

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

AMENDMENT NO. 3

TO

FORM S-1
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

ANSYS, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE

7372

04-3219960

(STATE OR OTHER JURISDICTION OF
INCORPORATION OR ORGANIZATION)

(PRIMARY STANDARD INDUSTRIAL
CLASSIFICATION CODE NUMBER)

(I.R.S. EMPLOYER
IDENTIFICATION NO.)

201 JOHNSON ROAD
HOUSTON, PENNSYLVANIA 15342-1300
(412) 746-3304
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF
REGISTRANT'S PRINCIPAL EXECUTIVE OFFICE)

PETER J. SMITH
CHAIRMAN, PRESIDENT AND CHIEF EXECUTIVE OFFICER
ANSYS, INC.

201 JOHNSON ROAD
HOUSTON, PENNSYLVANIA 15342-1300
(412) 746-3304
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE,
OF AGENT FOR SERVICE)

COPIES TO:

JOHN R. LECLAIRE, P.C.
JEFFREY D. PLUNKETT, ESQ.
GOODWIN, PROCTER & HOAR LLP
EXCHANGE PLACE
BOSTON, MASSACHUSETTS 02109
(617) 570-1000

RICHARD C. TILGHMAN, JR., ESQ.
STEPHEN A. RIDDICK, ESQ.
PIPER & MARBURY L.L.P.
36 SOUTH CHARLES STREET
BALTIMORE, MARYLAND 21201-3018
(410) 539-2530

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as
practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on
a delayed or continuous basis pursuant to Rule 415 under the Securities Act of
1933, check the following box.

If this Form is filed to register additional securities for an offering
pursuant to Rule 462(b) under the Securities Act of 1933, please check the
following box and list the Securities Act registration statement number of the
earlier effective registration statement for the same offering. 333-

If this Form is a post-effective amendment filed pursuant to Rule 462(c)
under the Securities Act of 1933, check the following box and list the
Securities Act registration statement number of the earlier effective
registration statement for the same offering. 333-

If delivery of the prospectus is expected to be made pursuant to Rule 434,
please check the following box.

THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR
DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT
SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS
REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH
SECTION 8(A) OF THE SECURITIES ACT OF 1933 OR UNTIL THE REGISTRATION STATEMENT
SHALL BECOME EFFECTIVE ON SUCH DATE AS THE COMMISSION, ACTING PURSUANT TO
SECTION 8(A), MAY DETERMINE.

ANSYS, INC.

CROSS REFERENCE SHEET SHOWING LOCATION IN PROSPECTUS
OF INFORMATION REQUIRED BY ITEMS OF FORM S-1

FORM S-1 ITEM NUMBER OF CAPTION -----	LOCATION OR HEADING IN PROSPECTUS -----
1. Forepart of Registration Statement and Outside Front Cover of Prospectus.....	Outside Front Cover Page; Front Page of Prospectus
2. Inside Front and Outside Back Cover Pages of Prospectus.....	Inside Front Cover Page and Outside Back Cover Page of Prospectus
3. Summary Information, Risk Factors and Ratio of Earnings to Fixed Charges.....	Prospectus Summary; Risk Factors
4. Use of Proceeds.....	Use of Proceeds
5. Determination of Offering Price.....	Underwriting
6. Dilution.....	Dilution
7. Selling Security Holders.....	Principal and Selling Stockholders
8. Plan of Distribution.....	Underwriting
9. Description of Securities to be Registered.....	Outside Front Cover Page; Prospectus Summary; Description of Capital Stock
10. Interests of Named Experts and Counsel.....	Not applicable
11. Information with Respect to the Registrant:	
(a)Description of Business.....	Prospectus Summary; Management's Discussion and Analysis of Financial Condition and Results of Operations; Business
(b)Description of Property.....	Business--Facilities
(c) Legal Proceedings.....	Business--Legal Proceedings
(d) Market Price and Dividends on Registrant's Common Equity and Related Stockholder Matters.....	Dividend Policy; Description of Capital Stock
(e) Financial Statements.....	Financial Statements
(f) Selected Financial Data.....	Prospectus Summary; Selected Consolidated Financial Data
(g) Supplementary Financial Information.....	Not applicable
(h) Management's Discussion and Analysis of Financial Condition and Results of Operations.....	Management's Discussion and Analysis of Financial Condition and Results of Operations
(i) Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.....	Not applicable
(j) Directors and Executive Officers.....	Management
(k) Executive Compensation.....	Management--Executive Compensation
(l) Security Ownership of Certain Beneficial Owners and Management.....	Principal and Selling Stockholders
(m) Certain Relationships and Related Transactions.....	Certain Transactions
12. Disclosure of Commission Position on Indemnification for Securities Act Liabilities.....	Not applicable

SUBJECT TO COMPLETION

JUNE 19, 1996

3,550,000 Shares

[LOGO OF ANSYS APPEARS HERE]

Common Stock

Of the 3,550,000 shares of Common Stock (the "Common Stock") offered hereby, 3,500,000 shares are being sold by ANSYS, Inc. (the "Company") and 50,000 shares are being sold by a stockholder of the Company (the "Selling Stockholder"). See "Principal and Selling Stockholders." The Company will not receive any proceeds from the sale of shares by the Selling Stockholder. Prior to this offering, there has been no public market for the Common Stock. It is currently estimated that the initial public offering price per share will be between \$12.00 and \$14.00. See "Underwriting" for information relating to the factors to be considered in determining the initial public offering price. The Company has applied for quotation of the Common Stock on the Nasdaq Stock Market (National Market) upon completion of this offering under the trading symbol "ANSS."

THE COMMON STOCK OFFERED HEREBY INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" COMMENCING ON PAGE 7 HEREOF.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	PRICE TO PUBLIC	UNDERWRITING DISCOUNTS AND COMMISSIONS	PROCEEDS TO COMPANY(1)	PROCEEDS TO SELLING STOCKHOLDER
Per Share.....	\$	\$	\$	\$
Total(2).....	\$	\$	\$	\$

- (1) Before deducting expenses payable by the Company estimated at \$850,000.
- (2) Certain stockholders of the Company have granted to the Underwriters a 30-day option to purchase up to 532,500 additional shares of Common Stock solely to cover over-allotments, if any. To the extent the option is exercised, the Underwriters will offer the additional shares at the Price to Public shown above. If the option is exercised in full, the total Price to Public, Underwriting Discounts and Commissions and Proceeds to Selling Stockholder will be \$, \$ and \$, respectively. See "Underwriting."

The shares of Common Stock are offered by the several Underwriters, subject to prior sale, when, as and if delivered to and accepted by them, and subject to the right of the Underwriters to reject any order in whole or in part. It is expected that delivery of the shares of Common Stock will be made at the offices of Alex. Brown & Sons Incorporated, Baltimore, Maryland, on or about , 1996.

Alex. Brown & Sons
INCORPORATED

Cowen & Company

Wessels, Arnold & Henderson

Parker/Hunter
INCORPORATED

THE DATE OF THIS PROSPECTUS IS , 1996
INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF ANY SUCH JURISDICTION.

Behind it all, there's ANSYS/(R)/

[GRAPHIC DEPICTING ANSYS PRODUCTS]

ANSYS products help reduce the time and cost of development as well as improve product design and quality. The family of ANSYS products ranges from ANSYS/AutoFEA for design optimization to ANSYS/Multiphysics for advanced design verification. Biomedical

[PHOTO OF MEDICAL IMPLANTS]

DePuy Inc. engineers use ANSYS technology to develop reliable and durable medical implants and the surgical instruments used to install them. The software also allows DePuy to shorten its new product development cycle by reducing the number of prototypes required for testing.

Marine Habitats

[PHOTO OF UNDERSEA MARINE EXHIBIT]

Reynolds Polymer is a global provider of aquarium systems and acrylic components for undersea habitats and marine parks. Reynolds engineers build attractive and interactive exhibits using developments in glass and acrylics, combined with the use of ANSYS analysis software to ensure product safety and cost effectiveness.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK OF THE COMPANY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NASDAQ NATIONAL MARKET, IN THE OVER-THE-COUNTER MARKET OR OTHERWISE; SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information, including "Risk Factors" and the Consolidated Financial Statements, including the Notes thereto, appearing elsewhere in this Prospectus.

THE COMPANY

ANSYS, Inc. (the "Company") develops, markets and supports software solutions for design analysis and optimization. Engineering analysts and design engineers use the Company's software to accelerate product time to market, reduce production costs, improve engineering processes and optimize product quality and safety for a variety of manufactured products, ranging from basic consumer goods to satellite tracking systems. The ANSYS product family features open, flexible architecture that permits easy integration into its customers' enterprise-wide engineering systems and facilitates effective implementation of process-centric engineering.

Since its founding in 1970 as Swanson Analysis Systems, Inc. ("Swanson Analysis"), the Company has become a technology leader in the market for computer-aided engineering ("CAE") analysis software. The Company has long-standing relationships with customers in many industries, including automotive, aerospace and electronics. Using the Company's products, engineers can construct computer models of structures, compounds, components or systems to simulate performance conditions and physical responses to varying levels of stress, pressure, temperature and velocity. This helps reduce the time and expense of physical prototyping and testing.

The Company's software has been developed and enhanced to help customers meet several of the major challenges faced by businesses today, including increasing global competition and the need and ability to solve more complex product design problems. The Company believes that these factors, combined with the decreasing cost of computer hardware, are accelerating the demand for design analysis software solutions and have created an expanding marketplace, described by the Company as the design analysis and optimization market. This market includes a base of engineering analysts who use the Company's CAE analysis software to validate product design, as well as the broader group of design engineers who use analysis tools integrated within their computer-aided design ("CAD") systems to optimize and evaluate products much earlier in the development cycle.

The Company's objectives are to increase market share among the traditional base of engineering analysts, to extend its product line to meet the demands of the broader group of design engineers and to increase the adoption of its products by new users, such as engineers in the biomedical and food processing industries. The Company's strategy focuses on maintaining and enhancing its technology leadership; offering an open and flexible software product family; pursuing a customer driven sales, services and marketing approach; capitalizing on its established global distribution and support network; and leveraging strategic relationships with leading CAD suppliers and third party providers of complementary hardware and software.

The Company's product line ranges from ANSYS/Multiphysics, a sophisticated multi-disciplinary CAE tool for engineering analysts, to AutoFEA, a CAD-integrated design optimization product for design engineers. The Company's product family features a unified database, a wide range of analysis functionality, a consistent, easy-to-use graphical user interface, support for multiple hardware platforms and operating systems (including Windows 95, Windows NT and Unix), effective user customization tools and integration with leading CAD systems. The Company's products are developed using the Company's ISO 9001-certified quality system.

The Company markets its products principally through its global network of 35 independent regional ANSYS Support Distributors, which have 68 offices in 27 countries. More than 4,000 companies throughout the world use ANSYS products, including 61 of the Global Fortune Industrial 100 companies and each of the top 10.

On March 14, 1994, the Company acquired substantially all of the assets of Swanson Analysis for approximately \$48.0 million in cash (the "1994 Acquisition"). The 1994 Acquisition was funded through the incurrence of \$28.0 million of senior secured indebtedness (the "1994 Loan") and \$15.0 million of 10% Subordinated Notes (the "Subordinated Notes") and the issuance of \$4.0 million of 10% Redeemable Preferred Stock (the "Redeemable Preferred Stock") and approximately \$1.0 million of Common Stock. The equity and subordinated indebtedness funding was contributed principally by investment funds associated with TA Associates, Inc., a private equity firm based in Boston, Massachusetts (the "TA Investors"), Chestnut III Limited Partnership and Chestnut Capital International III L.P. (collectively the "Chestnut Investors"), and Dr. John A. Swanson, the founder of the Company. See "Certain Transactions." The indebtedness and preferred stock issued to finance the 1994 Acquisition will be repaid and redeemed with the net proceeds from this offering, and the goodwill and capitalized software resulting from the 1994 Acquisition will be fully amortized in March 1997. As a result, the Company's interest and amortization expenses will decrease substantially.

The Company was incorporated under the laws of the State of Delaware on January 12, 1994. The Company's principal executive offices are located at 201 Johnson Road, Houston, Pennsylvania 15342-1300, and its telephone number is (412) 746-3304.

RISK FACTORS

An investment in the Common Stock offered hereby involves a high degree of risk. See "Risk Factors."

THE OFFERING

Common Stock offered by the Company.....	3,500,000 shares
Common Stock offered by the Selling Stockholder...	50,000 shares
Common Stock to be outstanding after the offering.	16,152,760 shares(1)
Use of proceeds.....	To repay all existing senior secured and subordinated indebtedness, to redeem all outstanding shares of redeemable preferred stock and for general corporate purposes.
Proposed Nasdaq National Market symbol.....	ANSS

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(1) Excludes (i) 868,110 shares of Common Stock issuable upon exercise of outstanding stock options at a weighted average exercise price of approximately \$4.36 per share, substantially all of which are not exercisable as of the date of this Prospectus, and (ii) 2,250,000 and 210,000 additional shares of Common Stock reserved for future issuance under the Company's 1996 Stock Option and Grant Plan (the "1996 Stock Plan") and 1996 Employee Stock Purchase Plan (the "Purchase Plan"), respectively. See "Management--Employee Stock and Other Benefit Plans--1996 Stock Option and Grant Plan" and "--1996 Employee Stock Purchase Plan."

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- (1) Presents consolidated financial data of the Company's predecessor for the periods prior to the Company's acquisition of substantially all of the assets and the assumption of certain liabilities of the predecessor, effective March 14, 1994. See "Certain Transactions." Because of such transactions, certain aspects of the consolidated results of operations for periods prior to the period beginning March 14, 1994 are not comparable with those for subsequent periods. Net income (loss) per share data are presented only for the year ended December 31, 1995 and the three months ended March 31, 1995 and 1996. Net income (loss) per common share for the year ended December 31, 1995 and the three months ended March 31, 1995 and 1996 has been computed after deducting \$446,000, \$102,000 and \$102,000, respectively, from net income (loss), which deductions represent preferred stock dividend accumulations.
 - (2) The Company's predecessor was an S Corporation and accordingly was not subject to federal or state income tax.
 - (3) For a description of the computation of the number of shares and the net income (loss) per share, see Note 2 of Notes to Consolidated Financial Statements.
 - (4) The pro forma data give effect to the sale of 3,500,000 shares of Common Stock offered by the Company hereby as if it occurred at January 1, 1995 or at January 1, 1996 for the three months ended March 31, 1996, and include (i) elimination of dividends resulting from the redemption of all Redeemable Preferred Stock; (ii) elimination of interest expense resulting from the repayment of the 1994 Loan and all Subordinated Notes; (iii) elimination of amortization of deferred loan fees and an interest rate cap; and (iv) adjustments to income taxes to reflect the tax effects of the items listed in (ii) and (iii) above.
 - (5) Adjusted to give effect to the issuance of the 3,500,000 shares of Common Stock offered by the Company hereby (at an assumed initial public offering price of \$13.00 per share) and the use of the net proceeds therefrom as set forth in "Use of Proceeds."
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Except as otherwise indicated, information in this prospectus assumes no exercise of the Underwriters' over-allotment option and has been adjusted to reflect a 10-for-1 stock split, effected in the form of a stock dividend on April 30, 1996, and the conversion of all outstanding shares of non-voting Class A Common Stock into an equal number of shares of Common Stock upon completion of this offering. See "Description of Capital Stock" and Notes 9 and 18 of Notes to Consolidated Financial Statements. Unless the context otherwise requires, all references to the "Company" shall mean ANSYS, Inc., its predecessor and all of its direct and indirect subsidiaries.

ANSYS, ANSYS/AutoFEA, ANSYS/ProFEA, COMPUFLO and FLOTRAN are registered trademarks of the Company. DesignSpace, ANSYS/Multiphysics, ANSYS/Mechanical, ANSYS/Thermal, ANSYS/LinearPlus, ANSYS/Emag, ANSYS/LS-DYNA, ANSYS/PrepPost and ANSYS/ED are trademarks of the Company. All other trademarks, trade names or service marks referred to in this Prospectus are the property of their respective owners.

RISK FACTORS

An investment in the shares of Common Stock offered hereby involves a high degree of risk. Prospective investors should carefully consider the following risk factors, in addition to other information contained in this Prospectus, in evaluating an investment in the shares of Common Stock offered hereby.

Dependence on Core ANSYS Products. The Company currently derives substantially all of its revenues from sales and maintenance of a core group of analysis products derived primarily from its comprehensive ANSYS/Multiphysics product. As a result, any factor adversely affecting sales of the Company's core multiphysics products would have a materially adverse effect on the Company. The Company's future performance will depend upon the successful development, introduction and customer acceptance of new or enhanced versions of its existing products and broader market acceptance of these products. There can be no assurance that the Company will continue to be successful in marketing the ANSYS family of products or any new or enhanced products the Company may develop in the future. In addition, competitive pressures or other factors may result in price erosion that could have a material adverse effect on the Company's business, financial condition and results of operations. See "Business--Products."

Sales of the Company's more recently introduced design optimization/CAD integrated products represented less than 4% of revenue in 1995. The Company's growth strategy emphasizes maintenance and growth of its market position within its traditional base of engineering analysts while seeking increased penetration of the broader group of design engineers by offering products that are integrated directly within CAD products and facilitate design optimization earlier in the development cycle. The Company's design products have been introduced only recently, however, and no assurance can be given as to whether they will achieve significant market penetration. Failure to execute the Company's strategy successfully, particularly with respect to the introduction of new design products, would adversely affect the Company's growth and cause it to remain reliant upon the more traditional CAE market.

Dependence on Proprietary Technology. The Company's success is highly dependent upon its proprietary technology. The Company does not have patents on any of its technology and relies on contracts and the laws of copyright and trade secrets to protect its technology. Although the Company maintains a trade secrets program, enters into confidentiality agreements with its employees and distributors and limits access to and distribution of its software, documentation and other proprietary information, there can be no assurance that the steps taken by the Company to protect its proprietary technology will be adequate to prevent misappropriation of its technology by third parties, or that third parties will not be able to develop similar technology independently. Although the Company is not aware that any of its technology infringes upon the rights of third parties, there can be no assurance that other parties will not assert technology infringement claims against the Company, or that, if asserted, such claims will not prevail. See "Business--Proprietary Rights and Licenses."

Rapidly Changing Technology; New Products; Risk of Product Defects. The markets for the Company's products are generally characterized by rapidly changing technology and frequent new product introductions that can render existing products obsolete or unmarketable. A major factor in the Company's future success will be its ability to anticipate technological changes and to develop and introduce in a timely manner enhancements to its existing products and new products to meet those changes. If the Company is unable to introduce new products and respond to industry changes on a timely basis, its business, financial condition and results of operations could be materially adversely affected. The introduction and marketing of new or enhanced products require the Company to manage the transition from existing products in order to minimize disruption in customer purchasing patterns. There can be no assurance that the Company will be successful in developing and marketing, on a timely basis, new products or product enhancements, that its new products will adequately address the changing needs of the marketplace, or that it will successfully manage the transition from existing products. Software products as complex as those offered by the Company may contain undetected errors or failures when first introduced or as new versions are released, and the likelihood of errors is increased as a result of the Company's commitment to accelerating the frequency of its product releases. There can be no assurance that

errors will not be found in new or enhanced products after commencement of commercial shipments. Any of these problems may result in the loss of or delay in market acceptance, diversion of development resources, damage to the Company's reputation, or increased service or warranty costs, any of which could have a materially adverse effect upon the Company's business, financial condition and results of operations. See "Business--Products," "--Product Development" and "--Competition."

Dependence on Distributors. The Company distributes its products principally through its global network of 35 independent, regional ANSYS Support Distributors ("ASDs"), and 96.9% of the Company's revenue in 1995 resulted from sales of ANSYS products by ASDs. The ASDs sell ANSYS products and other noncompeting products to new and existing customers, expand installations within their existing customer base, offer consulting services and provide the first line of ANSYS technical support. The ASDs have more immediate contact with most customers who use ANSYS software than does the Company. Consequently, the Company is highly dependent on the efforts of the ASDs. Difficulties in ongoing relationships with ASDs, such as delays in collecting accounts receivable, ASDs' failure to meet performance criteria or to promote the Company's products as aggressively as the Company expects, and differences in the handling of customer relationships, could adversely affect the Company's performance. The six largest ASDs accounted for approximately 48.1% of the Company's revenue in 1995. The loss of any major ASD for any reason, including an ASD's decision to sell competing products rather than ANSYS products, could have a materially adverse effect on the Company. Moreover, the Company's future success will depend substantially on the ability and willingness of its ASDs to continue to dedicate the resources necessary to promote the Company's products and to support a larger installed base of the Company's products. If the ASDs are unable or unwilling to do so, the Company may be unable to sustain revenue growth. See "Business--Sales and Marketing" and "--Customer Support and Services."

