SHI International Corp. and Subsidiaries

Report on Consolidated Financial Statements

Years Ended December 31, 2010 and 2009

SHI INTERNATIONAL CORP. AND SUBSIDIARIES

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Report of Independent Public Accountants

To the Board of Directors
SHI International Corp. and Subsidiaries

We have audited the accompanying consolidated balance sheets of SHI International Corp. and Subsidiaries as of December 31, 2010 and 2009, and the related consolidated statements of income, comprehensive income and retained earnings and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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.

As more fully discussed in Note 1 to the consolidated financial statements, in 2010 the Company has not fully adopted the provisions of accounting for "Property, Plant and Equipment" and has depreciated, amortized or charged directly to operations property and equipment acquired during the year ended December 31, 2010 utilizing the accelerated cost recovery system provided for in the Internal Revenue Code, which does not allocate depreciation to expense over the estimated useful lives of the assets. In our opinion, those assets should be depreciated over their estimated useful lives to conform with accounting principles generally accepted in the United States of America.

In our opinion, except for the effects of the matter described in the preceding paragraph, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SHI International Corp. and Subsidiaries as of December 31, 2010 and 2009, and their results of operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

J.H. Cohn LLP

Roseland, New Jersey
February 7, 2011

SHI INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2010 AND 2009

ASSETS	2010	2009
Current assets:		
Cash and cash equivalents	$ 45,608,441	$ 70,059,650
Accounts receivable, net of allowance for doubtful accounts of $1,500,000	630,464,800	422,616,697
Inventories	20,342,435	17,115,745
Prepaid expenses and sundry receivables	3,203,292	4,400,421
Total current assets	699,618,968	514,192,513
Property and equipment, net of accumulated depreciation and amortization	31,363,039	21,189,641
Security deposits and other assets	502,729	637,093
Totals	$ 731,484,736	$ 536,019,247

LIABILITIES AND STOCKHOLDERS' EQUITY	2010	2009
Current liabilities:		
Wholesale financing agreement advances	$ 53,695,665	31,380,176
Accounts payable	525,215,273	373,207,920
Accrued expenses and other liabilities	25,176,960	17,926,720
Due to related party	1,087,512	1,566,263
Total liabilities	605,175,410	424,081,079
Commitments		
Stockholders' equity:		
Common stock, no par value; 2,500 shares authorized; 100 shares issued and outstanding	100,000	100,000
Additional paid-in capital	300,000	300,000
Retained earnings	124,392,186	110,488,940
Accumulated other comprehensive income	1,517,140	1,049,228
Total stockholders' equity	126,309,326	111,938,168
Totals	$ 731,484,736	$ 536,019,247

See Notes to Consolidated Financial Statements.

SHI INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME, COMPREHENSIVE INCOME AND RETAINED EARNINGS YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Net sales and commissions	$ 2,948,607,036	$ 2,329,264,558
Cost of sales	2,737,285,199	$ 2,148,967,137
Gross profit	211,321,837	180,297,421
Selling, general and administrative expenses	183,033,493	133,748,898
Income from operations	28,288,344	46,548,523
Other income (expense):		
Interest and dividend income	937,996	1,252,136
Foreign currency exchange gains (losses)	(873,434)	1,624,035
Loss on abandonment of property and equipment	-	(137,139)
Totals	64,562	2,739,032
Income before income taxes	28,352,906	49,287,555
Provision for state income taxes	827,151	690,204
Net income	27,525,755	48,597,351
Other comprehensive income (loss) - foreign currency translation adjustments	467,912	1,095,449
Comprehensive income	$ 27,993,667	$ 49,692,800
Retained earnings, beginning of year	$ 110,488,940	$ 87,880,125
Net income	27,525,755	48,597,351
Distributions to stockholders	(13,622,509)	(25,988,536)
Retained earnings, end of year	$ 124,392,186	$ 110,488,940

See Notes to Consolidated Financial Statements.

