



The President's Report

AGS Information Services, Inc.

July 13, 1987

We have made significant strides over the past few months in getting AGS Information Services, Inc. to run as an effective organization. Although the merger of AGS and SDA has demanded more management time and attention than we initially anticipated, we have passed the crucial first six months and are now focusing our energies on developing "the superior organization," one in which a group of superior individuals work in concert for the attainment of a common goal. Our goal, simply stated, is to build the finest information systems development company in the business. This report will give you some insight into what we are doing to accomplish our goal. If you have specific issues you would like addressed, please send them to Muriel Wilcox at the Mountainside Office and we will attempt to cover as many as possible in the next issue to be published around September 1.

NOTE: In this report, references to AGS mean AGS Information Services, Inc., and our parent company is AGS Computers, Inc.

NEWS FROM OUR PARENT COMPANY.....

AGS COMPUTERS, INC. DECLARES STOCK DIVIDEND

Our parent company has declared a dividend of one share of AGS Computers, Inc. stock for each share outstanding. The dividend was paid May 29, 1987 to shareholders of record as of May 18, 1987.

AGS COMPUTERS, INC. CALLS \$40 MILLION IN BONDS

Our parent company has called for redemption, on July 2, 1987, of all its outstanding 7-1/2% Convertible Subordinated Debentures Due 2011. The principal amount of each Debenture, together with a premium of 6.75% and accrued interest, will be paid upon redemption. All Debenture holders are entitled to convert the Debentures in denominations of \$1,000 or integral multiples thereof into common stock of the Company at a conversion price equal to \$13.65 a share (after giving effect to the Company's recent stock split) upon surrender of the Debentures to the Company.

NEW MEMBERS ELECTED TO BOARD OF DIRECTORS

Our parent company has added two new members to its Board of Directors, William A. Marquard and Gordon B. Hoffstein.

Bill Marquard joined the Mosler Safe Company in 1952 and became a Vice President in 1956. In 1961, he became a Director and Senior Executive Vice President of Mosler, next serving as its President from 1967 to October 1970, after its acquisition by American Standard. He became an Executive Vice President of American Standard Inc. in 1968, and in October 1970 was elected Senior Executive Vice President and Director. He became President and Chief Executive Officer in 1971. In May 1985, Bill relinquished his position as CEO. At the end of 1985 he retired as Chairman of the Board, but continued as Chairman of the Executive Committee and as a Consultant. Bill is a member of the Board of Trustees of the Foundation of the University of the Americas, Puebla, Mexico. He is Director of American Standard Inc., Chemical Bank and Chemical New York Corporation, Shell Oil Company, New York Life Insurance Company, Mosler, Inc., and the Kelso & Company Advisory Board.

Gordon Hoffstein, President and Chief Executive Officer of Microamerica, Inc. headquartered in Marlborough, MA, was one of the founders of the firm which was acquired by AGS Computers, Inc. in 1982. Prior to founding Microamerica, Gordon was Vice President of Professional Software Inc., Vice President of Systems Sales for New England Electronics Company (NEECO), president of a business brokerage group franchise and President of Markline Information Systems. Gordon has a BBS degree in Accounting from the University of Massachusetts and an MBA from Babson College.

Our Board of Directors now has eight members: Joe Abrams, Arthur Goldberg, Peter Graf, Gordon Hoffstein, Bill Marquard, Ken Peskin, Larry Schoenberg, Chairman, and Tony Stepanski.

NEWS FROM AGS INFORMATION SERVICES, INC.....

Seth Hanover, Senior Vice President, is leaving AGS to pursue a personal business venture. We wish Seth the very best in his undertaking and sincerely appreciate his contributions during the last thirteen years to SDA and AGS. Effective July 9, 1987 all Regional Vice Presidents will report directly to Tony Stepanski, President.

AGS ACQUIRES DETROIT AREA COMPANY

AGS has acquired Computer Consultants, Inc. (CCI), a Troy, Michigan based systems development company. Founded in 1985 by John Wheeland and Ed Bennett, CCI employs 40 people and provides a variety of information systems development services to a diversified group of companies in the greater Detroit area. This unit will operate under its existing management as AGS Computer Consultants, Inc. and serve as our Detroit branch. Effective January 1, 1988, it will do business under the AGS Information Services, Inc. name.

Prior to the formation of CCI, John Wheeland had served as Vice President of Professional Services for Compuware, a large Michigan headquartered systems development company, and Ed Bennett had served as a consultant for a Big 8 firm and as Director of Information Services for a major Michigan hospital.

