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Levi, Ray & Shoup, Inc. and Subsidiary

Consolidated Financial Report
(with Independent Auditor's Report Thereon)
July 31, 2012

Contents

McGladrey

Independent Auditor's Report

To the Stockholder
Levi, Ray & Shoup, Inc and Subsidiary
Springfield, Illinois

We have audited the accompanying consolidated balance sheets of Levi, Ray & Shoup, Inc and Subsidiary (Company) as of July 31, 2012 and 2011, and the related consolidated statements of income, stockholder's equity, and cash flows for the years then ended These financial statements are the responsibility of the Company's management Our responsibility is to express an opinion on these financial statements based on our audits

We conducted our audits in accordance with auditing standards generally accepted in the United States of America Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting Accordingly, we express no such opinion An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation We believe that our audits provide a reasonable basis for our opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Levi, Ray & Shoup, Inc and Subsidiary as of July 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America

McGladrey LLP

Springfield, Illinois
October 29, 2012

Levi, Ray & Shoup, Inc and Subsidiary

Consolidated Balance Sheets
July 31, 2012 and 2011

	2012	2011
Assets		
Current Assets		
Cash and cash equivalents	**$ 28,317,403**	$ 31,426,877
Marketable securities	**9,731,645**	6,099,680
Accounts receivable	**33,188,001**	28,218,833
Current portion of mortgage notes receivable	**234,316**	222,912
Prepaid expenses and other assets	**1,675,292**	1,454,965
Total current assets	**73,146,657**	67,423,267
Property and equipment, net	**29,260,798**	17,490,835
Marketable securities	**60,057,302**	57,552,347
Mortgage notes receivable, less current portion	**1,014,762**	1,249,078
Other assets, net	**7,247,677**	6,449,208
Total assets	**$ 170,727,196**	$ 150,164,735
Liabilities and Stockholder's Equity		
Current Liabilities		
Accounts payable	**$ 7,616,102**	$ 4,715,546
Accrued income taxes	**1,426,839**	792,252
Accrued expenses and other current liabilities	**10,668,806**	9,706,047
Current portion of deferred gain	**218,585**	218,585
Deferred revenue	**57,197,625**	55,582,153
Total current liabilities	**77,127,957**	71,014,583
Long-term Liabilities		
Deferred gain, less current portion	**1,184,004**	1,402,589
Total long-term liabilities	**1,184,004**	1,402,589
Commitments and Contingencies (Notes 5 and 12)		
Stockholder's Equity		
Common stock, no par value, 500 shares authorized, 50 shares issued and outstanding	**500**	500
Additional paid-in capital	**978,295**	978,295
Undistributed Subchapter S earnings	**88,492,506**	75,198,738
Accumulated other comprehensive income	**2,943,934**	1,570,030
Total stockholder's equity	**92,415,235**	77,747,563
Total liabilities and stockholder's equity	**$ 170,727,196**	$ 150,164,735

See Notes to Consolidated Financial Statements

RICHARD H LEVI, DIRECTOR

Levi, Ray & Shoup, Inc and Subsidiary

Consolidated Statements of Income
Years Ended July 31, 2012 and 2011

	2012	2011
Revenue		
Software sales	$ 65,872,087	$ 63,590,382
Software maintenance	39,387,750	39,561,886
Hardware sales	42,372,836	27,091,460
Consulting services	30,693,765	25,483,059
Other operating revenue	3,320,363	3,221,989
Total revenue	181,646,801	158,948,776
Cost and expenses		
Compensation and related expenses	65,130,144	64,061,392
Cost of hardware sold	34,878,971	22,432,963
Depreciation and amortization	2,126,043	3,948,971
Other operating expenses	32,665,023	32,043,115
Total costs and expenses	134,800,181	122,486,441
Income before other income and income taxes	46,846,620	36,462,335
Other income, net	1,030,918	3,815,990
Income before income taxes	47,877,538	40,278,325
Provision for income taxes	1,583,770	2,121,511
Net income	$ 46,293,768	$ 38,156,814

See Notes to Consolidated Financial Statements

Levi, Ray & Shoup, Inc and Subsidiary

Consolidated Statements of Stockholder's Equity
Years Ended July 31, 2012 and 2011

	Common Stock		Additional Paid-In	Undistributed Subchapter S	Accumulated Other Comprehensive	
	Shares	Amount	Capital	Earnings	Income (Loss)	Total
Balance, July 31, 2010	50	$ 500	$ 978,295	$ 71,041,924	$ 1,629,148	$ 73,649,867
Comprehensive income						
Net income	-	-	-	38,156,814	-	38,156,814
Unrealized (loss) on marketable securities arising during the year	-	-	-	-	(59,118)	(59,118)
Total comprehensive income						38,097,696
Cash dividends	-	-	-	(34,000,000)	-	(34,000,000)
Balance, July 31, 2011	50	500	978,295	75,198,738	1,570,030	77,747,563
Comprehensive income						
Net income	-	-	-	46,293,768	-	46,293,768
Unrealized gain on marketable securities arising during the year	-	-	-	-	1,373,904	1,373,904
Total comprehensive income						47,667,672
Cash dividends	-	-	-	(33,000,000)	-	(33,000,000)
Balance, July 31, 2012	**50**	**$ 500**	**$ 978,295**	**$ 88,492,506**	**$ 2,943,934**	**$ 92,415,235**