Competition. The CAD, CAE and computer-aided manufacturing ("CAM") market is intensely competitive. In the traditional CAE market, the Company's primary competitors include MacNeal-Schwendler Corporation, Hibbitt, Karlsson and Sorensen, Inc. and MARC Analysis Research Corporation. The Company also faces competition from smaller vendors of specialized analysis applications in fields such as computational fluid dynamics. In addition, certain integrated CAD suppliers such as Parametric Technology Corporation and Structural Dynamics Research Corporation provide varying levels of design analysis and optimization and verification capabilities as part of their product offerings.

The entrance of new competitors would be likely to intensify competition in all or a portion of the overall CAD, CAE and CAM market. Some of the Company's current and possible future competitors have greater financial, technical, marketing and other resources than the Company, and some have well established relationships with current and potential customers of the Company. It is also possible that alliances among competitors may emerge and rapidly acquire significant market share or that competition will increase as a result of software industry consolidation. Increased competition may result in price reductions, reduced profitability and loss of market share, any of which would materially adversely affect the Company's business, financial condition and results of operations. See "Business--Competition."

Increased Reliance on Perpetual Licenses. The Company has historically maintained stable recurring revenue from the sale of time-based licenses for its software products. Recently, the Company has experienced an increase in customer preference for perpetual licenses that involve payment of a single up-front fee and that are more typical in the computer software industry. Although lease license revenue currently represents a majority of the Company's software license fee revenue, to the extent that perpetual license revenue increases as a percent of total software license fee revenue, the Company's revenue in any period will increasingly depend on sales completed during that period. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

New Management Team and Strategies; Management of Growth. Since March 1994, the Company has recruited and hired Peter J. Smith as its Chief Executive Officer and most other key members of management, particularly in the areas of sales, marketing and administration. The new management team has initiated a series

of strategies designed to accelerate the Company's growth. See "Business--Strategy" and "Management." There can be no assurance that such new initiatives will be successful. The Company has recently experienced a period of revenue growth and a substantial increase in the number of orders, customers and employees. This growth has placed, and will continue to place, strains on the Company's management, operations and systems. The Company's ability to compete effectively will depend, in large part, upon its ability to expand, improve and effectively utilize its operating, management, marketing, sales and financial systems as necessitated by changes in the Company's business. Any failure by the Company's management to anticipate effectively, implement and manage the changes required to sustain the Company's growth would have a material adverse effect on the Company.

International Activities. Revenues from international operations represented 54.7% and 53.6% of the Company's total revenue during 1995 and the three months ended March 31, 1996, respectively. Risks inherent in the Company's international business activities include imposition of government controls, export license requirements, restrictions on the export of critical technology, political and economic instability, trade restrictions, changes in tariffs and taxes, difficulties in staffing and managing international operations, longer accounts receivable payment cycles, and the burdens of complying with a wide variety of foreign laws and regulations. Effective copyright and trade secret protection may not be available in every foreign country in which the Company sells its products. The Company's business, financial condition and results of operations could be materially adversely affected by any of these risks.

Potential Fluctuations in Quarterly Results. The Company may experience significant fluctuations in future quarterly operating results. Fluctuations may be caused by many factors, including the timing of new product releases or product enhancements by the Company or its competitors; the size and timing of individual orders; software errors or other product quality problems; competition and pricing; customer order deferrals in anticipation of new products or product enhancements; reduction in demand for the Company's products; changes in operating expenses; mix of software license and maintenance and service revenue; personnel changes; and general economic conditions. For example, the expected release of ANSYS 5.3, an updated version of the Company's core multiphysics product, scheduled for the second half of 1996, may result in delayed sales of existing ANSYS products prior to such release, even though customers receive updated versions of the Company's software as part of their lease, warranty or maintenance agreements. A substantial portion of the Company's operating expenses is related to personnel, facilities and marketing programs. The level of personnel and personnel expenses cannot be adjusted quickly and is based, in significant part, on the Company's expectation of future revenues. The Company does not typically experience significant order backlog. Further, the Company has often recognized a substantial portion of its revenue in the last month of a quarter, with these revenues frequently concentrated in the last weeks or days of a quarter. As a result, product revenues in any quarter are substantially dependent on orders booked and shipped in the latter part of that quarter, and revenues for any future quarter are not predictable with any significant degree of accuracy. Also, the Company may experience lower first quarter revenue relative to revenue in the prior quarter due in part to the effect of incentive programs which the Company has in place to encourage overachievement of annual dollar revenue goals by ASDs and the Company's internal sales support personnel. For these reasons, the Company believes that period-to-period comparisons of its prior results of operations are not necessarily meaningful and should not be relied upon as indications of future performance. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Dependence Upon Senior Management and Key Technical Employees. The Company is highly dependent upon the ability and experience of its senior executives, Peter J. Smith and Dr. John A. Swanson, and its key technical and other management employees. Although the Company has entered into employment agreements with Mr. Smith and Dr. Swanson, the loss of either of these senior executives or a number of the Company's other key employees could adversely affect the Company's ability to conduct its operations. The Company maintains "key executive" life insurance policies on Dr. Swanson and Mr. Smith in the amounts of \$5 million and \$2 million, respectively. See "Management--Employee Stock and Other Benefit Plans--Key Executive Life Insurance" and "--Employment Agreements."

Losses; Accumulated Deficit. The Company acquired its business from Swanson Analysis on March 14, 1994 and incurred net losses of \$1.8 million and \$1.6 million for the period from March 14, 1994 through December 31, 1994 and for 1995, respectively. The Company had a deficit in stockholders' equity of \$6.0 million upon completion of the 1994 Acquisition, and net losses since then have resulted in an accumulated deficit of \$4.4 million and a deficit in total stockholders' equity of \$9.9 million at March 31, 1996. See "Capitalization" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Uncertainties Regarding Realization of Deferred Tax Assets. At March 31, 1996, the Company had recorded net deferred tax assets totaling \$7.7 million, reflecting differences between the financial statement and the tax basis of assets and liabilities, principally related to the amortization of goodwill and capitalized software costs. The realization of the net deferred tax assets principally depends on the existence of future taxable income. Although the Company incurred net losses for the period from March 14, 1994 through December 31, 1994 and for 1995, the Company had taxable income during these periods. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Material Benefit to Insiders. In March 1994, the Company acquired Swanson Analysis in a leveraged buy-out for an aggregate cash purchase price of approximately \$48.0 million. In connection with the 1994 Acquisition, the TA Investors, the Chestnut Investors and Dr. Swanson purchased from the Company an aggregate \$3.8 million of Redeemable Preferred Stock and \$14.3 million of Subordinated Notes. As required by the terms of the respective instruments, the Company will redeem all of the Redeemable Preferred Stock (including accumulated dividends) and repay all of the Subordinated Notes held by the TA Investors, the Chestnut Investors and Dr. Swanson (including accrued and unpaid interest through the date of payment) upon completion of this offering. Of the net proceeds from the sale of the shares of Common Stock offered by the Company hereby (assuming an initial public offering price of \$13.00 per share), 43.7% (\$18.1 million) will be used for such purpose. In connection with the organization of the Company and the 1994 Acquisition, the TA Investors, the Chestnut Investors and Dr. Swanson purchased Common Stock of the Company at effective purchase prices of approximately \$.09 and \$.14 per share. See "Certain Transactions."

Effective Control by Principal Stockholders. After giving effect to the sale of the shares of Common Stock offered hereby, the TA Investors, the Chestnut Investors and members of management and employees of the Company will beneficially own in the aggregate approximately 43.0%, 3.2% and 26.0%, respectively, of the outstanding Common Stock. As a result, these stockholders will have the ability to control or exert significant influence over the outcome of fundamental corporate transactions requiring stockholder approval, including mergers and sales of assets and the election of the members of the Company's Board of Directors. See "Certain Transactions," "Principal and Selling Stockholders" and "Shares Eligible for Future Sale."

Shares Eligible for Future Sale. Sales of substantial amounts of Common Stock in the public market after this offering could adversely affect the market price of the Common Stock and could impair the Company's ability to obtain additional capital through an offering of its equity securities. In addition to the 3,550,000 shares of Common Stock offered hereby, up to approximately 10,095,780 shares of Common Stock owned by current stockholders of the Company will be eligible for sale in accordance with Rule 144 beginning 90 days after the date of this Prospectus. However, holders of substantially all of these shares have agreed not to offer, sell or otherwise dispose of any shares of Common Stock owned by them for 180 days from the date of this Prospectus without the prior written consent of Alex. Brown & Sons Incorporated. The holders of approximately 10,412,000 shares of Common Stock have the right in certain circumstances to require the Company to register their shares under the Securities Act of 1933, as amended (the "Securities Act"), for resale to the public and holders of approximately 11,971,860 shares have the right to include their shares in a registration statement filed by the Company. See "Shares Eligible for Future Sale."

Absence of Public Market; Offering Price; Possible Volatility of Stock Price. Prior to this offering, there has been no public market for the Common Stock, and there can be no assurance that an active market will

develop upon consummation of this offering. Consequently, the offering price of the Common Stock will be determined by negotiations among the Company, the Selling Stockholder and the Representatives of the Underwriters. See "Underwriting" for a description of the factors to be considered in determining the initial public offering price. In addition, the stock market historically has experienced volatility which has particularly affected the market prices of securities of many companies in the software industry and which sometimes has been unrelated to the operating performance of such companies.

Anti-takeover Provisions. Certain provisions of the Company's Restated Certificate of Incorporation and Amended and Restated By-laws, certain sections of the Delaware General Corporation Law and the ability of the Board of Directors to issue shares of preferred stock and to establish the voting rights, preferences and other terms thereof, may have an anti-takeover effect and may discourage takeover attempts not first approved by the Board of Directors (including takeovers which certain stockholders may deem to be in their best interests). These provisions and the ability of the Board of Directors to issue preferred stock without further action by stockholders could delay or frustrate the removal of incumbent directors or the assumption of control by stockholders, even if such removal or assumption of control might be beneficial to stockholders. These provisions also could discourage or make more difficult a merger, tender offer or proxy contest, even if such events would be beneficial, in the short term, to the interests of stockholders. Such provisions include, among other things, a classified Board of Directors serving staggered three-year terms, the elimination of stockholder voting by consent, the removal of directors only for cause, the vesting of exclusive authority in the Board of Directors to determine the size of the Board and (subject to certain limited exceptions) to fill vacancies thereon, the vesting of exclusive authority in the Board of Directors (except as otherwise required by law) to call special meetings of stockholders, and certain advance notice requirements for stockholder proposals and nominations for election to the Board of Directors. The Company will be subject to Section 203 of the Delaware General Corporate Law which, in general, imposes restrictions upon certain acquirors (including their affiliates and associates) of 15% or more of the Company's Common Stock. See "Description of Capital Stock--Certain Provisions of Certificate and By-laws" and "--Statutory Business Combination Provision."

Dilution. Purchasers of Common Stock in this offering will incur immediate and substantial dilution in the net tangible book value per share of their Common Stock. At the assumed initial public offering price of \$13.00 per share, investors in this offering will incur dilution of \$11.80 per share. See "Dilution."

USE OF PROCEEDS

The net proceeds from the sale of the 3,500,000 shares of Common Stock offered by the Company hereby (at an assumed public offering price of \$13.00 per share, after deducting underwriting discounts and commissions and estimated offering expenses) are estimated to be approximately \$41.5 million. The Company intends to use the net proceeds as follows: (i) approximately \$18.5 million will be used to repay the 1994 Loan, including accrued and unpaid interest; (ii) approximately \$17.5 million will be used to repay all Subordinated Notes, including accrued and unpaid interest; (iii) approximately \$5.1 million will be used to redeem all Redeemable Preferred Stock, including accumulated dividends; and (iv) approximately \$400,000 will be used for general corporate purposes. See "Certain Transactions." Pending such uses, the Company intends to invest the net proceeds of this offering received by it in short-term, investment grade, interest-bearing obligations.

The 1994 Loan matures in quarterly installments through March 1999 and bears interest at a fluctuating rate based on the prime rate plus 1.0% or the Eurodollar rate plus 3.0%. The Company has an interest rate cap agreement that provides for a fixed rate of 9.0% on \$14.0 million of the principal amount of the 1994 Loan through March 31, 1997. The interest rate on the remaining principal amount of the 1994 Loan at March 31, 1996 was approximately 8.4%. One-half of the initial principal amount of the Subordinated Notes, plus accrued and unpaid interest thereon to the date of repayment, is payable on each of April 14, 1999 and April 14, 2000. The Subordinated Notes bear interest at 10.0% per annum and are required to be redeemed upon completion of this offering. Holders of the Redeemable Preferred Stock are entitled to dividends in an amount per share equal to \$1,000 per annum, payable annually in arrears on January 1 of each year and accumulated for later payment if not then paid. The Company is required to redeem all of the outstanding shares of Redeemable Preferred Stock upon completion of this offering at a redemption price per share equal to \$10,000, together with any accumulated and unpaid dividends.

The Company will not receive any proceeds from the sale of Common Stock by the Selling Stockholder.

DIVIDEND POLICY

The Company has never paid cash dividends on its Common Stock. The Company currently intends to retain earnings to finance the growth and development of its business and does not anticipate paying cash dividends in the foreseeable future. Payment of future dividends, if any, will be at the discretion of the Company's Board of Directors after taking into account various factors, including the Company's financial condition, operating results and current and anticipated cash needs.

CAPITALIZATION

The following table sets forth the actual short-term debt and the capitalization of the Company at March 31, 1996 and as adjusted to give effect to the sale of the 3,500,000 shares of Common Stock offered by the Company hereby at an assumed public offering price of \$13.00 per share and application of the net proceeds as described in "Use of Proceeds."

	MARCH 31, 1996	
	----- ACTUAL	AS ADJUSTED -----
	(IN THOUSANDS)	
Short-term debt (including current portion of long-term debt).....	\$ 5,250	\$ 483
	-----	-----
Long-term debt:		
1994 Loan.....	\$14,500	\$ --
Subordinated notes.....	17,204	--
	-----	-----
Total long-term debt.....	31,704	--
	-----	-----
Redeemable Preferred Stock, \$.01 par value, 800 shares authorized and 412 shares issued and outstanding; none authorized, issued or outstanding, as adjusted.....	4,994	--
Stockholders' equity (deficit):		
Preferred Stock, \$.01 par value, 2,000,000 shares authorized and none issued and outstanding.....	--	--
Common Stock, \$.01 par value, 17,000,000 shares authorized and 12,652,760 shares issued and outstanding; 50,000,000 shares authorized and 16,152,760 shares issued and outstanding, as adjusted(1).....	127	162
Additional paid-in capital.....	1,761	36,181
Adjustment for predecessor basis.....	(7,010)	--
Retained earnings (deficit).....	(4,444)	(4,835)(2)
Notes receivable from stockholders.....	(303)	(303)
	-----	-----
Total stockholders' equity (deficit).....	(9,869)	31,205
	-----	-----
Total capitalization.....	\$32,079	\$31,688
	=====	=====

(1) Excludes (i) 868,110 shares of Common Stock issuable upon exercise of outstanding stock options granted at a weighted average exercise price of approximately \$4.36 per share, substantially all of which are not exercisable at the date of this Prospectus, and (ii) 2,250,000 and 210,000 additional shares of Common Stock reserved for future issuance under the 1996 Stock Plan and the Purchase Plan, respectively. See "Management--Employee Stock and Other Benefit Plans--1996 Stock Option and Grant Plan" and "--1996 Employee Stock Purchase Plan."

(2) Reflects the anticipated write-off of unamortized loan fees and interest rate cap of \$391,000, net of the related tax effect.

DILUTION

The deficit in net tangible book value of the Company's Common Stock at March 31, 1996 was \$22.1 million, or \$(1.75) per share. Deficit in net tangible book value per share represents the amount of the excess of total liabilities over total tangible net assets, divided by the number of shares of Common Stock outstanding. After giving effect to the sale of 3,500,000 shares of Common Stock offered by the Company hereby (after deducting underwriting discounts and commissions and estimated offering expenses) at an assumed initial public offering price of \$13.00 per share and application of the estimated net proceeds therefrom as set forth in "Use of Proceeds," the net tangible book value of the Company at March 31, 1996 would have been \$19.3 million, or \$1.20 per share, representing an immediate increase in the net tangible book value of \$2.95 per share to existing stockholders and an immediate dilution of \$11.80 per share to new investors purchasing shares in this offering. The following table illustrates the resulting per share dilution with respect to the shares of Common Stock offered hereby:

Assumed initial public offering price per share.....	\$13.00
Deficit in net tangible book value per share before the offering.....	\$(1.75)
Increase per share attributable to new investors.....	2.95

Net tangible book value per share after the offering.....	1.20

Dilution per share to new investors.....	\$11.80
	=====

The table below summarizes the difference, at March 31, 1996, between the existing stockholders and the new investors with respect to the number of shares purchased from the Company, the total consideration paid and the average price per share paid (based upon an assumed initial public offering price of \$13.00 per share and before deducting underwriting discounts and commissions and estimated offering expenses payable by the Company).

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
Existing stockholders					
(1).....	12,652,760	78.3%	\$1,888,154	4.0%	\$ 0.15
New investors.....	3,500,000	21.7	45,500,000	96.0	13.00
	-----	-----	-----	-----	-----
Total.....	16,152,760	100.0%	\$47,388,154	100.0%	
	=====	=====	=====	=====	=====

(1) The sale by the Selling Stockholder in this offering will cause the number of shares held by existing stockholders to be reduced to 12,602,760 shares, or 78.0% of the total number of shares of Common Stock to be outstanding after this offering, and will increase the number of shares held by new investors to 3,550,000, or 22.0% of the total number of shares of Common Stock to be outstanding after this offering. See "Principal and Selling Stockholders."

The foregoing tables assume no exercise of any outstanding stock options or the Underwriters' over-allotment options. As of June 15, 1996, there were outstanding options to purchase 868,110 shares of Common Stock at a weighted average exercise price of approximately \$4.36 per share, substantially all of which are not exercisable as of the date of this Prospectus. See "Underwriting" for information concerning the Underwriters' over-allotment option. To the extent that the outstanding options, or any options granted in the future, are exercised, there will be further dilution to new investors.

SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated statements of operations data and balance sheet data of the Company as of December 31, 1994 and 1995 and for the period March 14, 1994 (date of acquisition) through December 31, 1994 and the year ended December 31, 1995 and of the Company's predecessor for the year ended December 31, 1993 and the period from January 1, 1994 through March 13, 1994 are derived from the audited consolidated financial statements of the Company and the Company's predecessor included elsewhere in this Prospectus. The selected consolidated statements of operations data and balance sheet data of the Company as of and for the three months ended March 31, 1995 and 1996 are derived from the unaudited interim consolidated financial statements of the Company included elsewhere in this Prospectus and, in the opinion of management, have been prepared on the same basis as the audited consolidated financial statements and include all adjustments, consisting only of normal recurring adjustments, necessary for fair presentation of the results of the interim periods. The selected consolidated balance sheet data of the Company as of December 31, 1993 and the selected consolidated statements of operations data and balance sheet data of the Company's predecessor as of and for the years ended December 31, 1991 and 1992 are derived from audited consolidated financial statements of the Company's predecessor not included in this Prospectus. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations." The pro forma combined statements of operations data for 1994 combine the audited results of operations of the Company's predecessor for the period January 1, 1994 to March 13, 1994 and of the Company for the period March 14, 1994 (date of acquisition) to December 31, 1994. The pro forma combined statements of operations data for the year ended December 31, 1994 do not purport to represent what the Company's consolidated results of operations would have been if the 1994 Acquisition had actually occurred on January 1, 1994. The following selected consolidated statements of operations data and balance sheet data should be read in conjunction with the Consolidated Financial Statements and the related Notes thereto included elsewhere in this Prospectus. All figures below are in thousands except per share data.