I consider it fortuitous that John and Ed, two knowledgeable veterans of this industry, are joining our company. Their organization is highly regarded in Michigan and will be an important contributor to our program to expand our influence in the Midwest.

AGS GENASYS, INC. WINS SECRET SERVICE CONTRACT

AGS Genasys (Rockville, MD) has been awarded a Secret Service contract that was initially awarded to Cullinet Corp. Shortly after it learned of the first award, Genasys filed a protest with the General Services Administration, Board of Contract Appeals (GSABCA), challenging the selection of the Cullinet proposal over Genasys' proposal. A review judge found in Genasys' behalf, ordered that the award be set aside, and directed the government to pay Genasys approximately \$35,000 for legal costs incurred by Genasys to conduct its protest. When the new proposals were evaluated, the Secret Service selected Genasys' government financial reporting system FEDERAL SUCCESS over the competing proposals.

STATE OF NEW JERSEY, DEPT. OF INSURANCE, PROJECT LOST

The State of New Jersey has selected Touche Ross (TR) over AGS and Arthur Andersen (AA) in a multimillion dollar, multiple year development competition for the Department of Insurance. TR bid the project at \$4.3 million, AGS bid \$5.2 million, and AA bid \$5.6 million. Lou Yannaco, AGS' Director of State Government Marketing (Princeton), commenting on the award, said "AGS' performance was impressive considering the strong position TR and AA have had in the State of New Jersey in recent years. Although we detected a number of irregularities in the State's selection

of TR, we have decided not to file a formal protest against the award. We are, however, going to bring these irregularities to the attention of the State."

COOPERS & LYBRAND EXPANDS LICENSING AGREEMENT

Coopers & Lybrand has extended its license to use AGS' systems development methodology products in their consulting practice from a North American license to a worldwide license. In addition, they have become a distributor for SDM/Structured and have acquired the right to develop and distribute a version of the methodology under their own name. Under the terms of this new \$1,000,000 contract, AGS will continue to receive royalties on both SDM/Structured and Coopers & Lybrand's version of the methodology.

MARKETING ORGANIZATION EXPANDED

In keeping with our program to provide increased sales and marketing support to the Regions and Branches, the following people have joined our Marketing Department:

Paul Smith, Director of Marketing - Prior to joining AGS, Paul was with Business International Corporation, an advisor to multinational corporations on the business environment abroad. As Vice President of Marketing, he managed the marketing, public relations, and direct mail activities in North America. He joined the company as National Sales Manager in 1983. From 1970 to 1983, Paul was with Chase Econometrics/Interactive Data Corp. in a variety of technical, sales, and sales management positions.

Paul has a BS in Mathematics from Villanova University and lives in Maplewood, NJ. He is based in the Mountainside office and reports to Sue Luster, Vice President-Marketing.

Bob Hayum, Director of Business Development - Bob joined the company on June 1 as Director of Business Development. In this capacity Bob will be responsible for obtaining, developing and implementing project type information services in the vertical markets of manufacturing and distribution. He will, in conjunction with senior management, identify the application functionality and software that AGS will support for total systems implementation and professional consulting in this vertical market. Relationships with hardware and software vendors will be explored to establish AGS as a Commercial Systems Integrator.

Bob joins AGS after 15 years at Revlon Inc., where he has served as Vice President, Planning-Information Systems since 1980. Before that he was Group Director for Revlon's Systems Design and

Programming Department. Prior to Revlon, Bob was Technical Director of ITT Data Services, an information services subsidiary of ITT.

Bob earned a Masters Degree in Electrical Engineering from the Massachusetts Institute of Technology, Cambridge, MA. He is based in the Mountainside office and reports to Paul Smith, Director of Marketing.

Steve O'Donnell - has joined as graphic artist and designer. Steve has been a freelance graphic designer and illustrator and was a teacher in various high schools in New York City and New Jersey for fifteen years. He holds a BA from the State University of New York at Stony Brook and a Masters Degree from NYU. Steve is married to Alicia, an account manager for Johnson & Higgins of New Jersey. He and his wife live in Essex Fells, NJ with their four-year-old daughter Kate.

Sandy Schiller - has joined as a marketing specialist with primary responsibility for copywriting. She will also produce "Marketing Mentions" and edit our soon to be released (and named) newsletter. Sandy has a BA in Journalism/Public Relations with a minor in Business from Duquesne University.

