

Alex. Brown & Sons Incorporated RESEARCH

Members New York Stock Exchange Inc. and other leading exchanges

ESTABLISHED 1800
AMERICA'S OLDEST NAME IN INVESTMENT BANKING



You can see
rest of AGS
report for
CTC analysis.
B. 6/1

To: Board
By: [Signature]

Ret to
BS

October 14, 1985

RELATED PROFESSIONAL SERVICES

We believe that companies in the computer services industry which are focused on the computer-related professional services marketplace offer investors attractive investment opportunities. We believe there are four compelling reasons for investing in this area.

(1) Our thesis for investing in professional services companies is based on our recognition that what most troubles the computer market is an inability among end users to absorb new technology at the rate at which it is supplied. Professional services firms provide the technical expertise, applications knowledge, and raw development talent for accelerating the rate of absorption of technology by assisting clients integrate computers and software into solutions to business problems. Therefore, we believe these firms play a critical role in the computer industry.

(2) The market for professional services is large (\$8.6 billion in 1984) and demand is expected to grow 20% per year during the 1984-1989 period.

(3) Professional services companies tend to have stable, predictable results due to the high level of repeat business with existing customers.

(4) Valuations are still relatively low given their solid growth prospects. In summary, we view investing in professional services stocks as a low risk way of playing the growth in the computer services industry.

Below is a list of the companies in this area which we are monitoring currently.

Professional Services Companies

Company	Price 10/8/85	Sym- bol	Calendar E.P.S.			Calendar P/E		Market Cap. (\$ mil.)	Shares Out (000s)
			1984	1985	1986	1985E	1986E		
AGS Computers	14 5/8	AGS	\$1.29	\$1.45	\$1.85	10.1x	7.9x	77.6	5,241
American Mgmt. Systems	17½	AMSY	1.13	1.35	1.70	13.0x	10.3x	43.8	2,372
Analysts Int'l.	7 7/8	ANLY	0.55	N.A.		14.3x	N.A.	21.3	2,700
Computer Horizons Corp.	11 5/8	CHRZ	0.78	1.02	1.25	11.4x	9.3x	28.5	2,453
Computer Sciences Corp.	23 1/8	CSC	1.84	1.78	1.96	13.0x	11.8x	320.0	13,834
Computer Task Group	18	CTSK	0.68	1.02	1.20	17.6x	15.0x	77.4	4,318
Planning Research Corp.	16½	PLN	1.27	1.23	N.A.	13.4x	N.A.	85.6	6,401

OVERVIEW: THE MARKET FOR COMPUTER-RELATED PROFESSIONAL SERVICES

We are particularly interested in high-growth service companies in the technology sector as these companies have exhibited more predictable results than firms which are product-oriented. Since stocks of many technology-based service companies have continued to provide superior relative performance this year, we have focused our attention in this area. We have found that the most predictable growth companies in the computer services industry provide high-value-added services. When valued highly by customers, the service offerings of such companies foster long-term client relationships. These relationships in turn provide ongoing streams of revenues. The fastest growing major services segment within the computer services industry is the professional services business. Computer-related professional services include software programming and implementation, systems analysis and design, consulting, and training and education.

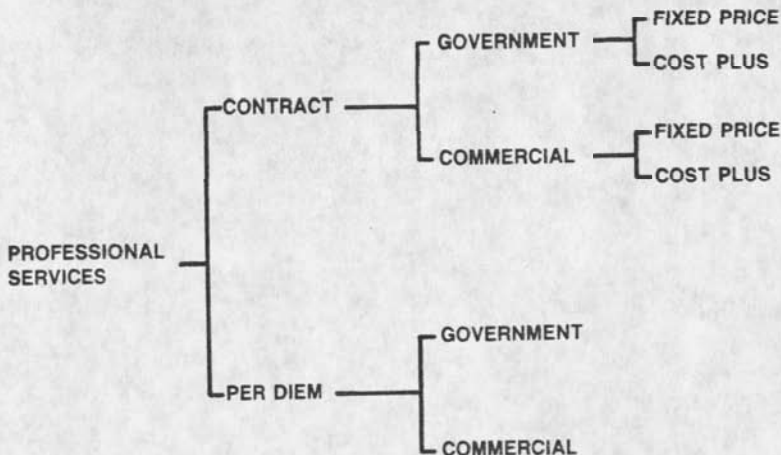
The market for professional services is huge and is expected to continue to grow rapidly. In 1984, professional services revenues were \$8.6 billion and by 1989, annual revenues are projected to exceed \$21.0 billion. There are three key factors contributing to this strong demand outlook. First, demand should be fueled by ongoing changes in management information systems (MIS) requirements. These requirements evolve due to the impact of such forces as

1 Source: INPUT

advances in technology, deregulation, new competitive pressures, and shifts in government or public sector priorities. Changes in MIS requirements is a continuing source of new growth opportunities. Changes in MIS requirements each year cause large organizations to invest in computer system upgrades, system replacements, or start new systems. A growing number of computer professionals such as software programmers, system designers, and consultants are needed to integrate the components (computers, software, telecommunications) into operating systems and to install and maintain them. Consequently, we expect demand for computer-related professionals to continue to grow. Second, there is an increasingly favorable attitude within large organizations toward utilizing outside assistance in developing and implementing computer-based solutions to business problems. In the 1960's, large organizations accepted the idea that information systems should be developed on a custom basis by an in-house staff. In the 1970's, standardized software programs and turnkey systems were expected to displace custom systems. In the 1980's, expectations regarding custom and standardized systems have matured and now both types are utilized where appropriate. Large organizations recognize that many of their requirements are unique and should be addressed with proprietary solutions. Also, these organizations are more inclined in the 1980's to remain lean organizationally to better control costs and therefore prefer to use outside professional services to a greater degree than in the past. Moreover, professional services firms, which have focused on certain application areas, can offer high-value added specialty services which are not available in-house. Third, there is a chronic shortage of computer software programmers, systems designers, and consultants which is likely to become more acute in the future. This is likely to further aggravate the current difficulty large organizations have in hiring and retaining highly skilled software programmers and systems designers. Compounding this problem is the preference many computer-related professionals have in working for professional services firms. When working for professional services firms, individuals have clear career paths, attractive incentives (performance bonuses, stock options, etc.), and higher status than in large organizations. For these reasons, we expect large companies to increasingly rely on outside professional services firms in meeting their MIS requirements in the future.

The professional services market can be segmented by type of customer base (see Chart I).

CHART 1



o Brief comments about some important characteristics of each customer segment.

Government Professional Services

- Small number of large clients
- Large fixed price contracts competitively bid
- Risks associated with changes in win/loss marketing performance and in contract profitability
- Long contract life cycles add stability to revenues
- Contract add-on business includes extensions, exercise of optional subsystems, system support and maintenance
- Risks associated with diversification moves by vendors into engineering, computer processing services
- Competitors include Ford Aerospace, Boeing, Lockheed, Martin Marietta, TRW, Electronic Data Systems

Commercial Professional Services

- Large number of clients (Fortune 500)
- Vendors typically develop long-term relationships with clients and gain expertise and insight into client MIS needs
- Projects typically billed on a per diem basis
- Risks associated with stretch out or curtailment of projects due to budgetary problems of clients
- Risks also associated with management strategies, i.e., overexpansion, diversification into other business.
- Competitors include Big Eight Accounting firms

AGS COMPUTERS
(AGS: NYSE)

<u>Price</u> 10/8/85	<u>52 Week</u> <u>Price Range</u>	<u>Earnings Per Share</u> ¹			<u>P/E</u>		<u>Indicated</u>	
		<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>Dividend</u>	<u>Yield</u>
14 5/8	17 3/8-10 1/4	\$1.29	\$1.45	\$1.85	10.1x	7.9x	\$0.00	Nil

¹Fiscal year ending December 31.

Shares outstanding: 5,240,000

o AGS Computers is in three distinct businesses: hardware distribution, professional services, and packaged software. Hardware distribution accounted for 58% of the Company's \$221 million in revenues in 1984.

o AGS, with approximately \$100 million in annual sales, is a leading supplier of computer-related professional services and packaged software to the commercial market. AGS has focused on the communications, computer, and financial services industries.

o While the Company has continued to grow revenues and earnings consistently, the market's valuation on the Company has remained relatively low. This is due in part to the relatively low margins realized by the Company (2.6% net in 1984) and also to concerns about conditions in the microcomputer hardware market. Demand for microcomputers and hardware has weakened this year causing earning problems for manufacturers and distributors. Nevertheless, to date, AGS has successfully expanded its market share in the hardware distribution business.

AMERICAN MANAGEMENT SYSTEMS
(AMSY:OTC)

<u>Price</u> 10/8/85	<u>52 Week</u> <u>Price Range</u>	<u>Earnings Per Share</u> ¹			<u>P/E</u>		<u>Indicated</u>	
		<u>1984</u>	<u>1985E</u>	<u>1986E</u>	<u>1985</u>	<u>1986</u>	<u>Dividend</u>	<u>Yield</u>
17½	17½-10¼	\$1.13	\$1.35	\$1.70	13.0x	10.3x	\$0.00	Nil

¹Fiscal year ending December 31.

Shares outstanding: 2,468,000

o American Management Systems provides a unique combination of propriety applications software, professional services, and industry expertise to large organizations. The primary customer segments served by the Company are: financial institutions, federal government agencies, state and local governments and universities, energy companies, and telecommunication companies.

o After several disappointing years (1980-1982), the Company has recovered. The Company's focus on discrete groups of customers and its integration of software products and professional services is the cause of its recovery and is the foundation for its future growth.

o We regard American Management Systems as an intriguing investment idea. The stock is attractive at 10 times 1986 estimated earnings, and the Company is well positioned to grow in excess of 20% per year.

ANALYST INTERNATIONAL CORP.
(ANLY: OTC)

<u>Price</u> <u>10/8/85</u>	<u>52 Week</u> <u>Price Range</u>	<u>Earnings Per Share</u> ¹			<u>Calendar</u> <u>P/E</u>		<u>Indicated</u> <u>Dividend Yield</u>	
		<u>1984</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>	<u>1986</u>		
7 7/8	10 3/4-4 3/4	(\$0.42)	\$0.34	\$0.75	14.4x	N.A.	\$0.00	Nil

¹Fiscal year ending June 30.

Shares outstanding: 2,700,000

o Analysts International (AIC) provides computer-related professional services primarily to the communications, manufacturing, insurance, banking, utility, and transportation industries. AIC has offices in 16 major U.S. cities, has over 250 customers, and has over 300 projects underway. AIC generated approximately \$45 million in its 1985 fiscal year, up 46% from \$30.7 million in 1984.

o The Company's earnings performance in the years 1982-1984 suffered from heavy investments in the development of an applications generator system called CORVET. The Company is developing both IBM and Data General-based versions of CORVET. The Company's professional services business provides a steady, growing base of business. The CORVET products are a speculation on the need for more powerful software application development tools.

COMPUTER HORIZONS CORPORATION
(CHRZ: OTC)

<u>Price</u> 10/8/85	<u>52 Week</u> <u>Price Range</u>	<u>Earnings Per Share</u> ¹			<u>Calendar</u> <u>P/E</u>		<u>Indicated</u>	
		<u>1985</u>	<u>1986E</u>	<u>1987E</u>	<u>1985</u>	<u>1986</u>	<u>Dividend</u>	<u>Yield</u>
11½	11 3/4-7 1/8	\$0.78	\$1.00	\$1.25	11.5x	9.2x	\$0.00	Nil

¹Fiscal year ending February 28.

Shares outstanding: 2,453,000

o Computer Horizons is a leading independent provider of computer-related professional services to commercial clients in the United States. The Company has a network of 18 branch offices and employs approximately 600 professionals trained in software languages, operating systems, and design techniques.

o The Company's revenues (\$44.4 million in 1985) are derived from three business segments: communications (46%), financial services (24%), and other (30%). In 1985, the Company's largest client AT&T (consisting of 15 distinct component user groups) accounted for 22% of consolidated revenues. The rate of growth of the Company's business with AT&T has slowed over the past year and a half due to (1) a volume price discount requested of vendors to AT&T and (2) consolidation of some administrative software development projects among the 15 component user groups.

o The Company is among the most profitable professional services firms with pretax margins of over 10%. The Company also has a strong balance sheet with over \$6.0 million in cash and virtually no debt. The return on equity over the past three years has been noteworthy: 41%, 69%, and 29% respectively.

o The Company's goals are to increase revenues to \$100 million, to expand its branch office network to 30, and to increase the number of professionals it employs to 1200-1500.

COMPUTER TASK GROUP
(CTSK: OTC)

<u>Price</u> 10/8/85	<u>52 Week</u> <u>Price Range</u>	<u>Earnings Per Share</u> ¹			<u>P/E</u>		<u>Indicated</u>	
		<u>1984</u>	<u>1985E</u>	<u>1986E</u>	<u>1985</u>	<u>1986</u>	<u>Dividend</u>	<u>Yield</u>
18	19½-9 5/8	\$0.68	\$1.00	\$1.20	18.0x	15.0x	\$0.05	0.3%

¹Fiscal year ending December 31.

Shares outstanding: 4,318,000

o Computer Task Group is a leading independent supplier of commercial professional services with 40 branches and over 1,700 professionals. The Company's strategy is to become a national supplier of software development services with branches in the top 50 major metropolitan areas of the country. The Company's goal is to increase revenues from the current level of \$100 million (last 12 months' trailing) to \$250 million by 1989.

o The Company is supplementing its internal expansion with complementary acquisitions. The Company has made ten acquisitions in the last two and a half years. A secondary stock offering of \$1.1 million shares completed in July (\$19 million raised) will provide the resources the Company needs to continue to supplement its internal growth with acquisitions.

o The stock of Computer Task Group has performed well this year due to rapidly growing revenues and earnings as well as the recognition of the quality of the Company's growth. Revenues and earnings have reasonably good visibility since approximately 75% of revenues come from prior year clients. In addition, the Company's professionals work on projects with a typical term of one year.

o We regard the stock as attractive for purchase at current levels.

COMPUTER SCIENCES CORPORATION
(CSC: NYSE)

Price 10/8/85	52 Week Price Range	Earnings Per Share ¹			Calendar P/E		Indicated	
		1985	1986	1987	1985	1986	Dividend	Yield
23 1/8	24½-13	\$2.02	\$1.70	\$2.05	13.0x	11.8x	\$0.00	Nil

¹Fiscal year ending March 29.

Shares outstanding: 13,736,000

o Computer Sciences Corporation (CSC) is one of the largest independent computer services companies in the United States with fiscal 1985 revenues of \$723.5 million. CSC's technical capabilities include professional services, information network services, and industry services. During fiscal 1985, the professional services business segment contributed most of the Company's revenues (70.6%) -- primarily from U.S. government agencies and military services. The Company's two largest customers were the Department of Defense (39%) and the National Aeronautics and Space Administration (15%).

o After four years of flat earnings (excluding an extraordinary gain in fiscal 1985), the Company is well positioned to improve its earnings performance. CSC has won a number of government contracts recently and substantially increased its contract revenue backlog. International revenues, which have declined sharply over the past four years, are now less than 10% of total revenues and should no longer act as a drag on revenue and earnings growth. The information network services business, which also acted as a drag on CSC's performance, has upgraded service offerings and improved operating profitability.

o In the current market environment, CSC's stock has been performing well. This, we believe, is a reflection of growing investor awareness and interest in the turnaround at CSC. We believe the stock is attractively priced at current levels.

PLANNING: RESEARCH CORPORATION
(PLN: NYSE)

Price 10/8/85	52 Week Price Range	Earnings Per Share ¹			Calendar P/E		Indicated Dividend Yield	
		1984	1985	1986E	1985	1986		
16 $\frac{1}{2}$	17 3/8-8 5/8	\$1.62	\$0.92	\$1.55	13.4x	N.A.	\$0.20	1.2%

¹Fiscal year ending June 30.

Shares outstanding: 6,518,000

o Planning Research Corporation is a large, diversified professional services company providing engineering and information services worldwide. The Company is organized into four operating groups: Government Information Systems (39.4%), Systems Services (21.6%), Business Information Systems (14.9), and Engineering (24.1%).

o The Government Information Systems group revenue rose 20% in fiscal 1985 and operating income rose 24%. The strong performance of this group is being offset currently by poor results in the Engineering Group. The Engineering Group, which generated roughly 4.3% operating income in 1984, operated at a loss in 1985 due to depressed domestic and international business as well as management problems in its planning and development division.

o The Company is positioning itself for a stronger performance in the future. The Government Information Systems group has a strong backlog of business and two acquisitions were made in fiscal 1985 which will add additional revenues of more than \$94 million.

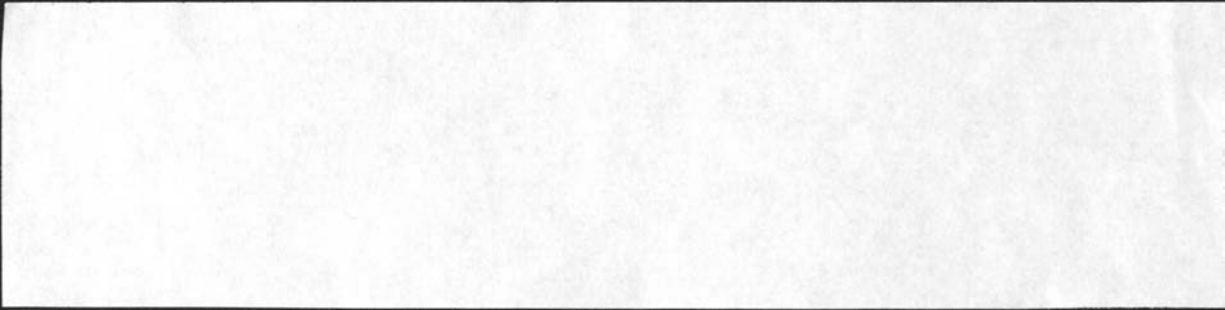
This report is based on data obtained from sources we consider to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. The information in this report is not intended to be used as the primary basis of investment decisions, and because of individual client objectives it should not be construed as advice designed to meet the particular investment needs of any investor. Any opinions expressed in this report are subject to change.

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Alex. Brown & Sons currently maintains a net primary market in the common stock of Computer Task Group and Computer Horizons.

Alex. Brown & Sons was the manager/co-manager of the most recent public offering of Computer Task Group.

ADDITIONAL INFORMATION AVAILABLE UPON REQUEST.



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STERLING SOFTWARE

NEW YORK SOCIETY
OF
SECURITY ANALYSTS

February 20, 1986

THE STERLING STRATEGY

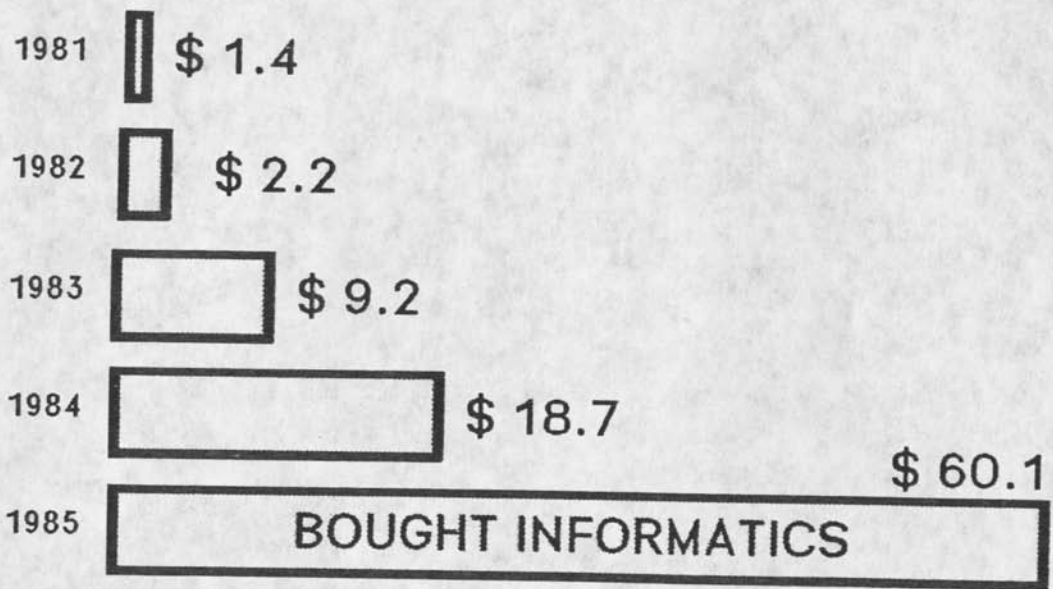
- CHOOSE TARGET MARKETS
- ACQUIRE SUCCESSFUL COMPANIES
- ALIGN THEM INTO GROUPS
- GIVE THEM WHAT THEY NEED
- MAINTAIN THEIR AUTONOMY

STERLING SOFTWARE

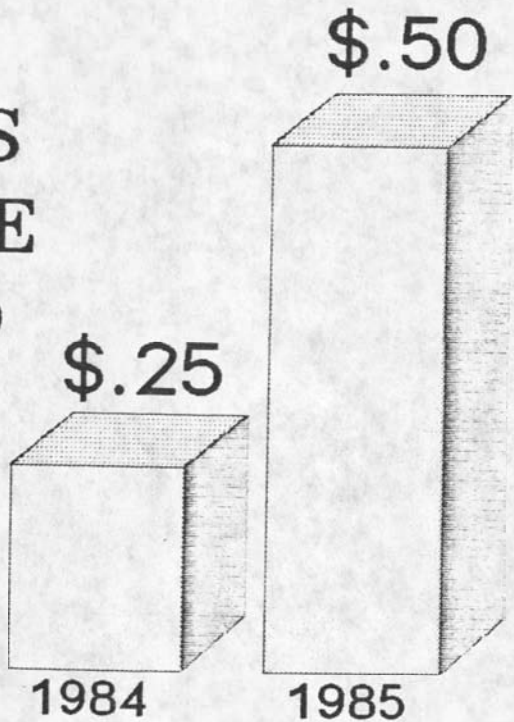
- 1981 **FOUNDED**
 - 1982 **IDENTIFIED ACQUISITIONS
BOUGHT OPTIONS IN FOUR**
 - 1983 **WENT PUBLIC
BOUGHT SIX COMPANIES**
 - 1984 **GREW AS A SINGLE COMPANY**
-

STERLING SOFTWARE

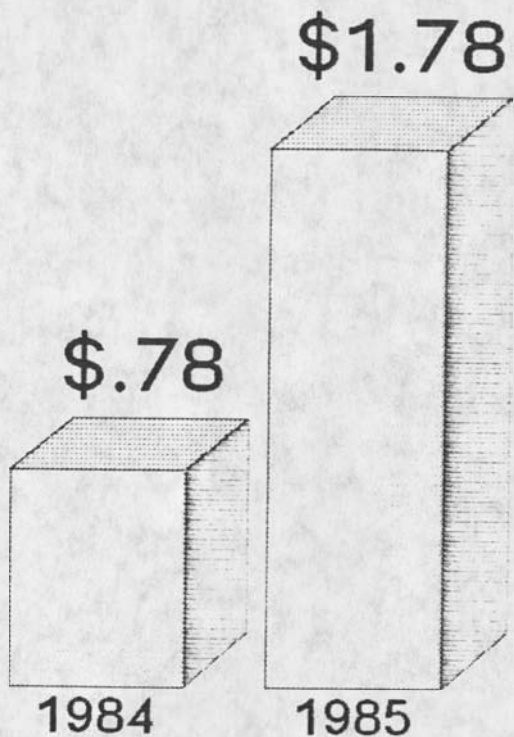
(\$ IN MILLIONS)



**EARNINGS
PER SHARE
DOUBLED**



**CASH FLOW
PER SHARE
DOUBLED**



WHY BUY INFORMATICS ?