(IN THOUSANDS, EXCEPT PER SHARE DATA)

	PREDECESSOR COMPANY(1)			THE COMPANY	PRO FORMA COMBINED
	YEAR ENDED DECEMBER 31,		PERIOD FROM	PERIOD FROM	YEAR ENDED
	1991	1992	1993	THROUGH MARCH 13, 1994	DECEMBER 31, 1994
				THROUGH DECEMBER 31, 1994	DECEMBER 31, 1994
				PERIOD FROM MARCH 14, 1994 (DATE OF ACQUISITION)	
CONSOLIDATED STATEMENTS OF OPERATIONS DATA:					
Revenue:					
Software licenses.....	\$26,315	\$28,437	\$27,495	\$5,984	\$22,310
Maintenance and serv- ice.....	1,585	2,021	4,109	585	3,944
Total revenue.....	27,900	30,458	31,604	6,569	26,254
Cost of sales:					
Software licenses.....	3,372	3,913	4,772	761	3,034
Maintenance and serv- ice.....	1,126	1,283	1,331	184	709
Total cost of sales....	4,498	5,196	6,103	945	3,743
Gross profit.....	23,402	25,262	25,501	5,624	22,511
Operating expenses:					
Selling and marketing...	2,800	3,262	3,763	673	3,836
Research and develop- ment.....	3,573	6,400	5,972	1,349	5,410
Amortization.....	132	528	937	300	8,420
General and administra- tive.....	6,000	5,369	7,181	1,234	4,606
Total operating ex- penses.....	12,505	15,559	17,853	3,556	22,272
Operating income (loss).	10,897	9,703	7,648	2,068	239
Interest expense.....	(239)	(318)	(306)	(62)	(3,091)
Other income.....	1,201	1,087	778	40	146
Income (loss) before in- come tax benefit.....	11,859	10,472	8,120	2,046	(2,706)
Income tax benefit (2).. -	--	--	--	--	917
Net income (loss).....	\$11,859	\$10,472	\$ 8,120	\$2,046	\$(1,789)

THE COMPANY

	THREE MONTHS ENDED		
	YEAR ENDED DECEMBER 31, 1995	MARCH 31, 1995	MARCH 31, 1996
CONSOLIDATED STATEMENTS OF OPERATIONS DATA:			
Revenue:			
Software licenses.....	\$32,604	\$ 7,104	\$ 8,385
Maintenance and serv- ice.....	7,012	1,122	2,348
Total revenue.....	39,616	8,226	10,733
Cost of sales:			
Software licenses.....	3,331	956	666
Maintenance and serv- ice.....	1,572	273	529
Total cost of sales....	4,903	1,229	1,195
Gross profit.....	34,713	6,997	9,538
Operating expenses:			
Selling and marketing...	7,526	1,649	2,169
Research and develop- ment.....	8,329	2,019	2,330
Amortization.....	10,641	2,660	2,719
General and administra- tive.....	6,857	1,493	1,850
Total operating ex- penses.....	33,353	7,821	9,068
Operating income (loss).	1,360	(824)	470
Interest expense.....	(3,983)	(995)	(888)
Other income.....	250	39	91
Income (loss) before in-			

Income tax benefit.....	(2,373)	(1,780)	(327)
Income tax benefit (2)...	793	595	126
	-----	-----	-----
Net income (loss).....	\$(1,580)	\$(1,185)	\$ (201)
	=====	=====	=====
Net income (loss) appli- cable to common stock..			
Net income (loss) per common share (3).....			
Shares used in computing per common share amounts (3).....			
Pro forma data (4):			
Pro forma net income per common share.....			
Pro forma shares used in computing per com- mon share amounts.....			

Net income (loss) appli- cable to common stock..	\$(2,025)	\$(1,286)	\$ (303)
	=====	=====	=====
Net income (loss) per common share (3).....	\$ (0.17)	\$ (0.11)	\$ (0.02)
	=====	=====	=====
Shares used in computing per common share amounts (3).....	12,261	12,279	12,457
	=====	=====	=====
Pro forma data (4):			
Pro forma net income per common share.....	\$ 0.08		\$ 0.02
	=====		=====
Pro forma shares used in computing per com- mon share amounts.....	15,451		15,647
	=====		=====

	PREDECESSOR COMPANY(1)			THE COMPANY		
	DECEMBER 31,			DECEMBER 31,		MARCH 31,
	1991	1992	1993	1994	1995	1996
	-----	-----	-----	-----	-----	-----

CONSOLIDATED BALANCE SHEET
DATA:

Cash and cash equiva- lents.....	\$11,408	\$ 8,650	\$ 1,216	\$ 4,300	\$ 8,091	\$ 5,577
Working capital.....	14,432	13,999	16,135	1,822	3,196	4,194
Total assets.....	30,174	32,719	26,205	44,669	42,921	41,998
Long-term debt, less cur- rent portion.....	2,694	2,694	3,401	37,696	33,204	31,704
Redeemable preferred stock.....	--	--	--	4,447	4,892	4,994
Total stockholders' eq- uity (deficit).....	24,845	25,919	19,515	(7,985)	(10,029)	(9,869)

(FOOTNOTES ON NEXT PAGE)

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- (1) Presents consolidated financial data of the Company's predecessor for the periods prior to the Company's acquisition of substantially all of the assets and the assumption of certain liabilities of the predecessor effective March 14, 1994. See "Certain Transactions." Because of such transactions, certain aspects of the consolidated results of operations for periods prior to the period beginning March 14, 1994 are not comparable with those for subsequent periods. Net income (loss) per share data are presented only for the year ended December 31, 1995 and the three months ended March 31, 1995 and 1996. Net income (loss) per common share for the year ended December 31, 1995 and the three months ended March 31, 1995 and 1996 has been computed after deducting \$446,000, \$102,000 and \$102,000, respectively, from net income (loss) attributable to preferred stock dividend accumulation.
 - (2) The Company's predecessor was an S Corporation and accordingly was not subject to federal or state income tax.
 - (3) For a description of the computation of the number of shares and the net income (loss) per share, see Note 2 of Notes to Consolidated Financial Statements.
 - (4) The pro forma data give effect to the sale of 3,500,000 shares of Common Stock offered by the Company hereby as if it occurred at January 1, 1995 or at January 1, 1996 for the three months ended March 31, 1996, and include (i) elimination of dividends resulting from the redemption of all Redeemable Preferred Stock; (ii) elimination of interest expense resulting from the repayment of the 1994 Loan and all Subordinated Notes; (iii) elimination of amortization of deferred loan fees and an interest rate cap; and (iv) adjustments to income taxes to reflect the tax effects of the items listed in (ii) and (iii) above.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

The Company develops, markets and supports software solutions for design analysis and optimization. More than 4,000 companies throughout the world use ANSYS products, with no customer accounting for more than 3% of the Company's revenue for 1995. In 1995, international revenue accounted for 54.7% of the Company's revenue. Substantially all of the Company's revenue is denominated in United States dollars.

The Company derives its revenue principally from fees for licenses of its software products and for maintenance, customer support and training services. Software license revenue is derived from two types of license fees: paid-up perpetual licenses and lease (time-based) licenses. Historically, software lease revenue has comprised a substantial portion of the Company's software license revenue. Although the Company expects revenue from the sale of lease licenses to be relatively stable, the Company has experienced an increase in customer preference for perpetual licenses of its products. Lease license revenue is recognized on a monthly basis. Perpetual license revenue is recognized in the period the sale is completed. Although lease license revenue currently represents a majority of the Company's software license revenue, to the extent that perpetual license revenue increases as a percent of total software license revenue, the Company's revenue in any period will increasingly depend on sales completed during that period. In addition, revenue from maintenance contracts will increase to the extent that holders of perpetual licenses purchase maintenance contracts in order to receive product updates and support. The Company currently derives substantially all of its revenue from products sold by its global network of 35 independent, regionally-based ASDs. Both software license revenue and maintenance and service revenue, which includes maintenance, program customization and training revenue, are presented net of any applicable ASD commission.

The Company licenses its software products using a per task pricing structure, fixed to an individual computer or residing on a network, subject to negotiated discounts on larger volume orders. The Company recognizes revenue from software licenses after shipment of product, fulfillment of acceptance terms, if any, and receipt of a signed contractual obligation. The Company historically offered one year warranties in connection with its domestic and international perpetual license sales. In the second half of 1995, the Company reduced its domestic warranties to 90 days and its international warranties to 180 days. The Company is currently reviewing its warranty policy regarding international sales. Reduction in warranty periods results in a lesser amount of initial paid-up license fees being deferred to future periods.

Payments received in advance of delivery of products or services are initially recorded as customer prepayments and recognized as revenue upon shipment or fulfillment of significant contractual obligations. Consulting services are priced by project, and customer training is priced by course. Revenue from training, support and other services is recognized as the services are performed. Maintenance revenue is recognized ratably over the contract term, typically one year.

Deferred revenue is recorded in connection with the Company's maintenance contracts with customers and the warranty portion of paid-up licenses. Deferred revenue increased in 1994 and 1995 and in the first quarter of 1996, and the Company anticipates that it will continue to increase as a result of increased sales of paid-up licenses and maintenance contracts.

The Company's expenses consist principally of cost of sales for software license revenue and maintenance and service revenue, operating expenses including general and administrative, selling and marketing, research and development and amortization, and interest expense. The Company's cost of sales for software license revenue consists of costs associated with the media, packaging, documentation and final porting of the Company's products, and any applicable royalty expense for licensed software. The Company has agreements with several software vendors to resell those vendors' products. See "Business--Strategic Alliances and Marketing Relationships." The Company expects to pay ongoing royalties in connection with these software licenses and others the Company may choose to license in the future. Royalties payable by the Company under these arrangements, which would constitute part of the Company's cost of software license revenue, may adversely affect the Company's gross profit. The Company's cost of sales for maintenance and services revenue

includes personnel and related operating costs allocated to maintenance and other customer support and training services. Selling and marketing expenses consist primarily of personnel costs and include salaries, commissions paid to internal sales and marketing personnel, promotional costs and related operating expenses. Research and development expenses consist primarily of personnel costs, as well as all costs associated with the development of new products and enhancements to existing products. General and administrative expenses consist primarily of personnel costs for finance, administrative and general management personnel, as well as accounting and legal expenses.

The Company's amortization and interest expenses since March 1994 have resulted principally from the 1994 Acquisition. Amortization primarily relates to intangible assets acquired in the 1994 Acquisition, including goodwill, the ANSYS trade name and a non-competition agreement, which are being amortized on the straight-line method over the estimated useful lives of these assets, as described in the table below. Interest expense consists principally of interest accruing on the 1994 Loan and the Subordinated Notes, which were incurred to finance the 1994 Acquisition and will be repaid with net proceeds from this offering.

In connection with the 1994 Acquisition, the Company capitalized \$925,000 of debt issuance costs and \$179,000 associated with an interest rate cap agreement, the unamortized portion of which was \$587,000 in the aggregate at April 30, 1996. As a result of the early repayment of the 1994 Loan with a portion of the net proceeds of this offering, the Company will write-off the unamortized balance as an extraordinary non-cash charge in the quarter in which the offering is closed.

In accordance with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed," the Company capitalizes software development costs once the technological feasibility of the product has been established and until the product is available for commercial release. The amounts of software development costs capitalized by the Company in 1994 and 1995 and the first quarter of 1996 were immaterial. See Note 2 of Notes to Consolidated Financial Statements.

The 1994 Acquisition. The Company was formed in January 1994 and acquired the assets of Swanson Analysis on March 14, 1994 for a cash purchase price of approximately \$48.0 million, the assumption of certain liabilities totaling \$4.9 million and acquisition costs of \$273,000. The cash payment was financed through the issuance of preferred and common stock, borrowings under the 1994 Loan and the issuance of Subordinated Notes. See "Certain Transactions." The 1994 Acquisition was accounted for using the purchase method of accounting. In accounting for the 1994 Acquisition, the aggregate consideration was adjusted downward to reflect the carryover of the 1994 basis of the seller's owner in the net assets acquired, in accordance with generally accepted accounting principles. The effect of this adjustment was to reduce, on the date of 1994 Acquisition, the value of the Company's stockholders' equity by approximately \$7.0 million and to preclude a write-up of a proportionate amount of the assets acquired. Cost in excess of the fair value of the net tangible assets was allocated to intangible assets. The following table sets forth the amounts allocated, the asset lives (in years) assigned, and the resulting annual amortization (also included in the table is the capitalized debt issuance costs):

	AMOUNT ALLOCATED	ASSET LIFE	ANNUAL AMORTIZATION

(DOLLARS IN MILLIONS)			
Capitalized software.....	\$15.4	3	\$ 5.1
Goodwill.....	14.7	3	4.9
Other intangible assets.....	3.9	3-10	0.6
	-----		-----
	\$34.0		\$10.6
	=====		=====

The 1994 Acquisition resulted in significant increases in amortization and interest expense, starting in the second quarter of 1994. This has resulted in net losses being recorded in most subsequent periods. Goodwill and capitalized software resulting from the 1994 Acquisition will be fully amortized in March 1997.

Following the 1994 Acquisition, the Company's new senior management team initiated a series of new strategies designed to accelerate the Company's growth and effectively anticipate, respond to and capitalize on the opportunities presented by the changing marketplace. Among other initiatives, the new management team (i)

established a sales management structure to work with the ASDs and to bring a more focused sales approach to the market; (ii) improved operating efficiencies and customer service; and (iii) developed and began to implement a strategy to enhance and extend the Company's product line to meet the demands of existing and new markets. The Company believes that these efforts have contributed significantly to the increases in revenue and results of operations since the 1994 Acquisition.

RESULTS OF OPERATIONS

For purposes of the following discussion and analysis, the results of operations of Swanson Analysis for the two and one-half months ended March 13, 1994 have been combined with the results of operations of the Company for the nine and one-half months ended December 31, 1994, by adding corresponding items without adjustment. This computation was done to permit useful comparison between the results for 1993, 1994 and 1995.

	YEAR ENDED DECEMBER 31, 1993		YEAR ENDED DECEMBER 31, 1994		YEAR ENDED DECEMBER 31, 1995		THREE MONTHS ENDED			
	AMOUNT	% OF REVENUE	AMOUNT	% OF REVENUE	AMOUNT	% OF REVENUE	MARCH 31, 1995 AMOUNT	% OF REVENUE	MARCH 31, 1996 AMOUNT	% OF REVENUE
(DOLLARS IN THOUSANDS)										
Revenue:										
Software licenses.....	\$27,495	87.0%	\$28,294	86.2%	\$32,604	82.3%	\$7,104	86.4%	\$8,385	78.1%
Maintenance and service.....	4,109	13.0	4,529	13.8	7,012	17.7	1,122	13.6	2,348	21.9
Total revenue.....	31,604	100.0	32,823	100.0	39,616	100.0	8,226	100.0	10,733	100.0
Cost of sales:										
Software licenses(/1/.....	4,772	17.4	3,795	13.4	3,331	10.2	956	13.5	666	7.9
Maintenance and service(/1/.....	1,331	32.4	893	19.7	1,572	22.4	273	24.3	529	22.5
Total cost of sales..	6,103	19.3	4,688	14.3	4,903	12.4	1,229	14.9	1,195	11.1
Gross profit.....	25,501	80.7	28,135	85.7	34,713	87.6	6,997	85.1	9,538	88.9
Operating expenses:										
Selling and marketing. Research and development.....	3,763	11.9	4,509	13.7	7,526	19.0	1,649	20.1	2,169	20.2
Amortization.....	5,972	18.9	6,759	20.6	8,329	21.0	2,019	24.6	2,330	21.8
General and administrative.....	937	3.0	8,720	26.6	10,641	26.9	2,660	32.3	2,719	25.3
Total operating expenses.....	7,181	22.7	5,840	17.8	6,857	17.3	1,493	18.1	1,850	17.2
Operating income (loss).....	17,853	56.5	25,828	78.7	33,353	84.2	7,821	95.1	9,068	84.5
Interest expense.....	7,648	24.2	2,307	7.0	1,360	3.4	(824)	(10.0)	470	4.4
Other income.....	(306)	(1.0)	(3,153)	(9.6)	(3,983)	(10.1)	(995)	(12.1)	(888)	(8.3)
Income (loss) before income tax benefit...	778	2.5	186	0.6	250	0.7	39	0.5	91	0.8
Income tax benefit.....	8,120	25.7	(660)	(2.0)	(2,373)	(6.0)	(1,780)	(21.6)	(327)	(3.1)
Net income (loss).....	--	--	917	2.8	793	2.0	595	7.2	126	1.2
	\$ 8,120	25.7%	\$ 257	0.8%	\$(1,580)	(4.0)%	\$(1,185)	(14.4)%	\$ (201)	(1.9)%

(1) Computed as a percentage of the corresponding revenue category.

THREE MONTHS ENDED MARCH 31, 1996 COMPARED TO THREE MONTHS ENDED MARCH 31, 1995

Revenue. The Company's revenue increased 30.5% for the 1996 quarter to \$10.7 million from \$8.2 million for the 1995 quarter. This increase was attributable principally to increased domestic and international sales of paid-up licenses and increased maintenance and services revenue, both of which resulted primarily from the Company's increased marketing emphasis, market acceptance of new product releases and broader customer usage of maintenance and support services in response to accelerated frequency of product releases and the Company's increased emphasis on marketing its maintenance services.

Software license revenue increased 18.0% for the 1996 quarter to \$8.4 million from \$7.1 million for the 1995 quarter, resulting principally from increased sales of paid-up licenses in domestic and international markets. Revenue from sales of paid-up licenses increased 29.2% for the 1996 quarter to \$3.6 million from \$2.8 million for the 1995 quarter. The Company also experienced a 10.8% increase in lease license revenue to \$4.8 million for the 1996 quarter from \$4.3 million for the 1995 quarter. Maintenance and service revenue increased 109.3% for the 1996 quarter to \$2.3 million from \$1.1 million for the 1995 quarter, as a result of a substantial increase in the sale of paid-up licenses, reduction in the warranty period, and broader customer usage of maintenance and support services.

Of the Company's total revenue for the 1996 quarter, approximately 48.4% and 51.6%, respectively, were attributable to domestic and international sales, as compared to 45.0% and 55.0%, respectively, for the 1995 quarter.

Cost of Sales and Gross Profit. The Company's total cost of sales remained relatively stable at \$1.2 million for the 1996 and 1995 quarters, representing 11.1% and 14.9% of total revenue, respectively. The Company's cost of sales for software license revenue decreased 30.3% for the 1996 quarter to \$666,000, or 7.9% of software license revenue, from \$956,000, or 13.5% of software license revenue, for the 1995 quarter. The decrease was due primarily to a reduction of expenses through lower headcount and cost controls and implementation of a more efficient multi-platform development environment for the Company's product releases.

The Company's cost of sales for maintenance and service revenue was \$529,000 and \$273,000, or 22.5% and 24.3% of maintenance and service revenue, for the 1996 and 1995 quarters, respectively, reflecting the substantial increase in maintenance and service revenue in the 1996 quarter.

As a result of the foregoing, the Company's gross profit increased 36.3% to \$9.5 million for the 1996 quarter from \$7.0 million for the 1995 quarter.

Selling and Marketing. Selling and marketing expenses increased 31.5% for the 1996 quarter to \$2.2 million, or 20.2% of total revenue, from \$1.6 million, or 20.1% of total revenue, for the 1995 quarter. This growth was attributable principally to increased personnel costs, including costs associated with increased headcount and compensation expenses related to building a sales and marketing organization, as well as increased commissions associated with increased revenue.

Research and Development. Research and development expenses increased 15.4% for the 1996 quarter to \$2.3 million, or 21.8% of total revenue, from \$2.0 million, or 24.6% of total revenue, for the 1995 quarter. This increase resulted primarily from employment of additional staff and independent contractors to develop and enhance the Company's products, including a dedicated team working on the development of the Company's DesignSpace product (see "Business--Product Development"), costs associated with quality assurance, and equipment costs to implement an enhanced multi-platform development environment.

Amortization. Amortization expense was \$2.7 million in the first quarter in both 1996 and 1995. Goodwill and capitalized software acquired in connection with the 1994 Acquisition will be fully amortized in the first quarter of 1997.

General and Administrative. General and administrative expenses increased 23.9% to \$1.9 million, or 17.2% of total revenue, for the 1996 quarter from \$1.5 million, or 18.1% of total revenue, for the 1995 quarter. The Company has maintained a relatively stable headcount while adding administrative support services, such as computerized order fulfillment and corporate-wide information technology systems, to support its future operations.

Interest. Interest expense decreased 10.8% for the 1996 quarter to \$888,000 from \$995,000 for the 1995 quarter. This decrease was attributable to a reduction in the outstanding principal of the 1994 Loan, as well as a reduction in the effective interest rate from period to period. Interest expense will decrease substantially upon completion of this offering as a result of the repayment of the 1994 Loan and the Subordinated Notes as described under "Use of Proceeds."

Income Tax Benefit. The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." The Company's income tax benefit consists principally of deferred income tax benefit, net of current federal, state and foreign taxes. The Company's effective rate of taxation was 38.5% for the 1996 quarter, as compared to 33.4% for the 1995 quarter. These percentages are less than the federal and state combined statutory rate of approximately 39.0% due primarily to the utilization of research and experimentation credits.

