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PRICEWATERHOUSECOOPERS

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Allen Systems Group, Inc.

Report on Audits of Financial Statements
For the Years Ended December 31, 1999 and 1998

RE-SUBMITTED ACCOUNTS

Allen Systems Group, Inc.

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PRICEWATERHOUSECOOPERS

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Report of Independent Certified Public Accountants

To the Sole Director
Allen Systems Group, Inc.
Naples, Florida

In our opinion, the accompanying balance sheets and the related statements of operations, changes in stockholder's equity and comprehensive income and cash flows present fairly, in all material respects, the financial position of Allen Systems Group, Inc. ("the Company") at December 31, 1999 and 1998, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States. 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 of these statements in accordance with auditing standards generally accepted in the United States, which 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 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, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

PricewaterhouseCoopers LLP

March 10, 2000

Allen Systems Group, Inc.

Balance Sheets
December 31, 1999 and 1998

	1999	1998
Assets		
Current assets:		
Cash and cash equivalents	$ 2,109,743	$ 821,769
Accounts receivable, less allowance for doubtful accounts of $249,793 in 1999 and $197,273 in 1998	9,959,594	7,060,528
Prepaid expenses and other receivable	680,047	566,915
Advances	427,497	345,761
Total current assets	13,176,881	8,794,973
Property and equipment, net	4,684,682	4,074,791
Capitalized software costs, net	26,790,766	15,827,360
Other assets	2,323,164	1,536,275
Total assets	$46,975,493	$30,233,399
Liabilities and stockholder's equity		
Current liabilities:		
Accounts payable	$ 1,709,341	$ 1,323,877
Current maturities of long-term debt and capital leases	7,067,639	5,852,883
Royalties payable	827,723	493,663
Commissions payable	294,714	234,417
Accrued expenses and other	1,855,187	1,145,663
Deferred revenue	7,816,350	1,124,833
Total current liabilities	19,570,954	10,175,336
Long-term debt and capital leases	15,944,603	10,540,124
Commitments and contingent liabilities (Notes 8 and 9)		
Stockholder's equity:		
Common stock, no par value, authorized 1,000 shares, issued and outstanding 200 shares	-	-
Additional paid in capital	102,000	102,000
Retained earnings	11,713,567	9,521,615
Accumulated other comprehensive loss	(355,631)	(105,676)
Total stockholder's equity	11,459,936	9,517,939
Total liabilities and stockholder's equity	$46,975,493	$30,233,399

The accompanying notes are an integral part of these financial statements.

Allen Systems Group, Inc.

Statements of Operations
For the Years Ended December 31, 1999 and 1998

	1999	1998
Revenues:		
License fees	$ 13,833,464	$ 11,493,024
License renewal fees	31,219,723	19,395,492
Other	761,993	864,805
Total revenues	45,815,180	31,753,321
Cost of revenues	9,317,446	5,316,282
Gross margin	36,497,734	26,437,039
Operating expenses:		
Selling, general and administrative	28,162,674	20,431,230
Bonus expense	847,275	194,482
Depreciation and amortization	1,207,021	923,186
Total operating expenses	30,216,970	21,548,898
Operating income	6,280,764	4,888,141
Nonoperating income (expense):		
Interest expense	(1,119,943)	(708,694)
Interest income	17,638	72,927
Loss on foreign currency exchange	(273,039)	(51,199)
Other	271,600	165,832
Total nonoperating expense	(1,103,744)	(521,134)
Net income	$ 5,177,020	$ 4,367,007

The accompanying notes are an integral part of these financial statements.

Allen Systems Group, Inc.