See Notes to Consolidated Financial Statements

Levi, Ray & Shoup, Inc and Subsidiary

Consolidated Statements of Cash Flows
Years Ended July 31, 2012 and 2011

	2012	2011
Cash Flows from Operating Activities		
Net income	$ 46,293,768	$ 38,156,814
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	2,126,043	3,948,971
Amortization of premiums on investments in marketable securities	569,627	505,787
Loss on disposal of property and equipment	32,796	792,564
Accretion of deferred gain	(218,585)	(218,585)
Changes in assets and liabilities		
(Increase) decrease in assets		
Accounts receivable	(4,969,168)	(3,808,914)
Prepaid expenses and other current assets	(220,327)	(112,438)
Other assets	(847,012)	(1,597,402)
Increase (decrease) in liabilities		
Accounts payable	2,641,858	(1,368,547)
Accrued expenses and other current liabilities	1,597,346	(1,947,054)
Deferred revenue	1,615,472	2,789,583
Net cash provided by operating activities	48,621,818	37,140,779
Cash Flows from Investing Activities		
Purchase of property and equipment	(13,646,561)	(3,866,247)
Proceeds from sale of property and equipment	25,000	34,339
Proceeds from maturities of marketable securities	6,000,000	15,495,000
Investment in marketable securities	(11,332,643)	(19,235,119)
Payments received on mortgage notes receivable	222,912	4,119,372
Net cash (used in) investing activities	(18,731,292)	(3,452,655)
Cash Flows from Financing Activities		
Dividends paid	(33,000,000)	(34,000,000)
Net cash (used in) financing activities	(33,000,000)	(34,000,000)
Change in cash and cash equivalents	(3,109,474)	(311,876)
Cash and cash equivalents		
Beginning of year	31,426,877	31,738,753
End of year	$ 28,317,403	$ 31,426,877

(Continued)

Levi, Ray & Shoup, Inc and Subsidiary

Consolidated Statements of Cash Flows (Continued)
Years Ended July 31, 2012 and 2011

	2012	2011
Supplemental Disclosures of Cash Flow Information		
Cash payments for		
Interest	$ 7,418	$ 14,873
Income taxes	$ 949,183	$ 2,300,961
Supplemental Disclosure of Non-Cash Investing Activities		
Purchase of property and equipment with accounts payable	$ 1,317,964	$ 1,059,266

See Notes to Consolidated Financial Statements

Note 1 Summary of Significant Accounting Policies

Business Levi, Ray & Shoup, Inc (Company) develops, sells, and maintains proprietary output management software in mainframe and open system markets that are sold in approximately 40 countries around the world In addition, the Company provides information technology solutions, consulting and mainframe computer processing services, and resells IBM computer hardware

The Company operates a marina business in Fort Myers, Florida, through its wholly-owned subsidiary, Diversified Yacht Services, Inc (DYS)

Principles of consolidation The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, DYS All significant inter-company accounts and transactions have been eliminated in the consolidation

Use of estimates The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and their reported amounts of revenue and expenses during the reporting periods Such estimates relate to useful lives of property and equipment, as well as intangible assets, accounts receivable, contract accounting, and deferred revenue Actual results could differ from such estimates

Revenue recognition The Company enters into contractual arrangements with the end-users of its products to sell software licenses, software maintenance, consulting and processing services and hardware, either separately or combined into multiple-element arrangements For each arrangement, revenues are recognized when persuasive evidence of an arrangement exists, the fees to be paid by the customer are fixed or determinable, collection of the fees is probable, delivery of the product has occurred, vendor-specific objective evidence (VSOE) of the fair value of any undelivered elements exists, and no other significant obligations on the part of the Company remain The Company's software products are licensed to customers under both perpetual and time-based license arrangements The Company also sells customized software under the product name Pension Gold

Perpetual license revenue Customers that purchase licenses under a perpetual license agreement generally enter into renewable one-year maintenance agreements that entitle the customer to receive unspecified updates on licensed software, technical corrections and support, generally for a fixed fee The Company has established vendor-specific objective evidence (VSOE) of fair value for the maintenance element of its perpetual license arrangements by reference to the renewal rate paid by customers For arrangements that include perpetual licenses and maintenance elements, the arrangement fee is allocated to separate elements using the residual method Under the residual method, the VSOE of fair value is allocated to the maintenance element, and the remaining arrangement fee is allocated to the license element The amount allocated to the license element is recognized on delivery of the software if collection of the fees is probable, the fees are fixed or determinable, and an agreement is signed Maintenance revenue is recognized ratably over the maintenance period, which is generally 12 months Revenue from sales through marketing agents is recorded as revenue, net of fees withheld by agents, upon receipt of a signed perpetual license arrangement, delivery of the software license to the end-user customer and determination that the fees are fixed or determinable as well as collectible