LEADER IN THE INDUSTRY

ADDRESSED SAME MARKETS

IMPROVABLE PROFITS

PRICED ATTRACTIVELY

THE FIRST SIX MONTHS

CUT COSTS BY \$20 MILLION PER YEAR

ORGANIZED COMBINED COMPANY INTO SIX MAIN GROUPS

DOUBLED EARNINGS & CASH FLOW IN 1985

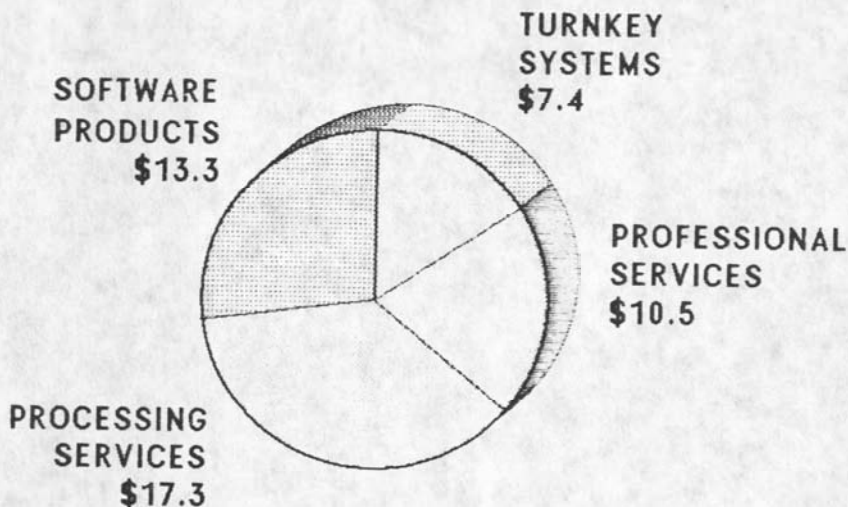
TRIPLED EARNINGS & CASH FLOW IN FIRST QUARTER 1986

ELIMINATED \$4.4 MILLION A YEAR IN PREFERRED DIVIDENDS

SOLD ONE DIVISION; NEGOTIATING SALE OF THREE OTHERS

COMPUTER SERVICES INDUSTRY

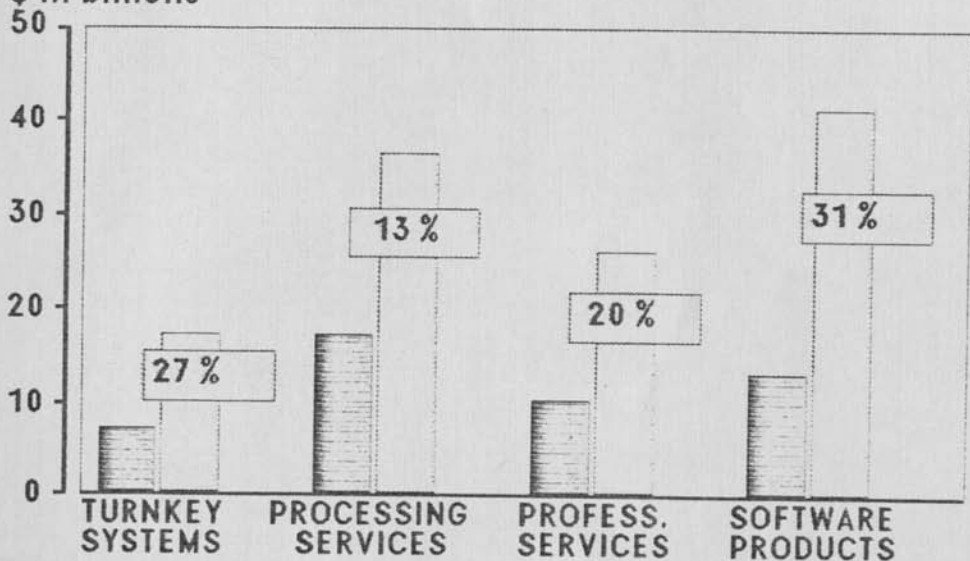
COMBINED 1985 REVENUES BY MARKET SEGMENT
\$ 48.5 BILLION



COMPUTER SERVICES INDUSTRY

PROJECTED FIVE-YEAR GROWTH RATE: 20%

\$ in billions

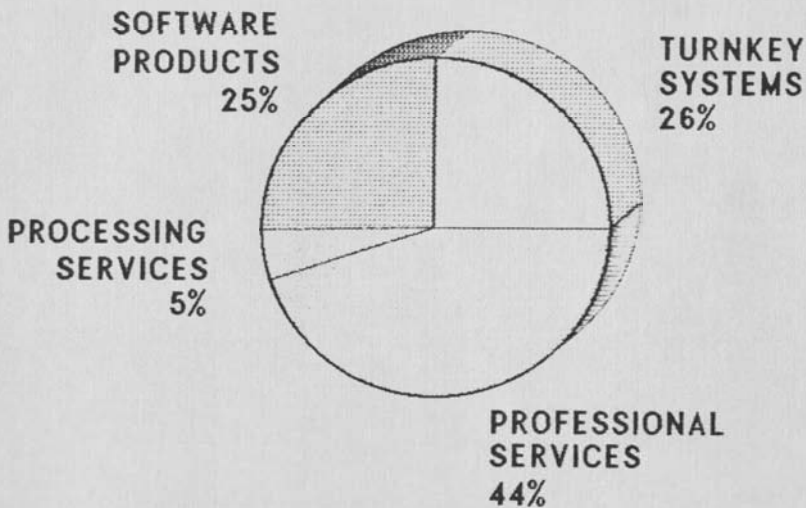


Classic Liner

25% COTTON FIBER

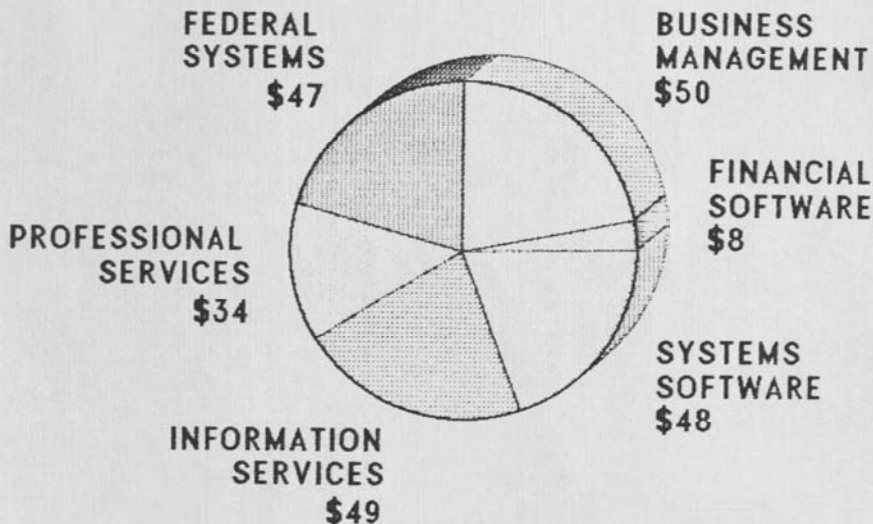
STERLING SOFTWARE

PROFORMA 1985 REVENUES BY MARKET SEGMENT
\$ 236 MILLION



STERLING SOFTWARE

PROFORMA 1985 REVENUES BY OPERATING GROUP
\$ 236 MILLION



BUSINESS MANAGEMENT SYSTEMS GROUP

ATLANTA

\$50 MILLION

SELLS TURNKEY SYSTEMS TO LAW FIRMS AND CPA'S

LARGEST SUPPLIER OF TURNKEY SYSTEMS TO LAW FIRMS

LARGEST SUPPLIER OF TURNKEY SYSTEMS TO CPA'S

OVER 8,000 CUSTOMERS

LARGEST VALUE ADDED RETAILER OF WANG COMPUTERS

18

FINANCIAL SOFTWARE GROUP

DALLAS

\$8 MILLION

SELLS APPLICATIONS SOFTWARE TO COMMERCIAL BANKS

LARGEST SUPPLIER OF CHECK PROCESSING SOFTWARE

TARGETS MEDIUM PRICED SPECIALTY MARKETS

RUNS WITH IBM'S CHECK PROCESSING CAPTURE SYSTEM

CUSTOMERS INCLUDE 88 OF THE TOP 100 BANKS

SYSTEMS SOFTWARE GROUP

LOS ANGELES

\$45 MILLION

SELLS SYSTEMS SOFTWARE TO IBM MAINFRAME USERS

MARKETS PRIMARILY TO FORTUNE 1,000 COMPANIES

ADDRESSES SPECIALTY MARKET NICHES

OVER 7,000 COPIES INSTALLED WORLDWIDE

MARK IV ALONE HAS SOLD OVER \$100 MILLION

INFORMATION SERVICES GROUP

COLUMBUS

\$49 MILLION

SELLS SYSTEMS & SERVICES TO RETAIL & DISTRIBUTION

SELLS LEGAL INFORMATION SERVICES TO CORPORATIONS

LARGEST SUPPLIER IN ALL THREE MARKETS

PROCESSES 80% OF ALL DRUG PURCHASES IN THE U.S.

LARGEST VENDOR OF APPLICATIONS SOFTWARE TO D.O.D.

PROFESSIONAL SERVICES GROUP

NEW YORK

\$34 MILLION

SELLS PROFESSIONAL SERVICES TO INDUSTRY

SPECIALIZES IN CONTRACT PROGRAMMING & DESIGN

TOP FOUR CLIENTS ARE IBM, EXXON, CHRYSLER & GM

35% OF REVENUES FROM OVERSEAS

MOST PROFITABLE IN PROFESSIONAL SERVICES MARKET

Classic Line
10/1/1997

**FEDERAL SYSTEMS
GROUP**

PALO ALTO

\$47 MILLION

SELLS PROFESSIONAL SERVICES TO FEDERAL GOVERNMENT

SPECIALIZES IN COMPLEX SYSTEMS AND PROJECTS

MAJOR CONTRACTOR TO NASA FOR 20 YEARS

MAJOR CONTRACTOR IN INTELLIGENCE OPERATIONS

CONSISTENTLY AWARDED 100% INCENTIVE FEES

STERLING SOFTWARE
CONSOLIDATED BALANCE SHEET
(in \$ millions)

	DECEMBER 31,		
	1985	1984	INCREASE
CASH	22.8	11.8	11.0
ACCOUNTS RECEIVABLE	71.9	3.9	68.0
OTHER CURRENT ASSETS	10.5	.8	9.7
NET FIXED ASSETS	13.0	2.5	10.5
PURCHASED SOFTWARE	37.2	7.1	30.1
GOODWILL	67.6	4.3	63.3
OTHER ASSETS	20.9	.7	20.2
TOTAL ASSETS	243.9	31.1	212.8
CURRENT LIABILITIES	63.4	3.4	60.0
LONG TERM NOTES	103.6	.3	103.3
OTHER LIABILITIES	3.9	1.1	2.8
TOTAL LIABILITIES	170.9	4.8	166.1
PREFERRED STOCK	35.2	—	35.2
COMMON STOCK	32.3	23.2	9.1
RETAINED EARNINGS	5.5	3.1	2.4
TOTAL EQUITY	37.8	26.3	11.5
TOTAL LIABILITIES & EQUITY	243.9	31.1	212.8

STERLING SOFTWARE
CONSOLIDATED PROFIT & LOSS
FISCAL YEARS ENDED SEPTEMBER 30
(in \$ millions, except per share data)

	1985	1984	INCREASE
REVENUES	60.1	18.7	41.4
INCOME BEFORE TAXES	5.7	2.1	3.6
NET INCOME	2.9	1.1	1.8
PREFERRED DIVIDENDS	.7	—	.7
EARNINGS TO COMMON	2.2	1.1	1.1
CASH FLOW FROM OPERATIONS	8.0	3.5	4.5
EARNINGS PER SHARE	\$0.50	\$0.25	\$0.25
CASH FLOW PER SHARE	\$1.78	\$0.78	\$1.00

STERLING SOFTWARE
CONSOLIDATED PROFIT & LOSS
FIRST QUARTER
(in \$ millions, except per share data)

	1986	1985	INCREASE
REVENUES	69.5	5.1	64.4
INCOME BEFORE TAXES	4.4	.5	3.9
NET INCOME	2.2	.2	2.0
PREFERRED DIVIDENDS	1.3	—	1.3
EARNINGS TO COMMON	0.9	0.2	0.7
CASH FLOW FROM OPERATIONS	4.4	0.9	3.5
EARNINGS PER SHARE	\$0.16	\$0.05	\$0.11
CASH FLOW PER SHARE	\$0.89	\$0.18	\$0.71

STERLING SOFTWARE

EFFECT OF CONVERTING PREFERRED ON 1ST QUARTER 1986
(in \$ millions, except per share data)

	BEFORE	AFTER	INCREASE
BALANCE SHEET			
TOTAL ASSETS	243.9	243.9	—
LIABILITIES	170.9	168.8	[2.1]
PREFERRED STOCK	35.2	1.7	[33.5]
COMMON EQUITY	37.8	73.4	35.6
TOTAL LIABILITIES & EQUITY	243.9	243.9	—
PROFIT & LOSS			
NET INCOME	2.2	2.2	—
PREFERRED DIVIDENDS	1.3	—	[1.3]
EARNINGS TO COMMON	.9	2.2	1.3
EARNINGS PER SHARE	\$0.16	\$0.22	\$0.06
AVERAGE COMMON SHARES	4,953	9,055	4,102

1986 OUTLOOK

EARNINGS WILL DOUBLE AGAIN

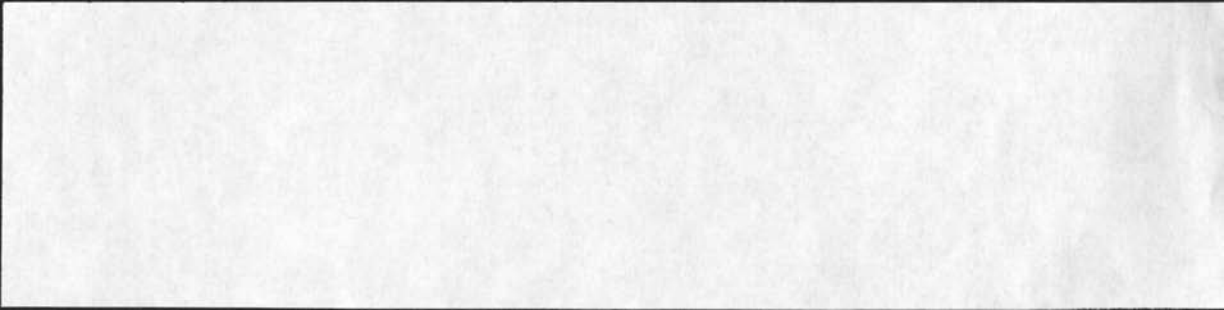
ALL GROUPS WILL EXCEED THEIR PROFIT OBJECTIVES

LONG TERM DEBT WILL BE REDUCED BY \$50 MILLION

PREFERRED STOCK WILL BE REDUCED BY \$40 MILLION

WE WILL MAKE SMALL ACQUISITIONS...SOME NOT SO SMALL

STERLING SOFTWARE



Classic Line
by Sterling

STERLING SOFTWARE, INC.

STATUS REPORT

January 20, 1986

STERLING SOFTWARE, INC.
STATUS REPORT
January 20, 1986

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Clifford L. Jones
20 January 1986

INTRODUCTION

BACKGROUND

Sterling Software was formed in 1981 and became publicly owned in 1983. Its founding principals had long and successful business histories in the computer services industry.

Sterling's strategy was to select narrowly-defined software markets -- market "niches" -- offering dependable growth and profit potential, and to focus on acquiring, developing and maintaining software products for those exact markets.

In order to establish a position in its chosen market niches, Sterling acquired other software companies and products that were already serving those markets. Seven companies were acquired, not including Informatics. They were aligned into two Groups, specializing in systems software and financial applications software. All of them have achieved substantially higher revenue and profit levels since becoming divisions of Sterling, reflecting the benefits of synergy and Sterling's focus on medium price software for target markets.

INFORMATICS ACQUISITION

Last August Sterling acquired Informatics General Corporation and became one of the largest companies in the computer services industry. Annual revenue level went from approximately \$20 million to \$240 million. The acquisition cost \$140 million. To finance it, we borrowed \$100 million and issued \$40 million of preferred stock.

PRIORITIES

- Integrate Informatics and Sterling and streamline the combined operation into a focused, smoothly running business.
- Achieve profit objective consistently.
- Divest businesses that are not part of the long term plan to provide strategic focus and generate substantial additional cash.
- Eliminate the senior debt and reduce the interest expense.
- Eliminate the preferred stock and dividend expense.

ACCOMPLISHMENTS

The operations of Sterling and Informatics have been successfully combined. The organization is structured to maximize the growth and profit opportunities in all its business sectors. Operations are aligned into six major groups and

twenty divisions, each headed by a president and addressing specific markets in the general business areas of systems software, applications software and computer-related professional services. The consolidation into a single company eliminated approximately \$20 million of duplicate and unnecessary annual expense.

Results for the fiscal year ended September 30, 1985 were substantially higher than for the year earlier. Revenue tripled from \$18.7 million to \$60.1 million. Net income doubled from \$1.1 million to \$2.2 million. Earnings per share doubled from 25 cents to 50 cents. Cash flow doubled from 78 cents per share to \$1.62.

The parts of the Informatics mix that Sterling planned to divest are now in the process of being sold. The first divestiture -- Insurance Systems Division -- was recently announced. Other operations are expected to be sold in the next few months. The divestitures will reduce Sterling's long term debt by \$35 to 45 million and save \$5 to 6 million of annual debt service.

The company expects to exchange 4.1 million common shares for all the preferred stock and warrants, thereby eliminating \$4.4 million of annual preferred stock dividends and eliminating \$40 million of the \$140 million financing used to acquire Informatics. The exchange has been announced and should close this month. The transaction should not be dilutive and the net effect should strengthen earnings per share.

STATUS

Sterling Software is a \$238 million software products and professional services company. Sterling is one of the five largest companies in the industry, with around 3,000 employees and 12,000 customers.

Sterling's operations are running efficiently and are focused on business areas offering good growth and profit prospects. Sterling has an exceptional earnings record and has enhanced its future profit potential by saving \$20 million of former Informatics expenses. Sterling is effecting debt reductions and stock conversions to change a good balance sheet into a strong one.

The melding of Informatics and Sterling into a single company under the most qualified managers from both organizations has been successfully completed.

STERLING SOFTWARE, INC.
 PROFIT AND LOSS
 FISCAL YEARS ENDED SEPTEMBER 30
 (\$'s in millions)

	<u>1985</u>	<u>1984</u>	<u>CHANGE</u>
REVENUES	\$60.6	\$18.7	\$41.9
OPERATING EXPENSES	<u>53.7</u>	<u>17.0</u>	<u>36.7</u>
OPERATING PROFIT	6.9	1.7	5.2
OTHER INCOME (EXPENSE)	<u>(1.2)</u>	<u>.4</u>	<u>(1.6)</u>
INCOME BEFORE TAXES	5.7	2.1	3.6
INCOME TAXES	<u>2.8</u>	<u>1.0</u>	<u>1.8</u>
INCOME AFTER TAXES	2.9	1.1	1.8
PREFERRED DIVIDENDS	<u>(.7)</u>	<u>-</u>	<u>(.7)</u>
NET INCOME (TO COMMON)	\$2.2	\$1.1	\$1.1
CASH FLOW	\$7.3	\$3.5	\$3.8
EARNINGS PER SHARE	<u>\$.50</u>	<u>\$.25</u>	<u>\$.25</u>
CASH FLOW PER SHARE	<u>\$1.62</u>	<u>\$.78</u>	<u>\$.84</u>

STERLING SOFTWARE, INC.
BALANCE SHEET
(\$'s in millions)

	SEPTEMBER 30,		
	<u>1985</u>	<u>1984</u>	<u>CHANGE</u>
CASH	\$26.8	\$12.1	\$14.7
ACCOUNTS RECEIVABLE	62.2	4.4	57.8
OTHER CURRENT ASSETS	11.2	.6	10.6
NET FIXED ASSETS	12.5	2.3	10.2
PURCHASED SOFTWARE - NET	39.2	7.4	31.8
GOODWILL	65.7	4.3	61.4
OTHER ASSETS	<u>21.4</u>	<u>.5</u>	<u>20.9</u>
TOTAL ASSETS	<u>\$239.0</u>	<u>\$31.6</u>	<u>\$207.4</u>
CURRENT LIABILITIES	59.6	3.7	55.9
LONG-TERM NOTES	103.4	.7	102.7
DEFERRED TAXES	1.9	1.0	.9
OTHER NON-CURRENT LIABILITIES	<u>2.4</u>	<u>-</u>	<u>2.4</u>
TOTAL LIABILITIES	<u>167.3</u>	<u>5.4</u>	<u>161.9</u>
PREFERRED STOCK	<u>35.1</u>	<u>-</u>	<u>35.1</u>
COMMON STOCK	32.3	23.3	9.0
RETAINED EARNINGS	<u>4.3</u>	<u>2.9</u>	<u>1.4</u>
STOCKHOLDERS' EQUITY	<u>36.6</u>	<u>26.2</u>	<u>10.4</u>
TOTAL LIABILITIES & EQUITY	<u>\$239.0</u>	<u>\$31.6</u>	<u>\$207.4</u>
DEBT-TO-PREFERRED-AND-COMMON EQUITY	<u>1.44</u>	<u>-</u>	<u>-</u>
RETURN-ON-COMMON EQUITY	<u>7.0%</u>	<u>4.3%</u>	<u>2.7%</u>

**MAJOR ACCOMPLISHMENTS
SINCE THE ACQUISITION OF INFORMATICS**

- The two companies were fully integrated; the operations were streamlined and organized into six main groups. Duplicate and unnecessary expenses were eliminated. Annual savings from these actions totalled approximately \$20 million.
- Financial results for fiscal 1985 increased substantially over the previous year; revenue tripled from \$18.7 million to \$60.6 million, net income doubled from \$1.1 million to \$2.2 million and earnings per share doubled from 25 cents to 50 cents.
- An operating plan and budget was established which most effectively addresses Sterling's markets and enables the company to grow significantly in 1986.
- Four operating divisions were identified to divest to increase market focus and generate cash. The divestiture of the Group Insurance Division to Policy Management Systems was announced. The transaction should be complete by the end of January. The cash will be used to pay down the debt.
- Preliminary first quarter 1986 results exceeded our expectations; each operating group is performing ahead of plan. Results will be announced at the end of January.
- Actions are in process to convert the preferred stock to common. This will eliminate up to \$40 million of preferred stock and up to \$4.4 million of annual dividend.