Statements of Changes in Stockholder's Equity and Comprehensive Income
For the Years Ended December 31, 1999 and 1998

	Common Stock		Additional Paid in Capital	Comprehensive Income	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
	Shares	Amount					
Balances at December 31, 1997	200	$ -	$ 102,000	$ -	$ 7,856,193	$ (41,102)	$ 7,917,091
Comprehensive income:							
Net income	-	-	-	4,367,007	4,367,007	-	4,367,007
Foreign currency translation adjustment	-	-	-	(64,574)	-	(64,574)	(64,574)
				$ 4,302,433			
Distributions to stockholder	-	-	-	-	(2,701,585)	-	(2,701,585)
Balances at December 31, 1998	200	-	102,000		9,521,615	(105,676)	9,517,939
Comprehensive income:							
Net income	-	-	-	$ 5,177,020	5,177,020	-	5,177,020
Foreign currency translation adjustment	-	-	-	(249,955)	-	(249,955)	(249,955)
				$ 4,927,065			
Distributions to stockholder	-	-	-		(2,985,068)	-	(2,985,068)
Balances at December 31, 1999	200	$ -	$ 102,000		$ 11,713,567	$ (355,631)	$ 11,459,936

The accompanying notes are an integral part of these financial statements.

Allen Systems Group, Inc.

Statements of Cash Flows
For the Years Ended December 31, 1999 and 1998

	1999	1998
Cash flows from operating activities:		
Net income	$ 5,177,020	$ 4,367,007
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on disposal of fixed assets	16,909	34,914
Depreciation	803,594	609,621
Amortization	4,755,015	2,836,405
Foreign currency loss	273,039	51,199
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(2,899,066)	(3,739,777)
Prepaid expenses and other receivables	(113,132)	(285,608)
Advances	(81,736)	(91,808)
Other assets	(1,190,318)	(620,823)
Increase (decrease) in:		
Accounts payable	385,464	162,085
Royalties payable	334,060	111,280
Commissions payable	60,297	82,375
Accrued expenses and other	709,524	(486,156)
Deferred revenue	375,606	(1,014,174)
Net cash provided by operating activities	8,606,276	2,016,540
Cash flows from investing activities:		
Purchase of property and equipment	(1,207,858)	(951,303)
Acquisition of businesses, net of cash received	(12,000,000)	(4,251,474)
Proceeds from sale of property and equipment	-	28,548
Proceeds from sale of software (CIMS)	3,300,000	-
Purchase of computer software	(275,915)	(8,992,765)
Net cash used in investing activities	(10,183,773)	(14,166,994)
Cash flows from financing activities:		
Proceeds from line-of-credit agreement	2,294,000	2,081,081
Repayments under line of credit	(4,365,864)	-
Proceeds from long-term debt	12,733,335	17,763,612
Principal payments of long-term debt	(3,907,344)	(6,420,027)
Payments on lease obligations	(380,594)	(429,724)
Distributions to stockholder	(2,985,068)	(2,701,585)
Net cash provided by financing activities	3,388,465	10,293,357
Effect of exchange rate changes on cash	(522,994)	(115,773)
Net increase (decrease) in cash	1,287,974	(1,972,870)
Cash and cash equivalents at beginning of year	821,769	2,794,639
Cash and cash equivalents at end of year	$ 2,109,743	$ 821,769
Supplemental disclosure of cash flow information:		
Cash paid during the year for interest	$ 1,111,260	$ 680,272

Noncash investing and financing activities:

During 1999 and 1998, the Company financed certain capital expenditures of approximately $246,000 and $271,000, respectively, through the issuance of capital lease obligations

The accompanying notes are an integral part of these financial statements.

1. Nature of Business and Significant Accounting Policies

Nature of Business

Allen Systems Group, Inc. (the Company) is a computer software company that acquires, develops, and markets software products for the IBM mainframe marketplace.

Significant Accounting Policies

Revenue Recognition

The Company's revenue is derived from primarily two sources: (I) software license fees, derived primarily from software licenses to resellers and end users, and (ii) software license renewal fees, derived primarily from providing support and maintenance. The Company also provides education and consulting services to end users.