Note 1. Summary of Significant Accounting Policies (Continued)

Term license revenue The Company also licenses its software under multiyear, time-based license agreements and on a month-to-month basis under various operating lease-type rental plans Revenue under time-based license arrangements is recognized ratably over the term of the arrangement The Company has a history of successfully collecting substantially all amounts due under the original terms of multiyear, time-based license arrangements without making concessions on payments Unbilled and unearned future amounts due under multiyear noncancellable, time-based license arrangements totaled $117,360,000 and $110,072,000 at July 31, 2012 and 2011, respectively Revenue related to unbilled future amounts as of July 31, 2012 will be recognized during the periods in which earned and are due in future years as follows

Year Ending July 31,	Amount
2013	$ 41,703,000
2014	34,412,000
2015	21,973,000
2016	11,437,000
2017	6,057,000
Thereafter	1,778,000
	$ 117,360,000

Software maintenance revenue Revenue from annual maintenance contracts for which customers pay a fee up front in order to receive software maintenance is recognized on a straight-line basis over the periods in which the support is provided

Consulting services revenue Consulting and processing services revenue is generally sold on a time and material basis, and the related revenue is recognized as the specific services are performed Consulting and services revenue includes general consulting, processing services, training and other related services

Hardware revenue In some cases, the Company resells third-party hardware to its customers Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collection is considered probable The Company considers delivery to occur when the product is shipped and title and risk of loss have passed to the customer

Note 1 Summary of Significant Accounting Policies (Continued)

Pension Gold license revenue The Company undertakes projects for implementation of Pension Gold software, which requires significant production, modification or customization of software, and related revenue is recognized in accordance with contract accounting Under contract accounting, the Company utilizes the percentage-of-completion method for revenue recognition The Company estimates the profit on a contract as the difference between the total estimated revenue and the total estimated costs of a contract and recognizes that profit over the contract term The Company determines progress toward completion on production contracts based on input measures (labor hours incurred) The Company reviews its long-term contracts periodically to assess revisions in contract values and estimated project costs at completion The Company applies the effect of any changes in estimates resulting from these assessments in the period of change so that the balance sheet at the end of the period of change and the accounting in subsequent periods are as they would have been if the revised estimates had been the original estimates The Company charges any anticipated losses on contracts to earnings as soon as they are identified Accounts receivable associated with long-term contracts consist of billed and unbilled amounts Billed amounts include invoices presented to customers that have not been paid Unbilled amounts relate to revenues that have been recorded and billings that have not been presented to customers Unbilled amounts at July 31, 2012 and 2011 were $2,725,701 and $1,879,466, respectively, and are included in accounts receivable

Other revenue The Company also provides other miscellaneous services, such as technical education training, which are recognized as other operating revenue as services are performed

Deferred revenue Deferred revenue represents amounts received from customers under certain license, maintenance and service agreements for which the revenue earning process has not been completed

Research and development costs Research and development costs are expensed as incurred and amounted to $340,115 and $523,025, respectively, during the years ended July 31, 2012 and 2011 Included in those amounts are costs pertaining to development of software to be sold, which the Company expenses as incurred as such amounts are not significant

Charitable contributions Charitable contributions are recognized as an expense when committed to be paid by the Company and are included in other operating expenses in the consolidated statements of income Charitable contributions during the years ended July 31, 2012 and 2011 were approximately $1,004,000 and $1,006,000, respectively

Cash equivalents Cash equivalents consist of money market funds, a portion of which is on deposit with related parties (see Note 10)

Concentration of credit risk The Company maintains its cash, cash equivalents, and certain investments in bank deposit accounts which, at times, may exceed federally insured limits The Company has not experienced any losses in such accounts and management believes they are not exposed to any significant credit risk on cash and cash equivalents

Note 1. Summary of Significant Accounting Policies (Continued)

Marketable securities The Company's investment in marketable securities includes corporate debt securities and municipal revenue bonds All are classified as available-for-sale as the Company intends to hold these securities for an indefinite period of time, but not necessarily to maturity Available-for-sale securities are stated at fair value, with the unrealized gains and losses reported as a separate component of accumulated other comprehensive income in stockholder's equity Realized gains and losses are included in the consolidated statements of income as other income The cost of securities sold is based on the specific identification method Where applicable, discounts and premiums on investments are accreted and amortized into interest income using the effective yield method over the estimated remaining life of the assets Declines in the fair value of available-for-sale securities below their amortized cost basis, if any, that are deemed to be other-than-temporary impairment losses are reflected as realized losses