**ORGANIZATIONAL CHANGES
FOLLOWING THE ACQUISITION OF INFORMATICS**

- Informatics' headquarters in Woodland Hills was shut down. All their activities were either eliminated, transferred to the field operation or transferred to Sterling Software's headquarters in Dallas. The top two levels of management were eliminated. Releases from commitments on a new Woodland Hills headquarters building and one of the two Canoga Park buildings were negotiated. Annual savings total around \$7 million.
- The systems software activities of Sterling Software and Informatics were combined into one Systems Software Group. A level of top management was eliminated. Two international divisions were merged to form a single international division marketing all of our systems software products. The Mark and Answer Divisions of Informatics were merged into a single Answer Systems Division and the domestic staff was cut in half from 200 to 100. Annual savings total around \$5 million.
- Informatics' Legal Information Systems and Services Division was eliminated by transferring its two main segments, Legal Information Services (litigation support) and Professional Software Systems (turnkey applications for lawyers), to the Information Services Group and the Business Management Systems Group, respectively. Its top level of management was eliminated and the Rockville staff was reduced by 61 people from 311 to 250. Annual savings total around \$4 million.
- Informatics' Business Management Systems Division was refocused from four businesses (public accounting, construction, property management and legal) back to two (public accounting and legal). The Professional Software Systems Division was combined with Business Management Systems' Legal Micro Division. The staff in Atlanta was reduced by 60 people from 256 in April to 196 today. Annual savings total around \$4 million.
- Sterling Software and Informatics are now fully integrated and organized into six main groups: Business Management Systems, Federal Systems, Financial Software, Information Services, Professional Services and Systems Software.

STERLING SOFTWARE, INC.
MARKET OVERVIEW
\$238 MILLION*

BUSINESS MANAGEMENT
\$50 million

- Turnkey systems for CPA firms
- Turnkey systems for law firms

FEDERAL SYSTEMS
\$47 million

- Professional services for federal government
- Project oriented

FINANCIAL SOFTWARE
\$13 million

- Applications systems for commercial banks
- Check processing specialization

INFORMATION SERVICES
\$49 million

- Processing services and turnkey systems for distribution and retail
- Professional services for litigation support
- Turnkey systems for publishing

PROFESSIONAL SERVICES
\$34 million

- Professional services for commercial corporations and state and local government
- Contract programming oriented

SYSTEMS SOFTWARE
\$45 million

- Systems utilities and application development software
- IBM mainframe based

*Proforma revenues for fiscal year ended September 30, 1985.

BUSINESS MANAGEMENT SYSTEMS
\$50 MILLION

LEGAL SYSTEMS
\$29 million

- Provides office automation systems to law firms
- Serves over 35% of the nation's largest 500 law firms; the industry's leading supplier
- Utilizes Wang minicomputers and IBM and Wang microcomputers

MANAGEMENT CONTROL SYSTEMS
\$21 million

- Provides turnkey systems to practicing accountants
- Has over 7,000 clients; the industry's largest supplier
- Utilizes IBM minicomputers and IBM microcomputers

FEDERAL SYSTEMS
\$47 MILLION

INFORMATION SYSTEMS & SERVICES
\$20 million

- Provides processing services for various federal agencies
- Specializes in library services and information management

INTELLIGENCE & MILITARY
\$12 million

- Provides professional services contracts with the Air Force
- Specializes in communications and intelligence data handling

SYSTEMS & SCIENTIFIC
\$15 million

- Provides professional services contracts with NASA
- Specializes in mathematical modeling and aerodynamic simulation

FINANCIAL SOFTWARE
\$13 MILLION

BANKING SOFTWARE MARKETING
(Not Applicable)

- Serves as marketing arm for the other Financial Software divisions
- Formed at beginning of FY86

CHECK CONSULTANTS
\$2 million

- Provides applications software and services to commercial banks
- Specializes in check processing to users of IBM's Check Processing Control System
- Runs on IBM mainframes

DECISION SYSTEMS
\$1 million

- Provides applications systems to commercial banks
- Specializes in check processing
- Utilizes IBM microcomputers

DIRECTIONS
\$5 million

- Provides applications software to commercial banks
- Specializes in check processing
- Serves over half of the top 500 banks; the industry leader
- Runs on IBM mainframes

INSURANCE SYSTEMS
\$5 million

- Provides applications software for group claims processing operations
- Provides portfolio management software for investment departments of insurance companies
- Runs on IBM mainframes

INFORMATION SERVICES
\$49 MILLION

CREATIVE DATA SYSTEMS
\$7 million

- Provides turnkey systems for distributors and retailers
- Utilizes Wang minicomputers and IBM microcomputers

DISTRIBUTION SERVICES
\$10 million

- Provides processing services and turnkey systems for distributors
- Targets the drug, hardware and industrial supply markets
- Utilizes IBM mainframes and Honeywell minicomputers

LEGAL INFORMATION SERVICES
\$22 million

- Provides professional services for litigation support
- Serves law firms and corporations involved in large, complex litigation
- Served over 200 major cases; leader in the industry

ORDERNET SERVICES
\$4 million

- Provides electronic data interchange services
- Targets the hardware, pharmaceutical, automotive and grocery industries
- Utilizes IBM mainframes

PUBLISHING SYSTEMS
\$6 million

- Provides processing services, turnkey systems and applications software to publishing operations
- Utilizes IBM mainframes and Wang minicomputers

PROFESSIONAL SERVICES
\$34 MILLION

DOMESTIC
\$26 million

- Provides professional services
- Specializes in contract programming, project management, data base design, systems design and network design
- Serves large commercial corporations and state and local governments

INTERNATIONAL
\$8 million

- Provides professional services for corporations and government markets in Europe and the Middle East
- Headquartered in London, England

SYSTEMS SOFTWARE
\$45 MILLION

ANSWER SYSTEMS
\$18 million

- Provides systems software products
- Specializes in application development and mainframe-to-micro software
- Runs on IBM mainframes and microcomputers

DYLAHOR
\$6 million

- Provides systems software products
- Specializes in report writer, file utility and mainframe-to-micro software
- Runs on IBM mainframes and microcomputers

SOFTWARE LABS
\$5 million

- Develops systems software products
- Specializes in direct access storage device and data communications software
- Utilizes IBM mainframe and microcomputers

STERLING SOFTWARE INTERNATIONAL
\$10 million

- International marketing arm for all systems software divisions
- Headquartered in London, England

SYSTEMS SOFTWARE MARKETING
\$12 million

- Serves as domestic marketing arm for Software Labs and third party developers
- Runs on IBM mainframes and microcomputers

ECONOMIC ANALYSIS OF DIVESTITURES

BACKGROUND

- We plan to sell four operating divisions for proceeds of \$35 to 45 million.
- Pretax operating profits for FY86 involved in the divestitures range from \$5 to 7 million.

RESULTS

- Sharpen market focus.
- Reduce debt by \$35 to 45 million.
- Reduce annual interest costs by \$5 to 6 million.

PROFORMA BALANCE SHEET IMPACT AS IF COMPLETED AT SEPT. 30, 1985 (\$'s millions)

	<u>Before</u>	<u>After @ \$35M</u>		<u>After @ \$45M</u>	
		<u>Amount</u>	<u>Change</u>	<u>Amount</u>	<u>Change</u>
CASH	26.8	26.8	-	26.8	-
ACCOUNTS RECEIVABLE	62.2	52.3	(9.9)	52.3	(9.9)
OTHER CURRENT ASSETS	11.2	10.1	(1.1)	10.1	(1.1)
NON-CURRENT ASSETS	138.8	109.2	(29.6)	99.2	(39.6)
TOTAL ASSETS	<u>239.0</u>	<u>198.4</u>	<u>(40.6)</u>	<u>188.4</u>	<u>(50.6)</u>
CURRENT LIABILITIES	59.6	54.0	(5.6)	54.0	(5.6)
LONG-TERM NOTES	103.4	68.4	(35.0)	58.4	(45.0)
OTHER LIABILITIES	4.3	4.3	-	4.3	-
PREF. STOCK & COMMON EQUITY	71.7	71.7	-	71.7	-
TOTAL LIAB. & EQUITY	<u>239.0</u>	<u>198.4</u>	<u>(40.6)</u>	<u>188.4</u>	<u>(50.6)</u>
DEBT-TO-EQUITY	<u>1.44</u>	<u>.95</u>	<u>.49</u>	<u>.81</u>	<u>.63</u>

ECONOMIC ANALYSIS OF PREFERRED TO COMMON CONVERSION

BACKGROUND

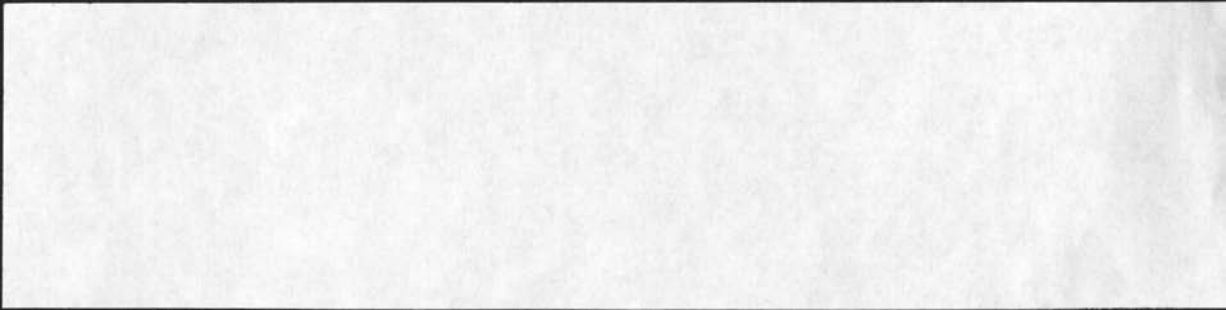
- We now have outstanding \$40 million of preferred stock and 3,200,000 Series A stock warrants.
- We now pay \$4.4 million per year in preferred dividends.
- Warrants normally have an exercise price of \$12.00 per common share.
- For a limited time, we have lowered the exercise price to \$9.75.
- Holders of warrants must tender preferred stock to exercise at \$9.75.

RESULTS (ASSUMING 100% CONVERSION)

- Eliminate \$40 million (\$35.8 million, after discount) of preferred with common stock.
- Eliminate 3,200,000 Series A warrants.
- Issue 4,102,564 additional common shares.
- Eliminate \$4.4 million of annual preferred dividend payments.

PROFORMA IMPACT ON 1985 (\$'s millions)

	<u>BEFORE</u>	<u>AFTER</u>	<u>CHANGE</u>
<u>BALANCE SHEET</u>			
TOTAL ASSETS	\$239.0	\$239.0	-
LIABILITIES	167.3	166.6	(.7)
PREFERRED STOCK	35.1	-	(35.1)
COMMON EQUITY	36.6	72.4	35.8
TOTAL LIABILITIES AND EQUITY	<u>\$239.0</u>	<u>\$239.0</u>	<u>-</u>
 <u>PROFIT AND LOSS</u>			
INCOME AFTER TAX	\$2.9	\$2.9	-
PREFERRED DIVIDENDS	(.7)	-	.7
NET INCOME (TO COMMON)	\$2.2	\$2.9	\$.7
EARNINGS PER SHARE	<u>\$.50</u>	<u>\$.58</u>	<u>\$.08</u>



STERLING SOFTWARE
- - -
PRESIDENTS' MEETING
- - -
NOVEMBER 6-10, 1985
- - -
HILTON HEAD

STERLING
SMITH &
SWANBY

BUSINESS MISSION

- PROVIDE PACKAGED SOFTWARE TO IBM USERS IN SPECIFIC NICHEs WITHIN BOTH THE SYSTEMS AND APPLICATIONS SOFTWARE MARKETS...WORLDWIDE
- PROVIDE PROFESSIONAL SERVICES TO THE COMMERCIAL AND FEDERAL MARKETPLACES... PRIMARILY IN THE UNITED STATES
- PROVIDE PROPRIETARY INFORMATION SERVICES TO SPECIFIC NICHEs WITHIN CERTAIN INDUSTRY MARKETS...WORLDWIDE

11/06/85

FINANCIAL MISSION

- DEPENDABLY GENERATE RAPID EARNINGS PER SHARE GROWTH, BY QUARTER, EACH YEAR...30%
- DEPENDABLY GENERATE A HIGH LEVEL RETURN ON STOCKHOLDERS' EQUITY EACH YEAR...10%

11/06/85

ONGOING OBJECTIVES

- GROW REVENUE AT 30% PER YEAR
- GROW EPS AT 30% PER YEAR...BY QUARTER
- ACHIEVE 40% OF THE FULL YEAR'S PROFITS EACH YEAR IN THE FIRST HALF
- MAINTAIN OPERATING PROFIT MARGINS AT 25%...BY GROUP
- MAINTAIN A DEBT-TO-EQUITY RATIO OF 50%
- MAINTAIN RETURN ON EQUITY AT 10%
- MAINTAIN A CURRENT RATIO OF 2:1
- MAINTAIN A CUSTOMER SATISFACTION RATING IN THE TOP 10% OF THE INDUSTRY
- MAINTAIN A P/E RATIO IN THE TOP 20% OF THE INDUSTRY

11/06/85

PRIMARY GOALS
FY86

- DOUBLE EPS FROM \$.50 TO \$1.00
- INCREASE CFPS FROM \$1.59 TO \$2.60
- CUT DEBT IN HALF FROM \$100M TO \$50M
- CUT PREFERRED EQUITY IN HALF FROM \$35M TO \$17.5M
- CUT ANNUAL CARRYING COSTS IN HALF FROM \$20M TO \$10M
- IMPROVE DEBT-TO-EQUITY RATIO FROM 2.7 TO .9

11/06/85

OPERATING STRATEGY

- GROW THE COMPANY BY BUILDING GROUPS OF COMPANIES (DIVISIONS) ADDRESSING COMMON MARKETS
- OPERATE EACH GROUP AS A UNIFIED COMPANY
- OPERATE EACH DIVISION AS AN INDEPENDENT P&L CENTER
- MAINTAIN SYNERGISTIC ENVIRONMENTS WHEREBY EACH DIVISION HAS AVAILABLE WHAT IT NEEDS TO GROW...FROM THE OTHER DIVISIONS, FROM THE GROUP OR FROM THE PARENT
- WITHIN EACH SOFTWARE GROUP, ESTABLISH BOTH A "MARKETING-ONLY DIVISION" AND A "MAINTENANCE AND SUPPORT DIVISION" TO SERVICE OTHER DIVISIONS IN THE GROUP, AS NEEDED
- ELIMINATE UNNECESSARY BUREAUCRACY AND KEEP OVERHEAD LOW...AT ALL LEVELS
- MAINTAIN HIGHLY PRODUCTIVE DEVELOPMENT ENVIRONMENTS BY KEEPING THE PRODUCT DEVELOPMENT ACTIVITY AT THE LOWEST ORGANIZATIONAL LEVELS
- GROW AGGRESSIVELY BOTH THROUGH EXISTING OPERATIONS AND ADDITIONAL ACQUISITIONS

11/06/85

DELEGATION OF AUTHORITY

	<u>CORPORATE</u>	<u>GROUP</u>	<u>DIVISION</u>
STRATEGIC PLANNING	X	X	X
PRODUCT PLANNING	X	X	X
COMPANY ACQUISITIONS	X		
PRODUCT ACQUISITIONS	X	X	
PRODUCT DEVEL., MAINT. & ENHANCE.		X	X
SALES & MARKETING		X	X
PRODUCT ADVERTISING & PROMOTION			X
INDUSTRY RELATIONS	X	X	X
INVESTOR RELATIONS	X		
GENERAL ACCOUNTING			X
FEDERAL TAXES	X		
STATE & LOCAL TAXES			X
TREASURY	X		
EMPLOYEE TRAINING & DEVELOPMENT			X
BENEFITS PROGRAMS	X		X
STOCK OPTIONS	X		
PERSONNEL ADMINISTRATION			X
LEGAL	X		X

11/06/85

MARKET STRATEGY

- FOCUS ON THE FOLLOWING SOFTWARE PRODUCTS MARKETS:
 - "APPLICATION ENABLING SYSTEMS SOFTWARE" PRODUCTS FOR IBM MAINFRAMES
 - "SYSTEMS UTILITIES SOFTWARE" PRODUCTS FOR IBM MAINFRAMES
 - "BANKING APPLICATIONS SOFTWARE" PRODUCTS FOR IBM MAINFRAMES

- FOCUS ON THE FOLLOWING PROFESSIONAL SERVICES MARKETS:
 - "BODY SHOP" PROFESSIONAL SERVICES FOR THE COMMERCIAL SECTOR
 - "PROJECT-ORIENTED" PROFESSIONAL SERVICES FOR CERTAIN INDUSTRIES WITHIN THE COMMERCIAL SECTOR
 - "PROJECT-ORIENTED" PROFESSIONAL SERVICES FOR THE FEDERAL GOVERNMENT SECTOR

11/06/85

- FOCUS ON THE FOLLOWING INFORMATION SERVICES MARKETS:

- "ELECTRONIC DOCUMENT INTERCHANGE" SERVICES FOR CERTAIN DISTRIBUTION-ORIENTED INDUSTRIES
- "DATA BASE DEVELOPMENT AND SUPPORT" FOR THE LITIGATION SUPPORT AREA OF THE LEGAL MARKET
- "APPLICATIONS SOFTWARE AND SERVICES" FOR THE DISTRIBUTION AND RETAIL INDUSTRIES

- AVOID THE FOLLOWING MARKETS:

- TURNKEY SYSTEMS (UNRELATED TO OUR PRIMARY MARKETS)
- RAW MACHINE TIME PROCESSING SERVICES
- PROCESSING SERVICES NOT INTEGRAL TO OUR OTHER PRODUCT OFFERINGS
- BIG TICKET, SUPPORT-INTENSIVE SOFTWARE PRODUCTS
- MICRO SOFTWARE UNRELATED DIRECTLY TO OUR MAINFRAME SOFTWARE PRODUCTS
- INTEGRATED SOFTWARE PRODUCTS

DETAILED ORGANIZATION
AND
NOMENCLATURE

SYSTEMS SOFTWARE GROUP

SYSTEMS SOFTWARE MKTG. DIVISION
SOLUTIONS DIVISION
SOFTWARE LABS DIVISION
DYLAKOR DIVISION
STERLING SOFTWARE INTL. DIVISION

INFORMATION SERVICES GROUP

DISTRIBUTION SERVICES DIVISION
ORDERNET SERVICES DIVISION
CREATIVE DATA SYSTEMS DIVISION
LEGAL INFORMATION SERVICES DIVISION
PUBLISHING SYSTEMS DIVISION

FEDERAL SYSTEMS GROUP

INTELLIGENCE & MILITARY DIVISION
INFORMATION SERVICES DIVISION
SYSTEMS & SCIENTIFIC DIVISION

FINANCIAL SOFTWARE GROUP

DIRECTIONS DIVISION
CHECK CONSULTANTS DIVISION
DECISION SYSTEMS DIVISION
BANKING SOFTWARE MKTG. DIVISION
INSURANCE SYSTEMS DIVISION

BUSINESS MANAGEMENT SYSTEMS GROUP

MANAGEMENT CONTROL SYS. DIVISION
LEGAL MICRO DIVISION
LEGAL SYSTEMS DIVISION

PROFESSIONAL SERVICES GROUP

PROFESSIONAL SERVICES DIVISION

11/06/85

DIVESTITURE STRATEGY

- SELL THE FOLLOWING DIVISIONS AS SOON AS POSSIBLE:
 - MANAGEMENT CONTROL SYSTEMS
 - LEGAL TURNKEY SYSTEMS
 - GROUP INSURANCEFOR \$15-18 MILLION
 - PUBLISHING SYSTEMS.....FOR \$5-6 MILLION
- COMPLETE AT LEAST HALF OF THE TRANSACTIONS BY DECEMBER 31, 1985...THE REST BY MARCH 31, 1986
- SELL THEM FOR CASH, UP FRONT...WITH NO MORE THAN 10% AS CONTINGENCY PAYOUT
- USE THE PROCEEDS TO PAY DOWN THE DEBT TO REDUCE RISK

11/06/85

ACQUISITION STRATEGY

- CONCENTRATE FIRST ON DIGESTING WHAT WE ALREADY HAVE
- SEARCH FOR ACQUISITIONS IN THE FOLLOWING ORDER OF PRIORITY
 - SMALL COMPANIES...TO OBTAIN THE OPTION TO ACQUIRE
 - SMALL COMPANIES...TO ACQUIRE OUTRIGHT
 - PRODUCTS...TO OBTAIN THE MARKETING RIGHTS, WITH THE OPTION TO ACQUIRE OUTRIGHT
 - PRODUCTS...TO ACQUIRE OUTRIGHT
- MAINTAIN A PORTFOLIO OF OPTIONS TO ACQUIRE FOUR TO SIX SMALL COMPANIES AT ANY POINT IN TIME
- WHEN ACQUIRING COMPANIES OUTRIGHT, USE STOCK RATHER THAN CASH...AND DO ONLY POOLING TRANSACTIONS
- WHEN ACQUIRING PRODUCTS, USE MINIMAL CASH UP FRONT...AND PAY THE REST OUT OVER TIME BASED ON PERFORMANCE (E.G., ROYALTIES)

11/06/85

ACQUISITION RESPONSIBILITIES

	<u>CORPORATE</u>	<u>GROUP</u>	<u>DIVISION</u>
COMPANIES			
IDENTIFICATION	**	*	*
EVALUATION	**	*	
NEGOTIATION	**	*	
FINAL APPROVAL	***		
PRODUCTS			
IDENTIFICATION	*	**	*
EVALUATION	*	**	**
NEGOTIATION	**	*	
FINAL APPROVAL	***		