At March 31, 1996, the Company had recorded net deferred tax assets totaling \$7.7 million resulting from temporary differences in the recognition of expenses for income tax and financial statement purposes, principally related to goodwill and capitalized software cost. No valuation allowance was established against the net deferred tax assets because management believes it is more likely than not that the deferred tax assets will be fully realized through future taxable income, taking into account, among other factors, anticipated reductions in future interest and amortization expenses as described herein, as well as the various risks inherent in the Company's business as described under "Risk Factors."

Net Loss. As a result of the foregoing, the Company's net loss decreased in the first quarter of 1996 to \$.2 million from a net loss of \$1.2 million in the 1995 quarter.

YEAR ENDED DECEMBER 31, 1995 COMPARED TO PRO FORMA YEAR ENDED DECEMBER 31, 1994

Revenue. The Company's revenue increased 20.7% for 1995 to \$39.6 million from \$32.8 million for 1994. This increase was attributable principally to increased domestic and international sales of paid-up licenses, offset partially by lower sales of lease licenses, and to increased maintenance and service revenue. These increases resulted primarily from the Company's increased marketing emphasis, market acceptance of new product releases and related broader customer usage of maintenance and support services in response to accelerated frequency of product releases and the Company's increased emphasis on marketing its maintenance services.

Software license revenue increased 15.2% for 1995 to \$32.6 million from \$28.3 million for 1994. Revenue from sales of paid-up licenses increased 52.6% for 1995 to \$14.5 million from \$9.5 million for 1994, while lease license revenue declined 3.7% for 1995 to \$18.1 million from \$18.8 million for 1994. A portion of the growth in revenue from paid-up licenses was due to a reduction in the warranty period, effective in the second half of 1995. This reduction in the warranty period resulted in a lesser amount of the initial paid-up license fees being deferred to future periods. Maintenance and service revenue increased 54.8% for 1995 to \$7.0 million from \$4.5 million for 1994, as a result of a substantial increase in the sale of paid-up licenses, reduction in the warranty period, and broader customer usage of maintenance and support services. A substantial portion of this increase was due to increased maintenance revenue.

Of the Company's total revenue for 1995, approximately 47.3% and 52.7%, respectively, were attributable to domestic and international sales, as compared to 47.2% and 52.8%, respectively, for 1994.

Cost of Sales and Gross Profit. The Company's total cost of sales increased 4.6% for 1995 to \$4.9 million, or 12.4% of total revenue, from \$4.7 million, or 14.3% of total revenue, for 1994. The Company's cost of sales for software license revenue decreased 12.2% for 1995 to \$3.3 million, or 10.2% of software license revenue, from \$3.8 million, or 13.4% of software license revenue, for 1994. This decrease was primarily due to a reduction in expenses through lower headcount and cost controls and implementation of a more efficient multi-platform development environment for the Company's product releases.

The Company's cost of sales for maintenance and service revenue increased 76.0% for 1995 to \$1.6 million, or 22.4% of maintenance and service revenue, from \$893,000, or 19.7% of maintenance and service revenue, for 1994. This increase resulted primarily from increased staffing to support anticipated demand for customer services.

As a result of the foregoing, the Company's gross profit increased 23.4% to \$34.7 million for 1995 from \$28.1 million for 1994.

Selling and Marketing. Selling and marketing expenses increased 66.9% for 1995 to \$7.5 million, or 19.0% of total revenue, from \$4.5 million, or 13.7% of total revenue, for 1994. The increase in selling and marketing expenses resulted primarily from increased personnel costs, including costs associated with increased headcount and compensation expenses related to the establishment of a sales force to support the Company's distribution network, as well as increased commissions associated with increased revenue.

Research and Development. Research and development expenses increased 23.2% for 1995 to \$8.3 million, or 21.0% of total revenue, from \$6.8 million, or 20.6% of total revenue, for 1994. This increase resulted primarily from employment of additional staff and independent contractors to develop and enhance the Company's products, including a dedicated team working on the development of the Company's DesignSpace product, costs associated with quality assurance and equipment costs to implement an enhanced multi-platform development environment.

Amortization. Amortization expense was \$10.6 million for 1995 and \$8.7 million for 1994. This amortization expense resulted from the 1994 Acquisition and relates primarily to intangible assets, including goodwill, which are being amortized from the date of the 1994 Acquisition, March 14, 1994. The unamortized portion of the goodwill and capitalized software acquired in connection with the 1994 Acquisition will be fully amortized in the first quarter of 1997.

General and Administrative. General and administrative expenses increased 17.4% for 1995 to \$6.9 million, or 17.3% of total revenue, from \$5.8 million, or 17.8% of total revenue, for 1994. This increase resulted primarily from the employment of additional staff as well as an increase in accounting and legal expenses in support of the Company's increased level of operations. The Company has maintained a relatively stable headcount while adding administrative support services, such as computerized order fulfillment and corporate-wide information technology systems, to support its future operations.

Interest. Interest expense increased 26.3% for 1995 to \$4.0 million from \$3.2 million for 1994. This increase resulted from interest on indebtedness incurred to finance the 1994 Acquisition for the full year of 1995 as compared to nine and one-half months in 1994, as well as an increase in the weighted average interest rate to 9.6% for 1995 from 8.4% for 1994. Interest expense will substantially decrease upon completion of this offering as a result of the repayment of the 1994 Loan and the Subordinated Notes as described under "Use of Proceeds."

Income Tax Benefit. The income tax benefit decreased to \$793,000 for 1995 from \$917,000 for 1994. For the portion of 1994 prior to the 1994 Acquisition, the Company's predecessor was taxed as an S Corporation and as such was not subject to federal or state income taxes. Excluding this period, the effective tax rates were 33.4% for 1995 and 33.9% for 1994. These percentages are less than the federal and state combined statutory rate of approximately 39.0% due primarily to the utilization of research and experimentation credits.

Net Loss. As a result of the foregoing, the Company reported a net loss of \$1.6 million in 1995, compared to net income of \$257,000 in 1994.

PRO FORMA YEAR ENDED DECEMBER 31, 1994 COMPARED TO YEAR ENDED DECEMBER 31, 1993

Revenue. Revenue increased 3.9% for 1994 to \$32.8 million from \$31.6 million for 1993. This increase resulted primarily from an increase in the number of customers licensing the Company's software products and an increase in the number of paid-up software licenses purchased.

Software license revenue increased 2.9% for 1994 to \$28.3 million from \$27.5 million for 1993. Revenues from sales of paid-up licenses increased 43.9% for 1994 to \$9.5 million for 1994 from \$6.6 million for 1993, while lease license revenue decreased 10.0% during the same year to \$18.8 million from \$20.9 million for 1993. Maintenance and service revenue increased 10.2% for 1994 to \$4.5 million from \$4.1 million for 1993. This increase resulted from an increase in the customer maintenance base.

Of the Company's total revenues for 1994, approximately 47.2% and 52.8%, respectively, were attributable to domestic and international sales, as compared to 48.8% and 51.2%, respectively, for 1993.

Cost of Sales and Gross Profit. The Company's cost of sales for software license revenue decreased 20.5% for 1994 to \$3.8 million, or 13.4% of software license revenue, from \$4.8 million, or 17.4% of software license revenue for 1993. The decrease was due to decreased documentation and media expenses incurred in 1993 in

connection with a major software product release as well as an internal reorganization that resulted in the transfer of a number of employees to a newly created order fulfillment department, the expenses of which have been subsequently included in general and administrative expenses. The primary responsibilities of this new department include all ASD and contract related administration, as well as data entry of contract information.

The Company's cost of sales for maintenance and service revenue decreased 32.9% for 1994 to \$893,000, or 19.7% of maintenance and service revenue, from \$1.3 million, or 32.4% of maintenance and service revenue, for 1993. This increase resulted primarily from the transfer of several employees, primarily to the research and development area.

As a result of the foregoing, the Company's gross profit increased 10.3% to \$28.1 million for 1994 from \$25.5 million for 1993.

Selling and Marketing. Selling and marketing expenses increased 19.8% for 1994 to \$4.5 million, or 13.7% of total revenue, from \$3.8 million, or 11.9% of total revenue, for 1993. The increase in selling and marketing expenses resulted primarily from increased personnel costs, including costs associated with increased headcount, compensation expenses related to the establishment of a sales force to support the Company's distribution network, increased commissions associated with increased revenue and expenses associated with the Company's 1994 bi-annual users' conference.

Research and Development. Research and development expenses increased 13.2% for 1994 to \$6.8 million, or 20.6% of total revenue, from \$6.0 million, or 18.9% of revenue, for 1993. The increase resulted primarily from employment of additional staff and independent contractors to develop and enhance the Company's products and provide quality assurance.

Amortization. Amortization expense was \$8.7 million for 1994 as compared to \$937,000 for 1993. This increase resulted primarily from the 1994 Acquisition and the related intangible assets, including goodwill, which are being amortized over the estimated useful lives of the assets. Goodwill and capitalized software acquired in connection with the 1994 Acquisition will be fully amortized in March 1997.

General and Administrative. General and administrative expenses decreased 18.7% for 1994 to \$5.8 million, or 17.8% of total revenue, from \$7.2 million, or 22.7% of total revenue, for 1993. This decrease in general and administrative expenses resulted primarily from the settlement of a legal dispute amounting to approximately \$1.6 million in legal fees and related costs in 1993, partially offset by expenses related to the transfer of a number of employees into a newly created department, the expenses of which have been subsequently included in general and administrative expenses.

Interest. Interest expense increased 930.4% to \$3.2 million for 1994 from \$306,000 for 1993. The increase resulted from the Company's incurrence of indebtedness in connection with the 1994 Acquisition.

Income Tax Benefit. The Company's income tax benefit was \$917,000 for 1994. Because the predecessor company was taxed as an S Corporation, there was no income tax provision or benefit for 1993.

Net Income. As a result of the foregoing, the Company's net income decreased to \$257,000 in 1994 from \$8.1 million in 1993.

QUARTERLY INFORMATION

The following table presents unaudited quarterly operating results for each of the Company's last eight quarters as well as the percentage of the Company's revenue represented by each item. This information has been prepared by the Company on a basis consistent with the Company's audited financial statements and includes all adjustments (consisting only of normal recurring adjustments) that management considers necessary for a fair presentation of the data. These quarterly results are not necessarily indicative of future results of operations. This information should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto included elsewhere in this Prospectus.

QUARTER ENDED

	JUNE 30, 1994	SEPT. 30, 1994	DEC. 31, 1994	MARCH 31, 1995	JUNE 30, 1995	SEPT. 30, 1995	DEC. 31, 1995	MARCH 31, 1996
(IN THOUSANDS)								
Revenue:								
Software licenses.....	\$7,043	\$ 6,612	\$7,549	\$ 7,104	\$7,883	\$8,536	\$ 9,081	\$ 8,385
Maintenance and service.....	1,285	1,167	1,245	1,122	1,455	1,987	2,448	2,348
Total revenue.....	8,328	7,779	8,794	8,226	9,338	10,523	11,529	10,733
Cost of sales:								
Software licenses.....	1,032	896	918	956	1,015	726	634	666
Maintenance and service.....	238	217	217	273	334	342	623	529
Total cost of sales..	1,270	1,113	1,135	1,229	1,349	1,068	1,257	1,195
Gross profit.....	7,058	6,666	7,659	6,997	7,989	9,455	10,272	9,538
Operating expenses:								
Selling and marketing..	1,218	1,172	1,231	1,649	1,713	1,738	2,426	2,169
Research and development.....	1,687	1,684	1,740	2,019	2,045	1,982	2,283	2,330
Amortization.....	2,659	2,660	2,660	2,660	2,660	2,663	2,658	2,719
General and administrative.....	1,431	1,393	1,566	1,493	1,502	1,660	2,202	1,850
Total operating expenses.....	6,995	6,909	7,197	7,821	7,920	8,043	9,569	9,068
Operating income (loss)..	63	(243)	462	(824)	69	1,412	703	470
Interest expense.....	(932)	(975)	(996)	(995)	(1,021)	(978)	(989)	(888)
Other income.....	22	59	56	39	46	82	83	91
Income (loss) before income tax benefit (provision).....	(847)	(1,159)	(478)	(1,780)	(906)	516	(203)	(327)
Income tax benefit (provision).....	287	393	162	595	302	(173)	69	126
Net income (loss).....	\$ (560)	\$ (766)	\$ (316)	\$ (1,185)	\$ (604)	\$ 343	\$ (134)	\$ (201)

QUARTER ENDED

	JUNE 30, 1994	SEPT. 30, 1994	DEC. 31, 1994	MARCH 31, 1995	JUNE 30, 1995	SEPT. 30, 1995	DEC. 31, 1995	MARCH 31, 1996
Revenue:								
Software licenses.....	84.6%	85.0%	85.8%	86.4%	84.4%	81.1%	78.8%	78.1%
Maintenance and service.....	15.4	15.0	14.2	13.6	15.6	18.9	21.2	21.9
Total revenue.....	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Cost of sales:								
Software licenses (1)..	14.7	13.6	12.2	13.5	12.9	8.5	7.0	7.9
Maintenance and service (1).....	18.5	18.6	17.4	24.3	23.0	17.2	25.4	22.5
Total cost of sales..	15.2	14.3	12.9	14.9	14.4	10.2	10.9	11.1
Gross profit.....	84.8	85.7	87.1	85.1	85.6	89.8	89.1	88.9
Operating expenses:								
Selling and marketing..	14.6	15.1	14.0	20.1	18.3	16.5	21.0	20.2
Research and development.....	20.3	21.6	19.8	24.6	21.9	18.8	19.8	21.8
Amortization.....	31.9	34.2	30.2	32.3	28.5	25.3	23.1	25.3
General and administrative.....	17.2	17.9	17.8	18.1	16.1	15.8	19.1	17.2
Total operating expenses.....	84.0	88.8	81.8	95.1	84.8	76.4	83.0	84.5
Operating income (loss)..	0.8	(3.1)	5.3	(10.0)	0.8	13.4	6.1	4.4
Interest expense.....	(11.2)	(12.5)	(11.3)	(12.1)	(10.9)	(9.3)	(8.6)	(8.3)
Other income.....	0.3	0.8	0.6	0.5	0.5	0.8	0.7	0.8
Income (loss) before income tax benefit (provision).....	(10.1)	(14.8)	(5.4)	(21.6)	(9.6)	4.9	(1.8)	(3.1)
Income tax benefit (provision).....	3.4	5.1	1.8	7.2	3.2	(1.6)	0.6	1.2
Net income (loss).....	(6.7)%	(9.7)%	(3.6)%	(14.4)%	(6.4)%	3.3%	(1.2)%	(1.9)%

(1)Computed as a percentage of the corresponding revenue category.

The Company believes that decreases in first quarter revenues in 1995 and 1996 relative to the immediately preceding quarter resulted in part from incentive programs which the Company has in place to encourage overachievement of annual dollar revenue goals by ASDs and the Company's internal sales support personnel.

LIQUIDITY AND CAPITAL RESOURCES

Since the 1994 Acquisition, the Company has financed its operations, including increases in accounts receivable, capital equipment acquisitions and principal repayments on the senior secured indebtedness, primarily through cash generated from operations.

As of March 31, 1996, the Company had cash and cash equivalents of \$5.6 million and working capital of \$4.2 million, as compared to cash and cash equivalents of \$8.1 million and working capital of \$3.2 million at December 31, 1995. The Company also has available to it a \$1.0 million revolving line of credit with a commercial bank under a credit facilities agreement, which is available through June 1, 1997 and bears interest at the bank's prime rate plus 1.0%. The Company has not initiated any borrowing to date under the line of credit.

The Company's operating activities provided cash of \$9.7 million for 1993, \$9.1 million for 1994 and \$10.8 million for 1995, and used cash of \$1.6 million for the three months ended March 31, 1996. The Company's cash flow from operations decreased in 1994 as compared to 1993 due to slightly lower earnings before the effect of amortization. The increase in cash flow from operations in 1995 as compared to 1994 is the result of increased earnings before the effect of amortization and improved management of working capital. The use of cash flow from operations for the 1996 quarter was due to increased working capital requirements, primarily relating to an increase in accounts receivable, resulting from the renewal of maintenance contracts, a significant portion of which were renewed in the first quarter of the calendar year, and an increase in the number of days of outstanding software license revenue primarily attributable to transitional issues encountered with the conversion to a new billing system implemented in the fourth quarter of 1995, as well as the payment of 1995 management and employee bonuses and contributions to the Company's pension and profit sharing plans. The transitional issues in connection with the conversion to the new billing system primarily related to the generation and distribution of invoices to the ASDs at a later time than in prior periods, as well as a lack of familiarity with the new invoice format on the part of the ASDs. These factors contributed to payments being received later than in prior periods, thereby causing an increase in the number of days of outstanding software license revenue. Management does not believe that these issues will have a material adverse impact on the Company's future cash flows or the collectability of its accounts receivable balances. In addition, because a significant portion of maintenance contracts was received in the first quarter, accounts receivable--maintenance and service at December 31, 1994 and 1995 were insignificant and, accordingly, not shown separately in the Company's consolidated balance sheets for those dates.

Cash used in investing activities was \$5.2 million for 1993, \$48.2 million for 1994, \$2.0 million for 1995 and \$79,000 for the 1996 quarter. The use of cash in 1993 was due to the purchase of marketable securities and capital expenditures. The use of cash in 1994 was primarily to fund the 1994 Acquisition, and to a lesser extent for capital expenditures. The Company's use of cash in 1995 and the 1996 quarters was substantially related to capital expenditures. The Company expects to spend approximately \$2.0 million for capital equipment in 1996, principally for the acquisition of computer hardware, software and equipment.

Financing activities used cash of \$11.9 million for 1993, provided cash of \$42.6 million for 1994 and used cash of \$5.0 million and \$819,000 for 1995 and the 1996 quarter, respectively. Cash used in 1993 was substantially attributable to distributions to the stockholder of the Company's predecessor. Cash provided for financing activities for 1994 was due primarily to bank borrowings and the issuance of debt and equity securities related to the 1994 Acquisition. Cash used for 1995 and the 1996 quarter was the result of principal repayments made on the 1994 Loan.

The net proceeds from this offering will enable the Company to repay the 1994 Loan and the Subordinated Notes, including accrued and unpaid interest, and retire all of the Redeemable Preferred Stock, including accumulated dividends. The Company believes that the remaining net proceeds from this offering, together with cash and cash generated from operations and available borrowings, will be sufficient to fund its operations for at least the next twelve months.

In connection with the Company's planned relocation (see "Business--Facilities"), the Company expects to incur approximately \$1.2 million in capital expenditures, which is expected to be funded from cash from operations. The Company's cash requirements in the future may also be financed through additional equity or debt financings. There can be no assurance that such financing can be obtained on favorable terms, if at all.

NEW ACCOUNTING PRONOUNCEMENTS

In March 1995, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of." The new standard is effective for fiscal year 1996. Management believes that the implementation of the new standard will not have a material effect on its consolidated financial statements.

In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation." The new standard, which is effective for fiscal year 1996, requires the Company to adopt either a recognition method or a disclosure-only approach of accounting for stock based employee compensation plans. Management intends to adopt the disclosure-only approach and, as such, does not believe that the implementation of the standard will have a material effect on its consolidated financial statements.

BUSINESS

ANSYS, Inc. (the "Company") develops, markets and supports software solutions for design analysis and optimization. Engineering analysts and design engineers use the Company's software to accelerate product time to market, reduce production costs, improve engineering processes and optimize product quality and safety for a variety of manufactured products, ranging from basic consumer goods to satellite tracking systems. The ANSYS product family features open, flexible architecture that permits easy integration into its customers' enterprise-wide engineering systems and facilitates effective implementation of process-centric engineering.

The Company's software has been developed and enhanced to help customers meet several of the major challenges faced by businesses today, including increasing global competition and the need and ability to solve more complex product design problems. The Company believes that these factors, combined with the decreasing cost of computer hardware, are accelerating the demand for design analysis software solutions and have created an expanding marketplace, described by the Company as the design analysis and optimization market. This market includes a base of engineering analysts who use the Company's CAE analysis software to validate product design, as well as the broader group of design engineers who use analysis tools integrated within their CAD systems to optimize and evaluate products much earlier in the development cycle.

The Company's objectives are to increase market share among the traditional base of engineering analysts, to extend its product line to meet the demands of the broader group of design engineers and to increase the adoption of its products by new users, such as engineers in the biomedical and food processing industries. The Company's strategy focuses on maintaining and enhancing its technology leadership; offering an open and flexible software product family; pursuing a customer driven sales, services and marketing approach; capitalizing on its established global distribution and support network; and leveraging strategic relationships with leading CAD suppliers and third party providers of complementary hardware and software.