Trade receivables Trade receivables are carried at original invoice amount less an estimate for uncollectible trade receivables The Company performs ongoing credit evaluations of its customers and provisions are made for estimated uncollectible trade receivables Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition, credit history and current economic conditions Trade receivables are written off when deemed uncollectible Recoveries of trade receivables previously written off are recorded when received There was no allowance for doubtful accounts recorded at July 31, 2012 and 2011

Trade accounts receivable are considered to be past due if any portion of the receivable balance is outstanding for more than 30 days Interest may be charged on accounts that are outstanding for more than 45 days and is recognized when charged

Foreign currency translation The monetary assets and liabilities of the foreign branches, whose functional currency is the U S dollar, are translated at year-end exchange rates and nonmonetary items are translated at historical rates Income and expense accounts are translated each month at the rate in effect at the beginning of the month, except for nonmonetary assets and liabilities, which are translated at historical rates The effects of changes in exchange rates are included in income during the period of change Foreign currency gains/(losses) included in other income were $(1,954,635) and $1,715,474 for the years ended July 31, 2012 and 2011, respectively, and arose primarily from fluctuations in the value of the Australian Dollar, Euro and British pound sterling against the U S dollar

Property and equipment Property and equipment is stated at cost Depreciation is recorded over the estimated useful lives of the assets using principally the straight-line method as follows

	Years
Buildings	40 - 50
Computer equipment and software	3 - 5
Other equipment, furniture, and fixtures	5 - 10
Aircraft	10

Other assets Other assets include a Section 444 deposit to the Internal Revenue Service (IRS) and long-term trade accounts receivable This Section 444 deposit, held by the IRS in connection with the Internal Revenue Code (Code) requirements for a Subchapter S Corporation on a tax-year ending July 31st, was $6,104,078 and $5,089,444 at July 31, 2012 and 2011, respectively Long-term trade accounts receivable were $1,002,098 and $1,169,720 at July 31, 2012 and 2011, respectively

Note 1 Summary of Significant Accounting Policies (Continued)

Recoverability of long-lived assets All long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable An impaired asset is written down to its estimated fair value

Income taxes Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and operating loss and tax credit carryforwards and deferred tax liabilities are recognized for taxable temporary differences Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any Tax positions taken are not offset or aggregated with other positions Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet along with any associated interest and penalties that would be payable to the taxing authorities upon examination Interest and penalties associated with unrecognized tax benefits, if any, are classified as additional income taxes in the statements of income

Reclassifications Certain reclassifications have been made to the balances as of and for the year ended July 31, 2011, with no effect on stockholder's equity or net income, to be consistent with the classifications adopted as of and for the year ended July 31, 2012

Note 2 Marketable Securities

The amortized cost and fair values of marketable securities as of July 31, 2012 and 2011 are summarized as follows

	2012			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Short-term marketable securities				
Available-for-sale				
Corporate debt securities	$ -	$ -	$ -	$ -
Municipal revenue bonds	9,593,589	138,056	-	9,731,645
Short-term marketable securities	$ 9,593,589	$ 138,056	$ -	$ 9,731,645
Long-term marketable securities				
Available-for sale				
Corporate debt securities	$ 13,416,036	$ 701,928	$ (39,610)	$ 14,078,354
Municipal revenue bonds	43,835,388	2,150,018	(6,458)	45,978,948
Long-term marketable securities	$ 57,251,424	$ 2,851,946	$ (46,068)	$ 60,057,302

	2011			
	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
Short-term marketable securities				
Available-for-sale				
Corporate debt securities	$ 5,000,000	$ 80,800	$ -	$ 5,080,800
Municipal revenue bonds	1,006,207	12,673	-	1,018,880
Short-term marketable securities	$ 6,006,207	$ 93,473	$ -	$ 6,099,680
Long-term marketable securities				
Available-for sale				
Corporate debt securities	$ 7,146,315	$ 429,455	$ -	$ 7,575,770
Municipal revenue bonds	48,929,475	1,318,438	(271,336)	49,976,577
Long-term marketable securities	$ 56,075,790	$ 1,747,893	$ (271,336)	$ 57,552,347

Note 2 Marketable Securities (Continued)

Gross unrealized losses on investments and the fair value of the related investments, aggregated by the length of time that individual securities have been in a continuous unrealized loss position, at July 31, 2012 and 2011, were as follows

	2012					
	Less than 12 Months		12 Months or More		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Available-for-sale						
Corporate debt securities	$ (39,610)	$ 2,260,630	$ -	$ -	$ (39,610)	$ 2,260,630
Municipal revenue bonds	(6,458)	2,109,210	-	-	(6,458)	2,109,210
	$ (46,068)	$ 4,369,840	$ -	$ -	$ (46,068)	$ 4,369,840

	2011					
	Less than 12 Months		12 Months or More		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
Available-for-sale						
Municipal revenue bonds	$ (271 336)	$ 12,305,596	$ -	$ -	$ (271,336)	$ 12,305,596