OFFICE-BY-OFFICE

AGS PUBLICATIONS DEVELOPMENT GROUP (AGS/PUBS) - is the new name for Computing Pragmatics, Inc. and reflects its strong ties with AGS Information Services, Inc. Over the past few months AGS/PUBS has made joint proposals with branch offices and is presently working on a combined project. A new brochure will be available soon for use by our sales people. AGS/PUBS recently signed its largest single contract, a project of one year's duration valued at \$400,000.

Donna Crescenzi, Marge Kirshenbaum, and Bob Kirshenbaum have celebrated their tenth anniversary with the company. Congratulations Donna, Marge, and Bob!

ATLANTA - Len Rothman, formerly Branch Manager, is leaving to accept a sales position with Management Sciences America in Atlanta.

BOSTON - The Boston office is sponsoring a golf tournament on behalf of the Jimmy Fund, a non-profit organization dedicated to helping children's cancer research programs and the care of children afflicted with cancer. Dave Maynard, WBZ-Radio morning host, will be the celebrity guest. A shotgun start/scramble tournament will follow lunch, and the day's festivities will conclude with a famous New England clam bake.

Jack Berrigan and Philip Neagle have celebrated their tenth anniversary with the company. Congratulations John and Philip!

CHICAGO - Early this year, Jerry Nowlin gave a lecture at the CCITT meeting in Geneva, Switzerland on the ICON programming language. CCITT is an international standards organization attended by delegates from around the world. The lecture was translated into several different languages. Congratulations, Jerry, on being invited to address such a prestigious gathering.

Brian Strelloff has been awarded patent bonuses for his work while on assignment at AT&T Information Systems. Brian was named sole inventor of the multi-processing techniques used in the recently announced 3B2/600. Bravo, Brian!

CINCINNATI - Ed Fullman has joined as Marketing Representative.

CLARK, NJ, COMMERCIAL CENTRAL - Tom D'Innocenzi has been promoted to Systems Development Director.

CLARK, NJ, COMMERCIAL NORTH - Bob Neumann is transferring from NJ Technologies to NJ Commercial North.

CLARK, NJ, TECHNOLOGIES - is growing rapidly in the areas of our regular placement business as well as total project development responsibility for our clients. The direction of our client business has given us the opportunity to develop projects at their locations and on our own premises. We have recently acquired additional space to house a Project Development Center where we will develop internal projects for our clients. We expect delivery of 3B computer systems imminently.

Joanne Wean has joined as Marketing Representative, responsible for high technology accounts (non-AT&T). Cathy Warshaw has been appointed Recruiting Manager. Laura Colantuano has joined as Technical Resources Manager.

Martin Studd has been promoted to Director of Technical Services, responsible for the management of the entire technical organization. John Hutchinson has been promoted to a newly created position, Project Development Director, responsible for all in-house projects.

The New Jersey Region is planning a summer picnic for employees at Sandy Hook National Recreation Center. A private beach has been reserved, with food, refreshments and activities to be provided.

COLUMBUS - APR - Richard Glenn and Wilford Lynch have been promoted to Systems Development Director; Douglas Shiflet has been promoted to Director of Marketing.

Mitsubishi Alarm Center, Inc. (MAC), a provider of interactive home security, has elected to develop a major portion of its accounting applications within the framework of the Monitoring System architecture. This architecture, formulated and implemented by APR, is founded on a requestor-server model that facilitates both horizontal and vertical expansion of critical computer resources without adverse impact on applications software. MAC has selected APR to design and develop Order Entry, Statement Billing, Cash Receipts and Inventory Control subsystems in support of its unique Accounts Receivable requirements. APR will also establish the Ethernet communications that will permit MAC to run its operations from any physical computer connected to DECnet.

COMPUTER AND TELECOMMUNICATIONS INDUSTRY MARKETING GROUP (C&TIMG) (This organization is responsible for national sales to a defined group of computer manufacturers and communications companies) - Fran Whitehead has transferred from NJ Central to the Computer and Telecommunications Industry Marketing Group as Director of Manufacturing Systems. Fran brings over 32 years of manufacturing, manufacturing systems and computer technical services experience. Prior to joining AGS, he held various positions in manufacturing management, some of which were Materials, Quality Control, Manufacturing, Product Assurance, and Productions Planning and Control. He also held the position of Director of MIS for two major manufacturing firms. Fran will be based in the New York branch office and is responsible for marketing and administration of the IBM Industry Marketing Assistance Program nationwide. He will coordinate AGS' IMAP and MAP opportunities with the IBM controlling branch office in Philadelphia, PA.