- *** - SOLE AUTHORITY
- ** - PRIMARY RESPONSIBILITY
- * - ACTIVE INVOLVEMENT

11/06/85

STRATEGIC OVERVIEW: FY86

-- BY GROUP --

SYSTEMS SOFTWARE GROUP

- ESTABLISH SSM AS THE TELEMARKETING-ONLY COMPANY FOR SYSTEMS UTILITIES PRODUCTS
- ESTABLISH SOLUTIONS AS THE DIRECT-SALES-ONLY COMPANY FOR APPLICATIONS ENABLING PRODUCTS
- NO CHANGES AT DYLAKE AND LABS
- CONSOLIDATE ALL INTERNATIONAL SALES UNDER STERLING SOFTWARE INTERNATIONAL
- MOVE SHRINK AND SMART/DASD (PRIMARILY) TO SSM AND LABS AND INQUIRY IV TO DYLAKE
- IMPROVE SOLUTIONS' MARGINS AND MAKE IT MORE DEPENDABLE
- FOCUS EXCLUSIVELY ON NICHE PRODUCTS...SMALL-TO-MEDIUM SCALE
- SEARCH AGGRESSIVELY FOR COMPLEMENTARY PRODUCTS AND SMALL COMPANIES TO ACQUIRE

11/06/85

FEDERAL SYSTEMS GROUP

- TRANSFER THE COMMERCIAL DIVISION TO THE PROFESSIONAL SERVICES GROUP AND CONCENTRATE EXCLUSIVELY ON THE FEDERAL MARKET
- LOOK AGGRESSIVELY FOR A WASHINGTON-BASED ACQUISITION TO GIVE US AN ANCHOR THERE
- KEEP RIGHT ON DOING WHAT WE'VE BEEN DOING

11/06/85

PROFESSIONAL SERVICES GROUP

- ASSUME RESPONSIBILITY FOR FEDERAL SYSTEMS' COMMERCIAL DIVISION
- AGGRESSIVELY SEARCH FOR REGIONAL COMPANIES TO ACQUIRE TO EXPAND OUR GEOGRAPHICAL PRESENCE
- KEEP ON ROLLIN'

11/06/85

INFORMATION SERVICES GROUP

- SELL PUBLISHING SYSTEMS ASAP
- ASSUME RESPONSIBILITY FOR LEGAL INFORMATION SERVICES
- FOCUS PRIMARILY ON AGGRESSIVELY EXPANDING THE ORDERNET BUSINESS... BOTH IN EXISTING MARKETS AND IN NEW INDUSTRIES
- IMPROVE THE MARGINS AND DECREASE OUR RISKS IN THE TURNKEY AREA BY INCREASING THE SOFTWARE-TO-TOTAL-REVENUE RATIO
- INCREASE LEGAL INFORMATION SERVICES' REVENUES THROUGH MORE AGGRESSIVE MARKETING
- EXPAND THE LEGAL INFORMATION SERVICES BUSINESS BY AGGRESSIVELY MOVING INTO A NEW INDUSTRY APPLICATION AREA
- DEEMPHASIZE MARKETING COMPUTER RESOURCES INTERNALLY

11/06/85

FINANCIAL SOFTWARE GROUP

- SELL GROUP INSURANCE ASAP
- SPIN OUT BANKING SOFTWARE MARKETING AS THE SALES ARM FOR THE GROUP
- COMPLETE THE TRANSITION OF DECISION SYSTEMS INTO THE GROUP
- IMPROVE DECISION SYSTEMS' MARGINS
- LOOK FOR ADDITIONAL PRODUCTS AND SMALL COMPANIES IN THE CHECK PROCESSING MARKETPLACE TO ACQUIRE

11/06/85

BUSINESS MANAGEMENT SYSTEMS GROUP

- SELL BOTH DIVISIONS ASAP
- MANAGE THE GROUP, HOWEVER, AS IF WE WERE GOING TO OWN IT FOREVER
- SELL CONSTRUCTION BACK TO ITS ORIGINAL OWNERS
- FOCUS EXCLUSIVELY ON THE PUBLIC ACCOUNTING BUSINESS IN MCS
- LOOK FOR PRODUCT TO TAKE TO THE ADD-ON SOFTWARE MARKET IN OUR MCS CUSTOMER BASE
- MERGE THE LEGAL MICRO BUSINESS AND PSSD INTO A COORDINATED LEGAL TURNKEY BUSINESS
- IMPROVE LEGAL TURNKEY'S MARGINS BY SUBSTANTIALLY REDUCING THE FIXED COSTS

11/06/85

FY85 RESULTS
CONSOLIDATED

	FY85 ACTUAL	VS. PLAN		VS. FY84	
		PLAN	% OF PLAN	FY84	% INCREASE
REVENUE	61,216	24,483	250%	18,692	227%
PBT - \$	5,938	3,846	154%	2,133	178%
- %	10%	16%		11%	
NET INC.- \$	2,231	1,950	114%	1,090	166%
EPS	<u>\$.50</u>	<u>\$.44</u>	<u>114%</u>	<u>\$.25</u>	<u>60%</u>
CASH FLOW	7,119	3,107	229%	3,464	106%
CFPS	<u>\$1.59</u>	<u>\$.70</u>	<u>227%</u>	<u>\$.78</u>	<u>104%</u>

11/06/85

FY85 RESULTS
OLD STERLING SOFTWARE

	REVENUE			PBT		
	ACTUAL	PLAN	FY84	ACTUAL	PLAN	FY84
Systems Software Group						
Sterling Software Mktg	12,493	13,884	9,934	1,874	2,126	1,321
Software Labs	4,806	4,958	3,469	2,222	2,335	1,352
Dylakor	5,934	5,884	4,958	1,814	1,782	1,379
Group Headquarters	-	-	-	(220)	(265)	0
TOTAL SSG*	18,442	19,697	14,893	5,685	5,622	4,052
Financial Software Group						
Directions	4,904	5,206	3,965	1,117	1,085	513
Check Consultants	1,997	1,791	1,282	926	684	81
Group Headquarters	141	0	0	(140)	(240)	0
TOTAL FSG*	7,043	5,206	5,247	1,903	845	594

*Includes Intercompany Eliminations & Acquisition Adjustments

11/06/85

1985 RESULTS
 OLD INFORMATICS -- CONSOLIDATED
 (Current Forecast)

	<u>Current Fcst</u>	<u>July Fcst</u>	<u>Var. from July Fcst</u>	<u>Plan</u>	<u>1984</u>
INFORMATICS APPLICATIONS					
REV	99,452	111,028	(11,576)	119,939	88,288
PTI	(925)	5,095	(6,020)	8,764	6,466
INFORMATICS SYSTEMS					
REV	116,670	116,096	574	111,597	101,085
PTI	7,623	8,288	(665)	6,715	2,110
OPERATING REVENUE	215,072	226,625	(11,553)	231,536	187,627
OPERATING INCOME	<u>12,990</u>	<u>20,026</u>	<u>(7,036)</u>	<u>21,863</u>	<u>15,128</u>
INVESTMENT REVENUE	1,071	1,582	(511)	1,700	3,566
CORPORATE EXPENSES	6,452	8,942	2,490	7,409	5,710
INC. FROM DISC. OPERATIONS	0	0	0	0	2,155
TOTAL REVENUE	216,143	228,207	12,064	233,236	191,193
TOTAL PRE-TAX INCOME	<u>7,609</u>	<u>12,666</u>	<u>(5,057)</u>	<u>16,154</u>	<u>10,829</u>

11/06/85

1985 RESULTS
INFORMATICS APPLICATIONS GROUP
(Current Forecast)

		Current <u>Fcst</u>	July <u>Fcst</u>	Var. from <u>July Fcst</u>	<u>Plan</u>	<u>1984</u>
BUSINESS MGMT. SYSTEMS	REV	21,133	28,117	(6,984)	34,408	19,913
	PTI	(2,341)	738	(3,079)	3,048	1,394
DISTRIBUTION & RETAIL SYSTEMS	REV	21,600	21,719	(119)	24,053	18,118
	PTI	1,376	1,514	(138)	1,583	1,063
LEGAL INFOR. SYST. & SERV.	REV	50,468	53,623	(3,155)	54,720	45,732
	PTI	494	2,160	(1,666)	3,664	4,572
GROUP INSURANCE	REV	6,251	7,569	(1,318)	6,758	4,525
	PTI	301	1,142	(841)	769	(611)
IHIA	REV	0	0	0	0	0
	PTI	(623)	(428)	(195)	(300)	(132)
ARTIFICIAL INTELLIGENCE	REV	0	0	0	0	0
	PTI	(132)	(31)	(101)	0	0
TOTAL INFORMATICS APPLICATIONS	REV	99,452	111,028	(11,576)	119,939	88,288
	PTI	(925)	5,095	(6,020)	8,764	6,466

11/06/85

1985 RESULTS
INFORMATICS SYSTEMS GROUP
(Current Forecast)

		<u>Current Fcst</u>	<u>July Fcst</u>	<u>Var. from July Fcst</u>	<u>Plan</u>	<u>1984</u>
CORPORATE SYSTEMS						
	REV	29,985	28,884	(1,899)	28,926	24,640
	PTI	(808)	112	(920)	0	(3,770)
PROFESSIONAL SERVICES						
	REV	34,489	33,390	1,099	27,063	28,390
	PTI	4,669	4,568	101	3,446	4,169
FEDERAL SYSTEMS						
	REV	48,528	47,236	1,292	48,154	42,792
	PTI	3,312	3,440	(128)	2,959	1,551
PUBLISHING SYSTEMS						
	REV	6,668	6,586	82	7,454	5,263
	PTI	825	766	59	749	160
NATIONAL ACCOUNTS						
	REV	0	0	0	0	0
	PTI	(374)	(598)	224	(439)	0
TOTAL INFORMATICS SYSTEMS						
	REV	116,670	116,096	574	111,597	101,085
	PTI	7,364	8,288	(665)	6,715	2,110

11/06/85

FY86 PLAN -- CONSOLIDATED
(Preliminary, \$'s in thousands)

	FY86	FY85	%
			INCR.
OPERATING REVENUE	278.9	61.2	356%
OPERATING EXPENSES	231.6	49.8	366%
OPERATING PROFIT - \$	47.3	11.4	315%
- %	17%	19%	-
CORPORATE EXPENSES	6.3	2.3	174%
ACQUISITION COSTS	7.8	1.9	311%
INTEREST EXPENSE	14.8	1.9	679%
INTEREST INCOME	1.6	.7	128%
INCOME BEFORE TAXES - \$	20.0	5.9	239%
INCOME TAXES - %	50%	51%	-
- \$	10.0	3.0	233%
NET INCOME	10.0	2.9	245%
PREFERRED DIVIDEND ACCRUAL	5.0	.7	614%
NET INCOME TO COMMON	5.0	2.2	127%
EARNINGS PER SHARE	<u>\$1.02</u>	<u>\$.50</u>	104%
CASH FLOW FROM OPERATIONS	12.9	7.1	82%
CASH FLOW PER SHARE	<u>\$2.61</u>	<u>\$1.59</u>	64%

11/06/85

FY86 PLAN -- BY GROUP
(Preliminary, \$'s in thousands)

	REVENUE			OP. PROFIT		
	<u>FY86</u>	<u>FY85*</u>	<u>% INCR.</u>	<u>FY86</u>	<u>FY85*</u>	<u>% INCR.</u>
SYSTEMS SOFTWARE GROUP	58.9	49.8	18%	14.6	2.8	428%
FEDERAL SYSTEMS GROUP	44.4	38.9	14%	4.7	2.4	92%
PROFESSIONAL SERVICES GROUP	42.0	34.3	22%	7.2	6.0	20%
INFORMATION SERVICES GROUP	54.1	49.0	10%	7.1	3.3	115%
FINANCIAL SOFTWARE GROUP	23.2	13.6	71%	6.2	3.1	183%
BUSINESS MGMT. SYS. GROUP	56.3	51.1	10%	7.6	.5	1582%
TOTAL - \$	<u>278.8</u>	<u>236.7</u>	<u>18%</u>	<u>47.3</u>	<u>18.1</u>	<u>161%</u>
- %				17%	8%	

*Proforma Numbers for Full Fiscal Year

11/06/85

TARGETED IMPROVEMENTS
 IN FINANCIAL CONDITION
 at September 30
 1986 vs. 1985
 (\$'s in thousands)

	<u>1985</u>	<u>1986*</u>
CASH	22.5	39.3
GOODWILL	60.0	38.0
PURCHASED SOFTWARE	39.5	21.7
LONG TERM DEBT	99.2	49.2
PREFERRED STOCK	35.1	17.6
COMMON EQUITY	36.5	57.8
ANNUALIZED CARRYING COSTS	19.8	10.2
ANNUALIZED AMORTIZATION	10.4	6.7
COMMON SHARES OUTSTANDING	4,935	6,677
RETURN ON COMMON EQUITY	6.1%	6.6%
DEBT-TO-COMMON-EQUITY	2.72	.85

*ASSUMES DIVESTING CERTAIN ASSETS ON 1/1/86 FOR \$50 MILLION, PAYING DOWN THE DEBT WITH THE PROCEEDS, AND CONVERTING 1/2 THE PREFERRED TO COMMON ON 9/30/86 AT \$18.00/SHARE.

11/06/85

ACTION ITEMS

	<u>TARGET DATE</u>
● COMPLETE FY86 BUDGET WHICH PRODUCES \$1.20 PER SHARE, \$.48 OF WHICH IS IN THE FIRST HALF	NOVEMBER 27, 1985
● FINALIZE THE OVERALL COMPUTER RESOURCES PLAN	NOVEMBER 27, 1985
● FINALIZE THE BONUS AND EXECUTIVE COMPENSATION PLANS FOR FY86	DECEMBER 15, 1985
● FINALIZE THE STOCK OPTION GRANTS (PENDING STOCK-HOLDERS' APPROVAL TO INCREASE THE POOL)	DECEMBER 1, 1985
● PUT A COMPLETE AND RELIABLE FINANCIAL REPORTING SYSTEM FIRMLY IN PLACE	DECEMBER 15, 1985
● SELL THE BUSINESS MANAGEMENT SYSTEMS GROUP FOR \$38-46 MILLION	JANUARY 31, 1986
● SELL GROUP INSURANCE FOR \$15-18 MILLION	DECEMBER 31, 1985
● SELL PUBLISHING SYSTEMS FOR \$5-6 MILLION	MARCH 31, 1986

11/06/85

ACTION ITEMS (cont.)

	<u>TARGET DATE</u>
● MEET THE PLAN TWO QUARTERS IN A ROW!	DECEMBER 31, 1985 AND MARCH 31, 1986
● CONVERT TO THE COMPANY'S NEW NOMENCLATURE	DECEMBER 31, 1985
● ACQUIRE A WASHINGTON-BASED FEDERAL SYSTEMS COMPANY	APRIL 30, 1986
● ACQUIRE TWO SMALL SYSTEMS SOFTWARE COMPANIES DURING FY86	MAY 31, 1986 AND AUGUST 31, 1986
● ACQUIRE TWO REGIONAL, COMMERCIAL PROFESSIONAL SERVICES OPERATIONS DURING FY86	APRIL 30, 1986 AND JULY 31, 1986
● OVERHAUL OUR PENSION AND BENEFITS PLANS	JULY 31, 1986
● <u>MEET THE PLAN FOR THE OTHER TWO QUARTERS</u>	JUNE 30, 1986 AND SEPTEMBER 30, 1986
● START HAVING FUN	APRIL 1, 1986

11/06/85

TARGET COMPENSATION

<u>NAME</u>	<u>OPERATING</u>		<u>BONUS a</u>					<u>TOTAL COMPENSATION a</u>				
	<u>PROFIT</u>	<u>BASE</u>	<u>50%</u>	<u>75%</u>	<u>100%</u>	<u>125%</u>	<u>150%</u>	<u>50%</u>	<u>75%</u>	<u>100%</u>	<u>125%</u>	<u>150%</u>
	<u>PLAN</u>	<u>SALARY</u>										
WARNER BLOW												
WERNER FRANK												
ED LOTT												
CHARLIE PAPARELLI												
GENO TOLARI												
DON TOY												

11/06/85

TARGET COMPENSATION WORKSHEET

NAME: _____

SALARY: _____

OPERATING PROFIT PLAN: _____

TOTAL COMPENSATION @: 50% OF PLAN _____
 75% OF PLAN _____
 100% OF PLAN _____
 125% OF PLAN _____
 150% OF PLAN _____

BONUS COMPUTATION:

<u>INCREMENTAL % OF PLAN</u>	<u>INCREMENTAL RATE</u>	<u>INCREMENTAL BONUS</u>	<u>CUMULATIVE BONUS</u>
0 - 50			
50 - 75			
75 - 100			
100 - 125			
125 - 150			
150 - OVER			

REPORTING SCHEDULE

- | | <u>WHEN</u> |
|---|--|
| ● FLASH REPORT:
MONTH, QUARTER-TO-DATE, YEAR-TO-DATE
ACTUAL VS. PLAN
REVENUE AND OPERATING PROFIT | 1ST OF EACH MONTH |
| ● MONTHLY REPORT:
MONTH, QUARTER-TO-DATE, YEAR-TO-DATE
ACTUAL VS. PLAN
ALL P&L AND BALANCE SHEET BUDGET ITEMS
ALL KEY INDICATOR ITEMS
NARRATIVE SUMMARY BY GROUP PRESIDENT | 20TH OF EACH MONTH |
| ● REVISED CURRENT QUARTER'S FORECAST:
COMPLETE REEVALUATION OF THE CURRENT QUARTER
ADJUST FULL-YEAR FORECAST ACCORDINGLY
INCLUDED WITH EACH MONTHLY REPORT | 20TH OF EACH MONTH |
| ● REVISED FULL-YEAR FORECAST:
COMPLETE, BOTTOM-UP FORECAST FOR THE
CURRENT FISCAL YEAR
COMPLETE, BOTTOM-UP FORECAST FOR THE
NEXT FOUR QUARTERS | 20TH OF EACH JANUARY,
APRIL, JULY AND OCTOBER |

11/06/85

MEETING SCHEDULE

	<u>PARTICIPANTS</u>	<u>WHEN</u>
● QUARTERLY REVIEW	EACH GROUP PRESIDENT, HIS DIVISION PRESI- DENTS, ELLIS AND WILLIAMS	QUARTERLY...DURING NOVEMBER, FEBRUARY, MAY AND AUGUST
● GROUP PRESIDENTS' MEETING	ALL GROUP PRESIDENTS, ELLIS, MOORE, MEIER AND WILLIAMS	SEMI-ANNUALLY... DURING APRIL AND OCTOBER

11/06/85

PM.

NOTES: STRATEGIC PLAN

I. MARKET STRATEGY

Re-word

- Concentrate exclusively on IBM mainframe-based products
- Target the following markets:
 - Systems software
 - Application enabling software
 - Financial applications software
- Stay out of the micro stand-alone software market
- ~~Stay out of~~ ^{Avoid} the mini stand-alone software market
- Consider only mini or micro software that support our mainframe software through mainframe-to-micro distributed systems

— ?

II. ACQUISITION STRATEGY

- Be market-driven and product-driven...rather than merely "financial-driven"
 - Search for products to obtain their exclusive marketing rights
 - Obtain options to purchase the higher potential products out-right
 - Purchase the highest potential products up front
 - Obtain the option to acquire the companies from whom we acquire the highest potential products' marketing rights
 - Acquire the company outright, up front, that presents the exceptional opportunities, both product-wise and deal-wise
 - Implement acquisition plan as follows:
 - Define target markets at the group level...with input from the subs and approval and support from the parent
 - Actively look for the product acquisition opportunities at the subsidiary level
 - Manage the major (to be defined) acquisition activities at the parent level
 - Watch for and pursue significant opportunistic situations at the parent level...with support from the group and subsidiary level

- Use outside services (e.g. Broadview) only as a supplement to our efforts

III. OPERATING STRATEGY

- Align subsidiaries into market-oriented groups...currently:
 - Systems Software Group
 - Financial Software Group
- Run the groups as separate P & L units...both operationally and strategically
- Run the companies as independent (but related) P & L units
- Organizationally, establish a management structure at three levels:
 - Parent...addressing corporate strategy and major to be defined acquisitions
 - Group...responsible for group strategy, acquisitions, and operational management
 - Subsidiary...responsible for implementing strategy and achievement of P & L objectives

IV. DEVELOPMENT STRATEGY

- Extend existing products
- Develop complementary products
- Conceive and implement at the lowest level
- We endorse "bootlegging"...however, marketing must influence the development effort...at "the appropriate time"

V. PRODUCT SELECTION CRITERIA - FINANCIAL SOFTWARE GROUP

- Focus on selected market niches i.e.
 - Check Processing
 - Intersection insurance/banking
 - Intersection securities processing/banking
 - Intersection retailers/banking
- Define and acquire niche products

- Expand existing product line in any financial services which meet product criteria i.e., Leasing, Safety Deposit Accounting, etc.
- Exclude classic retail banking applications including ATM, POS and other related adjuncts.
- Emphasis upon modular, segmented products to fit minimum complexity, minimum support and low to medium (under \$100,000) fee ranges with extended market life cycle.
- Exclude turnkey products, processing services, professional services
- Leverage existing resources
 - Client base, field sales, reputation, support staff
- Extend existing product
 - Implement complementary features and product in support groups with marketing influence
 - Build "headquarters" turnover capability via training, remote services, et. al.
- Design sales strike force integrated with minimum cost "headquarters" client connection



STRATEGIC PLAN SUMMARY
Sterling Software, Inc.
December 14, 1984

I. MISSION

Sterling Software's business is to provide packaged software to users of IBM computers, primarily mainframes, on a worldwide basis.

II. OBJECTIVES

A. FINANCIAL OBJECTIVES (See Attachments A and B)

1. Maintain an average annual REVENUE GROWTH RATE from existing operations of at least 35% per year.
2. Increase EARNINGS PER SHARE, each quarter, by 30% per year.
3. Increase pre-tax RETURN ON SALES from 14% in FY84 to at least 20% by FY87.
 - a. Increase the PROFIT CONTRIBUTION FROM THE SYSTEMS SOFTWARE GROUP from 27% in FY84 to 30% in FY87.
 - b. Increase the PROFIT CONTRIBUTION FROM THE FINANCIAL SOFTWARE GROUP from -1% in FY84 to 30% in FY87.
4. Increase RETURN ON EQUITY from 5% in FY84 to 15% by FY87.
5. Generate CASH FLOW of at least 15% of total revenue.
6. Maintain a DEBT-TO-EQUITY RATIO of less than 10%.
7. Maintain a CURRENT RATIO greater than 2:1.

B. GENERAL OBJECTIVES

1. Maintain a CUSTOMER SATISFACTION rating in the top 10% of the industry.
2. Become a RECOGNIZED LEADER in the software industry in the near term (3-5 years).
3. Maximize the market value of the stock by supporting a P/E RATIO in the top 20% of the industry.