The table above represents 5 investment securities at July 31, 2012 compared to 16 at July 31, 2011 that, due to the current interest rate environment and other factors, have declined in value but do not presently represent realized losses Management evaluates securities for other-than-temporary impairment at least on an annual basis, and more frequently when economic or market concerns warrant such evaluation In estimating other-than-temporary impairment losses on investment securities, management considers many factors which include (1) the length of time and the extent to which the fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Company to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value To determine if an other-than-temporary impairment exists on a debt security, the Company first determines if (a) it intends to sell the security or (b) it is more likely than not that it will be required to sell the security before its anticipated recovery If either of the conditions is met, the Company will recognize an other-than-temporary impairment in earnings equal to the difference between the security's fair value and its adjusted cost basis If neither of the conditions is met, the Company determines (a) the amount of the impairment related to credit loss and (b) the amount of the impairment due to all other factors The difference between the present values of the cash flows expected to be collected and the amortized cost basis is the credit loss The credit loss is the portion of the other-than-temporary impairment that is recognized in earnings and is a reduction to the cost basis of the security The portion of total impairment related to all other factors is included in other comprehensive income (loss)

In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and industry analysts' reports

Note 2. Marketable Securities (Continued)

Securities with maturity dates within one year are classified as short-term marketable securities Securities with maturity dates greater than one year are classified as long-term marketable securities At July 31, 2012, the maturity dates of long-term marketable securities, based on current contractual maturities, extend to January 2042 Actual maturities may differ from contractual maturities because certain issuers have the right to call or prepay obligations with or without call or prepayment penalties

Note 3 Property and Equipment

Property and equipment at July 31, 2012 and 2011, consists of the following

	2012	2011
Land	$ 5,227,435	$ 5,227,435
Buildings	2,718,394	2,713,809
Computer equipment and software	5,930,460	6,108,531
Other equipment, furniture, and fixtures	10,346,308	8,563,169
Aircraft	30,643,238	30,643,238
	54,865,835	53,256,182
Less accumulated depreciation	41,511,717	40,265,753
Construction in progress	15,906,680	4,500,406
	$ 29,260,798	$ 17,490,835

Depreciation expense was $2,077,500 and $3,900,428 for the years ended July 31, 2012 and 2011, respectively

During the year ended July 31, 2011, DYS entered into a contract for the construction of a marina and boat yard facility The estimated total contract amount, inclusive of change orders through July 31, 2012, is $15,619,000 Estimated commitments remaining to complete the facility were approximately $928,000 at July 31, 2012 The Company expects to finance these commitments with cash flows from operating activities

Note 4. Mortgage Notes Receivable

The Company loaned $2,250,000 to a related party (Note 10) under a mortgage note dated May 30, 2001 and an additional $600,000 to the same related party under a mortgage note dated November 13, 2002 Interest rates on the notes were 7 40% and 6 50%, respectively During the year ended July 31, 2006, the maturity dates on the two notes, originally due May 30, 2006, were extended to May 30, 2011 In addition, the interest rate on the two notes was adjusted to 6 75% During the year ended July 31, 2011, the maturity dates on the two notes were extended to May 30, 2017 In addition, the interest rate on the two notes was adjusted to 5 00% Principal and interest on the mortgage notes are due in monthly installments of $24,287 based on a 6-year amortization The mortgage notes are secured by real estate and have a balance of $1,249,078 and $1,471,990 at July 31, 2012 and 2011, respectively

Note 5 Sale and Leaseback Transaction, Lease Commitments and Total Rent Expense

During the year ended July 31, 2009, the Company sold its Springfield, Illinois office facilities (Springfield Campus) to a related party at a gain of $2,149,421 Simultaneous with the sale, the Company entered into an operating lease agreement with the related party to lease back the Springfield Campus for an initial term of nine years and ten months Annual rental payments due under the lease total $1,058,250 The gain resulting from the sale has been recorded as deferred income and is being amortized to income over the lease term Included as a deferred item in current and noncurrent liabilities on the consolidated balance sheets as of July 31, 2012 and 2011 is the unamortized balance of $1,402,589 and $1,621,174, respectively

The Company also leases from non-related parties certain other facilities under non-cancelable operating leases

Rent expense incurred under facilities leases for the years ended July 31, 2012 and 2011 was $2,426,341 and $2,622,635, respectively

The total approximate rental commitments as of July 31, 2012, are due in future years as follows

Year Ending July 31,	Amount
2013	$ 2,035,000
2014	1,867,000
2015	1,640,000
2016	1,265,000
2017	1,190,000
Thereafter	1,227,000
	$ 9,224,000

Note 6. International Operations

The Company operates seven branches with offices in the United Kingdom, Germany, Spain, Italy, Australia, Japan, and Singapore The U S dollar is used as the functional currency for all international operations The following is a summary of certain significant financial information of the Company's international operations included in the accompanying consolidated financial statements