INDUSTRY BACKGROUND

The market for software tools that automate the product development process is evolving in response to the needs of manufacturers facing more intense global competition to bring products to market quickly, at lower cost and with higher quality. In addition, continuing technology advances in computing and the associated reduction in the cost of computer hardware have made engineering analysis solutions increasingly affordable and allow customers to solve ever-larger analysis problems. The global CAD, CAE and CAM market for software and services to support this automation is estimated at over \$3.5 billion in 1996, with the Company's traditional CAE market estimated at over \$500 million. The Company believes that the broader functionality of design analysis and optimization, which includes the Company's traditional CAE market, represents a growing portion of this overall market.

The traditional product design process can be characterized as sequential and iterative. Each step in the product development process is discrete, with design engineers performing conceptual and detailed design, and engineering analysts performing testing and analysis after creation of a physical prototype. The results of this analysis are then returned to the design engineers so that modifications can be made and another physical prototype built for testing. This design and analysis loop continues until the physical prototype has been successfully tested, at which time the product is sent to be manufactured. This process often results in substantial changes to product design late in the process after significant investment has been made in up-front product design. The resulting time and expense have led many manufacturers to delay critical analysis until production has commenced and design flaws have surfaced.

Starting in the 1970s, software tools were introduced to automate the traditional product design process. These early tools targeted discrete functions in the process, with CAD tools for conceptual and detailed product design, CAE tools for analysis and design verification and CAM tools to assist in the automation of manufacturing. These tools have succeeded in enhancing the productivity of individual engineers, but have

important limitations. For example, these tools often produce data that are incompatible with other steps in the design process, thereby limiting their effectiveness. Of potentially greater significance, these tools did not change the fundamentally sequential and iterative nature of the traditional product design process.

[GRAPHIC DEPICTING TRADITIONAL PRODUCT DESIGN PROCESS]

Limitations in the traditional product design process and associated tools have led manufacturers during the 1990s increasingly to adopt an approach known as process-centric engineering. Process-centric engineering involves interdisciplinary teams of design, analysis and manufacturing engineers working together in a highly collaborative and interactive way throughout the product design-to-manufacturing process. To be effective, process-centric engineering requires common data models and integrated, compatible software tools. In this process, analysis tools are used earlier in the product design cycle and are integrated with CAD software. Therefore, the traditional CAE tools are evolving into what the Company describes more broadly as design analysis and optimization. Parametric design has also emerged as a requirement of process-centric engineering in order to allow for rapid, intuitive modification of the product model without corruption of basic design concepts. The parametric foundation of software that supports process-centric engineering facilitates the integration of analysis and CAD software to enable dynamic product design analysis and optimization.

[GRAPHIC DEPICTING PROCESS-CENTRIC ENGINEERING]

CAD, CAE and CAM software tools that were developed for the traditional sequential product development process do not adequately support the requirements of process-centric engineering. The tools are difficult to integrate into enterprise-wide engineering solutions, are generally too complex for all but dedicated users, require too large an investment in training and specialization and cannot support a sufficiently broad range of hardware platforms and operating systems. In short, they do not provide users with the degree of flexibility needed to automate the process-centric engineering process. Traditional CAE tools have been too focused on specific disciplines, such as structural analysis, and most vendors who offer broader functionality typically do not provide compatibility of data structures or user interfaces across their product lines. In addition, most existing analysis tools do not provide "coupled-field" analysis capabilities to permit simultaneous analysis of the effects of two or more physical forces (for example, structural and thermal).

The Company believes that the increasing adoption of process-centric engineering in the 1990s has resulted in accelerating demand for design analysis software by both the historical base of engineering analysts solving design verification problems and the broader group of design engineers who require analysis tools that are integrated within their CAD systems for up-front design optimization.

THE ANSYS SOLUTION

The Company anticipated the change from sequential design to process-centric engineering and recognized that this change would require a new generation of CAE tools. The Company is a leading supplier of open, flexible design analysis and optimization software that allows manufacturers to implement effectively the process-centric engineering process. The Company's strategy emphasizes maintaining market leadership in the traditional analysis sector while leveraging its technology to address the evolving design optimization and CAD integration requirements of process-centric engineering systems. The Company's technology approach is to provide an integrated product family with a unified database, a wide range of analysis functionality, a consistent, easy-to-use graphical user interface, support for multiple hardware platforms and operating systems, effective user customization tools and integration with leading CAD systems.

The ANSYS solution includes the following key elements:

Integrated Product Family/Consistent User Interface. The Company has developed and owns the core technologies that form the foundation for its unified database and integrated product family. The Company's unified database ensures data compatibility throughout its product family and is the foundation for its coupled-field multiphysics analysis solutions. The Company provides a single, consistent, easy-to-use graphical user interface across the entire ANSYS product family. As a result, the Company is able to offer enterprise-wide, process-centric engineering solutions in contrast to CAE suppliers of point solutions that address only narrow market niches.

Breadth and Depth of Product Line. The Company believes it is important to offer customers both breadth and depth of analysis solutions. The ANSYS product family offers solutions ranging from design optimization to sophisticated design verification and virtual prototyping for multiple engineering disciplines, and product capabilities ranging from simple linear structural solvers to complex, non-linear multiphysics solvers. This allows the Company to provide sole source analysis solutions to a wide range of customers.

Openness and Flexibility. The Company believes its product architecture provides flexible support to manufacturers seeking to implement enterprise-wide engineering systems comprised of "best-of-class" software from multiple vendors. The Company's software products support industry data format standards such as IGES and STEP for geometry transfer, support multiple hardware platforms and operating systems, such as UNIX, Windows 95 and Windows NT, and provide direct interfaces to many leading CAD systems. The Company allows its customers to purchase only the level of functionality they require on a per task basis.

Adaptability. The Company offers its customers the ability to customize ANSYS products for their specific requirements through a set of user customization tools including macros and an application procedural interface ("API") delivered as part of each ANSYS product. Sophisticated software customization services are also available through the Company's Customer Services Group and its global network of ASDs. The ASD network enables the Company to provide localized, multilingual consulting and customization services, which the Company believes is especially important in supporting customers with multinational operations.

CAD Integration. In 1993, the Company released ProFEA, the first independent design analysis software to be fully integrated inside the user interface of Parametric Technology's Pro/ENGINEER CAD product. In 1995, the Company introduced AutoFEA, integrated inside the AutoCAD package from AutoDesk. In 1996, the Company introduced a service whereby ANSYS analysis software can be integrated inside Computervision's CADD application.

STRATEGY

The Company has historically focused on providing superior analysis and optimization technology within a broad, data compatible product family. Since the 1994 Acquisition, the new management team has added a more customer and market driven approach to the Company's technology focus. The Company's objectives are to be the leading global supplier of design analysis software solutions and to accelerate its growth by:

- . increasing market share among the traditional base of engineering analysts,
- . extending its product line to meet the demands of the broader group of design engineers, and
- . increasing the adoption of its products by new users, such as engineers in the biomedical and food processing industries, where global competition is increasing pressure on design and development functions and where analysis tools have not been widely employed.

The Company's strategy for achieving these objectives emphasizes the following key elements:

Maintain and Enhance Technology Leadership. The Company has been a technology leader in analysis software throughout its 26 year history. It was the first to offer analysis software for personal computers and the first to offer independent design analysis software integrated within a CAD package. The Company's high speed solvers and parallel processing capabilities, as well as its coupled-field multiphysics capabilities, unified database and graphical user interface, enable it to maintain leadership in providing coupled-field multiphysics solutions. The Company is making significant investments in research and development and is continuing its recent history of accelerated new product releases. The Company's product development strategy also focuses on extensions of the product family with new functional modules, further integration with CAD products and the development of a new generation of products based on object-oriented technology derived from the Company's core multiphysics technology base.

Maintain and Enhance Customer Services. The Company has a 26-year history of providing its customers with high level technical support, training and regular product releases. The Company is increasing its investment in service personnel and support systems to enhance its customer service, support the increasing frequency of product releases and improve coordination with its ASD network.

Maintain and Enhance Openness and Flexibility. The Company believes that open and flexible software products allow customers to protect their investments in engineering system hardware and software. The Company therefore intends to remain a leading supplier of open and flexible design analysis solutions that can be fully integrated into the enterprise-wide process-centric engineering systems of its customers as they evolve. The Company is continuing to produce products and provide services to directly integrate its products with leading CAD systems. The Company's products support multiple hardware and software systems while maintaining a unified database across all platforms and products. The Company participates in industry standards committees such as those for IGES, STEP and OLE for Design and Modeling.

Expand Sales and Marketing Activities. The Company continues to strengthen its domestic and international sales and marketing efforts. The Company's new management team has added professionals in sales, marketing, product management, public relations and communications, including regional sales managers to work with the ASDs as part of a coordinated effort to increase sales and marketing effectiveness, and account executives to coordinate global and strategic accounts. The Company has recently deployed advanced marketing tools, including database marketing systems, proactive Internet marketing and multimedia sales tools.

Continue Focus on Indirect Distribution Channels. The Company believes its network of 35 ASDs allows it to provide superior support and service to customers as well as more cost-effective sales and marketing of its core products than could be achieved through a direct sales force. The Company's ASDs have a direct knowledge of customer needs and provide a strong, local presence when marketing and supporting the Company's product line.

In addition to the ASD network, in 1995 the Company began to establish a dealer channel for its CAD integrated products because these products are sold primarily to design engineers rather than engineering analysts. The Company believes that this dealer channel will complement the ASD network by establishing a broader user base for its CAD integrated products, which the Company expects will create new demand for its multiphysics products. As of April 30, 1996, the Company had signed agreements with 27 dealers.

Pursue Strategic Alliances and Marketing Relationships. The Company has established strategic alliances with advanced technology suppliers and marketing relationships with hardware vendors, specialized application developers and CAD providers. The Company believes these relationships allow it to accelerate the incorporation of advanced technology into the ANSYS product family, gain access to important new markets, expand the Company's sales channel, develop specialized product applications and provide direct integration with leading CAD systems. For example, the Company has licensed LS/DYNA, an advanced software program for explicit dynamics, which is used for crash test simulation in the automotive and other industries. The Company also has arrangements with leading CAD vendors, such as Parametric Technology, Autodesk and Computervision, to provide direct linkages between their CAD packages and the ANSYS product family.

CUSTOMERS

The Company's products have an estimated installed base of 8,200 licenses at commercial sites and 8,100 licenses at university sites worldwide. The Company's products are utilized by organizations ranging in size from small consulting firms to the world's largest industrial companies. ANSYS customers include 61 of the Global Fortune Industrial 100 companies, including the top 10. No customer accounted for more than 3% of the Company's revenue in 1995. The following are examples of the wide range of companies using ANSYS products:

AEROSPACE AlliedSignal Lockheed Martin United Technologies	COMPUTERS, OFFICE EQUIPMENT Canon Fujitsu IBM Seagate Technology
CONSUMER GOODS Black & Decker Corning Pellerin Milnor Snap-On Tools Whirlpool	ELECTRONICS, ELECTRICAL GEC General Electric Motorola Siemens Westinghouse Electric
AUTOMOTIVE Ford General Motors SAAB Toyota Volvo	GOVERNMENT, DEFENSE Bharat Bofors Harris Raytheon U.S. Department of the Army
BIOMEDICAL, PHARMACEUTICALS Carbomedics DePuy Johnson & Johnson Showa Denko	HEAVY EQUIPMENT Cummins Ishikawajima-Harima John Deere Komatsu Mannesmann
CHEMICALS Akzo Nobel BASF Bayer Ciba-Geigy Hoechst	METALS Kobe Preussag Reynolds Sumitomo Thyssen
SCIENTIFIC, PHOTOGRAPHY 3M Eastman Kodak Fuji	

The following case studies illustrate various uses of the Company's products.

Motorola

A division of Motorola designs and manufactures high-current semiconductor units to efficiently control electric motors in industrial drives, commercial products and electric vehicles. Motorola has adopted a product development strategy that uses ANSYS, among other tools, to continuously analyze and refine design concepts and product configuration. This coordinated approach, which utilizes ANSYS products for coupled-field analysis, improves product quality and shortens development times compared to the traditional sequential product design process.

Black & Decker

Black & Decker uses ANSYS technology in the design of its commercial and household appliances, such as its SurgeXpress steam iron. Black & Decker engineers used ANSYS design analysis capabilities to increase the steam rate of the iron by 40% while reducing material costs by 20%, thereby creating a lighter weight and more efficient product.

Pratt & Whitney

Pratt & Whitney engineers use ANSYS products to analyze the flight-worthiness of critical components of NASA's Space Shuttle. Using ANSYS, Pratt & Whitney engineers simulate the thermal response of parts throughout an entire Space Shuttle flight mission, from pre-launch to shut down. For example, using the results of heat transfer analysis, engineers simulated the structural response of the Space Shuttle's oxygen turbo pump at five different times. The analysis was completed within two months, a substantial time savings compared to the time to build and test physical prototypes. Pratt & Whitney's oxygen turbo pump made its first flight on the Space Shuttle Discovery in July 1995 when it was installed on one of the three main engines.

Rolls-Royce

Rolls-Royce specializes in the design, development and manufacture of aircraft engines and industrial power equipment. ANSYS collaborated with Rolls-Royce and Computervision in the development of "ANSYS for CADDs," a direct CAD software interface to Computervision's CADDs software that provides designers and mechanical engineers with up-front design analysis tools integrated inside the CADDs program.

DePuy

DePuy, a manufacturer of orthopedic implants and the surgical instruments used to install them, uses ANSYS to help develop more reliable and durable knee and hip prosthetic devices. ANSYS software is used to analyze individual patient data from CAT scans to customize these devices to the specific needs of individual patients.

Although the Company believes that the foregoing case studies are representative of the uses of the Company's products by its customers and the types of results that may be achieved, there can be no assurance that each customer using the Company's products will achieve the same types of results as those described above.

PRODUCTS

The ANSYS family of products consists of flexible, integrated analysis software tools that address enterprise-wide engineering requirements. The Company believes that ANSYS/Multiphysics, the Company's flagship program, is the most comprehensive coupled-field multiphysics software currently available. In addition, the Company's individual design and analysis software programs, all of which are included in the ANSYS/Multiphysics program, are available as subsets or stand-alone programs. All of the capabilities of the ANSYS/Multiphysics program are available on a single CD. An authorization file provided to customers at the time of purchase unlocks modules based on the level of functionality purchased by the user. The Company's multiphysics products comprise the core of its business and accounted for substantially all of the Company's revenue in 1995 and the three months ended March 31, 1996. See "Risk Factors--Dependence on Core ANSYS Products."

The Company's CAD integration products provide design optimization tools for use directly within a particular CAD product. CAD integration products are accessed from the graphical user interface of, and operate directly on the geometry produced within, the CAD product. The output from these programs may be read into any of the products in the ANSYS product family. In addition to the two products listed below, the Company has arrangements with many leading CAD suppliers to provide direct linkages between the vendors' CAD packages and the Company's products.

Multiphysics Products

ANSYS/Multiphysics. ANSYS/Multiphysics is the Company's most comprehensive, parametric based, coupled-field, multidisciplinary analysis program. It enables users to conduct simultaneous, interactive analysis

across a range of engineering disciplines, including structural, thermal, fluid flow, acoustics and electromagnetics. This sophisticated design and analysis software provides the design optimization capabilities necessary to simulate and solve complex engineering problems in industries such as aerospace, automotive, biomedical and consumer electronics.

ANSYS/Mechanical. ANSYS/Mechanical provides a wide range of engineering design, analysis and optimization capabilities. It includes all of the functionality of ANSYS/Multiphysics except fluid flow and electromagnetics. This design verification software enables users to determine displacements, stresses, forces, temperature and pressure distributions, such as the combined structural and thermal characteristics of a printed circuit board.

ANSYS/Thermal. ANSYS/Thermal is used for steady state and transient thermal analyses, including conduction, convection, radiation and heat transfer. This comprehensive thermal program is used for analysis in applications ranging from electronic cooling to induction furnace start-up.

ANSYS/LinearPlus. ANSYS/LinearPlus is a low-cost structural analysis product designed for linear static, dynamic and buckling analyses. This product is used to solve engineering problems such as those in the automotive, bridge building, hand tools and office equipment industries. ANSYS/LinearPlus is used, for example, to determine the vibrations and natural frequencies of an automobile chassis.

ANSYS/FLOTRAN. ANSYS/FLOTRAN is a computational fluid dynamics ("CFD") program that solves a variety of fluid flow problems, including laminar, turbulent, compressible and incompressible flow. ANSYS/FLOTRAN is the only CFD program with design optimization capabilities. A typical use of this product is to calculate the lift and drag on an airplane wing.

ANSYS/Emag. ANSYS/Emag simulates electromagnetic fields, electrostatics, circuits and current conduction. It is typically used with other ANSYS products to study the interaction of flow, electromagnetic fields and structural mechanics, such as the calculation of the torque and efficiency of an electric motor.

ANSYS/LS-DYNA. ANSYS/LS-DYNA solves highly nonlinear structural dynamic problems. This program models dynamic physical scenarios such as material forming, large deformation impacts, nonlinear material behavior and multibody contact. This product will be used in applications such as crash test simulations and metal and glass forming analysis. ANSYS/LS-DYNA is in beta testing and is scheduled for release in the second half of 1996.

ANSYS/PrepPost. ANSYS/PrepPost is used to prepare a design for analysis and to display the results of the analysis upon completion. It provides extensive, fully parametric features in the preprocessing stage of engineering analysis, thereby allowing users to quickly and easily create finite element models. The postprocessor enables users to examine results from all ANSYS analysis programs.

ANSYS/ED. ANSYS/ED is a fully functional design simulation program possessing the capabilities of the ANSYS/Multiphysics program with limits on problem size. This inexpensive, self-contained package is used primarily for training and educational purposes and has been widely distributed to engineering and technical departments at universities worldwide.

CAD Integration Products

ANSYS/ProFEA. ANSYS/ProFEA is a design analysis software program with a streamlined version of ANSYS/Mechanical capabilities to allow design engineers to perform analysis and optimization throughout the design phase from within Parametric Technology's Pro/ENGINEER user interface.

ANSYS/AutoFEA. ANSYS/AutoFEA, an integrated design analysis program running completely inside AutoCAD release 13 and Mechanical Desktop, allows design engineers to assess the integrity of their designs during the conceptualization stage using AutoDesk's AutoCAD user interface. The Company released a 2D version of AutoFEA in 1995 and will release the 3D version in the second half of 1996.

Product Data

The following table indicates the suggested retail price as of March 31, 1996 for a paid-up, per seat license of each of the Company's products, the date of the latest product release and the date of the first release since the introduction of ANSYS 5.0 in 1992. ANSYS 5.0 was the first release of the Company's flagship product with the newly architected data structures to support CFD and electromagnetics.

PRODUCT	SUGGESTED U.S. RETAIL PRICE	LATEST RELEASE	INITIAL RELEASE

Multiphysics:			
ANSYS/Multiphysics*	\$ 35,000	Mar. 96	Dec. 92
ANSYS/Mechanical	25,000	Mar. 96	Dec. 92
ANSYS/Thermal	10,000	Mar. 96	Feb. 94
ANSYS/LinearPlus	10,000	Mar. 96	Feb. 94
ANSYS/FLOTRAN	18,000	Mar. 96	Feb. 94
ANSYS/Emag	18,000	Mar. 96	Feb. 94
ANSYS/LS-DYNA	30,000	**	**
ANSYS/PrepPost	12,500	Mar. 96	Dec. 92
ANSYS/ED	250	Mar. 96	Mar. 93
CAD Integrated:			
ANSYS/ProFEA	8,000	Oct. 95	Nov. 93
ANSYS/AutoFEA 2D	1,500	Mar. 95	Mar. 95
ANSYS/AutoFEA 3D	3,800	**	**

* Originally marketed as ANSYS 5.0.
 ** Scheduled for release in the second half of 1996.

TECHNOLOGY

The Company's software products allow users to construct computer models (or transfer computer models from CAD programs) of structures, products, components or systems. The analyst may then simulate operating loads or other design performance conditions and study the model's physical responses, such as stress levels, temperature distributions or the impact of electromagnetic fields. The Company's products can also be used to optimize a design early in the product development process to reduce production costs. These processes help customers shorten the cycle of prototype building, testing and rebuilding and reduce expensive product overdesign. The Company believes its technology and products are differentiated from those of its competitors by a combination of its high speed solvers, its superior parallel processing, the breadth of its product line, its coupled-field multiphysics capabilities and its compatible, unified database.