4. Maintain the EMPLOYEE ATTRITION RATE below 15%.
5. Establish at least two additional groups by entering TWO NEW VERTICAL (INDUSTRY) MARKETS within the next three years.

III. STRATEGY

A. OPERATING STRATEGY

1. Grow the company by building groups of companies addressing common markets.
2. Operate each group as a unified company.
3. Operate each company as an independent profit center.
4. Establish each company as one of five types: 1) full-function, 2) marketing-only, 3) maintenance and support, 4) development-only or 5) development and maintenance (See Attachment C).
5. Within each group establish both a "marketing-only company" and a "maintenance and support company" to provide their services to the other companies in the group as needed (See Attachments D and E).
6. Maintain synergistic environments whereby each company has available what it needs to grow.
 - a. From the other companies.
 - b. From the parent.
7. Maintain the right balance between "synergy" and "autonomy"

	<u>Responsibility</u>		
	<u>Parent</u>	<u>Group</u>	<u>Sub</u>
Strategic Planning	X	X	X
Product Planning	X	X	X
Company Acquisitions	X		
Product Acquisitions	X	X	
Product Development and M&E			X
Sales and Marketing			X
Advertising	X	X	X
Industry Relations	X	X	
Investor Relations	X		
General Accounting			X
Treasury	X		
Performance Monitoring	X	X	X
Employee Training	X	X	X
Benefits	X		X

8. Grow the company aggressively both through existing operations and additional acquisitions:
 - a. Grow the revenue base of each existing company.
 - b. Acquire additional products from the outside.
 - c. Develop additional products from within.
 - d. Spawn new companies from existing companies.
 - e. Acquire additional companies from the outside.
9. Keep overhead low at all levels.
10. Maintain highly productive development environments:
 - a. Keep the product development activity at lowest levels.
 - b. Eliminate bureaucracy.
 - c. Encourage "controlled bootlegging."

B. MARKET STRATEGY

1. Target two primary markets, initially (See Attachment F).
 - a. Systems Software for IBM mainframes.
 - b. Financial Applications Software on IBM mainframes.
2. Expand into other markets in the future:
 - a. Fortify our current positions first.
 - b. Carefully select new target opportunities.
 - c. Establish a position by acquiring a "nucleus" company.
3. Product Selection Criteria
 - a. Must be packaged software only.
 - b. Must run on IBM or IBM-compatible mainframes...or on micros connected to mainframes.
 - c. Must have a high "barrier to entry" by competition.
 - d. Must avoid competing with IBM (in areas critical to them) or strongly-entrenched competition.
 - e. Must leverage our existing (or merely expanded) resources.

C. ACQUISITION STRATEGY

1. Significantly accelerate our growth through acquisitions.
2. Assign responsibilities for acquisition per the following:

	<u>Responsibility</u>		
	<u>Parent</u>	<u>Group</u>	<u>Sub</u>
COMPANIES			
Identification	**	*	*
Evaluation	**	*	
Negotiation	**	*	
Final Approval	***		
PRODUCTS			
Identification	*	**	*
Evaluation	*	**	**
Negotiation	**	*	
Final Approval	***		

*** - Sole Authority
 ** - Primary Responsibility
 * - Active Involvement

3. Prioritize the search for acquisitions as follows:
 - a. Products, to obtain their marketing rights.
 - b. Products, to acquire outright.
 - c. Companies, to obtain the option to acquire.
 - d. Companies, to acquire outright.
4. Maintain a portfolio at all times of four or five options that could be exercised at any time.
5. Evaluate "big deals" on an opportunistic basis only at the parent level.
6. Structure deals so that they would:
 - a. Be non-dilutive to our EPS.
 - b. Provide incentive for the entrepreneurs to remain interested.
7. Emphasize the relative compatibility of the prospective company and its people to our own.

D. FINANCIAL STRATEGY

1. Stress profit contribution at the subsidiary level by establishing PBT and gross margin objectives.
2. Concentrate at the parent level on managing the company's assets to maximize their return.
3. Emphasize steady EPS growth at every level.
4. Where tradeoffs are necessary emphasize cash flow vs. P&L earnings.
5. Avoid taking on long term debt (unless the economics clearly make it the most advantageous method of capitalization).
6. Avoid junking up the books with such items as goodwill.
7. Whenever possible, make acquisitions on a pooling basis, at a non-dilutive price.

V. BUSINESS PRINCIPALS

- A. We must maintain an attitude at all times that servicing the customer is our #1 priority.
- B. We must be "products-oriented" rather than primarily "numbers-oriented"...the numbers will follow.
- C. We want to maintain an image, at all times, of the highest quality:
 1. Products
 2. Service
 3. People
- D. Our people are our greatest assets. They must be treated that way.
- E. We want to maintain the "entrepreneurial spirit" and avoid policies and procedures.
- F. We will strive at all times to have open and clear communications internally in all directions.
- G. We will be sensitive to the pressures of the stock market, but we will not be driven by them.

VI. ACTION ITEMS

A. Dramatically increase acquisition activity and develop a list of qualified prospects:

- 5 systems software companies.
- 3 financial software companies.
- 5 systems software products.
- 3 financial software products.

...and close one of each this fiscal year.

B. Increase the product development "sense of urgency" (but not the costs) at Software Labs, Dylakor and Directions...beginning now.

C. Significantly strengthen the sales forces (including sales management) at Directions, Dylakor and SSM...beginning now.

D. Firmly establish the group organization concept...by December 31, 1984.

E. Spin off Dylakor Research...by December 31, 1984.

F. Consolidate the cash management function at corporate...by December 31, 1984.

G. Prepare Directions Marketing for spin off...by March 31, 1984.

H. Define our position on pension plans, profit sharing, and bonus plans...by January 31, 1984.

STERLING SOFTWARE, INC.
SIX-YEAR PROFORMA
(\$ in thousands)

	FY82		FY83		FY84		FY85		FY86		FY87	
	ACTUAL		ACTUAL	% INCR	ACTUAL	% INCR	PLAN	% INCR	PROJ	% INCR	PROJ	% INCR
REVENUE	9,415		14,462	54%	18,692	29%	24,482	31%	33,051	35%	44,618	35%
EXPENSES												
DEPRECIATION	1,044		1,334	28%	1,741	31%	2,127	22%	2,079	-2%	2,127	2%
ALL OTHER	7,711		11,838	54%	15,230	29%	19,376	27%	25,576	32%	33,761	32%
TOTAL	8,755		13,172	50%	16,971	29%	21,503	27%	27,655	29%	35,888	30%
INCOME FROM OPS	660		1,290	95%	1,721	33%	2,979	73%	5,395	81%	8,731	62%
INTEREST INCOME	65		234	260%	980	319%	866	-12%	996	15%	1,145	15%
INC BEF TAX - \$	725		1,524	110%	2,700	77%	3,845	42%	6,391	66%	9,876	55%
- %	8%		11%		14%		16%		19%		22%	
TAX RATE	50.2%		52.8%		48.4%		49.3%		50.0%		50.0%	
INCOME TAXES	364		805	121%	1,307	62%	1,894	45%	3,196	69%	4,938	55%
INC BEF EX CR-\$	361		719	99%	1,394	94%	1,951	40%	3,196	64%	4,938	55%
PER SHARE	\$0.12		\$0.18	47%	\$0.32	78%	\$0.44	38%	\$0.72	64%	\$1.12	56%
EXTRA CREDIT- \$	0		0	-	0	-	0	-	0	-	0	-
PER SHARE	-		-	-	-	-	-	-	-	-	-	-
NET INCOME - \$	361		719	99%	1,394	94%	1,951	40%	3,196	64%	4,938	55%
PER SHARE	\$0.12		\$0.18	47%	\$0.32	78%	\$0.44	38%	\$0.72	64%	\$1.12	56%
	=====		=====		=====		=====		=====		=====	
CASH FLOW - \$	1,381		3,138	127%	3,769	20%	4,078	8%	5,001	42%	7,569	30%
PER SHARE	\$0.47		\$0.78	66%	\$0.85	10%	\$0.92	8%	\$1.31	42%	\$1.71	30%
	=====		=====		=====		=====		=====		=====	
AVERAGE SHARES	2,949		4,047	37%	4,422	9%	4,416	0%	4,416	0%	4,416	0%

NOTES: * Fiscal year ends September 30.

* Proforma results treat all current companies as if they were included in Sterling Software for the entire three-year period. Pacesetter results are not included.

* Estimates for FY85-87 do not include future acquisitions.

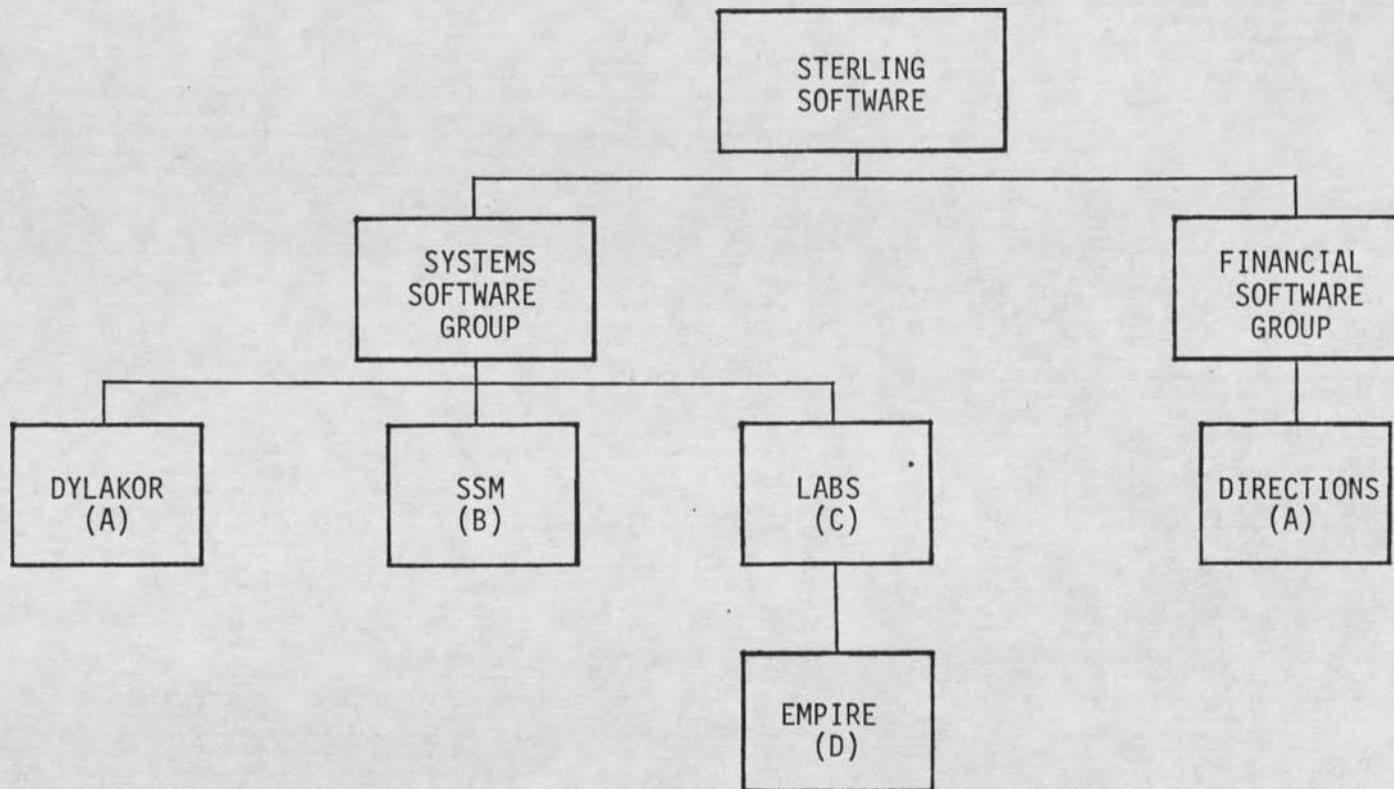
STERLING SOFTWARE, INC.
BALANCE SHEET SUMMARY
(\$ in units)

ASSETS	BALANCE AT 09/30/85 (ESTIMATE)	BALANCE AT 09/30/84 (ACTUAL)	BALANCE AT 09/30/83 (ACTUAL)
Current Assets			
Cash and Equivalents	16,086,710	12,102,831	10,621,670
Accounts Receivable	6,025,492	4,371,709	3,272,321
Other Current Assets	455,014	580,150	181,373
Total Current Assets	22,567,216	17,054,690	14,075,364
Furniture and Equipment	2,945,030	2,945,030	2,067,152
Less Accumulated Depreciation	(1,122,122)	(622,122)	(209,764)
	1,822,908	2,322,908	1,857,388
Purchased Software	9,100,536	9,100,536	8,897,604
Less Accumulated Depreciation	(3,184,243)	(1,720,586)	(599,552)
	5,924,293	7,387,950	8,298,132
Excess Cost Over Net Assets Acquired, Net	4,259,723	4,280,609	4,486,410
Other Assets	594,783	518,335	287,219
Total Assets	35,168,923	31,564,492	29,004,513
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Notes Payable	221,093	217,671	335,569
Accounts Payable and Other Liabilities	2,981,662	2,511,074	1,761,441
Income Taxes Payable	1,194,000	0	0
Deferred Income Taxes	785,741	957,693	1,066,735
Total Current Liabilities	5,182,496	3,686,438	3,163,745
Long Term Notes Payable	343,614	647,036	254,118
Deferred Income Taxes	1,567,902	1,029,482	245,117
Stockholders' Equity			
Common Stock	442,765	442,765	442,765
Additional Paid In Capital	22,820,280	22,820,280	22,820,280
Retained Earnings	4,811,866	2,938,491	2,078,488
Total Stockholders' Equity	28,074,911	26,201,536	25,341,533
Total Liabilities and Stockholders' Equity	35,168,923	31,564,492	29,004,513

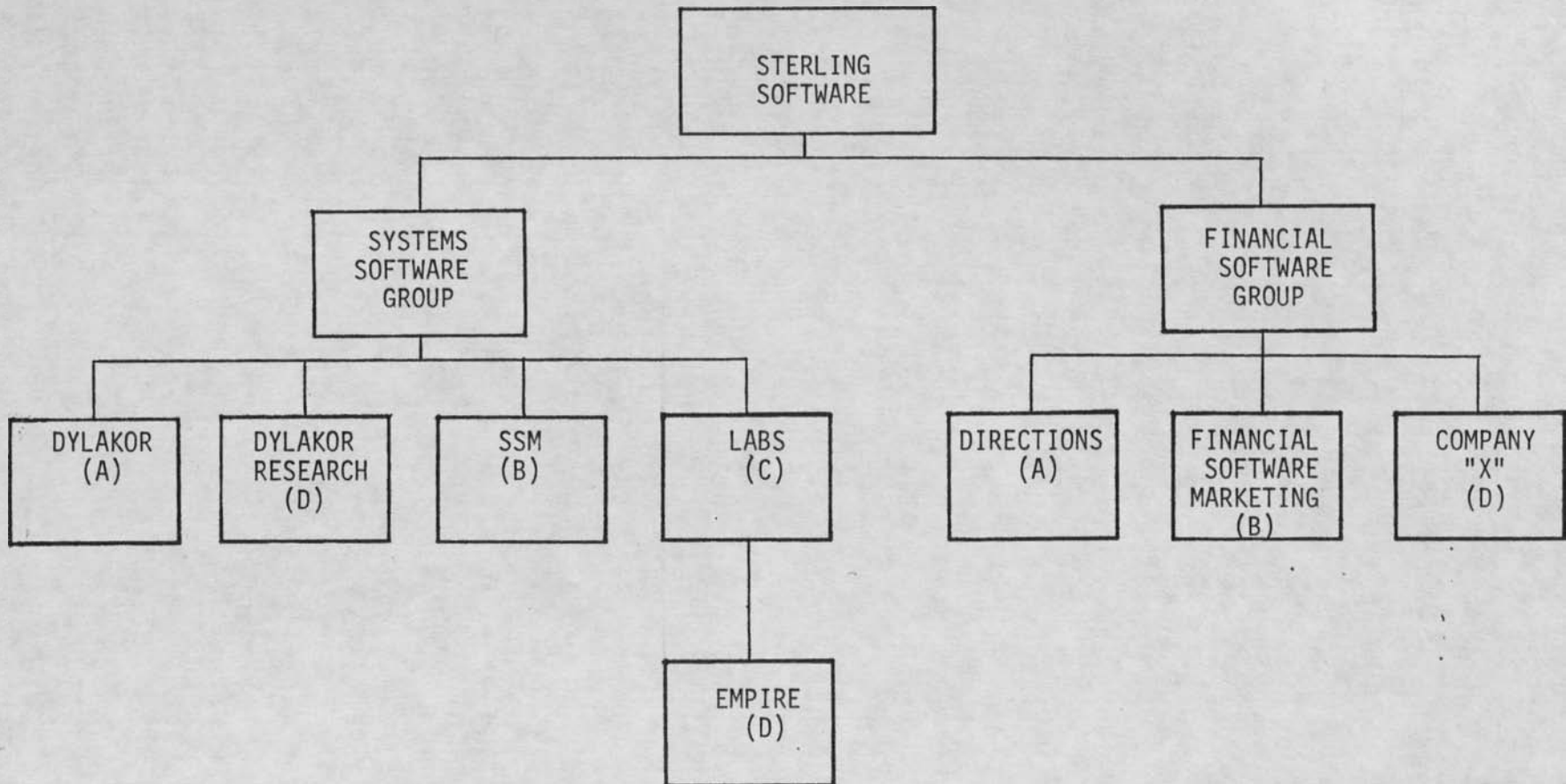
TYPES OF COMPANIES

- | | | |
|---|---------------------------|---|
| A | Full-function Company | Self contains all functions. |
| B | Marketing-Only | Sells and markets third-party products only. Conducts no maintenance or development. |
| C | Maintenance & Support | "Productizes" (packages), maintains and supports products developed by third parties. |
| D | Development-Only | Develops only early releases of products to be turned over to an "M&S company." |
| E | Development & Maintenance | Conducts all the functions of both an "M&S" and a "Development-only" company. |

STERLING SOFTWARE
T O D A Y



STERLING SOFTWARE
" TOMORROW "



TARGET MARKETS
SYSTEMS SOFTWARE

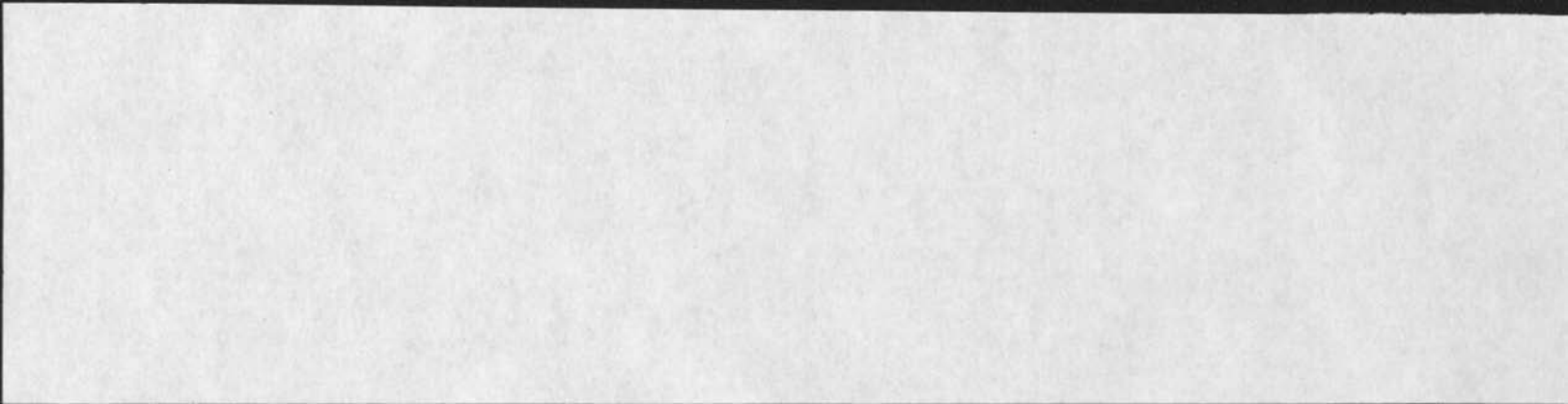
	MVS	VM	DOS	MICRO
	-----	-----	-----	-----
A. SYSTEMS CONTROL				
1. OPERATING SYSTEMS				
a. Complete Systems	L	L	L	L
b. Enhancements	M*	M	M	M
c. Access Methods	L	L	L	M
d. Spooling & RJE	H	H	H	M
2. FILE MANAGEMENT				
a. DASD Space Management	VH*	VH	VH	VH
b. DASD Device Conversion	L	L	L	L
c. File Management	M	M	M	M
d. File Utilities	H*	H	H*	H
3. DATA BASE MANAGEMENT				
a. Data Base Analysis				
1) Data Directories	H	H	H	H
2) Data Base Design	L	L	L	L
b. Data Base Systems	L	L	L	L
c. Data Base Utilities	M	M	M	M
4. DATA COMMUNICATIONS				
a. Network Design	L	L	L	L
b. Limited Capability				
1) Terminal Control	L	L	L	M
2) Data Entry	L	L	L	M
3) Point-to-point	VH*	H	VH*	VH*
c. Time-sharing	L	L	L	L
d. Distributed Processing				
1) TP Monitors	L	L	L	M
2) Enhancements	VH	H	VH	H
5. SECURITY AND INTEGRITY				
a. Access Control	H	H	H	M
b. Integrity Assurance	H	H	H	H
c. Encryption / Decryption	H*	H	H*	H
B. SYSTEMS OPERATION				
1. MEASUREMENT AND ACCOUNTING				
a. Performance Monitors	L	L	L	L
b. Utilization Statistics	L	M	L	M
c. Job Accounting	L	L	L	L
2. EMULATION				
	L	L	L	L
3. ADMINISTRATION AND PLANNING				
a. Installation & Planning	L	L	L	L
b. Operations Scheduling	H*	H	H	H
c. Console Aids	L	L	L	L
d. Disaster Recovery	H	H	H	VH
4. MEDIA MANAGEMENT				
a. Media Utilities	M	M	M	M
b. Tape Management	L	L	L	L
c. Peripheral Devices	L	L	L	H

TARGET MARKETS
SYSTEMS SOFTWARE

	MVS	VM	DOS	MICRO
5. OPERATIONS AIDS				
a. Procedure Management	L	L	L	L
b. Run-time Support	L	L	L	L
c. System Conversion	L	L	L	L
d. Recovery & Restart	H	H	H	L
6. HARDWARE MAINTENANCE	L	L	L	M
7. FIRMWARE	L	L	L	L
C. LANGUAGES AND METHODS				
1. LANGUAGES				
a. COBOL	L	L	L	L
b. FORTRAN	L	L	L	L
c. PL/1	L	L	L	L
d. APL	L	L	L	L
e. BASIC	L	L	L	L
f. FASCAL	L	L	L	L
g. Other Languages	L	L	L	L
2. METHODS (APPLICATIONS ENABLING)				
a. Application Generators	H	H	H	M
b. Information Retrieval	H	H	H	H
c. Report Writers	VH*	H	VH*	M
d. Preprocessors	M	M	M	L
e. Screen Formatters	M	M	M	L
3. ASSEMBLERS & CROSS-ASSEMBLERS	L	L	L	L
4. SORTS	L	L	L	L
D. DEVELOPMENT TOOLS				
1. DEVELOPMENT MANAGEMENT	H*	H	H*	H
2. DESIGN METHODOLOGIES	L	L	L	L
3. DEVELOPMENT TOOLS				
a. Source Program Management	H	H	H	L
b. Documentation	L	L	L	L
c. Application Testing	H*	H	H*	M
4. INSTALLATION AND MAINTENANCE	M	M	M	M
5. LANGUAGE CONVERSION	L	L	L	L
6. APPLICATION DEVELOPMENT SYSTEMS	M	M	M	M

EXPLANATION OF CODES:

- * - Current Product Offerings
- VH - Very High Interest Level; Aggressively Pursue
- H - High Interest Level; Pursue Opportunities
- M - Medium Interest Level; Evaluate Opportunities As They Arise
- L - Low Interest Level; Avoid Evaluation At This Time





MEMORANDUM

To: Group Presidents
From: Sterling L. Williams
Date: April 9, 1986
Subject: Presidents' Meeting

This is to confirm the Presidents' Meeting here in June. You should arrive the evening of Wednesday, June 4. We will conclude at 5:00 p.m. on Friday, June 6 (rather than Saturday).

