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May 27, 2014

To all Shareholders:

Enclosed, please find the 2013 audited financial statements for Agent Information Software, Inc.

The company made the decision to have the financial statements audited versus the review that was done in 2012. To allow for the audit to proceed of the 2013 financials the company had to have the 2012 financials audited also and caused a slight delay in the release of the 2013 financials.

In February of 2013 the company moved from its home since 1986 in Pomona, CA to our new offices in Ontario, CA. The company also completed the move of all of our hosting services to the SuperNap in Las Vegas. The results of the move of the company and our hosting will be to see a substantial saving in annual rent and to provide enhanced services for our customers.

As previously reported, last year the company began the process of converting our product's user experience (UX) from Adobe Flex to HTML5. Our original goal was to complete the migration of the platform in the fall of 2013 and have our customer migrations completed to the new product before the end of the year. We were able to begin BETA testing before the year ended. However, based on user group feedback, seeking even more enhancements to address the library patron, we delayed the release until the 1st quarter of 2014. Our final customer group will be migrated in July and the feedback from the customers has been extremely positive regarding the new UX.

The delay in the release of the new UX has hurt the company's sales for the 2nd half of 2013 and was the reason new name sales were down in 2013 from 2012. The decrease in sales was almost completely in one-time or non-recurring sales, accounted for with fewer new implementations. Continuing or recurring revenue remains unchanged in 2013 as compared to 2012 with a 97% customer retention rate. The sales team has been aggressively pursuing every opportunity now that the new UX is in place.

The expansion of the Tennessee statewide ILS system continued in 2013 with two large phases bringing the total number of libraries using VERSO™ to nearly 100 physical locations with over 3.3 million circulation. The statewide ILS is unique in United States as it is completely integrated into statewide resource sharing and overall has one of the largest circulating discovery usage statistics in the United States. Tennessee state plans include continued expansion of their contract with Auto-Graphics.

As 2013 ends the company is excited to be working on several larger opportunities for its resource sharing or interlibrary loan product – SHAREit™. The company completed the implementation on the next generation resource sharing system for Massachusetts, and the company will begin expansion of

the resource sharing environment for British Columbia in the summer of 2014. As library operating budgets continue to be constrained, the company is keenly aware that it must continue to provide solutions that are more cost effective and efficient for the library staff as well as providing a more positive user experience for the library patrons.

The company will continue to stay focused on the public library market for our integrated library system (ILS), VERSO. The new HTML5 UX combined with our ability to deliver both patron and staff functionality on any device from a desktop to a tablet or even Smartphone, provides the company with an opportunity to address the changing nature of the workflow for the library staff and patrons. Several integration partnership have gone into the new product and include functionality such as enhanced material content, integration with social media, ecommerce, etc. The expansion of our integration with other vendors in the market will help solidify our position in the market and we will look to expand revenue from existing customers.

If you have questions, please do not hesitate to email me at prc@auto-graphics.com or call me directly at 909-569-1520 or you may contact our controller, Paul Widjaja at 909-569-1535.

Best regards,

A handwritten signature in black ink, appearing to be 'PRC' with a stylized flourish at the end.

Paul R. Cope
President