	2012	2011
Assets	$ 21,132,679	$ 18,597,337
Liabilities and deferred revenue	24,470,562	22,653,453
Revenue	33,473,163	31,778,223
Foreign income tax expense	1,122,770	1,703,007
Net income	3,259,143	4,157,653

During the year ended July 31, 2011, the Company made the decision to close the Japan branch effective September 30, 2011 The closure of this branch location did not have a material impact on the Company's financial position or results of operations

Note 7. Income Taxes

Since July 31, 1987, the Company has operated under the provisions of Subchapter S of the Internal Revenue Code As such, the Company's net income is recognized by the stockholder of the Company for federal income tax purposes as if the Company were a partnership Accordingly, the Company is not liable for any federal income tax The Company files its income tax returns using the accrual basis method of accounting

The Company also files various state and local income tax returns State and local income taxes were approximately $461,000 and $419,000 for the years ended July 31, 2012 and 2011, respectively

The Company's seven foreign branches file income tax returns in their respective countries Foreign income tax expense was approximately $1,123,000 and $1,703,000 for the years ended July 31, 2012 and 2011, respectively

The deferred tax benefit arising from net operating losses (NOLs) in foreign branches totaled approximately $1,075,000 and $957,000 at July 31, 2012 and 2011, respectively At July 31, 2012 and 2011, the Company does not believe any of its NOLs will be utilized and therefore a full valuation allowance has been provided against all NOLs The NOLs arise in foreign jurisdictions and expire between 2012 and 2020

The Company has adopted FASB issued guidance on accounting for uncertainty in income taxes Management has evaluated the Company's tax positions and concluded that the Company has taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance With few exceptions, the Company is no longer subject to income tax examinations by the U S federal, state or local tax authorities for fiscal years ending before 2011

Note 8 Retirement Plan

Effective January 1, 2005, the Company adopted a 401(k) matching contribution plan covering substantially all employees of the Company The Company will match 100% of employee contributions up to a maximum of 5% of eligible employee compensation Employer matching contributions to the plan totaled $1,569,507 and $1,562,647 for the years ended July 31, 2012 and 2011, respectively

Note 9. Self Insurance

The Company is self-insured for medical claims up to predetermined amounts The Company has stop-loss insurance for individual claims in excess of $150,000 for the policy years ended December 31, 2012 and 2011 As of July 31, 2012 and 2011, the Company reserved $144,000 and $110,000, respectively, for medical claims payable and incurred but not yet reported as of year-end The expenses under the Company's self-insured medical program for the years ended July 31, 2012 and 2011 were $2,231,000 and $2,482,000, respectively

Note 10 Related-Party Transactions

The Company enters into certain transactions with two financial institutions in which the sole shareholder of the Company owns an equity interest Cash balances on deposit were $13,767,201 and $19,233,240 as of July 31, 2012 and 2011, respectively Interest income derived from loans to one of the financial institutions totaled $68,537 and $198,685 for the years ended July 31, 2012 and 2011, respectively Revenue for services provided to the financial institutions totaled $90,552 and $108,760 for the years ended July 31, 2012 and 2011, respectively Bank service fees expense totaled $20,780 and $24,634 for the years ended July 31, 2012 and 2011, respectively The Company has also made loans to related parties (Note 4) and entered into a sale and leaseback transaction with a related party (Note 5)

Note 11 Fair Value Disclosures

Fair Value of Financial Instruments

The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable, deferred revenue and accrued expenses approximate fair value because of the short-term maturity of these instruments The fair values of notes receivable (discussed in Note 4) are estimated by discounting the future cash flows using current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturity The fair value of notes receivable was approximately $1,296,000 and $1,473,000 at July 31, 2012 and 2011, respectively Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument These estimates are subjective in nature and involve uncertainties and matters of judgment and, therefore, cannot be determined with precision

Fair Value Measurements

Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820, *Fair Value Measurements*, provides a framework for measuring fair value under generally accepted accounting principles FASB ASC 820 applies to all financial and non-financial instruments that are being measured and reported on a fair value basis

FASB ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date In determining fair value, the Company uses various methods including market, income and cost approaches Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and or the risks inherent in the inputs to the valuation technique These inputs can be readily observable, market corroborated, or generally unobservable inputs The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs Based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy The fair value hierarchy ranks the quality and reliability of the information used to determine fair values Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories

- Level 1 - Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange Level 1 also includes U S Treasury and federal agency securities and federal agency mortgage-backed securities, which are traded by dealers or brokers in active markets Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities

- Level 2 - Valuations for assets and liabilities traded in less active dealer or broker markets Valuations are obtained from third party pricing services for identical or similar assets or liabilities

- Level 3 - Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities

Note 11 Fair Value Disclosures (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs

Following is a description of the valuation methodologies used for assets measured at fair value There have been no changes in the methodologies used as of July 31, 2012 and 2011