Essentially, Thursday will be dedicated to reviewing the operations and financial performance of each group. Please come prepared with a one-hour presentation on your group. We'll shift gears on Friday and cover the strategic planning process; Burt Grad has been invited to help us with those discussions.

You will receive a detailed agenda in the not too distant future.

A handwritten signature in cursive script, appearing to read "Sterling", written over a horizontal line.

SLW:bhr

cc: George Ellis
Ray Hannon
Jeannette Meier
Phil Moore
Don Thomson
Charles Wylly
Sam Wylly
Burt Grad - Burton Grad Associates Inc.

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<input type="checkbox"/> Full Mainframe/Mini Set:	479.00	639.00
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ICP Microcomputer Directories:

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<input type="checkbox"/> Specialized Industry Applications	135.00	NA
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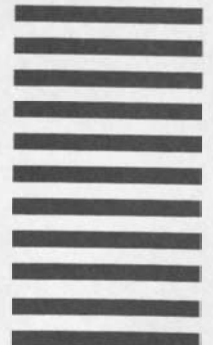
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107.

BURTON GRAD ASSOCIATES, INC.

570 TAXTER ROAD
ELMSFORD, NEW YORK 10523

Sterling Software, Inc.
8080 N. Central Expressway
Suite 1140, LBS 3
Dallas, Texas 75206-1895

Attn: Sterling Williams

INVOICE NUMBER 2041
INVOICE DATE April 18, 1986
PROJECT NUMBER 133-21
ORDER NUMBER
DATE OF ORDER

Strategic Planning

Consulting Services for March, 1986:

Burton Grad - 4 days @ \$1200/day	\$4,800.00
Elizabeth Virgo - 5 days @ \$800/day	<u>4,000.00</u>
TOTAL FEES	8,800.00

Expenses Incurred:

E. Virgo

3/18 - 3/23		
airfare	482.00	
hotel (2 nights & meals)	205.23	
local travel	107.00	
telephone	41.25	835.58

B. Grad

Dallas 3/17 - 3/19		
airfare	191.00	
hotel	75.21	
meals	56.00	
local travel/parking	96.00	418.21

Express Delivery 122.00

Telephone 119.36

February 48.78

March 51.14

Sprint Feb/March 19.44

TOTAL EXPENSES \$ 1,495.15

TOTAL INVOICE \$10,295.15

INVOICES ARE PAYABLE WITHIN 30 DAYS

AP

Sterling/Strategy

PPF

ms

Western Atlantic Holdings Limited

WASHINGTON MALL
CHURCH STREET
P.O. BOX 1556
HAMILTON, BERMUDA

TELEX 3232BDA
(Balbe)

Burton Grad Associates, Inc.

570 Taxter Road

Rlmsford

NY 10523

U S A

April 2nd 1986

INVOICE

To Consultancy time spent on Sterling March 18th through 23rd

5 days \$2,500.00

Expenses	Airfare	482.00	
	Travel to and from home	78.00	
	Travel to library	29.00	
			589.00
	Telephone prior to trip		41.25
			<u>3,130.25</u>

du
ms 4/13

Project

BURTON GRAD ASSOCIATES, INC.

570 TAXTER ROAD
ELMSFORD, NEW YORK 10523
(914) 592-4700

March 27, 1986

Mr. Phil Moore
Sterling Software, Inc.
8800 N. Central Expressway
Suite 1140, LB53
Dallas, Texas 75206-1985

Dear Phil:

Elizabeth Virgo's Facsimile number is (809) 295-4259. The unit can handle any transmission speed.

She has contacted Ian Durrell, and he is sending her a small box of material on non-U. S. markets. He is also sending her a copy of his most recent strategy for style and information purposes.

Sincerely,

Burton Grad
Burton Grad *(signature)*

BG:600D
cc: Mr. R. Vines



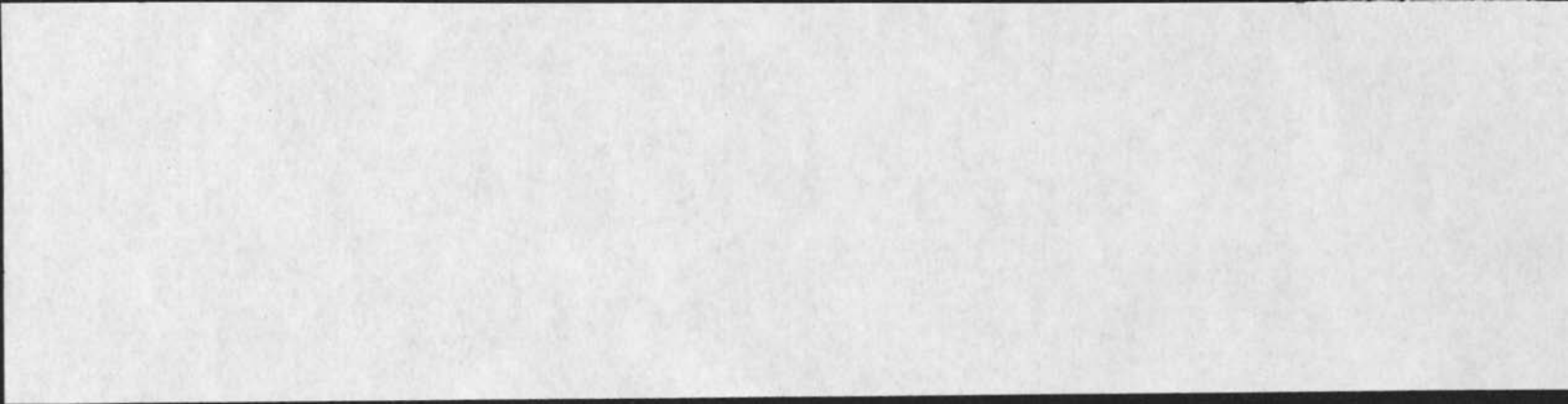
Draft Proposal to Meeting System

for Anatepi Planning

US

EV

other consultants - as agreed



Project

BURTON GRAD ASSOCIATES, INC.

570 TAXTER ROAD
ELMSFORD, NEW YORK 10523
(914) 592-4700

March 24, 1986

Mrs. Elizabeth Virgo
Western Atlantic Holdings, Ltd.
P. O. Box HM 1556
Hamilton 5, Bermuda

Dear Elizabeth:

At the request of Sterling Software, Inc., Burton Grad Associates, Inc. (BGAI) is initiating a project to assist Sterling in preparing a comprehensive three-year strategic plan for each of its Groups and Divisions.

In support of this effort, BGAI wishes to retain your services to perform the following assignments:

1. Analyze Business Unit data in the United States and internationally to establish a consistent basis for market opportunity analyses for geographic locations by industry area and size of business. This data should be obtained from public sources such as Census reports, Association information, etc.
2. Analyze Computer Industry data in the United States and internationally to determine equipment and system software environments for mainframe, mini and micro computers categorized by size of company and industry area. This should be obtained from IDC, Focus Research or other Sterling contracted sources.
3. Prepare an overview of the Computer Software and Services Industry showing relevant information regarding principal companies by area of work such as software products, professional services, etc. and categorized by mainframe, mini and micro computers, where appropriate.
4. Conduct other assignments during Phase I of the Strategic Planning Study as would assist in producing the various reports and materials to be used for the May Presidents' Council or for supporting the Phase II studies by the groups or divisions.



Ms. Elizabeth Virgo
Page 2
March 24, 1986

BURTON GRAD ASSOCIATES, INC.

Schedule

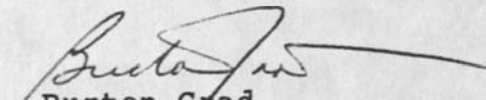
Work began during the week of March 17, 1986 and Phase I is targeted to be completed by May 31, 1986. At least three meetings are scheduled to be held either in the Dallas or New York areas. Specific dates will be established as far in advance as possible to assist in your travel arrangements.

Payment

You will be paid at the rate of \$500 per day and reimbursed for all authorized expenses incurred. I currently estimate that this assignment will require 10-20 days for the Phase I activities. You are to bill BGAI monthly, and you will be paid within 30 days of our receiving your invoice.

If the above assignment is satisfactory, please sign and return the original to indicate your acceptance.

Sincerely,


Burton Grad
President

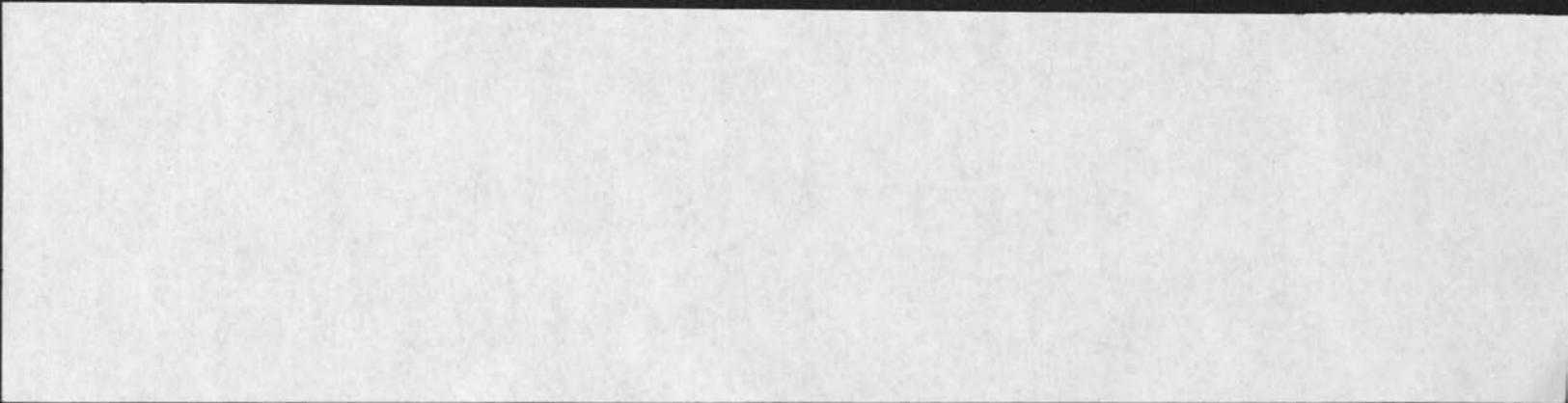
BG:593D

Accepted for Western Atlantic
Holdings, Inc.

by _____
Signature

Title

Date



BURTON GRAD ASSOCIATES, INC.

570 TAXTER ROAD
ELMSFORD, NEW YORK 10523
(914) 592-4700

February 25, 1986

Mr. Sterling Williams
Sterling Software Inc.
370 Campbell Centre
8350 N. Central Expressway
Dallas, Texas 75206

Dear Sterling:

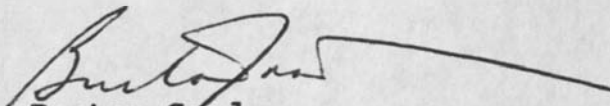
Enclosed is your marked up copy of my initial strategic planning proposal. I appreciate the input you have provided and now understand better the personal level of involvement you expect to have.

You've also put the specifics of the project in clearer perspective and have clarified the time frame: move faster in the first three months, deepen the effort with each group over the summer and then use the late fall to communicate with the group and operating unit management.

I'm preparing an extended work plan to integrate these ideas and provide a next level of detail. I will be consulting with Phil Moore in preparing this plan. It will be in your hands for review on 3/5/86 accompanied by a draft letter for you to send to the group presidents.

After your review, I will send you a regular project proposal covering my expected costs and the participation (and prices) for the other people we may need to do the project right.

Sincerely,


Burton Grad
BG:562B

Enclosure
cc: Phil Moore



*ought to create
a 3-D grid?
more levels of 2-D grid?*

Approach to Strategic Planning

Sterling Software established a fundamental strategy when it was formed identifying the particular areas which it wished to pursue and those which it wished to avoid. This grid approach was based on an examination of equipment areas (and vendors of that equipment), operating systems and environments, systems and application functions and industry areas. It also incorporated a view of the markets to be served and the organizational structure that would evolve to provide the products and serve the markets.

yes

It appears to me that this fundamental structure is still in place and essentially valid with the addition of another dimension called professional services. There has also been a further refinement with focus on the software itself and placing turnkey type operations into very much of a secondary position based on the lack of success those companies who have tried to sell integrated hardware and software systems.

yes

This foundation should be reexamined in a formal, but not overly extensive, manner to restate its principles and concepts and to insure that the fundamental ideas should not be shifted as a result of developments that have taken place over the last three to five years. This is a type of zero-based strategic planning where the underlying assumptions are analyzed and then, if appropriate, reaffirmed as the foundation for a new set of unit, group and corporate action plans.

This level of review is essentially an intellectual process in which data related to sales, profitability, competitive position, market growth, technology change, etc. are examined both in terms of what has happened but, more significant, what are the likely ranges of things that will happen over the next three to five years. With this foundation, the grid should be reestablished, refined and extended to cover new business areas (such as professional services).

NOT possible enough

yes

At this time, I do not believe that prioritization will be appropriate but that this should wait until the bottoms up work is done by the units and groups.

This underlying strategic document should be ready for use during the strategic planning process. In other words, there should be a first wave of work done which will end up with a revised strategic direction statement (e.g., a grid with appropriate descriptive material). This is not yet anchored in concrete, but does serve as the jumping off point for each of the individual units and groups.

This underlying strategic document should be ready for use during the strategic planning process. In other words, there should be a first wave of work done which will end up with a revised strategic direction statement (e.g., a grid with appropriate descriptive material). This is not yet anchored in concrete, but does serve as the jumping off point for each of the individual units and groups.

As a separate piece of work, there should be an accumulation of information for each of the operating units showing key result data over a period of at least three years, preferably on a quarterly basis, but focused on unit results as against purely dollar results. In other words, there should be detailed information about sales, renewals, work effort and usage of various resources including computer facilities, space, etc.

The unit data should be translated into a financial history and status so that one can distinguish between those differences caused by changes in product prices or salaries or cost of rental space from those changes that are determined by the effort level required to carry out the technological, marketing, sales or support work.

In addition, this internally generated information should, if possible, be in a common format for all business units, however recognizing the differences between a services operation and a products operation and between a mainframe and a micro activity.

In addition, one needs an in depth analysis of products, markets, competition and technology for each of the current business areas. Much of this information should already be in place from the operating plans and previous strategic documents, but these need to be updated, probably with the support of the product marketing people and the lead technical people in each of the organizations. This work should be done at the operating unit level. However, wherever there is a common set of information (such as data regarding installed IBM hardware and software or microcomputer sales records), then these should be used commonly and not built separately by each unit. The result of this second exercise is to produce a structural foundation for the strategic plan.

At this point, let me caution against a flaw that, in my view, was endemic to Informatics and is still a problem for some other companies. This involves focusing more upon the extensiveness, wordiness and completeness of the underpinning documents rather than focusing on those elements which are of greatest significance. The focus should be on the content in as brief and compact a form as possible rather than on the wordage.

5/7/80
The information should be understandable as an accounting document is. We are not at this point looking for the fourth level of detail in the accounting report but very much the top level, with the key five to ten elements, however, these elements should be very well defined and consistently used so that one can compare apples to apples and know that what one is using as underpinning information is accurate for its purpose (again, not to the last decimal point but in the right ball park).

Ph. 7 & 8
Based upon these underlying documents, then the creative processes need to operate where the key people in each of the operating units, possibly joined by one or two people who can serve as moderators or stimulators, puts together a set of prioritized directions indicating which market and product opportunities seem most profitable and achievable and identifying the magnitude of effort required to pursue certain of these directions. Accompanying the opportunity must always be some sort of risk assessment which would indicate what the down side risks would be and the consequences of failure. *low pay*

yes
not necessarily add time
These initial strategies should be fleshed out describing the markets to be served, the products or services needed to address these markets, the organizational structure and functions needed to carry out the marketing, sales, support and technical work and some estimates as to the time frame, costs and special skills required to carry out the strategy.

yes
These first cut strategies should be submitted for examination but not elimination at the group level and then be available for review by the corporate strategic planning team. At that point, then, one is prepared to try to see how these strategies fit with the overall corporate goals and see if they suggest changes in the corporate strategies because of opportunities which weren't recognized in the initial strategic planning process.

Time
Following this review, there needs to be a corporate prioritization using the inputs from each of the groups and from the operating units. A long term goal would be to have each of the units in a position to comment and add to the ideas of the other operating units and groups, but in this first go-round, it may be wiser to minimize or avoid this to prevent a change in feeling from being part of a team to rather each person competing to show who's best by criticizing the other players.

B. Grad
2/14/86

Procedures for Strategic Planning

Try out practice objectives - how - who - when - what's the plan!

The following is my current thinking on the chronology needed to develop the new strategic plan:

<u>Dates</u>	<u>Responsibility</u>	<u>Assignment</u>
2/15-3/15/86	B. Grad P. Moore	Establish objectives of strategic process; schedule tentative initial assignments for preparatory work. There should be one key person assigned from each group to assist in identifying material needed and devising ways to obtain it from regular business reports, if possible.
3/15-4/15	B. Grad E. Virgo	Collection of external data by determining what is available within the company and acquiring additional needed information from market research firms.
4/15-5/15	B. Grad E. Virgo P. Moore Group Liaison	Initiate first round of internal data collection.
5/22-5/24	S. Williams	Kickoff meeting with Group Presidents and operating unit General Managers.
6/1-6/30	B. Grad P. Moore	Prepare working outlines to be used with each group and operating unit. Send this material to Group Liaison. Schedule working meetings with each group and operating unit.
	B. Grad P. Moore	Prepare draft of corporate strategy for use by the groups and operating units.

Group President

2nd draft of the Game plan

Final draft of Game plan

6/1 (20x)

1st draft of "The Dream" - overall by Group

3^{1/2} days per board
 → *Jameson*
strategic
challenge

Dates	Responsibility	Assignment
7/1-7/31 8	S. Williams/ Group Presidents B. Grad B. Goldstein P. Moore	Conduct meetings with each operating unit and assist, as needed, in their preparing initial strategy documents.
<i>No</i>	<i>D.V. Presidents</i>	Review documents submitted by each operating unit. Integrate into an overall plan to show impact and effect of all the pieces.
8/1-8/31		Prepare analyses and recommendations regarding each of the principal strategies from each operating unit. Review results with each operating unit.

Real time

Mid
September

Set up strategic review meeting with same people who attended kickoff meeting plus their assigned liaison personnel. This meeting will identify the selected strategies and establish the framework for integration of these results into the operating plans.

B. Grad
2/17/86
556D

NOT necessary to emphasize how the Group's plans impact & affect the overall.

Final document @ Pres. Meeting in Board room

Board meeting on 12th Nov

present overall each Group's (by G. P.)

Need to:

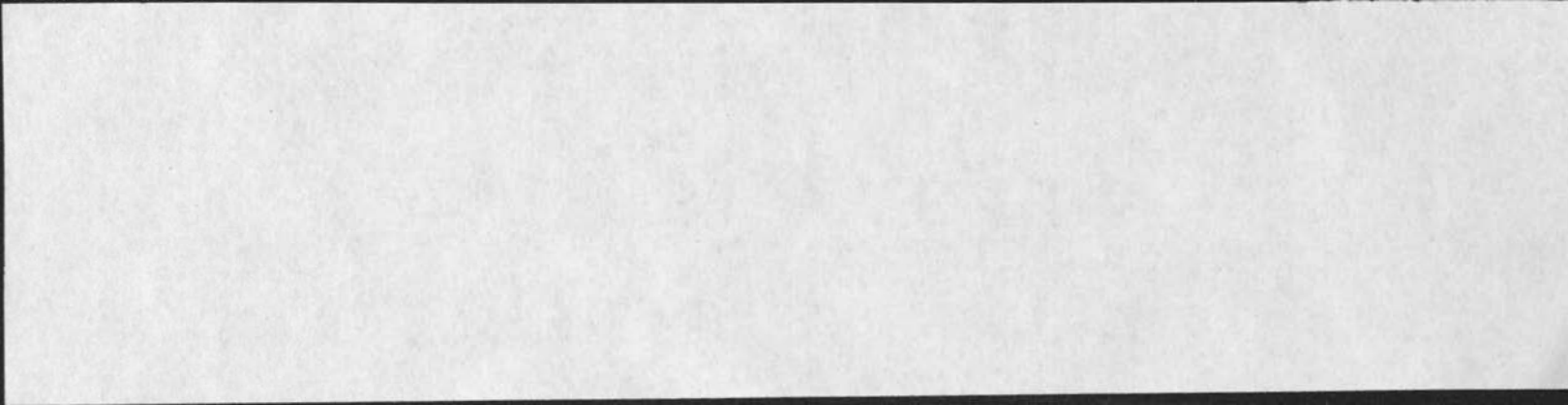
cell
meeting

- 1. Lay out a standard outline
 - overall
 - for the groups
- 2. Include outline for norms.
- 3. Set objectives ... measurable!
- 4. Include Operating Principles & Style (Truize, 2/89)
 - (look at the presentations for last 2 years)
 - (also look @ RTG - Carlton notes)
- 5. Get lists of all companies man
markets — lists also

→ 6. Bruncker's "MFR." report
 plus
 Strategic Planning section from "Mount-1"

7. Come out with conclusions
actions
directions

8. Develop specific reg. & direct. plan (for e.g. & dr.)
 (for & by group)



Phil



MEMORANDUM

To: Sterling L. Williams
From: Phillip A. Moore
Date: September 7, 1984
Subject: Strategic Plan

Attached is a portion of the notes we took at our New York strategic plan meeting.