All ANSYS products are based on classical engineering concepts. Through proven numerical techniques, these concepts can be formulated into matrix equations that are suitable for finite element analysis ("FEA"). In preparing for an analysis, a technique known as finite element meshing is used to subdivide a complex product or part into discrete regions known as elements connected at a finite number of points known as nodes. The primary unknowns in an analysis are the degrees of freedom for each node in the finite element model. Degrees of freedom may include displacements, rotations, temperatures, pressures, velocities, voltages or magnetic potentials and are defined by the elements attached to the node. Corresponding to the degrees of freedom, matrices are generated as appropriate for each element in the model. These matrices are then assembled to form sets of simultaneous equations that can be processed by one of the program's several solvers.

An ANSYS analysis comprises three phases: the preprocessing phase, the solution phase and the postprocessing phase. In the preprocessing or model generation phase, the data needed to perform an analysis solution are specified. The user builds a model of the object or system to be analyzed. The user can select coordinate systems and element types, define real constants and material properties, create solid models and mesh

them, manipulate elements and nodes, define coupling and constraint equations and define the applied loads. Coordinate systems are used in the ANSYS program to assist the user during the preprocessing stage in locating geometry in space, specifying degree of freedom directions at certain points in the model, defining material property directions and changing graphics displays. Graphical displays and data selection and list utilities are available to support the user in preparing the model.

After a model is built in the preprocessing phase, the results of the analysis are obtained in the solution phase. The user can specify the analysis type, analysis options, load data and load step options and then initiate the finite element solution. The analysis type specified by the user indicates to the program which governing equations should be used to solve the problem. The general categories of available analyses include structural, thermal, acoustic, electromagnetic field, electric field, electrostatic, fluid and coupled-field. The user can further define the analysis type by specifying analysis options, such as linear static or non-linear transient dynamic. ANSYS incorporates many advanced solver technologies for use during this phase, such as the PowerSolver, a recently added, high speed, iterative equation solver. The solution phase is computationally intensive, and ANSYS therefore incorporates advanced parallel processing capabilities to reduce solution times for all of its solvers.

In the postprocessing phase, the user views (in graphical or tabular form) and interprets the results calculated in the solution phase. These results may include displacements, temperatures, stresses, strains, velocities and heat flows. Because the postprocessing phase is fully integrated with the ANSYS preprocessing and solution phases, the user can examine results immediately and can test alternative solutions by modifying the parameters set in the preprocessing phase.

SALES AND MARKETING

The Company distributes its multiphysics products and services primarily through its global ASD network. This network, developed over the last decade, provides the Company with a cost-effective, highly specialized channel of distribution and technical support. Of the Company's revenue in 1995 and the three months ended March 31, 1996, 96.9% and 98.4% was derived through the ASDs. The six largest ASDs accounted for approximately 48.1% of the Company's revenue in 1995. See "Risk Factors--Dependence on Distributors." All software licenses for the Company's products are directly between the Company and the end user.

The ASD network consists of 35 distributors in 68 locations in 27 countries, including 16 in North America, nine in Europe, nine in the Asia Pacific Region and one in Brazil. The ASDs sell ANSYS products to new customers, expand installations within the existing customer base, offer consulting services and provide the first line of ANSYS technical support. The Company has instituted an ASD certification process to help ensure that each ASD has the capacity on an ongoing basis to adequately represent the Company's product line and provide an acceptable level of services and consultation.

Under the Company's new management, substantially all of the ASDs have entered into new contracts with the Company. These contracts establish minimum performance criteria and include provisions relating to product discounts, payment terms, customer support and training. ASDs are typically granted exclusive geographic territories for the sale and support of ANSYS core products (but not for CAD integrated products) and may not market products which are competitive with ANSYS products. In order to maintain its exclusive rights, each ASD is required to perform satisfactorily in the areas of sales volume, payments, customer support and customer satisfaction, as determined reasonably by the Company. Most ASD contracts are for a term of three years with automatic renewals for additional one-year terms, unless terminated by either party. The average ASD has been affiliated with the Company for eight years, and the Company has only replaced three ASDs since the 1994 Acquisition, none of which represented a significant portion of the Company's revenue.

The Company's new management team has established a sales management structure to work with the ASDs to develop a more focused sales approach and to implement a worldwide major account strategy. The Company's sales management organization consists of a North American Vice President of Sales, supported by four Regional Sales Directors and two Major Account Representatives, and an International Vice President of

Sales, supported by a European Managing Director and two Regional Sales Directors. The Company's sales organization also has application support engineers to represent the Company at exhibitions and conferences worldwide and to provide backup support to the ASDs. The Company believes that its new sales management infrastructure contributed significantly to the increase in its 1995 revenue growth rate.

In 1995, the Company began to establish a dealer channel for its CAD integrated products because these products are sold primarily to design engineers rather than engineering analysts. The Company believes that this dealer channel will complement the ASD network by establishing a broader user base for its CAD integrated products, which the Company expects will create new demand for its multiphysics products. As of April 30, 1996 the Company had signed agreements with 27 dealers. All dealers are required to meet the Company's standards for sales and customer support by ensuring they have trained appropriate marketing and technical personnel.

The Company refocused its marketing activities in 1995 to more effectively support to its sales management and distribution network. The Company has recently deployed advanced marketing technology including database marketing systems, proactive Internet marketing and multimedia sales tools.

In addition to marketing to manufacturers, the Company has traditionally marketed its products to the engineering departments of universities. There are now approximately 8,100 ANSYS multiphysics licenses at universities worldwide that are used both for teaching and research. In addition, the Company has licensed ANSYS/ED to individual engineering students. As a result, many engineering students are trained on ANSYS prior to entering the work force. The Company believes that this facilitates the sale of ANSYS products to manufacturers.

CUSTOMER SUPPORT AND SERVICES

The Company's Customer Services Group provides software maintenance, support and custom programming services to customers. The Company recently reorganized this Group in an effort to increase the percentage of customers on maintenance contracts and improve customer problem resolution. The Customer Services Group consists of 23 employees, 13 of whom are high-level technical support engineers, four of whom are software developers focused on program customization services and four of whom are training and education professionals.

The Company provides two levels of support under its standard maintenance contract. The ASDs provide local phone support, post sales assistance and professional services, such as consulting and training. The Company provides second level technical support, with direct access to development and technical resources. The technical support effort utilizes an advanced global help desk and problem tracking software that provide a centralized database for all customer support issues and product enhancement requests. Customers on the Company's standard maintenance and lease contracts automatically receive new releases of the Company's products.

The Company and the ASDs provide customization of ANSYS programs on a fee-for-services basis. Examples of such services include the integration of a customer-specific application or technology within an ANSYS program and the integration of a specific CAD system with the ANSYS program.

STRATEGIC ALLIANCES AND MARKETING RELATIONSHIPS

The Company has established strategic alliances with advanced technology suppliers and marketing relationships with hardware vendors, specialized application developers and CAD providers. The Company believes these relationships allow it to accelerate the incorporation of advanced technology into the ANSYS product family, gain access to important new markets, expand the Company's sales channel, develop specialized product applications and provide direct integration with leading CAD systems.

In July 1995, the Company entered into a software license agreement with Livermore Software Corporation under which Livermore has agreed to provide LS/DYNA software for explicit dynamics solutions used in applications such as crash test simulation in the automotive and other industries. Under this arrangement, Livermore assists in the integration of the LS/DYNA software with the Company's pre- and postprocessing capabilities and will provide updates and problem resolution in return for a share of revenue from sales of ANSYS/LS-DYNA, which is scheduled for release in the second half of 1996. In December 1995, the Company entered into an arrangement with Spatial Technology, Inc. for the ACIS Geometric Modeler, which will provide a foundation for data file conversion for several CAD products. The Company also has technology transfer agreements with Computational Applications and Systems Integration, Inc. for the PowerSolver, a high speed iterative solver, and with XOX, Inc. for the Shapes Geometric Modeler, which is used to support the Company's parametric solid modeling capability.

The Company has technical and marketing relationships with leading CAD vendors, such as Parametric Technology, Autodesk, Computervision, Intergraph, EDS/Unigraphics, SolidWorks and Dassault Systeme, to provide direct links between the vendors' CAD packages. These links facilitate the transfer of electronic data models between the CAD system and ANSYS products.

The Company has established relationships with leading suppliers of computer hardware, including Hewlett-Packard, Silicon Graphics/Cray, Sun Microsystems, Intergraph, Digital, IBM and Intel. The relationships typically provide the Company with joint marketing and advertising, Internet links with the hardware partner's home page and reduced equipment costs.

The Company's Enhanced Solution Provider Program actively encourages specialized developers of niche software solutions to use ANSYS as a development platform for their applications. For example, Silverado Software and Consulting uses the Company's API to develop Silverado's vertical drop shock application that simulates the dropping of products onto an unyielding surface, such as an electronic appliance onto concrete. Other Enhanced Solution Providers include COMET Acoustics, which uses ANSYS/PrepPost to run its acoustic solver for the automobile industry, and AC Technologies, which provides an interface to ANSYS in connection with its plastic injection mold flow analysis product. In many cases, the sale of the Enhanced Solution Providers' products is accompanied by the sale of an ANSYS product.

PRODUCT DEVELOPMENT

The Company intends to maintain its technology leadership by making significant investments in research and development and continuing its recent policy of accelerated new product releases. The Company's product development strategy centers on ongoing development and innovation of new technologies to increase productivity and provide solutions that customers can integrate into enterprise-wide engineering systems. The Company's product development efforts focus on extensions of the ANSYS product family with new functional modules, further integration with CAD products and the development of new products based on object-oriented technology. The Company's products run on the most widely used engineering computing platforms and operating systems, including Windows 95, Windows NT and most UNIX workstations, as well as on supercomputers such as the Cray.

The Company's total research and development expense was \$6.0 million, \$6.8 million and \$8.3 million in 1993, 1994 and 1995, or 18.9%, 20.6% and 21.0% of total revenue, respectively. As of March 31, 1996, the Company's product development staff consisted of 88 employees, most of whom hold advanced degrees and have industry experience in engineering, mathematics, computer science or related disciplines.

For 1996, the Company plans the following major product development activities:

- . The release of ANSYS 5.3, a new version of the Company's flagship multiphysics product, and all component products, scheduled for the second half of 1996. Major enhancements in this release will include two new solvers, improved meshing facilities, explicit dynamics solution capability and enhanced graphics and animation functions. ANSYS 5.3 is currently in the customer testing phase.

- . ANSYS/ProFEA and ANSYS Connection for Pro/ENGINEER are scheduled for enhancement releases in 1996, approximately 60 days after Parametric Technology releases its new versions of Pro/ENGINEER. These products will enable users to access Pro/ENGINEER geometry directly from ANSYS products.
- . The Company is developing AutoFEA 3D. This product is based on ANSYS DesignSpace, a C++ object-oriented product development environment evolved from existing ANSYS technology. The commercial release of AutoFEA 3D is planned for the second half of 1996.

The Company uses multi-functional teams to develop its products and develops them simultaneously on multiple platforms to reduce subsequent porting costs. In addition to developing source code, these teams create and perform highly automated software verification tests; develop on-line documentation and help for the products; implement development enhancement tools, software configuration management and product licensing processes; and conduct regression tests of ANSYS products for all supported platforms.

PRODUCT QUALITY

In 1995, the Company achieved ISO 9001 certification for its quality system. This standard applies to all of the Company's commercial software products and covers all product-related activities, from establishing product requirements to customer service practices and procedures.

In accordance with its ISO 9001 certification, the Company's employees perform all product development and support tasks according to predefined quality plans, procedures and work instructions. These plans define for each project the methods to be used, the responsibilities of project participants and the quality objectives to be met. To ensure that the Company meets or surpasses the ISO 9001 standards, the Company establishes quality plans for all products, subjects product designs to multiple levels of testing and verification, and selects development subcontractors in accordance with processes established under the Company's quality system.

COMPETITION

The CAD, CAE and CAM market is intensely competitive. In the traditional CAE market, the Company's primary competitors include MacNeal-Schwendler Corporation, Hibbitt, Karlsson and Sorensen, Inc. and MARC Analysis Research Corporation. The Company also faces competition from smaller vendors of specialized analysis applications in fields such as computational fluid dynamics. In addition, certain integrated CAD suppliers such as Parametric Technology and Structural Dynamics Research Corporation provide varying levels of design analysis and optimization and verification capabilities as part of their product offerings.

The entrance of new competitors would be likely to intensify competition in all or a portion of the overall CAD, CAE and CAM market. Some of the Company's current and possible future competitors have greater financial, technical, marketing and other resources than the Company, and some have well established relationships with current and potential customers of the Company. It is also possible that alliances among competitors may emerge and rapidly acquire significant market share or that competition will increase as a result of software industry consolidation. Increased competition may result in price reductions, reduced profitability and loss of market share, any of which would materially adversely affect the Company's business, financial condition and results of operations.

The Company believes that the principal competitive factors affecting its market include product features and functionality, such as ease of use; flexibility; quality; ease of integration into CAD systems; file compatibility across computer platforms; range of supported computer platforms; performance; price and cost of ownership; customer service and support; company reputation and financial viability; and effectiveness of sales and marketing efforts. Although the Company believes that it currently competes effectively with respect to such factors, there can be no assurance that the Company will be able to maintain its competitive position against current and potential competitors. There also can be no assurance that CAD software companies will not develop

their own analysis software, acquire analysis software from companies other than the Company or otherwise discontinue their relationships with the Company. If any of these events occurred, the Company's business, financial condition and results of operations could be materially adversely affected. See "--Products" and "--Strategic Alliances and Marketing Relationships."

PROPRIETARY RIGHTS AND LICENSES

The Company regards its software as proprietary and relies on a combination of trade secret, copyright and trademark laws, license agreements, nondisclosure and other contractual provisions and technical measures to protect its proprietary rights in its products. The Company distributes its ANSYS software under software license agreements that grant customers nonexclusive licenses to use of the Company's products, which are typically nontransferable. Although the Company distributes its products primarily through the ASDs, licenses of the Company's products are directly between the Company and end users. Use of the licensed software is usually restricted to the customer's internal operations on designated computers at specified sites unless the client obtains a site license for the client's use of the software. Software and hardware security measures are also employed to prevent unauthorized use of the Company's software, and the licensed software is subject to terms and conditions prohibiting unauthorized reproduction of the software. Customers may either purchase a paid-up perpetual license of the technology with the right to purchase annually ongoing maintenance, support and updates, or may lease the product on an annual basis for a fee which includes the license, maintenance, support and upgrades.

For certain software such as AutoFEA and ANSYS/ED, the Company primarily relies on "shrink- wrapped" licenses that are not signed by licensees and therefore may be unenforceable under the laws of certain jurisdictions.

The Company also seeks to protect the source code of its software as a trade secret and as unpublished copyrighted work. The Company has obtained a federal trademark protection for ANSYS and a number of other trademarks and logos. The Company has also obtained trademark registrations of ANSYS in a number of foreign countries and is in the process of seeking such registration in other foreign countries.

Most employees of the Company have signed a Covenant Agreement under which they have agreed not to disclose trade secrets or confidential information or to engage in or become connected with any business which is competitive with the Company anywhere in the world while employed by the Company (and in some cases for specified periods thereafter), and that any products or technology created by them during their term of employment is the property of the Company. In addition, the Company requires all ASDs to enter into agreements not to disclose the Company's trade secrets and other proprietary information.

Despite these precautions, there can be no assurance that misappropriation of the Company's technology will not occur. Further, there can be no assurance that copyright and trade secret protection will be available for the Company's products in certain countries, or that restrictions on competition will be enforceable.

The software development industry is characterized by rapid technological change. Therefore, the Company believes that factors such as the technological and creative skills of its personnel, new product developments, frequent product enhancements, name recognition and reliable product maintenance are more important to establishing and maintaining a technology leadership position than the various legal protections of its technology which may be available.

The Company is not aware that any of its products infringe the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim in the future such infringement by the Company or its licensors or licensees with respect to current or future products. The Company expects that software product developers will increasingly be subject to such claims as the number of products and competitors in the Company's market segment grows and the functionality of products in different market segments overlaps. Any such claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Company.

EMPLOYEES

As of March 31, 1996, the Company had 200 full time employees. At that date, there were also approximately 30 contract personnel and co-op students providing development services and technical support on an ongoing basis. The Company believes that its relationship with its employees is good.

FACILITIES

The Company is headquartered in Houston, Pennsylvania, where it leases approximately 66,000 square feet under a lease agreement which terminates in March 1997. See "Certain Transactions." In January 1996, the Company entered into a 10-year lease agreement for a nearby corporate office facility of approximately 107,000 square feet to be constructed by the landlord. The Company anticipates moving into the new facility in February 1997. In addition, the Company leases field offices in Detroit, Michigan and the United Kingdom.

LEGAL PROCEEDINGS

From time to time the Company is subject to litigation incidental to its business. The Company is currently not party to any material litigation.

MANAGEMENT

DIRECTORS AND EXECUTIVE OFFICERS

The directors and executive officers of the Company, their positions with the Company and their ages are as follows:

NAME	AGE	POSITION
Peter J. Smith.....	51	Chairman of the Board, President and Chief Executive Officer
Dr. John A. Swanson.....	56	Chief Technologist and Director
John M. Sherbin II.....	46	Chief Financial Officer, Vice President, Finance and Administration, Secretary and Treasurer
R. Bruce Morgan.....	44	Vice President, Marketing
Leonard Zera.....	44	Vice President, North American Sales
Mark C. Imgrund.....	39	Vice President, Corporate Quality
James C. Tung.....	62	Vice President, International Sales
Paul A. Chilensky.....	38	Vice President, Customer Services
Dr. Shah M. Yunus.....	41	Corporate Fellow
David L. Conover.....	38	Manager of Product Development
Gary B. Eichhorn(1).....	41	Director
Roger J. Heinen, Jr.(1)....	45	Director
Roger B. Kafker(1).....	34	Director
Jacqueline C. Morby(2)....	59	Director
John F. Smith(2).....	61	Director

(1) Member of the Audit and Ethics Committee.

(2) Member of the Compensation and Option Committee.

Mr. Peter Smith has been the President and Chief Executive Officer of the Company since March 1994 and Chairman of the Board of Directors since July 1995. Prior to joining the Company, Mr. Smith was Vice President of European Operations for Digital Equipment Corporation ("Digital"), a computer company, from November 1991 to March 1994. Previously, he managed Digital's worldwide applications development and marketing activities, including its engineering systems group which focused on CAD and CAM graphics and general engineering market business. Mr. Smith holds a B.S. degree in electrical engineering from Northeastern University and an M.B.A. from the University of Notre Dame.

Dr. Swanson founded Swanson Analysis Systems, Inc., the Company's predecessor, in 1970, and served as its President and Chief Executive Officer until March 1994, when he became Chief Technologist and a director of the Company following the 1994 Acquisition. Dr. Swanson holds B.S. and M.S. degrees in mechanical engineering from Cornell University and a Ph.D. in applied mechanics from the University of Pittsburgh. Dr. Swanson is a Fellow of the American Society of Mechanical Engineers and a member of the Institute of American Entrepreneurs.

Mr. Sherbin has been the Company's Chief Financial Officer, Vice President, Finance and Administration, Secretary and Treasurer since May 1994. Prior to joining the Company, Mr. Sherbin was Chief Financial Officer

and Treasurer of II-VI, Incorporated, an infrared materials and electro-components manufacturer, from February 1986 to May 1994. Mr. Sherbin holds a B.S. degree in management and accounting from Pennsylvania State University and an M.B.A. from the University of Pittsburgh.

Mr. Morgan has been the Company's Vice President, Marketing since June 1995. Prior to joining the Company, Mr. Morgan was Vice President, Sales and Marketing at Spatial Technology, Inc., a supplier of engineering systems software, from February 1991 to June 1995. Mr. Morgan holds a B.A. degree in economics from Carleton University.

Mr. Zera has been the Company's Vice President, North American Sales since May 1994. Prior to joining the Company, Mr. Zera held sales, sales management and marketing positions at Digital from January 1978 to April 1994. Mr. Zera holds a B.A. degree in marketing from Michigan State University and an M.B.A. from Wayne State University.

Mr. Imgrund has been the Company's Vice President, Corporate Quality since September 1994 and was the Company's Quality Assurance Manager from March 1987 to September 1994. Mr. Imgrund holds a B.S. degree in civil engineering from Cornell University and an M.S. degree in mechanical engineering from the University of Pittsburgh.