Marketable securities The fair value of available-for-sale securities are determined by various valuation methodologies Where quoted market prices are available in an active market, securities are classified within Level 1 If quoted market prices are not available, then fair values are estimated by using pricing models or quoted prices of securities with similar characteristics For these investments, the pricing applications apply available information as applicable through processes such as benchmark curves, benchmarking of like securities, sector groupings and matrix pricing to prepare evaluations They also use model processes, such as the Option Adjusted Spread model to assess interest rate impact and develop prepayment scenarios In the case of municipal securities, information on the Bloomberg terminal such as credit ratings, credit support, and call features are used to set the matrix values for the issues, which will be used to determine the yields from which the market values are calculated each month Because they are not price quote valuations, the pricing methods are considered Level 2 inputs At this time, all of the Company's securities fall within the Level 1 or Level 2 hierarchies for pricing In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy The Company currently has no securities classified within Level 3

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement as of the reporting date

To assess the appropriate classification of investments within the fair value hierarchy, the availability of market data is monitored Changes in economic conditions or valuation techniques may require the transfer of investments from one fair value level to another In such instances, the transfer is reported at the end of the reporting period

We evaluate the significance of transfers between levels based upon the nature of the investment and size of the transfer relative to total investments During the year ended July 31, 2012, there were three securities with approximate fair values of $3,950,000 transferred from Level 2 to Level 1 and there were five securities with approximate fair values of $5,000,000 transferred from Level 1 to Level 2 The transfers between Level 1 and Level 2 occurred based on the availability of quoted market prices for the underlying securities at the fair value measurement date There were no transfers in or out of Level 3 during the year ended July 31, 2012

Note 11. Fair Value Disclosures (Continued)

Assets Measured at Fair Value on a Recurring Basis

The following table presents the Company's assets that are measured at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of July 31, 2012 and 2011

	Level 1	Level 2	Level 3	Total
		2012		
Assets				
Marketable securities				
Corporate debt securities				
A credit rating	$ 1,120,060	$ -	$ -	$ 1,120,060
A- credit rating	7,835,080	-	-	7,835,080
AA+ credit rating	1,049,580	-	-	1,049,580
BBB- credit rating	-	1,136,210	-	1,136,210
BBB+ credit rating	2,937,424	-	-	2,937,424
Municipal revenue bonds				
A credit rating	-	2,743,780	-	2,743,780
A- credit rating	1,018,920	9,822,178	-	10,841,098
A+ credit rating	1,132,940	7,205,624	-	8,338,564
AA credit rating	1,798,230	1,710,160	-	3,508,390
AA- credit rating	-	9,459,476	-	9,459,476
AA+ credit rating	-	8,213,758	-	8,213,758
AAA credit rating	-	1,137,130	-	1,137,130
Not Rated	-	11,468,397	-	11,468,397
	$ 16,892,234	$ 52,896,713	$ -	$ 69,788,947
		2011		
Assets				
Marketable securities				
Corporate debt securities				
A credit rating	$ 1,085,490	$ -	$ -	$ 1,085,490
A- credit rating	3,221,010	-	-	3,221,010
A+ credit rating	1,085,340	-	-	1,085,340
AA+ credit rating	5,080,800	1,047,490	-	6,128,290
BBB- credit rating	1,136,440	-	-	1,136,440
Municipal revenue bonds				
A credit rating	-	2,720,575	-	2,720,575
A- credit rating	-	9,638,104	-	9,638,104
A+ credit rating	1,110,010	6,735,030	-	7,845,040
AA credit rating	-	3,371,695	-	3,371,695
AA- credit rating	-	3,060,422	-	3,060,422
AA+ credit rating	-	17,517,718	-	17,517,718
AAA credit rating	-	1,132,560	-	1,132,560
Not Rated	1,680,870	4,028,473	-	5,709,343
	$ 14,399,960	$ 49,252,067	$ -	$ 63,652,027

Note 12 Commitments and Contingencies

Under the terms of substantially all of the Company's license agreements, the Company has agreed to indemnify customers from all damages awarded against them and all reasonable expenses incurred by them as the result of any claim of trade secret, patent, or copyright infringement asserted against them by virtue of their use of the Company's software products In the event of an infringement claim, in the vast majority of the license agreements, the Company retains the right to (a) procure for the customer the right to continue to use the software products or (b) replace or modify the software products to make their use non-infringing

In the majority of the license agreements, if neither option is readily available, the Company may terminate the license agreement and refund a pro rata portion of the license fees paid Such indemnification provisions are accounted for as contingent liabilities The likelihood that the Company would be required to make refunds to customers under any such provisions is considered remote The amount of the indemnification is limited to the amount paid by the customer in substantially all of the license agreements, while in some arrangements the Company's liability could extend up to unlimited amounts

The Company's standard license agreements include a product warranty provision for all products Such warranties are accounted for as contingent liabilities The likelihood that the Company would be required to make refunds to customers under such provisions is considered remote The amount of refund is typically limited to the actual license fees paid by the customer, however, in some arrangements, the Company's liability could extend up to unlimited amounts

