alti completed his (her) first full year. 1973, the first year of the Plan shows Alti earning \$22,000 while AGS' revenues passed \$2,000,000.

Alti and AGS keep growing.

Alti's earnings are conservatively estimated to have grown at \$2,000 per year. AGS' actually grew from the \$2 million in 1973 to \$8.2 million in 1977. AGS and Alti continue to grow. AGS should pass \$10 million in 1978 and is planning to reach \$25 million five years later. Alti will retire after being in the Plan for 36 years. The following page shows the actual results for 1973 - 1977 and a prospective result for Alti assuming that the company contribution plus forfeiture continues to average \$1,500 per year and the compounded gain in plan earnings is 15%.

	<u>W-2 PAY</u>	<u>COMPANY CONTRIBUTIONS &amp; FORFEITURES</u>	<u>PLAN EARNINGS</u>	<u>12/31 TOTAL VALUE</u>	<u>12/31 VESTED</u>
1973					
MEAN	22,927	1,250	0	1,250	0
MEDIAN	21,751	1,148	0	1,148	0
ALTI	22,000	1,169	0	1,169	0
1974					
MEAN	23,673	1,636	(172)	2,714	543
MEDIAN	22,082	1,450	(158)	2,240	485
ALTI	24,000	1,826	(161)	2,834	567
1975					
MEAN	25,188	1,568	977	5,259	2,104
MEDIAN	22,860	1,322	878	4,640	1,856
ALTI	26,000	1,653	1,020	5,507	2,203
1976					
MEAN	27,714	1,449	1,052	7,760	4,656
MEDIAN	24,427	1,150	928	6,718	4,031
ALTI	28,000	1,475	1,101	8,083	4,850
1977					
MEAN	32,023	1,641	311	9,959	7,967
MEDIAN	25,095	1,052	269	8,255	6,604
ALTI	30,000	1,483	324	10,151	8,121
After 36 years		1,500	15%	\$1,521,519	All Vested