Mr. Tung has been the Company's Vice President, International Sales since March 1995. Prior to joining the Company, Mr. Tung was Vice President of International Operations and International Sales and Marketing for PDA Engineering, Inc., a software company, from January 1994 to February 1995. From December 1992 to December 1993, he was President of Pacific Ventures, a computer application software consulting company, and from 1989 to December 1992 he was the Vice President--Asia/Pacific Operations of Infotron Systems Corporation, a communications hardware company. Mr. Tung holds a B.S. degree in physics from Columbia University and an M.B.A. from the University of Santa Clara.

Mr. Chilensky was the Company's Manager of Customer Services from January 1995 to March 1996, when he became Vice President, Customer Services. Prior to joining the Company, Mr. Chilensky was regional manager of professional services for Legent Corporation, a software company, from May 1991 to December 1994.

Dr. Yunus has been a Corporate Fellow of the Company with responsibility for product architecture since September 1994, and was a research engineer and senior project leader for the Company since March 1984. Dr. Yunus holds a B.S. degree in civil engineering and an M.S. degree in structural engineering from the Bangladesh University of Engineering and Technology and a Ph.D. in computational mechanics from Rensselaer Polytechnic Institute.

Mr. Conover joined the Company in 1980 and has served as its Manager of Product Development since August 1994. Mr. Conover holds B.S. and M.S. degrees in civil engineering from Carnegie Mellon University.

Mr. Eichhorn has served as a director of the Company since September 1994. Mr. Eichhorn has been the President and Chief Executive Officer and a director of Open Market, Inc., an Internet software company, since December 1995. From September 1991 to November 1995, Mr. Eichhorn worked at Hewlett-Packard Company, a computer company, most recently serving as Vice President and General Manager of Hewlett Packard's Medical Systems Group. From 1975 to 1991, Mr. Eichhorn held various sales and management positions at Digital.

Mr. Heinen has served as a director of the Company since April 1996. Mr. Heinen was a Senior Vice President of Microsoft Corporation, a software company, from January 1993 through March 1996. Prior to that time, he was a Senior Vice President of Apple Computer, Inc., a computer company, from January 1989 to January 1993.

Mr. Kafker has served as a director of the Company since February 1994. He has been associated with TA Associates, Inc. or its predecessor since 1989 and became a Principal of that firm in 1994 and a Managing Director in 1995.

Ms. Morby has served as a director of the Company since February 1994. She has been Managing Director or a partner of TA Associates, Inc. or its predecessor since 1982. Ms. Morby is also a director of Axent Technologies, Inc., a computer software company, and Pacific Mutual Life Insurance Co., a life insurance company.

Mr. John Smith has served as a director of the Company since December 1995. Mr. Smith served as Chief Operating Officer and Senior Vice President of Digital from 1986 through 1993, when he retired. Mr. Smith also serves on the Board of Directors of Sequoia Systems, Inc., a software company, Instron Inc., a material testing company, Perseptive Biosystems, Inc., a life sciences company, and Hadco Inc., an interconnect technology company.

BOARD OF DIRECTORS

The number of directors of the Company is currently fixed at seven. Following this offering, the Company's Board of Directors will be divided into three classes, with the members of each class of directors serving for staggered three-year terms. The Board will consist of two Class I Directors (Mr. Peter Smith and Dr. Swanson), three Class II Directors (Messrs. Heinen and Kafker and Ms. Morby) and two Class III Directors (Messrs. Eichhorn and John Smith), whose initial terms will expire at the 1997, 1998 and 1999 annual meetings of stockholders, respectively.

Dr. Swanson was elected to the Board of Directors in accordance with the terms of an Investment and Stockholders' Agreement entered into in connection with the 1994 Acquisition (the "Stockholders' Agreement"). See "Certain Transactions."

The Board of Directors has established an Audit and Ethics Committee (the "Audit Committee") and a Compensation and Option Committee (the "Compensation Committee"). The Audit Committee recommends the firm to be appointed as independent accountants to audit financial statements and to perform services related to the audit, reviews the scope and results of the audit with the independent accountants, reviews with management and the independent accountants the Company's annual operating results, considers the adequacy of the internal accounting procedures, considers the effect of such procedures on the accountants' independence and establishes policies for business values, ethics and employee relations. The Compensation Committee reviews and recommends the compensation arrangements for officers and other senior level employees, reviews general compensation levels for other employees as a group, determines the options or stock to be granted to eligible persons under the 1996 Stock Plan and takes such other action as may be required in connection with the Company's compensation and incentive plans.

Nonemployee directors other than Ms. Morby and Mr. Kafker (the "Independent Directors") receive fees of \$1,000 and \$500, respectively, for each meeting of the Board of Directors or Board committee they attend, and each director is reimbursed for travel and other expenses incurred in attending meetings. Also, under the 1996 Stock Plan, each Independent Director is entitled to receive an annual grant of options to purchase Common Stock as described under "-- Employee Stock and Other Benefit Plans--1996 Stock Option and Grant Plan-- Independent Director Options."

EXECUTIVE COMPENSATION

Summary Compensation. The following table sets forth information concerning compensation for services rendered in all capacities awarded to, earned by or paid to the Chief Executive Officer and the four other most highly compensated executive officers of the Company during 1995 (the "Named Executive Officers").

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION(1)	ANNUAL COMPENSATION		LONG-TERM COMPENSATION	
	SALARY(\$)	BONUS(\$)	SECURITIES UNDERLYING OPTIONS (#)	ALL OTHER COMPENSATION\$(2)
Peter J. Smith..... Chief Executive Officer	245,792	224,139	--	42,940(3)
Dr. John A. Swanson..... Chief Technologist	239,000	76,825	--	32,460(3)
John M. Sherbin II..... Chief Financial Officer	97,084	38,368	6,000	30,000
Leonard Zera..... Vice President, North American Sales	100,000	104,758(4)	--	36,000(3)
Mark C. Imgrund..... Vice President, Corporate Quality	112,500	20,000	4,000	30,000

(1) Two executive officers, Messrs. Morgan and Tung, joined the Company on June 30, 1995 and March 9, 1995, respectively, and would have appeared in the table above had they been employed by the Company for a full fiscal year.

(2) Includes \$30,000 contributed by the Company to its Pension and Profit-Sharing Plans on behalf of each of the Named Executive Officers. See "--Employee Stock and Other Benefit Plans--Pension and Profit-Sharing Plans."

(3) Includes premiums on life insurance of \$5,740 paid by the Company on behalf of Mr. Smith, a car allowance for Mr. Smith and Mr. Zera paid at the rates of \$600 and \$500 per month, respectively, and \$205 per month paid toward the maintenance of a Company car provided to Dr. Swanson.

(4) Represents bonus paid in 1996 on account of the Company's 1995 sales performance.

Option Grants. The following table sets forth information concerning the individual grant of options to purchase Common Stock to the Named Executive Officers during 1995. No stock appreciation rights ("SARs") have been granted.

OPTION GRANTS DURING 1995

NAME	INDIVIDUAL GRANTS				POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM (2)	
	OPTIONS GRANTED (#)(1)	% OF TOTAL TO EMPLOYEES	EXERCISE PRICE PER SHARE	EXPIRATION DATE	5%	10%
Peter J. Smith.....	--	--	--	--	--	--
Dr. John A. Swanson.....	--	--	--	--	--	--
John M. Sherbin II.....	6,000	1.9%	\$.40	7/15/2005	\$1,509	\$3,825
Leonard Zera.....	--	--	--	--	--	--
Mark C. Imgrund.....	4,000	1.3%	\$.40	7/15/2005	\$1,006	\$2,550

(1) The options set forth above become exercisable in four equal annual installments, commencing on the first anniversary of the grant date. All options are subject to the employee's continued employment and terminate ten years after the grant date, subject to earlier termination in accordance with the Company's 1994 Stock Option and Grant Plan (the "1994 Stock Plan") and the applicable option agreement. All options were granted at fair market value as determined by the Option Committee of the Board of Directors of the Company on the date of the grant. See "--Employee Stock and other Benefit Plans--1994 Stock Option and Grant Plan."

(2) This column shows the hypothetical gains or "option spreads" of the options granted based on both the fair market value of the Common Stock for financial reporting purposes and assumed annual compound stock appreciation rates of 5% and 10% over the terms of the options. The 5% and 10% assumed rates of appreciation are mandated by the rules of the Securities and Exchange Commission and do not represent the Company's estimate or projection of future Common Stock prices. The gains shown are net of the option exercise price, but do not include deductions for taxes or other expenses associated with the exercise of the option or the sale of the underlying shares, or reflect nontransferability, vesting or termination provisions. The actual gains, if any, on the exercises of stock options will depend on the future performance of the Common Stock.

Option Exercises and Holdings. The following table sets forth information concerning the number and value of unexercised options to purchase Common Stock held by the Named Executive Officers at the end of 1995. None of the Named Executive Officers exercised any stock options during 1995.

YEAR-END OPTION VALUES

NAME	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS AT YEAR END		VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS AT YEAR END(1)	
	EXERCISABLE	UNEXERCISABLE	EXERCISABLE	UNEXERCISABLE
Peter J. Smith.....	--	--	--	--
Dr. John A. Swanson.....	--	960,000(2)	--	\$11,424,000
John M. Sherbin II.....	--	6,000	--	\$ 54,000
Leonard Zera.....	--	--	--	--
Mark C. Imgrund.....	--	4,000	--	\$ 36,000

(1) There was no public trading market for the Common Stock as of December 31, 1995. Accordingly, these values have been calculated on the basis of an assumed initial public offering price of \$13.00 per share, less the applicable exercise price.

(2) These options became exercisable on March 14, 1996 and Dr. Swanson exercised all of them on that date. The shares that Dr. Swanson received upon such exercise are restricted shares subject to repurchase by the Company in certain circumstances. See "--Employment Agreements."

EMPLOYEE BONUS PLAN

The Company has adopted an employee bonus plan for 1996 on terms similar to those in effect for previous years. The plan is administered by the Compensation Committee, which determines the amount and timing of payments as recommended by the Company's Chief Executive Officer in all cases other than with respect to the Chief Executive Officer. Awards under the plan are determined on the basis of the Company's performance in relation to certain pre-determined financial and operating goals. All awards are paid in full, in cash, following the period of performance.

EMPLOYEE STOCK AND OTHER BENEFIT PLANS

1994 Stock Option and Grant Plan. In February 1994, the Company's Board of Directors adopted and the stockholders subsequently approved the 1994 Stock Plan under which 868,110 shares of Common Stock have been reserved for issuance upon exercise of currently outstanding options. The Company does not intend to make grants under the 1994 Stock Plan after the effective date of this offering. The 1994 Stock Plan permits (i) the grant of options to purchase shares of Common Stock intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") ("Incentive Options"), (ii) the grant of options that do not so qualify ("Non-Qualified Options"), and (iii) the issuance or sale of Common Stock with or without restrictions ("Restricted Stock"). As of June 15, 1996, under the 1994 Stock Plan 1,342,760 shares of Restricted Stock had been issued and remained outstanding and subject to repurchase by the Company at the original purchase price, 960,000 shares of Common Stock had been issued pursuant to the exercise of Incentive Options, and 800,610 Incentive Options and 67,500 Non-Qualified Options were outstanding. The weighted average exercise price of the outstanding options is approximately \$4.36 per share, and options generally vest in equal installments over a four-year period.

The Compensation Committee may, in its sole discretion, accelerate or extend the date or dates on which all or any particular award or awards granted under the 1994 Stock Plan may be exercised or vest. In the event of a merger, liquidation or sale of substantially all of the assets of the Company, the Board of Directors has the discretion to accelerate the vesting of options granted under the 1994 Stock Plan, except that 40,000 Non-Qualified Options held by Independent Directors vest automatically in such circumstances. In addition, the 1994

Stock Plan and the grants issued thereunder terminate upon the effectiveness of any such transaction or event, unless provision is made in connection with such transaction for the assumption of grants theretofore made.

1996 Stock Option and Grant Plan. The 1996 Stock Plan, adopted by the Board of Directors on April 19, 1996 and subsequently approved by the Company's stockholders, will become effective upon completion of this offering. The 1996 Stock Plan permits (i) the grant of Incentive Options, (ii) the grant of Non-Qualified Options, (iii) the issuance or sale of Common Stock with or without vesting or other restrictions ("Stock Grants") (iv) the grant of Common Stock upon the attainment of specified performance goals ("Performance Share Awards"), and (v) the grant of the right to receive cash dividends with the holders of the Common Stock as if the recipient held a specified number of shares of the Common Stock ("Dividend Equivalent Rights"). These grants may be made to officers and other employees, consultants and key persons of the Company and its subsidiaries. In addition, Independent Directors will automatically be eligible for certain grants under the 1996 Stock Plan, as described below. The 1996 Stock Plan provides for the issuance of 2,250,000 shares of Common Stock, of which no more than 300,000 shares may be issued to Independent Directors. On and after the date the 1996 Stock Plan becomes subject to Section 162(m) of the Code, options with respect to no more than 300,000 shares of Common Stock may be granted to any one individual in any calendar year. No options or other grants have been granted under the 1996 Stock Plan.

The 1996 Stock Plan is administered by the Compensation Committee. Subject to the provisions of the 1996 Stock Plan, the Compensation Committee has full power to determine from among the persons eligible for grants under the 1996 Stock Plan (i) the individuals to whom grants will be granted, (ii) the combination of grants to participants and (iii) the specific terms of each grant. Incentive Options may be granted only to officers or other employees of the Company or its subsidiaries including members of the Board of Directors who are also employees of the Company or its subsidiaries.

The option exercise price of each option granted under the 1996 Stock Plan is determined by the Compensation Committee but, in the case of Incentive Options may not be less than 100% of the fair market value of the underlying shares on the date of grant and may not be exercisable more than ten years from the date the option is granted. If any employee of the Company or any subsidiary owns or is deemed to own at the date of grant shares of stock representing in excess of 10% of the combined voting power of all classes of stock of the Company or any subsidiary, the exercise price for options granted to such employee may not be less than 110% of the fair market value of the underlying shares on that date and the option may not be exercisable more than five years from the date the option is granted. No option may be exercised subsequent to the termination of the optionee's employment or other business relationship with the Company unless otherwise determined by the Compensation Committee or provided in the option agreement. At the discretion of the Compensation Committee, any option may include a "reload" feature, pursuant to which an optionee exercising an option receives in addition to the number of shares of Common Stock due on the exercise of such an option an additional option with an exercise price equal to the fair market value of the Common Stock on the date such additional option is granted. Upon the exercise of options, the option exercise price must be paid in full either in cash or, in the sole discretion of the Compensation Committee, by delivery of shares of Common Stock already owned by the optionee.

The 1996 Stock Plan also permits Stock Grants, Performance Share Awards and grants of Dividend Equivalent Rights. Stock Grants and Performance Share Awards may be made to persons eligible under the 1996 Stock Plan, subject to such conditions and restrictions as the Compensation Committee may determine. Prior to the vesting of shares, recipients of Stock Grants generally will have all the rights of a stockholder with respect to the shares, including voting and dividend rights, subject only to the conditions and restrictions set forth in the 1996 Stock Plan or in any agreement. In the case of Performance Share Awards, the issuance of shares of Common Stock will occur only after the recipient has satisfied the conditions and restrictions set forth in the 1996 Stock Plan or in any agreement. The Compensation Committee may also make Stock Grants to persons eligible under the 1996 Stock Plan in recognition of past services or other valid consideration, or in lieu of cash compensation. In addition, the Compensation Committee may grant Dividend Equivalent Rights in conjunction with any other grant made pursuant to the 1996 Stock Plan or as a free standing grant. Dividend Equivalent

Rights may be paid currently or deemed to be reinvested in additional shares of Common Stock, which may thereafter accrue further dividends.

The Compensation Committee may, in its sole discretion, accelerate or extend the date or dates on which all or any particular award or awards granted under the 1996 Stock Plan may be exercised or vest. In the event of a merger, liquidation or sale of substantially all of the assets of the Company, the Board of Directors has the discretion to accelerate the vesting of options granted under the 1996 Stock Plan, except that options granted to Independent Directors as described below automatically accelerate in such circumstances. The 1996 Stock Plan and the grants issued thereunder terminate upon the effectiveness of any such transaction or event, unless provision is made in connection with such transaction for the assumption of grants theretofore made.

Independent Director Options. The 1996 Stock Plan provides for the automatic grant of Non-Qualified Options to Independent Directors. Under such provisions, options to purchase that number of shares of Common Stock determined by dividing \$200,000 by the Option Exercise Price (as defined below) will be granted to each individual who first becomes a member of the Board of Directors after the closing date of this offering and who is not then an employee of the Company or any subsidiary of the Company. In addition, on the date five business days following each annual meeting of stockholders of the Company commencing with the meeting to be held in 1997, each Independent Director who is then serving will be granted an option to purchase that number of shares of Common Stock determined by dividing \$75,000 by the Option Exercise Price. The Option Exercise Price of options granted to Independent Directors under the 1996 Stock Plan will equal the lesser of (i) the last reported sale price per share of Common Stock on the date of grant (or if no such price is reported on such date, such price on the nearest preceding date on which such a price is reported) or (ii) the average of the last reported sales price per share of Common Stock as published in The Wall Street Journal for a period of ten consecutive days prior to such date. Options granted to Independent Directors under the foregoing provisions will vest in annual installments over four years commencing with the date of grant and will expire ten years after grant, subject to earlier termination if the optionee ceases to serve as a director. The exercisability of these options will be accelerated upon the occurrence of a merger, liquidation or sale of substantially all of the assets of the Company.

1996 Employee Stock Purchase Plan. The Company's 1996 Employee Stock Purchase Plan was adopted by the Board of Directors on April 19, 1996 and was subsequently approved by the Company's stockholders. Up to 210,000 shares of Common Stock may be issued under the Purchase Plan. The Purchase Plan is administered by the Compensation Committee.

The first offering under the Purchase Plan will begin on August 1, 1996 and end on January 31, 1997. Subsequent offerings will commence on each February 1 and August 1 thereafter and will have a duration of six months. Generally, all employees who are customarily employed for more than 20 hours per week as of the first day of the applicable offering period are eligible to participate in the Purchase Plan. An employee who owns or is deemed to own shares of stock representing in excess of 5% of the combined voting power of all classes of stock of the Company may not participate in the Purchase Plan.

During each offering, an employee may purchase shares under the Purchase Plan by authorizing payroll deductions of up to 10% of his cash compensation during the offering period. The maximum number of shares which may be purchased by any participating employee during any offering period is limited to 960 shares (as adjusted by the Compensation Committee from time to time). Unless the employee has previously withdrawn from the offering, his accumulated payroll deductions will be used to purchase Common Stock on the last business day of the period at a price equal to 85% of the fair market value of the Common Stock on the first or last day of the offering period, whichever is lower. Under applicable tax rules, an employee may purchase no more than \$25,000 worth of Common Stock in any calendar year. No Common Stock has been issued to date under the Purchase Plan.

Key Executive Life Insurance. The Company currently maintains, and is the sole beneficiary of, life insurance policies on each of Dr. Swanson and Mr. Peter Smith in the face amounts of \$5.0 million and \$2.0 million, respectively.

Pension and Profit-Sharing Plans. The Company maintains both a money purchase pension plan and a profit-sharing plan for all qualifying full-time employees. The plans are noncontributory. The pension plan requires the Company to contribute 20% of each participant's compensation annually. The profit-sharing contribution is determined annually by the Board of Directors, subject to a maximum limitation of 5% of eligible compensation. The Company's pension and profit sharing expenses in 1995 were \$1.5 million and \$345,700, respectively.

EMPLOYMENT AGREEMENTS

The Company entered into an Employment Agreement with Dr. Swanson in connection with the 1994 Acquisition under which Dr. Swanson serves as Chief Technologist of the Company. The Agreement has a five-year term ending in March 1999. The Agreement provides for (i) an annual salary of \$228,000, subject to specified cost of living increases, (ii) continuation of base salary payments until the later of March 14, 1999 or six months following termination of Dr. Swanson's employment in the event such employment is terminated by the Company without cause (as defined) or by Dr. Swanson in the event of a material default by the Company, and (iii) a restriction on competitive activities for three years following any termination of Dr. Swanson's employment with the Company. In connection with his employment by the Company, Dr. Swanson was granted Incentive Options to purchase 960,000 shares of Common Stock at an exercise price of \$.11 a share, or 110% of the fair market value of the Common Stock at the time of grant. Dr. Swanson exercised these options on March 14, 1996, and the shares acquired upon exercise are subject to repurchase by the Company at the exercise price until they vest in March 1998 and 1999. See "Principal and Selling Stockholders."