SHI INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009

	2010	2009
Operating activities:		
Net income	$ 27,525,755	$ 48,597,351
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	7,077,334	2,849,716
Bad debts	511,500	636,437
Loss on abandonment of property and equipment	-	137,139
Changes in operating assets and liabilities:		
Accounts receivable	(208,688,766)	(66,918,495)
Inventories	(3,233,002)	(5,731,769)
Due to related party	(151,327)	4,631,887
Prepaid expenses and sundry receivables	1,237,290	(3,013,207)
Security deposits and other assets	123,755	50,537
Accounts payable	155,888,242	21,674,233
Accrued expenses and other liabilities	3,811,165	(6,743,748)
Net cash used in operating activities	(15,898,054)	(3,829,919)
Investing activities:		
Purchase of property and equipment	(17,268,957)	(554,600)
Repayments from stockholder		10,000,000
Net cash provided by (used in) investing activities	(17,268,957)	9,445,400
Financing activities:		
Net wholesale financing agreement advances	22,315,489	(496,390)
Distributions to stockholders	(13,622,509)	(25,988,536)
Net cash provided by (used in) financing activities	8,692,980	(26,484,926)
Effect of exchange rate changes on cash and cash equivalents	22,822	(1,450,774)
Net decrease in cash and cash equivalents	(24,451,209)	(22,320,219)
Cash and cash equivalents, beginning of year	70,059,650	92,379,869
Cash and cash equivalents, end of year	$ 45,608,441	$ 70,059,650
Supplemental disclosure of cash flow data:		
Income taxes paid	$ 924,253	$ 603,130

See Notes to Consolidated Financial Statements.

Note 1 - Business and summary of accounting policies:

Principles of consolidation:

The accompanying consolidated financial statements include the accounts of SHI International Corp. ("SHI") and its wholly-owned subsidiaries, SHI Canada ULC ("ULC") and SHI International SAS ("SAS"). All intercompany balances and transactions have been eliminated in consolidation. As used herein, the "Company" refers to SHI, ULC, and SAS, collectively.

Business:

The Company primarily sells computer software, computer hardware and related products, and also provides various customer support services. The Company's customer base consists primarily of large commercial enterprises and government agencies located throughout the United States, Canada and Europe. The Company's suppliers consist primarily of major software publishers and distributors and computer hardware and accessory manufacturers and distributors.

Use of estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Revenue recognition:

The Company recognizes revenue from hardware and software sales at the time of product shipment or in accordance with the terms of licensing contracts. Service revenue is generally recognized as the services are provided and billed.

The Company acts as an agent for certain of its customers. The customer is responsible for the financial aspects of the transaction and pays the vendor directly. For providing this service to its customers, the Company earns a commission. Included in net sales and commissions in 2010 and 2009 is commission income of $47,788,849 and $50,773,931, respectively.

Cash and cash equivalents:

Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less when acquired.

Concentrations of credit risk:

At December 31, 2010, the Company has cash and cash equivalent balances on deposit with four banks that exceed the balance insured in the amount of approximately $110,879,000. Credit risk with respect to trade accounts receivable is limited because the Company deals with a large number of customers in a wide geographic area. In addition, the Company *routinely* assesses the financial strength of its customers, establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information, and does not have a policy of requiring collateral.

Note 1 - Business and summary of accounting policies (continued):

Inventories:

Inventories are stated at the lower of cost or market. Cost is determined using the average cost method.

Property and equipment:

Property and equipment are stated at cost less accumulated depreciation and amortization. Depreciation and amortization on assets acquired prior to January 1, 2010 is computed primarily using the straight-line method over the estimated useful lives of the assets. Leasehold improvements are amortized over the lesser of the term of the related lease or the estimated useful lives of the assets.

For property and equipment placed in service in 2010, the Company no longer adheres to Accounting Standards Codification Topic, Property, Plant and Equipment and has depreciated, amortized or charged directly to operations property and equipment acquired after December 31, 2009 utilizing the accelerated cost recovery system provided for in the Internal Revenue Code. Accordingly, the Company's method of accounting for depreciation is not in conformity with accounting principles generally accepted in the United States of America. Had the company fully adopted Accounting Standards Codification Topic, Property, Plant and Equipment, income for the year ended December 31, 2010 would increase by $3,699,784.

Advertising and promotion:

The Company expenses the cost of advertising and promotions as incurred. Such costs amounted to $1,305,860 and $1,128,196 in 2010 and 2009, respectively. Advertising credits and cooperative marketing funds are received from software publishers and offset against selling, general and administrative expenses when realized.