Also attached is a refinement of the Product Opportunity Matrix that I developed subsequent to that meeting.

Finally, I have also enclosed a preliminary list of acquisition suspects that seem to meet the criteria defined by the first two attachments.

Lets discuss it, so we can have a final version by the end of next week.

A handwritten signature in cursive script, appearing to read "Phil", with a horizontal line underneath.

PAM:bhr

cc: Werner Frank

NOTES: STRATEGIC PLAN

I. MARKET STRATEGY

- A. Concentrate exclusively on IBM mainframe-based products
- B. Target the following markets:
 - 1. Systems software
 - 2. Application enabling software
 - 3. Financial applications software
- C. Stay out of the micro stand-alone software market
- D. Stay out of the mini stand-alone software market
- E. Consider only micro software that support our mainframe software through mainframe-to-micro distributed systems

II. ACQUISITION STRATEGY

- A. Be market-driven and product-driven...rather than merely "financials-driven"
- B. Prioritize the acquisition process as follows:
 - 1. Search for products to obtain their exclusive marketing rights
 - 2. Obtain options to purchase the higher potential products outright
 - 3. Purchase the highest potential products up front
 - 4. Obtain the option to acquire the companies from whom we acquire the highest potential products' marketing rights
 - 5. Acquire the company outright, up front, that presents the exceptional opportunities, both product-wise and deal-wise
 - 6. Implement acquisition plan as follows:
 - a. Define target markets at the group level...with input from the subs and approval and support from the parent
 - b. Actively look for the product acquisition opportunities at the subsidiary level
 - c. Manage the major (to be defined) acquisition activities at the parent level

- d. Watch for and pursue significant opportunistic situations at the parent level...with support from the group and subsidiary level
- e. Use outside services (e.g., Broadview) only as a supplement to our efforts

III. OPERATING STRATEGY

- A. Align subsidiaries into market-oriented groups...currently:
 - 1. Systems Software Group
 - 2. Financial Software Group
- B. Run the groups as separate P&L units...both operationally and strategically
- C. Run the companies as independent (but related) P&L units
- D. Organizationally, establish a management structure at three levels:
 - 1. Parent...addressing corporate strategy and major acquisitions
 - 2. Group...responsible for group strategy, acquisitions, and operational management
 - 3. Subsidiary...responsible for implementing strategy and achievement of P&L objectives

IV. DEVELOPMENT STRATEGY

- A. Extend existing products
- B. Develop complementary products
- C. Conceive and implement at the lowest level!
- D. We endorse "bootlegging"...however, marketing must influence the development effort...at "the appropriate time"

V. PRODUCT SELECTION CRITERIA

- A. Must run on IBM or IBM-compatible mainframes...or, at least...
- B. Must run on IBM-compatible micros that interface with or are in support of our IBM mainframe software

WE ARE A "MAINFRAME SOFTWARE" COMPANY...WE WILL ONLY MARKET MICRO SOFTWARE THAT IS MERELY AN "EXTENSION" OF OUR MAINFRAME PRODUCTS.

- C. The primary customer for our products must be the DP shop
- D. Must be packaged software only...no turnkey systems, professional services, or processing services
- E. Products must fill gaps left by IBM and strong competitors...at least not in the "gut" product areas
- F. Must not require a direct sales and/or technical support force...therefore, they must be priced so that it can be tele-marketed effectively and profitably
- G. Must fall within our specific target markets
- H. Market must have a high "barrier to entry"
- I. Must visibly have long life cycle...must provide reasons for customer loyalty

STERLING SOFTWARE, INC.
 OVERALL ATTRACTIVENESS BY PRODUCT TYPE AND OPERATING SYSTEM

	MVS -----	VM -----	DOS -----	MICRO -----
I. SYSTEMS SOFTWARE				
A. SYSTEMS CONTROL				
1. OPERATING SYSTEMS				
a. COMPLETE SYSTEMS	L	L	L	L
b. ENHANCEMENTS	M*	M	M	M
c. ACCESS METHODS	L	L	L	M
d. SPOOLING AND RJE	H	H	H	M
2. FILE MANAGEMENT				
a. DASD SPACE MANAGEMENT	VH*	VH	VH	VH
b. DASD DEVICE CONVERSION	L	L	L	L
c. FILE MANAGEMENT	M	M	M	M
d. FILE UTILITIES	H*	H	H*	H
3. DATA BASE MANAGEMENT				
a. DATA BASE ANALYSIS				2
1) DATA DIRECTORIES	H	H	H	H
2) DATA BASE DESIGN	L	L	L	L
b. DATA BASE SYSTEMS	L	L	L	L
c. DATA BASE UTILITIES	M	M	M	M
4. DATA COMMUNICATIONS				
a. NETWORK DESIGN	L	L	L	L
b. LIMITED CAPABILITY				
1) TERMINAL CONTROL	L	L	L	M
2) DATA ENTRY	L	L	L	M
3) POINT-TO-POINT	VH*	H	VH*	VH*
c. TIME-SHARING	L	L	L	L
d. DISTRIBUTED PROCESSING				
1) TP MONITORS	L	L	L	M
2) ENHANCEMENTS	VH	H	VH	H
5. SECURITY AND INTEGRITY				
a. ACCESS CONTROL	H	H	H	M
b. INTEGRITY ASSURANCE	H	H	H	H
c. ENCRYPTION/DECRYPTION	H*	H	H*	H
B. SYSTEMS OPERATION				
1. MEASUREMENT AND ACCOUNTING				
a. PERFORMANCE MONITORS	L	L	L	L
b. UTILIZATION STATISTICS	L	M	L	M
c. JOB ACCOUNTING	L	L	L	L
2. EMULATION				
a. EMULATION	L	L	L	L
3. ADMINISTRATION AND PLANNING				
a. INSTALLATION PLANNING	L	L	L	L
b. OPERATIONS SCHEDULING	H*	H	H	H
c. CONSOLE AIDS	L	L	L	L
d. DISASTER RECOVERY	H	H	H	VH
4. MEDIA MANAGEMENT				
a. MEDIA UTILITIES	M	M	M	M
b. TAPE MANAGEMENT	L	L	L	L
c. PERIPHERAL DEVICES	L	L	L	H
5. OPERATIONS AIDS				
a. PROCEDURE MANAGEMENT	L	L	L	L
b. RUN-TIME SUPPORT	L	L	L	L
c. SYSTEM CONVERSION	L	L	L	L
d. RECOVERY AND RESTART	H	H	H	L
6. HARDWARE MAINTENANCE				
a. HARDWARE MAINTENANCE	L	L	L	M
7. FIRMWARE				
a. FIRMWARE	L	L	L	L

STERLING SOFTWARE, INC.
OVERALL ATTRACTIVENESS BY PRODUCT TYPE AND OPERATING SYSTEM

	MVS -----	VM -----	DOS -----	MICRO -----
C. LANGUAGES AND METHODS				
1. LANGUAGES				
a. COBOL	L	L	L	L
b. FORTRAN	L	L	L	L
c. PL/1	L	L	L	L
d. APL	L	L	L	L
e. BASIC	L	L	L	L
f. PASCAL	L	L	L	L
g. OTHER LANGUAGES	L	L	L	L
2. METHODS (APPLICATIONS ENABLING)				
a. APPLICATION GENERATORS	M	M	M	M
b. INFORMATION RETRIEVAL	H	H	H	H
c. REPORT WRITERS	VH*	H	VH*	M
d. PRE-PROCESSORS	L	L	L	L
e. SCREEN FORMATTERS	L	L	L	L
3. ASSEMBLERS & X-ASSEMBLERS				
4. SORTS				
D. DEVELOPMENT TOOLS				
1. DEVELOPMENT MANAGEMENT				
2. DESIGN METHODOLOGIES	L	L	L	L
3. DEVELOPMENT TOOLS				
a. SOURCE PROGRAM MANAGEMENT	H	H	H	L
b. DOCUMENTATION	L	L	L	L
c. APPLICATION TESTING	H*	H	H*	M
4. INSTALLATION AND MAINTENANCE				
5. LANGUAGE CONVERSION				
6. APPLICATION DEVELOPMENT SYSTEMS				

EXPLANATION OF CODES -

- * - CURRENT PRODUCT OFFERING BY SUBSIDIARIES
- VH - VERY HIGH INTEREST LEVEL, AGGRESSIVELY PURSUE
- H - HIGH INTEREST LEVEL, PURSUE OPPORTUNITIES
- M - MEDIUM INTEREST LEVEL, EVALUATE OPPORTUNITIES AS THEY ARISE
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09/04/84

STERLING SOFTWARE, INC.
OVERALL ATTRACTIVENESS BY PRODUCT TYPE AND OPERATING SYSTEM

	MVS	VM	DOS	MICRO
II. CROSS INDUSTRY APPLICATION SOFTWARE				
A. GENERAL MANAGEMENT				
1. CORPORATE SERVICES	L	L	L	L
2. FINANCIAL PLANNING	L	L	L	L
3. ADMINISTRATIVE SERVICES	L	L	L	L
4. MARKETING SERVICES	L	L	L	L
5. PROJECT CONTROL	L	L	L	L
B. GENERAL ACCOUNTING				
1. INTEGRATED ACCOUNTING	L	L	L	L
2. GENERAL LEDGER	L	L	L	L
3. COST ACCOUNTING	L	L	L	L
4. CAPITAL ASSETS	L	L	L	L
5. SPECIALIZED ACCOUNTING	L	L	L	L
6. AUDITING	H*	L	H*	L
C. HUMAN RESOURCES				
1. PAYROLL	L	L	L	L
2. PERSONNEL	L	L	L	L
3. TRAINING	L	L	L	L
D. PHYSICAL RESOURCES				
1. PURCHASING	L	L	L	L
2. ACCOUNTS PAYABLE	L	L	L	L
3. ORDER ENTRY	L	L	L	L
4. ACCOUNTS RECEIVABLE	L	L	L	L
E. MANUFACTURING CONTROL				
1. MATERIALS CONTROL	L	L	L	L
2. NUMERICAL EQUIPMENT	L	L	L	L
3. INDUSTRIAL ENGINEERING	L	L	L	L
4. PROCESS CONTROL	L	L	L	L
F. SCIENTIFIC				
1. MANAGEMENT SCIENCE	L	L	L	L
2. ECONOMICS	L	L	L	L
3. SIMULATION	L	L	L	L
4. MATHEMATICS	L	L	L	L
5. STATISTICAL ANALYSIS	L	L	L	L
6. EXPERIMENTATION	L	L	L	L
G. TEXTUAL				
1. TEXT PROCESSING	L	L	L	L
2. CONCORDANCE AND INDEXING	L	L	L	L
H. GRAPHICS				
1. GRAPHICS DATA BASES	L	L	L	L
2. GRAPHIC OUTPUT	L	L	L	L

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STERLING SOFTWARE, INC.
 OVERALL ATTRACTIVENESS BY PRODUCT TYPE AND OPERATING SYSTEM

	MVS	VM	DOS	MICRO
	-----	-----	-----	-----
III. INDUSTRY SPECIFIC APPLICATION SOFTWARE				
A. MEDIA				
1. ADVERTISING	L	L	L	L
2. ASSOCIATIONS	L	L	L	L
3. PUBLISHING	L	L	L	L
4. TELEVISION AND RADIO	L	L	L	L
B. CONSUMER AND DISTRIBUTION				
1. EATING AND DRINKING	L	L	L	L
2. LEISURE TIME	L	L	L	L
3. RETAIL STORES	L	L	L	L
4. SERVICES	L	L	L	L
5. WAREHOUSING	L	L	L	L
6. WHOLESALE TRADE	L	L	L	L
C. EDUCATION				
1. UNIVERSITIES	L	L	L	L
2. SCHOOLS	L	L	L	L
3. OTHER INSTITUTIONS	L	L	L	L
4. EDUCATIONAL SERVICES	L	L	L	L
5. LIBRARIES	L	L	L	L
D. FINANCE				
1. BANKING	VH*	L	VH*	VH
2. CREDIT AND COLLECTION	L	L	L	L
3. INVESTMENTS	M	L	M	M
4. REAL ESTATE	L	L	L	L
5. OTHER INSTITUTIONS	M	L	M	M
E. GOVERNMENT				
1. FEDERAL	L	L	L	L
2. STATE AND LOCAL	L	L	L	L
3. LAW ENFORCEMENT	L	L	L	L
4. CRIMINAL JUSTICE	L	L	L	L
F. HEALTH				
1. HOSPITALS	L	L	L	L
2. NURSING HOMES	L	L	L	L
3. LABORATORIES	L	L	L	L
4. PHARMACIES	L	L	L	L
5. OTHER SERVICES	L	L	L	L
G. INSURANCE				
1. LIFE AND HEALTH	L	L	L	L
2. PROPERTY AND CASUALTY	L	L	L	L
3. BUSINESS SUPPORT	L	L	L	L
H. MANUFACTURING				
1. GENERAL MANUFACTURING	L	L	L	L
2. CHEMICALS	L	L	L	L
3. ELECTRONIC	L	L	L	L
4. FABRICATED METAL	L	L	L	L
5. GARMENTS	L	L	L	L
6. GLASS & CERAMICS	L	L	L	L
7. MACHINERY	L	L	L	L
8. METAL REFINING	L	L	L	L
9. PAPER	L	L	L	L
10. OTHER	L	L	L	L

STERLING SOFTWARE, INC.
 OVERALL ATTRACTIVENESS BY PRODUCT TYPE AND OPERATING SYSTEM

	MVS	VM	DOS	MICRO
	-----	-----	-----	-----
I. NATURAL RESOURCES				
1. AGRICULTURE	L	L	L	L
2. ENVIRONMENTAL EFFECTS	L	L	L	L
3. MINING	L	L	L	L
4. PETROLEUM	L	L	L	L
J. PROFESSIONAL AND TECHNICAL				
1. ARCHITECTURE	L	L	L	L
2. CONSTRUCTION	L	L	L	L
3. ENGINEERING	L	L	L	L
4. LEGAL SERVICES	L	L	L	L
5. MEDICAL SERVICES	L	L	L	L
6. PUBLIC ACCOUNTING	L	L	L	L
7. SCIENTIFIC	L	L	L	L
8. OTHER	L	L	L	L
K. TRANSPORTATION				
1. AIRLINES	L	L	L	L
2. LOCAL TRANSPORTATION	L	L	L	L
3. RAILROADS	L	L	L	L
4. TRUCKING	L	L	L	L
5. TRANSPORTATION SERVICES	L	L	L	L
L. UTILITIES				
1. ALL UTILITIES	L	L	L	L
2. ELECTRICAL	L	L	L	L
3. GAS	L	L	L	L
4. TELEPHONE	L	L	L	L
5. WATER	L	L	L	L

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09/04/84

09/07/84

STERLING SOFTWARE, INC
LIST OF ACQUISITION SUSPECTS

COMPANY NAME	ADDRESS	PRESIDENT	PRODUCTS	COMMENTS	SOURCE	DATE
ADESSA CORPORATION	PO BOX 607 RIDGEFIELD CT 06877 203-431-3071		CMS MULTIPLE PRINTER SUPPORT (MPS) CMS READ/WRITE OS DASD SUPPORT (MOS) SHARED FILE DIRECTORY FACILITY (SFDF) SINGLE SYSTEM IMAGE (SSI) VM ONLINE PERFORMANCE MONITOR (VMOH) VM TERMINAL SIMULATION SUBSYSTEM (TSS) VM/SP ARCHIVAL STORAGE SUBSYSTEM (ARCHIVES) VM/370 RESOURCE LIMITER (RESLIM) VM/SP ENHANCED PAGE MIGRATION (EPM) VM/SP EXTENDED CONSOLE SUPPORT FACILITY (ECS) VM/SP PERFORMANCE ANALYSIS/CAPACITY EVALUATION SUBSYSTEM (PACE) VM/SP SYSTEM RESOURCE MANAGER (SRM)	THIS COMPANY HAS A FULL LINE OF VM/CMS PRODUCTS WHICH COULD PROVIDE OUR ENTRY INTO THIS MARKET.	ICP	09/84
AMBRIDGE INTERNATIONAL INC	BOX 1191 SANTA MONICA CA 90406 213-459-3274		CICS-PROTECT PARDASET FOR PARTITIONED DATA SETS	CICS-BASED SECURITY PRODUCT. PARDASET COULD COMPETE WITH A SUBSET OF CMS/OS.	ICP	09/84
ANDRHL CORPORATION	PO BOX 3470 SUNNYVALE CA 94088-3470 408-746-8659		CMS/XL (CMS ACCELERATOR) MVS/SPA (MVS/SP ASSIST) SESSIM UTS (UNIVERSAL TIMESHARING SYSTEM) VM/PE (VM/PERFORMANCE ENHANCEMENT)	VM/CMS AND MVS ENHANCEMENT PRODUCTS.	ICP	09/84
APPLICATION DEVELOPMENT SYSTEMS	1530 MERIDIAN AVENUE SAN JOSE, CA 95125 408-224-2672	EDWARD F. HARRIS	XPEDITER	ORIGINAL DEVELOPERS OF CMS/OS. SSM MAY BE ABLE TO MARKET THIS PRODUCT ONCE IT HAS GAINED SOME MARKET ACCEPTANCE.	ICP	09/84
ASTCO	926 AMARILLO PALO ALTO, CA 94301 415-856-0786	A. STEPHEN TEPPER, DIR.	ASTUTE; THE DATA SET AND CATALOG MANAGEMENT SYSTEM	A SUBSET OF CMS/OS. IT MAY, HOWEVER, ADDRESS SOME AREAS NOT ADDRESSED BY CMS.	ICP	09/84
AUTUMN SOFTWARE CORPORATION re COMMUNICATION SOFTWARE AIDS	8340 GREENSBORO DR. #1018 MCLEAN, VA 22102 703-734-9590	TONY THOMPSON	CICS/INFORM CICS/RESPONSE	CICS-BASED PRODUCTS. COULD BE NATURAL ADDITIONS TO SSM ONCE WE HAVE CICS MARKETING KNOWLEDGE.	ICP	09/84
B I NOYLE ASSOCIATES INC	5788 LINCOLN DR MINNEAPOLIS MN 55436 612-933-2885	BENNETT I. NOYLE	BIM-EDIT - ONLINE PROGRAM EDITOR BIM-ODIS - DOS/VSE CICS/VS SYSTEM STATUS DISP BIM-PDR - POWER/VSE DYNAMIC QUEUING BIMCPRS - CICS 3270 DATA COMPRESSION BIMDEV - DOS/VSE DEVICE ASSIGNMENT STATUS DIS BIMDSLOG - DOS/VSE CONSOLE MESSAGE DISPLAY BIMMONTR - DOS/VSE SYSTEM STATUS AND QUEUE DIS BIMP3270 - CICS DOS/VSE CRT SCREEN PRINT BIMSERV - DOS/VSE LIBRARY DISPLAY BIMSPDOL - DOS/VSE CICS/VS TERM PRINT SPOOLING BIMSPDOP - ONLINE TO BATCH PRINT SPOOL BIMSUBMT - ONLINE DOS/VSE JOB SUBMISSION BIMSWAP - CICS 3270 BTM TERMINAL SWAP FACILIT	AS THE LIST IMPLIES, MANY DOS-BASED UTILITY PRODUCTS THAT COMPLIMENT SSP'S OS-BASED PRODUCT LINE.	ICP	09/84
CALIFORNIA SOFTWARE, INC.	525 N. CABRILLO PARK DR. #300 PETER MARKENTON SANTA ANA, CA 92701 714-973-0440		THE NETHAN INVOICE MANAGER THE NETHAN MANAGEMENT SYSTEM	DATA COMMUNICATIONS AND DATA CENTER MANAGEMENT PRODUCTS. EXCELLENT FIT IN SSM PRODUCT LINE.	ICP	09/84

09/07/84

STERLING SOFTWARE, INC
LIST OF ACQUISITION SUSPECTS

COMPANY NAME	ADDRESS	PRESIDENT	PRODUCTS	COMMENTS	SOURCE	DATE
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AMBRIDGE INTERNATIONAL INC	BOX 1191 SANTA MONICA CA 90406 213-459-3274		CICS-PROTECT PARDASET FOR PARTITIONED DATA SETS	CICS-BASED SECURITY PRODUCT. PARDASET COULD COMPETE WITH A SUBSET OF DMS/OS.	ICP	09/84
ANDRHL CORPORATION	PO BOX 3470 SUNNYVALE CA 94088-3470 408-746-0639		CMS/XL (CMS ACCELERATOR) MVS/SPA (MVS/SP ASSIST) SESSION UTS (UNIVERSAL TIMESHARING SYSTEM) VM/PE (VM/PERFORMANCE ENHANCEMENT)	VM/CMS AND MVS ENHANCEMENT PRODUCTS.	ICP	09/84
APPLICATION DEVELOPMENT SYSTEMS	1530 MERIDIAN AVENUE SAN JOSE, CA 95125 408-224-2672	EDWARD F. HARRIS	XPEDITER	ORIGINAL DEVELOPERS OF DMS/OS. SSM MAY BE ABLE TO MARKET THIS PRODUCT ONCE IT HAS GAINED SOME MARKET ACCEPTANCE.	ICP	09/84
ASTCO	926 AMARILLO PALO ALTO, CA 94301 415-856-0786	A. STEPHEN TEPPER, DIR.	ASTUTE; THE DATA SET AND CATALOG MANAGEMENT SYSTEM	A SUBSET OF DMS/OS. IT MAY, HOWEVER, ADDRESS SOME AREAS NOT ADDRESSED BY DMS.	ICP	09/84
AUTUMN SOFTWARE CORPORATION re COMMUNICATION SOFTWARE AIDS	8340 GREENSBORO DR. #1018 MCLEAN, VA 22102 703-734-9590	TONY THOMPSON	CICS/INFORM CICS/RESPONSE	CICS-BASED PRODUCTS. COULD BE NATURAL ADDITIONS TO SSM ONCE WE HAVE CICS MARKETING KNOWLEDGE.	ICP	09/84
B I MOYLE ASSOCIATES INC	5788 LINCOLN DR MINNEAPOLIS MN 55436 612-933-2885	BENNETT I. MOYLE	BIM-EDIT - ONLINE PROGRAM EDITOR BIM-DDIS - DOS/VSE CICS/VS SYSTEM STATUS DISP BIM-PDQ - PDMER/VSE DYNAMIC QUEUING BIMCHPRS - CICS 3270 DATA COMPRESSION BIMDEVIC - DOS/VSE DEVICE ASSIGNMENT STATUS DIS BIMDSLOG - DOS/VSE CONSOLE MESSAGE DISPLAY BIMMONTR - DOS/VSE SYSTEM STATUS AND QUEUE DIS BIMP3270 - CICS DOS/VSE CRT SCREEN PRINT BIMSERV - DOS/VSE LIBRARY DISPLAY BIMSPPOOL - DOS/VSE CICS/VS TERM PRINT SPOOLING BIMSPPOON - ONLINE TO BATCH PRINT SPOOL BIMSUBMT - ONLINE DOS/VSE JOB SUBMISSION BIMSWAP - CICS 3270 BTAM TERMINAL SWAP FACILIT	AS THE LIST IMPLIES, MANY DOS-BASED UTILITY PRODUCTS THAT COMPLIMENT SSM'S OS-BASED PRODUCT LINE.	ICP	09/84
CALIFORNIA SOFTWARE, INC.	525 N. CABRILLO PARK DR. #300 SANTA ANA, CA 92701 714-973-0440	PETER WARKENTON	THE NETMAN INVOICE MANAGER THE NETMAN MANAGEMENT SYSTEM	DATA COMMUNICATIONS AND DATA CENTER MANAGEMENT PRODUCTS. EXCELLENT FIT IN SSM PRODUCT LINE.	ICP	09/84