Chris Taylor has joined the C&TIMG as Marketing Representative and is based in our San Francisco Office.

DALLAS - No news.

DAYTON - APR - has expanded into Dayton to accommodate our current clients in that area and to pursue other business opportunities in the Dayton vicinity. Wayne Moore will assume full-time development of and responsibilities for the Dayton-Springfield territory. Good luck Wayne!

DENVER - Don Wiles, who worked at AGS from July 1980 to April 1981, rejoined the Denver office in January and has been appointed Systems Development Director. Brian Walsh, Bill Vojak, and Mark Blumhardt have been appointed Systems Development Managers. Jim Paul, who joined the Denver office as our second employee in October 1979, has left the company and moved to San Diego, California.

DETROIT - See "AGS Acquires Detroit Area Company".

EDUCATION AND TRAINING GROUP - Rita Estevez has celebrated her tenth anniversary with the company. Congratulations, Rita!

FORT LAUDERDALE - Mike Wheaton has been promoted to Systems Development Director.

HOUSTON - No news.

KNOWLEDGE ENGINEERING GROUP - The Knowledge Engineering Group has expanded its client base and is providing training and consulting services to banks, brokerage houses, public utilities and manufacturing firms. We also have a number of proposals pending with new clients. Our in-house developed courses were offered to the NY-NJ staff and were received with considerable enthusiasm. Thirty-five members of the technical staff have taken two of the public courses, and plans are being made for continuing the course schedule in the fall. Dejean Melancon is encouraged by the number of new opportunities being identified by our sales people in the field and is prepared to make sales support calls for his group's services.

Katherine Flanagan, who has many years experience in the development of Expert Systems in a variety of commercial environments, has joined the group.

LONDON - is pleased to report continued expansion during 1987. The staff has grown from 32 to 50 during the half year, and Team Maintenance projects at Prudential, Marks and Spencer, Lloyds Bank and Rank Xerox have resulted in contracts for additional teams on each site. We have also closed a major maintenance project with National Westminster. It is expected that substantial development work will be awarded to us by these clients as a result of our success.

LOS ANGELES - Joel Caccia, formerly recruiter in the Clark, NJ office, has transferred to California where he supports recruiting for both Los Angeles and San Diego offices.

MOUNTAINSIDE - ADMINISTRATION

Jim Curham has joined the company as Accounting Manager and is responsible for Accounts Payable, Billing and Payroll activities. He comes to us from Johnson & Johnson, Inc., where he was a Senior Accountant and Senior Corporate Auditor. Jim is a CPA and received his degree in Business Administration from Rutgers College. He reports to Bill Weronick, Controller.

Al Gill has joined as Accounting Manager and is responsible for all financial analyses. He was formerly Accounting Supervisor for Wakefern Foods Corporation. Al reports to Bill Weronick, Controller.

John Thompson has joined as Director of Information Services. He was formerly Director of Data Processing with an international talent company and brings to AGS over twenty years of data processing experience. John reports to Ted Dunn, Vice President Planning and Administration.

NATIONAL RECRUITING - We have transferred our advertising business to Austin Knight and have already observed improved results from the ads placed by this agency. One-half of the year is behind us and we are gratified that so many of our technical recruiting managers are on track to making the Achievers Club. We fully expect to get 100% participation.

NEW YORK CITY, COMMERCIAL - No news.

NEW YORK CITY, FINANCIAL - Pat Morris has joined as Marketing Representative and Dori Vallis will join as Marketing Representative on July 13.

NEW YORK CITY, GENERAL - Janet Suydam has been appointed Vice President and Branch Manager. Janet joined AGS as a Systems Development Manager for our New York office in August 1980 and transferred to New Jersey in June 1981. In April 1983, she assisted in the startup of our Orlando office as Systems Development Director, and in October 1985 returned to the New York office in the same capacity. Congratulations, Janet!

Bill Roberts and Sylvia Gabe have joined as Marketing Representatives. Lisa Cohen has joined as recruiter. Neftalie Ramos has celebrated his tenth anniversary with the company. Congratulations, Neftalie!

The New York Region is planning a summer outing for its entire staff, a boat trip around Manhattan, complete with live band.

NORWALK, SOUTHERN NEW ENGLAND - No news.