In the ordinary course of its business activities, the Company experiences certain disputed matters which give rise to claims that may result in litigation Management vigorously pursues appropriate resolutions to such claims, but, at any point in time, some claims, which could result in lawsuits by and against the Company, remain outstanding In the opinion of management, no outstanding claims have the potential to result in judgments which, in the aggregate, would have a material adverse effect on the Company's financial statements

Note 13 New Accounting Pronouncements

In January 2010, the FASB issued an amendment to accounting guidance, *Fair Value Measurements and Disclosures – Improving Disclosures about Fair Value Measurements* (ASU 2010-06), which requires new disclosures and reasons for transfers of financial assets and liabilities between Levels 1 and 2 This amendment also clarifies that fair value measurement disclosures are required for each class of financial assets and liabilities, and those disclosures should include a discussion of inputs and valuation techniques It further clarifies that the reconciliation of Level 3 measurements should separately present purchases, sales, issuances, and settlements instead of netting those changes With respect to matters other than Level 3 measurements, the amendment was effective for periods beginning on or after December 15, 2009 (the Company's fiscal year beginning August 1, 2010) The adoption of this guidance related to Level 1 and Level 2 measurements in 2011 did not have a significant impact on the Company's disclosures about fair value measurements The guidance related to Level 3 measurements was effective for periods beginning on or after December 15, 2010 (the Company's fiscal year beginning August 1, 2011) The adoption of this guidance related to Level 3 measurements did not have an impact on the Company's disclosures about fair value measurements

Note 13 New Accountıng Pronouncements (Contınued)

In May 2011, the FASB ıssued ASU No 2011-04, *Faır Value Measurement (Topıc 820) Amendments to Achıeve Common Faır Value Measurement and Dısclosure Requırements ın U S GAAP and IFRSs* The amendments ın ASU No 2011-04 are to be applıed prospectıvely The guıdance publıshes convergence standards on faır value measurements and dısclosures The effectıve date for adoptıon ıs for annual perıods begınnıng after December 15, 2011 (the Company's fiscal year begınnıng August 1, 2012) The Company ıs currently evaluatıng the ımpact, ıf any the adoptıon of thıs guıdance wıll have on the Company's consolıdated financıal statements

In June 2011, the FASB ıssued ASU No 2011-05, *Comprehensıve Income (Topıc 220) Presentatıon of Comprehensıve Income* The objectıve of ASU No 2011-05 ıs to ımprove the comparabılıty, consıstency, and transparency of financıal reportıng and to ıncrease the promınence of ıtems reported ın other comprehensıve ıncome Thıs guıdance elımınated the optıon of presentıng components of comprehensıve ıncome as a part of the statement of changes ın stockholder's equıty They must be presented ın a sıngle contınuous statement of comprehensıve ıncome or ın two separate but consecutıve statements The effectıve date for adoptıon ıs for annual perıods begınnıng after December 15, 2011 (the Company's fiscal year begınnıng August 1, 2012) The adoptıon of thıs guıdance ıs expected to change the presentatıon of other comprehensıve ıncome ın the annual consolıdated financıal statements for the year endıng July 31, 2013

In December 2011, the FASB ıssued ASU No 2011-12, *Comprehensıve Income (Topıc 220) Deferral of the Effectıve Date for Amendments to the Presentatıon of Reclassıficatıons of Items Out of Accumulated Other Comprehensıve Income ın Accountıng Standards Update No 2011-05* The Update defers the effectıve date for amendments to the presentatıon of reclassıficatıons of ıtems out of accumulated other comprehensıve ıncome ın ASU No 2011-05 The effectıve date for adoptıon of thıs update ıs for fiscal years endıng after December 31, 2012 (the Company's fiscal year endıng July 31, 2013) The Update ıs not expected to have a materıal ımpact on the Company's financıal posıtıon or results of operatıons All other requırements of ASU 2011-05 were not affected by ASU 2011-12, ıncludıng the requırement to report comprehensıve ıncome eıther ın a sıngle contınuous financıal statement or ın two separate but consecutıve financıal statements for fiscal years begınnıng after December 15, 2011 (the Company's fiscal year begınnıng on August 1, 2012)

Note 14 Subsequent Events

All of the effects of subsequent events that provıde addıtıonal evıdence about condıtıons that exısted at the balance sheet date, ıncludıng the estımates ınherent ın the process of preparıng the consolıdated financıal statements, are recognızed ın the consolıdated financıal statements The Company does not recognıze subsequent events that provıde evıdence about condıtıons that dıd not exıst at the balance sheet date but arose after, but before the consolıdated financıal statements are avaılable to be ıssued In some cases, nonrecognızed subsequent events are dısclosed to keep the consolıdated financıal statements from beıng mısleadıng

The Company has evaluated events occurrıng subsequent to July 31, 2012, as to theır potentıal ımpact to the consolıdated financıal statements through October 29, 2012, whıch ıs the date the consolıdated financıal statements were avaılable to be ıssued