Revenue from software licenses is recognized upon execution of a contract and completion of delivery obligations, provided that no uncertainties regarding customer acceptance exist and collection of the related receivable is probable. Revenue from software license renewal fees is recognized (1) upon acceptance of the new program user password by the customer for the Company's products where the estimated cost of providing support is insignificant and unspecified upgrades/enhancements have been and are expected to continue to be minimal and infrequent, or (2) ratably over the contractual period. Payments for support and maintenance fees are generally made in advance and are nonrefundable. Revenue from education and consulting services is recognized as the related services are performed.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Property and Equipment

Property and equipment is recorded at cost. Upon sale or retirement of property and equipment, the cost and related accumulated depreciation is removed from the accounts and the difference between the carrying value and any proceeds realized on disposition is charged or credited to income. Maintenance and repairs are expensed as incurred, while renewals and betterments are capitalized.

Depreciation of property and equipment has been computed using the straight-line method over the estimated useful lives of the assets, as follows:

Asset Description	Life
Computer equipment	7 years
Office equipment	7 years
Furniture and fixtures	10 years
Leasehold improvements	Lease Life
Vehicles	10 years

Capitalized Software Costs

The costs to acquire licenses or ownership of certain computer software products are being amortized using the straight-line method over the estimated economic lives of the products, normally five years. The Company periodically compares the carrying value of its capitalized software to its net realizable value. The amount by which the carrying value exceeds its net realizable value, if any, is written off at that time.

Software costs are shown net of accumulated amortization of $12,423,839 and $8,072,253 at December 31, 1999 and 1998, respectively. Amortization expense charged to cost of sales was $4,351,586 and $2,522,840 for the years ended December 31, 1999 and 1998, respectively.

Intangible Assets

The costs of copyrights, covenants not to compete, trademarks and other intangibles are being amortized on the straight-line method over their respective useful lives (two to eight years). Goodwill is being amortized on the straight-line method over ten years. The Company assesses the carrying value of its intangible assets annually in order to determine whether an impairment has occurred. An impairment loss is recognized if the expected undiscounted cash flows of the asset is less than its carrying value. Copyrights, trademark and other intangibles are shown net of accumulated amortization of $1,370,269 and $966,840 at December 31, 1999 and 1998, respectively. Amortization expense charged to operations was $403,429 and $313,565 for the years ended December 31, 1999 and 1998, respectively.

Foreign Currency Translation

The financial position and results of operations of the Company's foreign divisions are measured using local currency as the functional currency. Current assets and liabilities of these divisions are translated to the U.S. dollar at the exchange rate in effect at year-end. Income statement accounts are translated at the average rate of exchange prevailing during the year. Translation adjustments arising from differences in exchange rates from period to period are recorded in the component of stockholder's equity designated as "accumulated other comprehensive income." Realized gains and losses resulting from foreign currency transactions are included in operations.

Income Taxes

The Company elected to have its income taxed under Section 1362 of the Internal Revenue Code and a similar section of the Florida income tax law (S Corporation election). These laws provide that, in lieu of corporate income taxes, the Company's taxable income will be passed through to the stockholder of the Company and taxed at the individual level.

Advertising Expense

The costs incurred for advertising and promotion are expensed when incurred. Included in selling, general and administrative expenses was advertising expense of $307,501 and $240,941 for 1999 and 1998, respectively.

Management's Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates used by management in the preparation of the Company's financial statements include estimates related to allowance for bad debts, depreciation lives for fixed assets and remaining economic life of capitalized software costs. Actual results could differ from estimates.

Concentrations of Credit Risk

Financial instruments, which potentially subject the Company to concentrations of credit risk consist principally of trade accounts receivable. To minimize risk, ongoing credit evaluations of customers' financial condition are performed, although collateral is generally not required.

Reclassification

Certain amounts in the 1998 financial statements have been reclassified to conform with the 1999 presentation. These reclassifications have no effect on the total assets, shareholder's equity, net income or total cash flows previously reported by the Company.