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STERLING SOFTWARE, INC
LIST OF ACQUISITION SUSPECTS

COMPANY NAME	ADDRESS	PRESIDENT	PRODUCTS	COMMENTS	SOURCE	DATE
CANDLE CORPORATION	10000 WILSHIRE BLVD. LOS ANGELES, CA 90024 213-821-2902	AUBREY CHERNICK	DEXAM/IMS DEXAM/MVS EPILOG/MVS ESRA/CICS OMEGAMON/CICS FOR DOS/VSE OMEGAMON/IMS OMEGAMON/MVS RTA/CICS	COMPANY POSSIBLY TOO BIG; HOWEVER, THE PRODUCT LINE MONITORS PERFORMANCE AND HAS AN EXCELLENT REPUTATION.	ICP	09/84
CHRISTENSEN SYSTEMS	1 HERITAGE DRIVE QUINCY MA 02169 617-471-4600	DONALD CHRISTENSEN	TELON DESIGN FACILITY	IMS AND CICS APPLICATION DEVELOPMENT SYS	CIU	08/84
CIRCLE COMPUTER CONSULTANTS, LTD.	15 HIGH ST CHALFONT ST. PETER BERRARDS CROSS BUCKINGHAMSHIRE SL9 9QE ENGLAND (02813) 89139		ATOS - REPORT GENERATION & FILE MAINTENANCE SYSTEM REPRO - CIC/VS 3270 PRINTER MANAGEMENT ROLF-VSAM ROLL FORWARD FACILITY	CICS-BASED PRODUCTS.	ICP	09/84
COMPUTER INFORMATION SYSTEMS	P.O. BOX 18000; SUITE 84 LAS VEGAS, NV 89114 702-362-8769	DAVID CORRAD	ACESS (SESSION ACCOUNTING) CIS GENERATOR PROLOG VMSACTSYS	VM-BASED PRODUCTS.	ICP	09/84
COMPUMARE CORPORATION	32100 TELEGRAPH ROAD BIRMINGHAM, MI 48010 313-559-0890	LYNN DRAYTON	ABEND-AID	CICS UTILITY. THE COMPANY'S ADS ARE IN BAD TASTE.	ICP	09/84
CONSUMER SYSTEMS	1100 31ST STREET DOWNERS GROVE IL 60515 312-325-2102	PAUL J KESSENICH, VP SOFTWARE DIVISION	EDITRYTE JCLFLOW TESTIMS DATABASIC	VARIOUS PROGRAMMER UTILITY PRODUCTS.	BV	08/84
CORODALE, INC.	211 CONGRESS STREET BOSTON, MA 02110 617-426-8700	ROBERT J. COOMBS	JCL/MANAGER SPACE/MANAGER SYSTEM/MANAGER SYSTEM/SCHEDULER TAPE/MANAGER VSAM/CALC VSAM/DISPLAY VSAM/LIST	MET WITH THIS COMPANY 12 TO 18 MONTHS AGO. PRINCIPALS ARE STRANGE, BUT THEY HAVE GOOD PRODUCTS THAT ADDRESS DOS MARKET.	ICP	09/84
D A BRASK SYSTEMS	4805 PERSHING DOWNERS GROVE IL		CICS UNDER TSO	MAINFRAME PRODUCT THAT ALLOWS CICS TO FUNCTION UNDER TSO.	CIU	03/84
DATA 21	TORRANCE CA		REMOTE PRINT FACILITY-EXTENDED	CICS-BASED SPOOLING AND PRINTING PRODUCT.	CIU	03/84
DBMS, INC.	1801 A MILL STREET NAPERVILLE, IL 60540 312-961-5700	ANDREW FILOPOWSKI	DML/ONLINE DATA BASE ANALYZER DATA BASE AUDIT DATA BASE REORG	A DEPARTURE FROM OUR STRATEGY. PRODUCTS ADDRESS THE IDMS (CULLINET) MARKET.	ICP	09/84

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LIST OF ACQUISITION SUSPECTS

COMPANY NAME	ADDRESS	PRESIDENT	PRODUCTS	COMMENTS	SOURCE	DATE
			FORMULA 1 JOURNAL ANALYZER LOG ANALYZER SCHEMA MAPPER TOOL KIT			
DIGITAL COMMUNICATIONS ASSOCIATES	383 TECHNOLOGY PARK/ATLANTA NORCROSS, GA 30092 404-448-1400	BERTIL D. NORDIN	IRMAILINK/CICS FILE TRANSFER APPLICATION IRMAILINK/TSO	THESE PRODUCTS ARE MAINFRAME-BASED TO SUPPORT THEIR PC BOARDS. POSSIBLE FIT WITH EMPIRE/LABS PRODUCTS.	ICP	09/84
GARY BERGMAN ASSOCIATES INC	14 HICKORY LANE NORTH BRUNSWICK NJ 08902 201-247-2727	GARY BERGMAN	CICS ADVANCED DEBUGGING SYSTEM	APPROACHED THEM 24-30 MONTHS AGO. NO INTEREST AT THAT TIME. PRODUCT HAS DONE WELL BEING SOLD BY HIS FATHER-IN-LAW.	ICP	09/84
GOAL SYSTEMS INTERNATIONAL, INC.	5455 N. HIGH STREET COLUMBUS, OH 43214 614-268-1775	STEVE R. O'DONNELL	EXPLORE/XP FADS/XP FAVER/XP FLEE/XP JCLMAN/XP PDSMAN/XP VFBA/XP	LARGE LINE OF DOS/VSE PRODUCTS. DEAN MOHLSTROM TELLS ME THEY WANT TO GO PUBLIC.	ICP	09/84
H & W COMPUTER SYSTEMS, INC.	PO BOX 4785 BOISE ID 83711 208-377-8336	ROBERT WHITE	CPMS-SPOOL DISPLAY/PRINT UNDER CICS CTOP-CICS 32XX TRANSMISSION OPTIMIZER SYSD-SOURCE PROGRAM MAINTENANCE UNDER CICS SYSM-ELECTRONIC MAIL UNDER CICS	CICS-BASED UTILITY PRODUCTS.	ICP	09/84
INFODATA SYSTEMS, INC.	388 STATE STREET PITTSFORD, NY 14534 716-381-7430	RONALD A. FURMAN	INQUIRE	INFORMATION RETRIEVAL PRODUCT.	ICP	09/84
INNOVATION DATA PROCESSING	970 CLIFTON AVENUE CLIFTON, NJ 07013 201-777-1940	ANTHONY MAZZONE	FATS (FAST ANALYSIS OF TAPE SURFACES) FDR (FAST DUMP RESTORE) IAM (INNOVATION ACCESS METHOD)	VERY SUCCESSFUL COMPANY - GREAT PRODUCTS COULD BE DIFFICULT TO ENTICE AT A REASONABLE PRICE.	ICP	09/84
INTEGRATED TECHNOLOGIES	200 N WARNER RD #401 KING OF PRUSSIA PA 19406 215-768-9330	DR. MICHAEL ZISMAN	SOFT-SWITCH PC-SWITCH	MAINFRAME-MICRO LINK SOFTWARE	CIU	08/84
LANDMARK SYSTEMS CORPORATION	6142B ROSEHILL DRIVE ALEXANDRIA VA 22310 703-922-8652	PATRICK MCGETTIGAN	THE MONITOR FOR CICS (NOTE - MARK MOORE WORKS FOR THEM)	START-UP CICS PERFORMANCE MONITOR. MARK MOORE IS THE WESTERN REGIONAL SALES MANAGER.	ICP	09/84
LINKWARE	77 RUMFORD AVE WALTHAM MA 02154 617-894-9330	LARRY DE BOEVER (CO-FOUNDER OF CHRISTENSON SYSTEMS)	LINKWARE: INFORMATION SERVER	VM/CMS AND PC LINK	CIU	08/84
NANTISSA CORPORATION	244 GODWIN CREST DR. #200 BIRMINGHAM, AL 35209 205-592-3203	GARY M. DENNIS	P.S. OSERV - THE REPORT MANAGEMENT & RECOVERY SYSTEM RDMS - THE REPORT DISTRIBUTION MANAGEMENT SYSTEM	COMPETITOR TO MOBIUS' INFOPAK. ALSO, VERY SUCCESSFUL COMPANY. PRINCIPALS TAKING 250K+ EACH (3 OF THEM). RDMS IS THE MAIN (ONLY?) PRODUCT.	ICP	09/84

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STERLING SOFTWARE, INC
LIST OF ACQUISITION SUSPECTS

COMPANY NAME	ADDRESS	PRESIDENT	PRODUCTS	COMMENTS	SOURCE	DATE
MARTIN AND MARTIN TECHNICAL SERVICES	1626 STAFFORD DR ORLANDO FL 32809 305-855-4077	LARRY D MARTIN, PARTNER	TELESCOPE	CICS AND TSO BASED PRODUCT ALLOWING ACCESS TO VARIOUS SYSTEM CONTROL BLOCKS.	CIU	03/84
WATLEN SILVER GROUP	PARSIPPANY NJ		CICS DYNAMIC ONLINE REPORT AID	CICS REPORT MANAGEMENT SYSTEM	CIU	08/84
THE MEGA GROUP	2091 BUSINESS CENTER DR #100 IRVINE CA 92715 714-752-9533		MEGAFILE MEGALINK/3270 MEGACALC	COMPETITOR TO EMPIRE PRODUCTS PLUS HAS INTELLIGENT MAINFRAME TO MICRO SPREAD SHEET PROGRAM.	ICP	09/84
MORINO ASSOCIATES, INC.	8133 LEESBURG PIKE #300 VIENNA, VA 22100 703-734-9494	MARIO M. MORINO	MICS/BASIC CAPACITY PLANNING MICS/BASIC PERFORMANCE MANAGEMENT MICS/CICS MICS/DASD MICS/IMS MICS/NPA MICS/SYSTEM RELIABILITY MICS/VM MVS INTEGRATED CONTROL SYSTEM (MICS) MICS/INSTALLATION ACCOUNTING TWO/MON TSO/MON ONLINE TSO/MON-SPFI	MVS-BASED PRODUCTS FOR BATCH, CICS, IMS, AND TSO.	ICP	09/84
NSP, INC.	131 HARTWELL AVENUE LEXINGTON, MA 02173 617-863-5800	DAVID da COSTA	CONTROLMANAGER DATAMANAGER DESIGNMANAGER SOURCEMANAGER TESTMANAGER	MET WITH OWNER ABOUT 24 MONTHS AGO. DATAMANAGER HAS POTENTIAL FOR DYLAOR IF THEY INTEND TO DEVELOP A DATA DICTIONARY PRODUCT.	ICP	09/84
MULTIPLICATIONS, INC.	1050 MASSACHUSETTS AVENUE CAMBRIDGE, MA 02138 617-864-5810	MICHAEL H. POMERANTZ	ACCOLADE	COMPETITOR TO SONETICS' ACCESS+. THEY WERE MENTIONED TO US BY BROADVIEW AND WE DECLINED ASSUMING THE DEAL WITH SONETICS WOULD BE SUCCESSFUL.	ICP	09/84
NATIONAL PRODUCT MARKETING	TWO NORTHSIDE 75 ATLANTA GA 30318 404-351-2902	MICHAEL A JONES	PC/COM - MAINFRAME COMMUNICATIONS PRODUCT	COMPLIMENTARY TO EMPIRE'S PRODUCTS. MAINFRAME PORTION IS CICS-BASED.	ICP	09/84
OXFORD SOFTWARE CORPORATION	174 BOULEVARD HARBROUCK HEIGHTS, NJ 07604 201-288-1515	JUDD S. SHANKAR	COSS (CICS ON-LINE SECURITY SYSTEM) UFO/CODOL UFO:USER FILES ON-LINE	UFO IS AN EXCELLENT PRODUCT. COMPANY WAS BROUGHT TO US BY BROADVIEW. WE DECLINED PRIMARILY DUE TO REPUTATION OF JUDD SHANKAR.	ICP	09/84
PACE APPLIED TECHNOLOGY	7900 SUDLEY ROAD; #602 MANASSAS, VA 22110 703-369-3200	EUGENE S. LEGGETT	KOMAND/BASIC KOMAND/CCI (CICS CHARGING INTERFACE) KOMAND/DIS (DATA INQUIRY SYSTEM) KOMAND/ICI (IMS/VS CHARGING INTERFACE) KOMAND/DLC (ONLINE COSTING) KOMAND/DAMS (DIRECT ACCESS MEASUREMENT SYSTEM) KOMAND/DAS (DATA CENTER ACCOUNTING SYSTEM)	SECOND OR THIRD PLACE PRODUCT IN THE JOB ACCOUNTING MARKET. BROADVIEW HAS MENTIONED THEM TO US. OUR INITIAL REACTION WAS NEGATIVE.	ICP	09/84

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STERLING SOFTWARE, INC
LIST OF ACQUISITION SUSPECTS

COMPANY NAME	ADDRESS	PRESIDENT	PRODUCTS	COMMENTS	SOURCE	DATE
			KOMAND/RBS (RESOURCE BILLING SYSTEM) KOMAND/VNCI (VM/370 CHARGING INTERFACE)			
PERFORMANCE INC	45 CEDAR HILL #101 NEWTON CT 06570 203-426-2166	KURT SCHMITT	MISTRO - MIGRATION STRINGS OPTIMIZER CONMAN - CONTENTION MANAGER	DASD PERFORMANCE PRODUCTS. COULD BE COMPLIMENTARY TO DMS/OS.	ICP	09/84
PHASER SYSTEMS	333 SACRAMENTO ST SAN FRANCISCO CA 94111 415-434-3990	ROBERT EXTON	VDAM - MICRO TO MAINFRAME ACCESS METHOD #3278/SPF - PROGRAMMER UTILITY	CONTACTED US. LOOKING FOR ADDITIONAL CAPITAL OR MARKETING ARRANGEMENT.	P MOORE	08/84
PROGRAMART	30 BRATTLE STREET CAMBRIDGE, MA 02138 617-661-3820	BILBERT F. CURTIS	DISCLOSE - A DATA SET SURVEY SYSTEM STROBE PROGRAM PERFORMANCE MEASUREMENT PRODUCT STROBE/CICS PERFORMANCE MEASUREMENT	BATCH AND ONLINE PERFORMANCE MEASUREMENT PRODUCTS.	ICP	09/84
QUALITY SYSTEMS DEVELOPMENT CORP	645 N MICHIGAN AVE #638 CHICAGO IL 60611 312-266-6060		RES-Q	POSSIBLE ALTERNATIVE TO SERENA'S PRODUCT CHANGEMAN.	ICP	09/84
RATIONAL SOFTWARE, INC.	80 STANFORD STREET; #2300 BOSTON, MA 02114 617-523-7022	WALTER C. ONEY	MARCH COMMAND FOR DMS NTAPE COMMAND FOR CMS MTXLIB COMMAND FOR CMS R/S LOADER FOR CMS R/S SEGMENT EDITOR AND FETCHER FOR CMS MNACLIB COMMAND FOR CMS R/S LINKAGE EDITOR AND FETCHER FOR CMS	ENHANCEMENTS TO VM.	ICP	09/84
RUBICON SYSTEMS INC	1600 WILSON BLVD ALEXANDRIA VA			VM-BASED PRODUCTS. DON MURPHY CURRENTLY EVALUATING.	D MURPHY	09/84
SAGE SYSTEMS, INC.	5161 RIVERBEND ROAD BETHESDA, MD 20816 301-986-1333	LARRY G. SETTLE	SAGE - AUTOMATED DICTIONARY DEVELOPMENT SYSTEM SAGE MAINTENANCE PROGRAMMING SYSTEM (MPS) SAGE SINGLE SOURCE DEVELOPMENT AND MAINTENANCE (SSDM) SAGE SOFTWARE LAUNDERING MACHINE	APPLICATION DEVELOPMENT TOOLS WHICH PROVIDE MACHINE PORTABILITY. BROUGHT TO US BY BROADVIEW. INITIAL REACTION NEGATIVE. WERNER LIKES IT-SHOULD REVIEW	ICP	09/84
SAS SOFTWARE	BOX 0000 CARU, NC 27511 919-467-0000	JAMES H. GOODNIGHT	SAS SAS/FSP (FULL SCREEN PRODUCT) SAS/IMS	THE CADILLAC OF STATISTICAL ANALYSIS TOOLS ON MAINFRAMES. PROBABLY UNTOUCHABLE.	ICP	09/84
SOFTWARE CONCEPTS, INC.	1450 ATLANTA CENTER 250 PIEDMONT AVENUE N.E. ATLANTA, GA 30300 404-659-1331	RONALD R. ANTINORI	CSRR SNUP WORKFLOW	TRIED ACQUISITION 6 MONTHS AGO. SHOULD STAY INFORMED ABOUT STATUS.	ICP	09/84
SOFTWARE DEVELOPMENT & MAINTENANCE INC	PO BOX 668 FURQUAY-VARINA NC 27526 919-552-3662	EUGENE TRUELOVE	SDM/OMNI-DATE - UNIVERSAL DATE ROUTINE SDM3780 SIMULATION PROGRAM	PRODUCT SIMILAR TO TRACS. THEY ALSO HAVE BANKING SYSTEMS.	ICP	09/84
SOFTWARE LINK INC	SANTA CLARA CA 408-946-4500	BUD HARST	SLIDR	VM-BASED DASD MANAGEMENT SYSTEM. BROUGHT TO OUR ATTENTION BY DON MURPHY.	D MURPHY	09/84

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STERLING SOFTWARE, INC
LIST OF ACQUISITION SUSPECTS

COMPANY NAME	ADDRESS	PRESIDENT	PRODUCTS	COMMENTS	SOURCE	DATE
SOFTWARE TECHNOLOGIES/RESEARCH (STAR)	1201 FLOWER STREET BAKERSFIELD, CA 93305 805-324-6041	DAVID C. ROGERS	DADS (DYNAMIC ALLOCATION DEALLOCATION SUBSYSTEM) VSUM (VSAM SPACE UTILIZATION MONITOR)	RESTART/RECOVERY SYSTEM AND VSAM UTILIZATION REPORTER. COULD COMPETE WITH ESP PRODUCTS.	ICP	09/84
SOFTWORKS, INC.	7700 OLD BRANCH AVE E-206 CLINTON MD 20735 301-868-4221	JOHN D. DOMINICUS	VCAR VSAM IO POPS (VIO PLUS) VSAM QUICK-INDEX VSAM SPACE MANAGER (VSM) VSAM-ASSIST VIRTUAL TERMINAL FACILITY (VTF)	KNOW PRINCIPALS WELL. VSAM-ASSIST AND DMS/OS HAVE SIMILARITIES.	S WILLIAMS	09/84
SYSTEMS CENTER	1320 GREENWAY DR #300 IRVING TX 75038 214-659-9318	C MCKENZIE (MAC) LEWIS	NETWORK DATAOVER	MVS-BASED FILE TRANSFER AND ELECTRONIC MAIL SYSTEM SUPPORTING PC'S.	CIU	08/84
TONE SOFTWARE CORPORATION	1735 S. BROOKHURST ST. ANAHEIM, CA 92804 714-991-9460	JERRY G. SLATER	FSD ISP PHASOR PROCHAM TONE 3 TONE 4	TSD ENHANCEMENTS. MET OWNER ONE YEAR AGO. MOSTLY TECHNICAL TYPES IN COMPANY. PRODUCTS APPEAR GOOD.	ICP	09/84
TOWER SYSTEMS INTERNATIONAL	19782 MACARTHUR BOULEVARD SUITE 363 IRVINE, CA 92715 714-752-8263	J. GREGORY STEMON	DFAST/VSE EPIC/VSE SURVEILLANCE - CICS SECURITY & MANAGEMENT SYSTEM T-FAST/VSE TD-FAST.VSE - DATA SET MANAGEMENT SYSTEM	DOS/VSE UTILITY PRODUCTS. SOME OVERLAP WITH DMS/OS IN MVS ENVIRONMENTS.	ICP	09/84
TRIANGLE SOFTWARE	4340 STEVENS CREEK BLVD #100 SAN JOSE CA 95129 408-554-8121	JOHN ZIPP	NETCHECK - CICS NETWORK MANAGER	MVS AND DOS/VSE SYSTEM MANAGEMENT FACILITY FOR CICS.	CIU	03/84
VIRTUAL SYSTEMS SOFTWARE, INC.	90 VINTON STREET LONG BEACH, NY 11561 212-940-0088	STEVE INTERDONATO	CICS INTERACTIVE COBOL SYMBOLIC DEBUGGING SYSTEM	CICS-BASED UTILITY PRODUCT.	ICP	09/84
VM SOFTWARE	7777 LEESBURG PIKE #220 FALLS CHURCH, VA 22180 703-821-6886	ROBERT E. COOK	VMACCOUNT VMARCHIVE VMBACKUP VMDEFER VM.LIB VMTAPE-CMS	VM-BASED UTILITY PRODUCTS. VMBACKUP IS THE MOST SUCCESSFUL PRODUCT. PERFORMS SAME FUNCTIONS AS DMS/OS UNDER VM.	ICP	09/84
VM SYSTEMS INC			VSERV	VM-BASED PRODUCT. BROUGHT TO OUR ATTENTION BY DON MURPHY.	D MURPHY	09/84