Shipping costs:

Shipping and handling costs, which are included in cost of sales, amounted to $5,077,153 and $3,528,262 in 2010 and 2009, respectively.

Sales taxes:

The Company collects sales tax from customers and remits the entire amount to the state. The Company's accounting policy is to exclude the tax collected and remitted to the state from revenue and cost of sales.

Note 1 - Business and summary of accounting policies (continued):

Foreign currency:

All balance sheet accounts of foreign operations are translated into U.S. Dollars at the year-end rate of exchange and statement of income items are translated at the weighted average exchange rates for the year. The resulting translation adjustments are reported as a component of accumulated other comprehensive income (loss) within stockholders' equity. Gains and losses from foreign currency transactions, such as those resulting from the settlement of foreign receivables or payables, are included in the consolidated statements of income.

Income taxes:

The Company, with the consent of its stockholders, has elected to be treated as an "S" Corporation under certain sections of the Internal Revenue Code. Under these sections, corporate income or loss, in general, is allocated to the stockholders for inclusion in their personal income tax returns. Accordingly, there is no Federal income tax provision in the accompanying consolidated financial statements.

Additionally, the Company has elected "S" Corporation status for state tax purposes. However, certain states do not recognize "S" Corporations or impose tax on "S" Corporation income at reduced rates and, accordingly, a provision for such tax is included in the accompanying consolidated financial statements.

The Company accounts for state income taxes pursuant to the asset and liability method which requires deferred tax assets and liabilities, when material, to be computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities.

The Company adopted the new accounting for uncertainty in income taxes guidance on January 1, 2009. The adoption of that guidance did not result in the recognition of any unrecognized tax benefits and the Company has no unrecognized tax benefits at December 31, 2010. The Company's U.S. Federal and state income tax returns prior to fiscal year 2007 are closed and management continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings.

The Company recognizes interest and penalties associated with income tax matters as part of the income tax provision, and includes accrued interest and penalties with accrued expenses and other liabilities in the accompanying consolidated balance sheets.

There were no interest or penalties paid or accrued for the years ended December 31, 2010 and 2009.

Note 1 - Business and summary of accounting policies (concluded):

Reclassifications:

Certain amounts in the accompanying 2009 consolidated financial statements have been reclassified to conform with the 2010 presentation.

Subsequent events:

The Company has evaluated subsequent events through February 7, 2011, which is the date the financial statements were available to be issued.

Note 2 - Related party transactions:

The Company is affiliated with SHI/Government Solutions, Inc. ("Government Solutions") through common ownership interests. During the years ended December 31, 2010 and 2009, the Company provided administrative services to Government Solutions which included the use of certain functions of the Company's internal accounting system. The Company also makes product purchases on behalf of Government Solutions. The Company bills these purchases at cost.

At December 31, 2010, the amount from related party consists primarily of amounts due for product purchases less amounts owed to Government Solutions for rent payments made by Government Solutions on behalf of the Company. At December 31, 2009, the amount due to related party consists primarily of amounts owed to Government Solutions from overfunding of the reimbursement of actual cost of product purchases made by the Company on behalf of Government Solutions, as well as rent payments made by Government Solutions on behalf of the Company.

In 2010 and 2009, the Company charged $964,962 and $1,048,849, respectively, to Government Solutions for salaries and commissions paid by the Company on behalf of Government Solutions. These charges were recorded as a reduction of salaries and commissions in selling, general and administrative expenses.

All balances between the Company and Government Solutions are expected to be repaid in the ordinary course of business. There was no interest charged on outstanding balances during 2010 and 2009.

During 2008, the Company made a loan to one of its stockholders at an interest rate of 4%. This loan was repaid to the Company in 2009 by the stockholder.