NORWALK, CONN./WESTCHESTER - Susan Schnur, formerly SDD for Connecticut, has been promoted to Marketing Representative. Denise Whalen, who joined our company in October 1977 and was most recently AGS' Assistant Director of Human Resources, has joined the Norwalk office as Marketing Representative. Donna Leslie, formerly an account supervisor, has been promoted to Systems Development Director. A cruise on the Long Island Sound for employees is being planned jointly by Mid-Hudson Valley and Connecticut/Westchester offices.

OAK BROOK, IL. - APR - has acquired the McDonalds Corporation as a new client. This contract will expand APR's expertise in Unix/C software development for business operations.

PHILADELPHIA - Maria Mann and Linnea Bailey have joined as Marketing Representatives. Grace Burrows has been promoted to Systems Development Director. A picnic is being planned for employees in the Philadelphia/Wilmington area.

PHOENIX - Bridget Dwyer has joined as Marketing Representative.

PRINCETON - See "State of New Jersey, Dept. of Insurance, Project Lost".

SAN DIEGO - Peggy Wyman has joined as Marketing Representative.

SAN FRANCISCO - William Doerlich has joined as Marketing Representative.

SOFTWARE PRODUCTIVITY GROUP -

CASE Tools - SPG is continuing to track the Computer Aided Software Engineering (CASE) tool marketplace. The use of automated tools in software development is a hot topic in the industry, and recent CASE conferences have been sold out. SPG has information and vendor literature on tools currently available, and is ready to assist branch offices in making presentations to clients who have a need or interest in this area.

Custom Methodologies - In a related area, a number of sales people have received requests for "custom tailored" software development methodologies. These methodologies are different from those commercially available in their size (smaller), complexity (simpler), and their integration of the use of a CASE tool. We currently have proposals outstanding for a major oil company in conjunction with the Houston office; a savings and loan association in conjunction with the NJ Commercial North office; and a major auto manufacturer in conjunction with AGS Computer Consultants, Inc.

Proposal Support - SPG and Marketing have been actively supporting the branches in their efforts to obtain project work and to respond to RFPs. Support provided thus far has fallen into two basic categories: 1) National Contracts--a number of branches have received requests from large conglomerates to propose on national contracts for generic programming and engineering skills; 2) RFQs and RFPs--SPG has assisted branches in making bid/no bid decisions and provided appropriate project descriptions and resumes.

Marketing Support - SPG staff has participated in presentations to current and prospective clients about AGS' system development (i.e. project) capability. In many cases the goal was to dispel a client's perception of AGS as only a provider of contract programming services and to inform them of AGS' full range of services.

WAPPINGERS FALLS, NY - Chip Paliocha, who joined AGS in May 1984 and has worked as a Project Manager in the Wappingers Falls office, has been promoted to Systems Development Director and is transferring to NJ Technologies in Clark, NJ. Kris Gardner has joined as recruiter.

WASHINGTON, DC - AGS GENASYS - See "AGS Genasys Wins Secret Service Contract".

WHITE PLAINS - Irv Schreiber, Project Manager, celebrated his 10th anniversary with AGS. Congratulations, Irv!

WILMINGTON, DE - No news.


WOODBURY, NY - The Jericho and Melville offices have been relocated to a single new facility in Woodbury, Long Island.

A handwritten signature in cursive script, appearing to read "Tony".



AGS Information Services, Inc.

Interoffice Memo

To: All Employees
From: Sue Luster 
Branch: Marketing - Mountainside
Date: July 1, 1987
Subject: AGS Newsletter Winner


I'd like to thank all of the participants in the "Name the AGS Newsletter" contest. The response was overwhelming, and it has taken us a little longer than expected to go through all the great entries. The top winner and the name of the AGS newsletter:

IMAGES

This was submitted by Carol Burgard, Corporate Accounting. We had many fine runners up, but the ones the judges liked the best were:

"The Alliance" by Robert Visioli of the Philadelphia branch

"AutoGraphS" by Vicki Ruhl of the Cincinnati branch

 by R. S. Tare from New Jersey

"The AGS Informer" by Joseph Leggiero of Wappingers Falls

We received a really excellent suggestion from Marcus Hand of New Jersey, but I felt it was more appropriate as an internal newsletter title. However the point is well taken -

mArGinS

Carol is the winner of the \$100 prize. Because of all the good runners up, who made the selection so difficult, we are going to issue each of them a \$25 prize.

Thanks for the great participation! Soon you'll be hearing about the AGS newsletter -

P.S. Dialogues will still be the internal AGS Information Services newsletter.