2. Acquisitions

In February 1998, the Company paid approximately $2.7 million, for all of the stock and software rights to the DK2 product of a company located in France. The acquisition has been accounted for under the purchase method of accounting. The purchase agreement requires quarterly payments of 15% of the aggregate sales generated from software procured in the acquisition, net of distribution fees, over the next three years or for such longer period until a minimum payment of approximately $2.2 million is satisfied. The royalty expense is recognized when the revenue is earned. The agreement also requires additional contingent considerations based on 1998 sales to existing customers. The purchase price approximated the fair value of the net assets acquired, consisting primarily of capitalized software costs.

In June 1998, the Company paid approximately $2 million for all of the stock of a software company located in California. The acquisition has been accounted for under the purchase method of accounting. In addition, the purchase agreement requires quarterly payments of 15% of the product revenue generated over the next four years or for such a longer period until a minimum payment of approximately $2.6 million is satisfied. The royalty expense is recognized when the revenue is earned. The purchase price approximated fair value of the net assets acquired, consisting primarily of capitalized software costs, net of assumed liabilities.

In July 1998, the Company paid approximately $500,000 in cash for certain software from a company in Pennsylvania. The acquisition was accounted for under the purchase method of accounting. The purchase price approximated the fair value of the assets acquired. In addition, the purchase agreement requires quarterly payments of 15% of the product revenue generated over the next three years.

In August 1998, the Company paid approximately $8.7 million, primarily for capitalized software costs, for the stock of a company in the Netherlands. The acquisition was accounted for under the purchase method of accounting. In addition, the purchase agreement requires payments, up to $3.0 million, over the next three years of 10% of the product revenue generated, excluding professional services. The royalty expense is recognized when the revenue is earned. The purchase price approximated the fair value of the assets acquired.

In November 1999, the Company acquired the software rights and assumed certain maintenance obligations to various software products from Computer Associates, Inc., which divested the products after its acquisition of Platinum Technologies, Inc. The Company paid approximately $12 million and assumed maintenance obligations of approximately $6 million. In December 1999, the Company sold its rights to one of the software products for approximately $3 million.

3. Advances

The Company has entered into various agreements relating to the prepayment of developer royalties, commissions and other employee advances. Advances consisted of the following at December 31:

	1999	1998
Royalties	$ 337,610	$ 246,563
Commissions	77,623	89,280
Other	12,264	9,918
	$ 427,497	$ 345,761

4. Property and Equipment

Property and equipment consisted of the following at December 31:

	1999	1998
Computer equipment	$ 4,214,007	$ 3,307,950
Computer equipment under capital leases	796,601	657,341
Office equipment	535,522	500,482
Office equipment under capital leases	723,844	608,164
Furniture and fixtures	838,381	686,699
Leasehold improvements	245,110	196,843
Vehicles	11,102	11,102
	7,364,567	5,968,581
Less accumulated depreciation	(2,679,885)	(1,893,790)
	$ 4,684,682	$ 4,074,791

Depreciation and amortization expense related to property and equipment was $805,304 and $609,621 at December 31, 1999 and 1998, respectively.

The Company leases certain equipment under agreements that are classified as capital leases. As of December 31, 1999 and 1998, accumulated amortization related to these capital leases included in accumulated depreciation was $347,268 and $260,992, respectively.

5. Other Assets

Other assets consisted of the following at December 31:

	1999	1998
Notes receivable	$ 25,000	$ 25,000
Copyrights and trademark, net	76,667	260,667
Other intangibles, net	1,711,218	952,493
Deposits and other	510,279	298,115
	$ 2,323,164	$ 1,536,275

6. Long-Term Debt and Capital Leases

Long-term debt and capital leases consisted of the following at December 31:

	1999	1998
Revolving credit note, $3.0 million maximum, due on demand, collateralized by the assets of the Company and guaranteed by the stockholder. Interest payable monthly LIBOR plus 2.25% (8.07% at December 31, 1999).	$ 9,217	$ 2,081,081
Five notes to financial institution, $25 million maximum, collateralized by the assets of the Company and guaranteed by the stockholder, total monthly payments of $671,185, including interest at LIBOR plus 2.75% (8.07% at December 31, 1999). Final payments due June 30, 2002 through October 30, 2003.	22,608,156	13,763,014
Note payable to financial institution, monthly payments of FF 10,810 (approximately $2,000), including interest at 6.25%. Final payment due May 2000.	17,372	36,522
Various capital lease obligations, interest ranging from 6.54% to 9.95%, collateralized by leased equipment, monthly or quarterly payments through 2001.	377,497	512,390
	23,012,242	16,393,007
Less current maturities	(7,067,639)	(5,852,883)
	$ 15,944,603	$ 10,540,124

During 1999, the Company entered into a note totaling $12 million and extended its existing revolving credit line to $3 million all with the same financial institution. Covenants of the notes and revolving credit note outstanding at December 31, 1999 require the Company to maintain specific levels of net worth and financial ratios, which were satisfied.

During 1998, the Company entered into three notes totaling approximately $15 million and a $2.5 million revolving credit note. Covenants of the notes and revolving credit note outstanding at December 31, 1998 require the Company to maintain specified levels of net worth and financial ratios.

The scheduled maturities of long-term debt and capital lease obligations at December 31, 1999 are approximately as follows:

2000	$ 7,067,639
2001	7,256,002
2002	5,545,364
2003	3,143,237
	$23,012,242

7. Savings Plan

Effective January 1, 1994, the Company established a defined contribution savings plan (Plan) under Section 401(k) of the Internal Revenue Code for all eligible employees. The Plan allows employees to defer up to 15% of their gross earnings on a pretax basis through contributions to the Plan. In accordance with the provisions of the Plan, the Company is required to match 25% of employee contributions up to the first 6% of the employees' gross pay. The Company recorded expense for the matching contributions of $83,794 and $65,830 for the years ended December 31, 1999 and 1998, respectively.

8. Related Party Transactions

In February 1998, the Company signed a 10-year operating lease with its sole stockholder for its general offices. Monthly lease payments were approximately $102,000 and $91,000 for 1999 and 1998, respectively, increasing incrementally each year thereafter. The lease, which expires in 2008, also provides for the Company to be responsible for all expenses relating to the lease space, including taxes, utilities and maintenance.

The Company has a note receivable from an internet security company in which the sole stockholder of the Company owns an interest. This receivable was from payments made on behalf of the entity until the entity was able to establish vendor relations. The balance of the receivable at December 31, 1999 was $100,064.

The Company uses product escrowing services from an entity in which the sole stockholder of the Company owns an interest. The expense for these services was approximately $27,500 and $42,000 for the years ended December 31, 1999 and 1998, respectively.

9. Operating Leases

The Company leases office space and equipment under operating leases expiring in various years through 1999. Rental expense under operating leases was approximately $2,688,493 and $2,232,465 for the years ended December 31, 1999 and 1998, respectively.

Future minimum lease payments under non-cancelable operating leases as of December 31, 1999 are:

Year Ending December 31,	Related Party	Unrelated Parties U.S. Lease Obligations	Unrelated Parties Foreign Lease Obligations
2000	$ 1,156,454	$ 1,242,378	$ 883,012
2001	1,156,454	1,202,167	842,789
2002	1,212,248	1,129,102	663,531
2003	1,217,320	988,766	641,566
2004	1,217,320	406,970	320,783
Thereafter	4,869,280	799,784	938,480
	$ 10,829,076	$ 5,769,167	$ 4,290,161

10. Computer Software Sales Agreements

The Company has entered into various software marketing agreements. The agreements require the payment of royalties based upon percentages of future sales. In the event that the royalties are not paid from software sales proceeds during the life of the marketing agreements, the Company may be required to pay the royalties from sources other than sales proceeds. However, in the opinion of management, future sales of these software products are expected to liquidate all amounts due.