Note 3 - Property and equipment:

Property and equipment consist of the following:

	Estimated Useful Lives	2010	2009
Land		**$ 7,104,300**	$ 1,684,300
Building and improvements	5-39 years	**20,606,203**	14,400,358
Office equipment	5 years	**10,692,721**	5,329,015
Furniture and fixtures	5 years	**6,530,370**	6,267,203
		44,933,594	27,680,876
Less accumulated depreciation and amortization		**13,570,555**	6,491,235
Totals		**$31,363,039**	$21,189,641

Note 4 - Wholesale financing agreement:

Under the terms of a wholesale financing agreement with IBM Global Financing, the Company has a $50,000,000 line of credit available to purchase computer software and hardware products from selected suppliers authorized by IBM Global Financing in amounts in excess of the Company's existing credit limits with the suppliers. IBM Global Financing has agreed to temporarily increase the line to $75,000,000, effective December 23, 2010. This temporary increase is set to expire on February 19, 2011 and will automatically revert back to $50,000,000 on February 20, 2011. Outstanding balances bear interest at a per annum rate equal to the prime rate plus 4.4% after expiration of varying interest free periods, generally ranging from 30 to 45 days. Advances are collateralized by accounts receivable and inventories. Interest expense was not material under the financing agreement in 2010 or 2009.

Note 5 - Lines of credit:

The Company has two revolving credit and security agreements with Wachovia Bank, National Association and TD Bank N.A., which expire on June 30, 2011 and December 28, 2011, respectively, and provide for maximum borrowings of $50,000,000 and $15,000,000, respectively. Borrowings under the Wachovia Bank, National Association credit agreement bear interest at the lower of the bank's prime rate (3.25% at December 31, 2010) or LIBOR. Borrowings under the TD Bank N.A. credit agreement bear interest at the monthly LIBOR rate plus 2.00%. At December 31, 2010 and 2009, there were no amounts outstanding under either of these agreements. The lines are also collateralized by accounts receivable, inventories and equipment. For the years ended December 31, 2010 and 2009, no interest expense was incurred in connection with these lines.

Note 6 - Employee benefit plan:

The Company maintains a 401(k) savings plan to provide retirement benefits to all eligible employees. Company contributions to the plan, which are discretionary and subject to certain limitations, amounted to $1,631,612 and $1,139,266 in 2010 and 2009, respectively.

Note 7 - Income taxes:

Deferred tax assets result primarily from the allowance for doubtful accounts which is not deductible for tax purposes until losses are identified and written off. Deferred tax liabilities result primarily from the use of accelerated methods of depreciation for tax reporting purposes.

Note 8 - Accumulated other comprehensive income (loss):

At December 31, 2010 and 2009, accumulated other comprehensive income had balances of $1,517,140 and $1,049,228, respectively. The changes in accumulated other comprehensive income, which consisted entirely of foreign currency translation adjustments, amounted to gains of $467,912 and $1,095,449 in 2010 and 2009, respectively.

Note 9 - Lease commitments:

The Company leases several office facilities under noncancelable operating leases expiring through November 2020. Future minimum rental payments under noncancelable operating leases for each of the five years subsequent to December 31, 2010 and thereafter are as follows:

Year Ending December 31,	Amount
2011	$ 3,401,000
2012	2,027,000
2013	1,826,000
2014	1,354,000
2015	1,054,000
Thereafter	1,646,000
Total	$11,308,000

Note 9 - Lease commitments (concluded):

Total rent amounted to $3,144,086 and $2,803,361, net of rental income of $1,260,216 and $1,641,608 in 2010 and 2009, respectively. Rental income for each of the years subsequent to December 31, 2010 is as follows:

Year Ending December 31,	Amount
2011	$ 802,000
2012	802,000
2013	401,000
Total	$2,005,000

Note 10- Fair value of financial instruments:

The Company's material financial instruments at December 31, 2010 and 2009 for which disclosure of estimated fair value is required by certain accounting standards consist of cash and cash equivalents, accounts receivable, due from related party, wholesale financing agreement advances and accounts payable. Cash and cash equivalents are carried at cost which approximates fair value. The fair values of all other financial instruments are estimated to be equal to or approximate their respective carrying values due to the short-term nature of such instruments.

Note 11- Foreign operations:

The Company has operations in Canada, the United Kingdom ("UK"), and France. Operations of Canada, UK, and France as of and for the years ended December 31, 2010 and 2009, which are included in the consolidated financial statements, are as follows:

	2010	2009
Net sales	**$211,654,586**	$166,391,091
Net income (loss)	**$ (3,465,690)**	$ 188,911
Total assets	**$ 56,814,163**	$ 70,108,302
Total liabilities	**$ 50,576,720**	$ 60,873,041