The Company has also entered into an Employment Agreement with Mr. Peter Smith, its Chief Executive Officer. Mr. Smith's Employment Agreement (i) provides that he shall serve as Chief Executive Officer, (ii) provides for an annual base salary of at least \$235,000 and participation in the Company's executive bonus program, (iii) is for an indefinite term unless terminated by either party, (iv) provides for severance at the annual rate of \$300,000 in the event Mr. Smith's employment is terminated by the Company without cause or in the event of a constructive termination (as defined) until the later of one year after termination or Mr. Smith's acceptance of other employment and (v) restricts competitive activities by Mr. Smith for one year following termination of his employment other than for cause or in the event of a constructive termination. The Company provided Mr. Smith with \$309,058 at the time of his employment to purchase an annuity that will result in payments to Mr. Smith beginning at age 62 as well as a \$2.0 million term life insurance policy.

In connection with his employment by the Company, Mr. Smith purchased 626,000 shares of restricted Common Stock in July 1994 for a cash purchase price of \$250,000 (approximately \$.40 per share). Mr. Smith funded the purchase price for the shares with a loan from the Company evidenced by a promissory note which bears interest at the annual rate of 8.23%, matures on July 12, 2006, is secured by a pledge of the shares purchased with the proceeds of the loan and permits recourse against Mr. Smith's other assets only to the extent of one-fourth of the principal amount of the note. The Company also agreed to pay Mr. Smith annual bonuses in the amount of the required interest payments. The shares purchased by Mr. Smith are subject to repurchase by the Company at the purchase price, with such restrictions lapsing on a monthly basis over a five-year period. As of June 15, 1996, 407,080 of such shares are no longer subject to this restriction.

In February 1996 Mr. Smith was granted the right to purchase an additional 135,860 shares of restricted Common Stock and was granted Incentive Options to purchase 135,860 shares of Common Stock. The purchase price for the restricted stock was \$326,064 (\$2.40 per share) and was paid in cash by Mr. Smith. The shares are subject to repurchase by the Company at the purchase price, with such restrictions lapsing on February 28, 2001, subject to earlier lapsing in the event of a sale of the Company or the attainment of specified valuations for the Company's Common Stock. Mr. Smith's Incentive Options have a \$2.40 per share exercise price and are subject to vesting provisions that are the same as those applicable to the concurrently granted restricted stock.

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

Since February 1994, all executive officer compensation decisions have been made by the Compensation Committee. The Compensation Committee reviews and makes recommendations to the Board of Directors regarding the compensation for top management and key employees of the Company, including salaries and bonuses. The current members of the Compensation Committee are Ms. Morby and Mr. John Smith, neither of whom is an executive of the Company.

CERTAIN TRANSACTIONS

On March 14, 1994, the Company acquired the assets of Swanson Analysis for a cash purchase price of approximately \$48.0 million. In connection with the 1994 Acquisition, the following transactions occurred:

- (i) the Company incurred \$28.0 million of indebtedness under the 1994 Loan, approximately \$19.8 million of which remained outstanding at March 31, 1996;
- (ii) the Company assumed certain liabilities of Swanson Analysis totalling approximately \$4.9 million;
- (iii) the TA Investors invested \$12.6 million to acquire (i) Subordinated Notes in the aggregate principal amount of \$9.2 million, (ii) shares of Redeemable Preferred Stock having an aggregate liquidation preference of \$2.8 million plus accumulated dividends and (iii) 6,943,481 shares of Common Stock at an aggregate purchase price of \$630,000 (approximately \$.09 per share);
- (iv) the Chestnut Investors invested \$930,000 to acquire (i) Subordinated Notes in the aggregate principal amount of \$680,000, (ii) shares of Redeemable Preferred Stock having an aggregate liquidation preference of \$210,000 plus accumulated dividends and (iii) 509,319 shares of Common Stock at an aggregate purchase price of \$46,500 (approximately \$.09 per share);
- (v) Dr. Swanson, the founder of Swanson Analysis, invested \$5.4 million to acquire (i) a Subordinated Note in the principal amount of \$4.3 million, (ii) shares of Redeemable Preferred Stock having an aggregate liquidation preference of \$800,000 plus accumulated dividends and (iii) 1,999,200 shares of Common Stock at an aggregate purchase price of \$280,000 (approximately \$.14 per share); and
- (vi) Dr. Swanson and the Company entered the employment and stock option arrangements described under "Management--Employment Agreements."

Subsequently, in July 1994, Samuel P. Geisberg, Louis J. Volpe and Steven C. Walske, current or former affiliates of Parametric Technology, each invested \$200,000 in the Company to acquire (i) a Subordinated Note in the aggregate principal amount of \$150,000, (ii) shares of Redeemable Preferred Stock having an aggregate liquidation preference of \$40,000 plus accumulated dividends and (iii) 100,000 shares of Common Stock at an aggregate purchase price of \$10,000 (\$.10 per share).

The Subordinated Notes and Redeemable Preferred Stock described above will be repaid or redeemed upon completion of this offering. See "Use of Proceeds."

Pursuant to the Stockholders' Agreement among the Company and the TA Investors, the Chestnut Investors, Dr. Swanson and Marcia S. Morton (the former Secretary and Treasurer of Swanson Analysis) entered into in connection with the 1994 Acquisition, to which Messrs. Geisberg, Volpe and Walske became parties at the time of their investment in the Company (collectively the "Investors"), (i) each Investor received "piggy back" registration rights, and the TA Investors, the Chestnut Investors and Dr. Swanson received demand registration rights, (ii) each Investor granted to and received from the other Investors rights (the "Co-sale Rights") to participate on a pro rata basis in certain resales of Common Stock and agreed to restrictions on transfers of shares, (iii) each Investor was granted preemptive rights with respect to future issuances of securities by the Company, (iv) each Investor agreed to elect Dr. Swanson to the Board of Directors, (v) Dr. Swanson granted the Company rights of repurchase with respect to the shares of Common Stock he acquired in connection with the 1994 Acquisition in the event his employment is terminated for "cause," as defined in the Stockholders' Agreement, and (vi) the Company agreed to pay the fees and expenses of the TA Investors and the Chestnut Investors incurred in connection with their investment in the Company. Mr. Kafker and Ms. Morby, directors of the Company, are Managing Directors of TA Associates, Inc.

Effective upon and subject to the closing of this offering, the preemptive rights and provisions relating to Dr. Swanson's election to the Board will expire in accordance with their original terms. The Company and the Investors have agreed that the Co-sale Rights and restrictions on transfers of shares under the Stockholders' Agreement will also terminate at that time.

Mr. Peter Smith, the Company's Chief Executive Officer, acquired Common Stock with proceeds from a loan from the Company in connection with his initial employment by the Company and has received subsequent grants of restricted stock and Incentive Options as described under "Management--Employment Agreements." Mr. Smith is entitled to "piggyback" registration rights under the Stockholders' Agreement on the same terms as the other Investors.

The Company leases a 66,000 square foot facility from a joint venture in which Dr. Swanson holds an interest of approximately 50%. The Company leases these facilities under a lease agreement terminating in March 1997 and will move to a new corporate headquarters in February 1997. See "Business--Facilities." The Company incurred \$838,700, \$837,300 and \$805,900 in rental expense in 1995, 1994 and 1993, respectively.

The Company has adopted a policy providing that all material transactions between the Company and its officers, directors and other affiliates must be approved by a majority of the members of the Company's Board of Directors and by a majority of the disinterested members of the Company's Board of Directors and be on terms no less favorable to the Company than could be obtained from unaffiliated third parties.

PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information as to the beneficial ownership of the Company's Common Stock as of June 15, 1996 and as adjusted to reflect the sale of the shares of Common Stock offered hereby by (i) each person known by the Company to own beneficially five percent or more of the outstanding shares of Common Stock, (ii) each director and the Named Executive Officers of the Company, (iii) all directors and the Named Executive Officers of the Company as a group, (iv) the Selling Stockholder and (v) certain other stockholders.

NAME OF BENEFICIAL OWNER(1)	SHARES BENEFICIALLY OWNED PRIOR TO OFFERING		NUMBER OF SHARES OFFERED	SHARES BENEFICIALLY OWNED AFTER OFFERING(3)	
	NUMBER	PERCENT(2)		NUMBER	PERCENT(2)
TA Associates Group(3)(4).....	6,943,481	54.9%	--	6,943,481	43.0%
Dr. John A. Swanson(3)(5).....	2,884,200	22.8	--	2,884,200	17.9
Peter J. Smith(6).....	661,860	5.2	--	661,860	4.1
Marcia S. Morton.....	548,000	4.3	50,000	498,000	3.1
Chestnut Group(3)(7)....	509,319	4.0	--	509,319	3.2
Samuel P. Geisberg.....	100,000	*	--	100,000	*
Louis J. Volpe.....	100,000	*	--	100,000	*
Steven C. Walske.....	100,000	*	--	100,000	*
Leonard Zera(8).....	100,000	*	--	100,000	*
John M. Sherbin II(9)...	61,500	*	--	61,500	*
Mark C. Imgrund(10)....	16,000	*	--	16,000	*
Gary B. Eichhorn(11)....	30,000	*	--	30,000	*
Roger J. Heinen, Jr.(12).....	--	*	--	--	*
Roger B. Kafker(13)....	13,482	*	--	13,482	*
Jacqueline C. Morby(14)..	5,759	*	--	5,759	*
John F. Smith(15).....	20,000	*	--	20,000	*
All Named Executive Officers and directors as a group (10 persons).....	3,792,801	30.0	--	3,792,801	23.5

* Less than 1%.

(1) The address of each of the stockholders in the TA Associates Group is c/o TA Associates, Inc., High Street Tower, Suite 2500, 125 High Street, Boston, MA 02110-2720. The address of each of the stockholders in the Chestnut Group is c/o MVP Ventures, 45 Milk Street, Boston, MA 02109. The address of Mr. Kafker and Ms. Morby is c/o TA Associates, Inc., High Street Tower, Suite 2500, 125 High Street, Boston, MA 02110-2720. The address of Messrs. Geisberg, Volpe and Walske is c/o Parametric Technology Corporation, 128 Technology Drive, Waltham, MA 02154. The address of all other listed stockholders is c/o ANSYS, Inc., 201 Johnson Road, Houston, PA 15342-1300.

(2) All percentages have been determined as of June 15, 1996 in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). For purposes of this table, a person or group of persons is deemed to have "beneficial ownership" of any shares of Common Stock which such person has the right to acquire within 60 days after the date of this Prospectus. For purposes of computing the percentage of outstanding shares of Common Stock held by each person or group of persons named above, any security which such person or persons has or have the right to acquire within 60 days after the date of this Prospectus is deemed to be outstanding, but is not deemed to be outstanding for the purpose of computing the percentage ownership of any other person. As of June 15, 1996, a total of 12,652,760 shares of Common Stock were issued and outstanding; upon completion of this offering and on July 15, 1996, options to acquire 27,500 and 67,500 shares of Common Stock will become exercisable, respectively.

(3) The stockholders comprising the TA Associates Group, the stockholders comprising the Chestnut Group, Mr. Peter Smith and Dr. Swanson have granted the underwriters a thirty-day option to purchase up to 532,500 additional shares of Common Stock solely to cover over allotments, if any. If the underwriters exercise this option in full, stockholders in the TA Associates Group will sell 336,162 shares, stockholders

within the Chestnut Group will sell 24,655 shares, Mr. Peter Smith will sell 32,046 shares and Dr. Swanson will sell 139,637 shares, resulting in reductions in the percentages of the shares beneficially owned by them after the offering to 40.9%, 3%, 3.9% and 17%, respectively.

- (4) Includes (i) 4,968,533 shares of Common Stock owned by Advent VII L.P., (ii) 1,009,726 shares of Common Stock owned by Advent Atlantic and Pacific II Limited Partnership, (iii) 364,029 shares of Common Stock owned by Advent Industrial II Limited Partnership, (iv) 496,854 shares of Common Stock owned by Advent New York L.P. and (v) 104,339 shares of Common Stock owned by TA Venture Investors, L.P. Advent VII L.P., Advent Atlantic and Pacific II Limited Partnership, Advent Industrial II Limited Partnership, Advent New York L.P. and TA Venture Investors, L.P. are part of an affiliated group of investment partnerships referred to, collectively, as the TA Associates Group. The general partner of Advent VII, L.P. is TA Associates VII, L.P. The general partner of each of Advent New York L.P. and Advent Industrial II Limited Partnership is TA Associates VI, L.P. The general partner of Advent Atlantic and Pacific II Limited Partnership is TA Associates AAP II Partners, L.P. The general partner of each of TA Associates VII, L.P., TA Associates VI, L.P. and TA Associates AAP II Partners, L.P. is TA Associates, Inc. In such capacity, TA Associates, Inc. exercises sole voting and investment power with respect to all of the shares held of record by the named investment partnerships, with the exception of those shares held by TA Venture Investors, L.P.; individually no stockholder, director or officer of TA Associates, Inc. is deemed to have or share such voting or investment power. Principals and employees of TA Associates, Inc. (including Ms. Morby and Mr. Kafker, directors of the Company) comprise the general partners of TA Venture Investors, L.P. In such capacity, Ms. Morby and Mr. Kafker may be deemed to share voting and investment power with respect to the 104,339 shares held of record by TA Venture Investors, L.P. Ms. Morby and Mr. Kafker disclaim beneficial ownership of such shares, except in the case of Mr. Kafker to the extent of the 13,482 shares as to which he holds a pecuniary interest.
- (5) Includes 591,840 and 223,680 shares which become vested on March 14, 1997 and 1998, respectively, under terms giving the Company the right to purchase unvested shares at a price of approximately \$.14 per share upon any termination of Dr. Swanson's employment for cause prior to the relevant vesting date, and 368,160 and 591,840 shares which vest on March 14, 1998 and 1999, respectively, under terms giving the Company the right to purchase unvested shares at a price of \$.11 per share upon any voluntary termination or termination for cause of Dr. Swanson's employment prior to the relevant vesting date. Also includes 25,000 shares held by Janet L. Swanson, Dr. Swanson's wife, as to which shares Dr. Swanson disclaims beneficial ownership. Excludes 25,000 shares held by each of Daniel S. Swanson, Andrew C. Swanson and Eric H. Swanson, Dr. Swanson's adult children, as to which shares Dr. Swanson disclaims beneficial ownership. Excludes unvested options to purchase 10,000 shares.
- (6) Includes 218,920 shares of restricted stock which will become vested in equal monthly installments through March 1998 under terms giving the Company the right to purchase and Mr. Smith the right to sell to the Company unvested shares at a price of \$.40 per share upon any termination of Mr. Smith's employment prior to the relevant vesting date and 135,860 shares of restricted stock which will become vested on February 28, 2001, subject to acceleration in certain circumstances as described under "Management--Employment Agreements," under terms giving the Company the right to purchase and Mr. Smith the right to sell to the Company unvested shares at a price of \$2.40 per share upon any termination of Mr. Smith's employment prior to the relevant vesting date. Excludes unvested options to purchase 135,860 shares as described under "Management--Employment Agreements" and 100,000 shares beneficially owned by a trust for the benefit of Mr. Smith's adult children, as to which latter shares Mr. Smith disclaims beneficial ownership.
- (7) Includes 381,909 shares held by Chestnut III Limited Partnership and 127,410 shares held by Chestnut Capital International III L.P. Messrs. Jonathan J. Fleming, Michael F. Schiavo, Peter A. Schober and John G. Turner are the general partners of Chestnut III Management Limited Partnership ("CMLP") and MVP Capital Limited Partnership ("MVP"). CMLP has voting and investment power to act for Chestnut III Limited Partnership. MVP has voting and investment power to act for Chestnut Capital International III L.P.

- (8) Includes 80,000 shares of restricted stock held by Mr. Zera which will become vested in equal annual installments of 20,000 shares on each of November 15, 1996, 1997, 1998 and 1999 and are subject to repurchase at a price of \$.40 per share upon any termination of Mr. Zera's employment prior to the relevant vesting date. Excludes unvested options to purchase 10,000 shares.
- (9) Includes 48,000 shares of restricted stock held by Mr. Sherbin which will become vested in equal annual installments of 12,000 shares on each of November 20, 1996, 1997, 1998 and 1999 and are subject to repurchase at a price of \$.40 per share upon any termination of Mr. Sherbin's employment prior to the relevant vesting date. Excludes unvested options to purchase 34,500 shares.
- (10) Includes 12,000 shares of restricted stock held by Mr. Imgrund which will become vested in equal annual installments of 3,000 shares on each of July 15, 1996, 1997, 1998 and 1999 and are subject to repurchase at a price of \$.10 per share upon any termination of Mr. Imgrund's employment prior to the relevant vesting date. Excludes unvested options to purchase 33,000 shares.
- (11) Includes 16,000 and 10,000 shares of restricted stock held by Mr. Eichhorn which will become vested in equal annual installments of 4,000 and 2,000 shares, respectively, on each of November 15, 1996, 1997, 1998 and 1999 and each of December 29, 1996, 1997, 1998, 1999 and 2000, respectively, and are subject to repurchase at a price of \$.01 and \$.40 per share, respectively, upon any termination of Mr. Eichhorn's service as a director prior to the relevant vesting date. Excludes unvested options to purchase 10,000 shares.
- (12) Excludes unvested options to purchase 20,000 shares.
- (13) Includes 13,482 shares beneficially owned by Mr. Kafker through TA Venture Investors, L.P., all of which shares are included in the 6,943,481 shares described in footnote (4) above. Does not include any shares beneficially owned by Advent VII L.P., Advent Atlantic and Pacific II Limited Partnership, Advent Industrial II Limited Partnership or Advent New York L.P., of which Mr. Kafker disclaims beneficial ownership.
- (14) Includes 5,759 shares held by Ms. Morby's husband through TA Venture Investors, L.P., all of which shares are included in the 6,943,481 shares described in footnote (4) above, as to which shares Ms. Morby disclaims beneficial ownership. Excludes 5,759 shares beneficially owned through TA Venture Investors, L.P., by a trust for the benefit of Ms. Morby's adult children, as to which shares Ms. Morby disclaims beneficial ownership; all of such shares are included in the 6,943,481 shares described in footnote (4) above. Does not include any shares beneficially owned by Advent VII L.P., Advent Atlantic and Pacific II Limited Partnership, Advent Industrial II Limited Partnership or Advent New York L.P., of which Ms. Morby disclaims beneficial ownership.
- (15) Includes 20,000 shares of restricted stock owned by a trust primarily for the benefit of Mr. Smith's adult children and of which Mr. Smith's wife is a trustee. Such shares will become vested in equal annual installments of 4,000 shares on each of December 28, 1996, 1997, 1998, 1999 and 2000 and are subject to repurchase at a price of \$.40 per share upon any termination of Mr. Smith's service as a director prior to the relevant vesting date. Excludes unvested options to purchase 10,000 shares held by Mr. Smith.

DESCRIPTION OF CAPITAL STOCK

AUTHORIZED AND OUTSTANDING CAPITAL STOCK

The authorized capital stock of the Company upon completion of this offering will consist of 50,000,000 shares of Common Stock, of which 16,152,760 shares will be issued and outstanding, and 2,000,000 shares of undesignated preferred stock issuable in one or more series by the Board of Directors ("Preferred Stock"), of which no shares will be issued and outstanding.

Common Stock. The holders of Common Stock are entitled to one vote per share on all matters to be voted on by stockholders and are entitled to receive such dividends, if any, as may be declared from time to time by the Board of Directors from funds legally available therefor. Any issuance of Preferred Stock with a dividend preference over Common Stock could adversely affect the dividend rights of holders of Common Stock. Holders of Common Stock are not entitled to cumulative voting rights. Therefore, the holders of a majority of the shares voted in the election of directors can elect all of the directors then standing for election, subject to any voting rights of the holders of any then outstanding Preferred Stock. The holders of Common Stock have no preemptive or other subscription rights, and there are no conversion rights or redemption or sinking fund provisions with respect to the Common Stock, except for contractual repurchase arrangements relative to unvested restricted stock held by employees and directors upon termination of their employment or service. All outstanding shares of Common Stock, including the shares offered hereby, are, or will be upon completion of this offering, fully paid and non-assessable.

The Company's Amended and Restated By-laws (the "By-laws"), which will be effective upon completion of this offering, provide, subject to the rights of the holders of any Preferred Stock then outstanding, that the number of directors shall be fixed by the Board of Directors. The directors, other than those who may be elected by the holders of any Preferred Stock, are divided into three classes, as nearly equal in number as possible, with each class serving for a three-year term. Subject to any rights of the holders of any Preferred Stock to elect directors, and to remove any director whom the holders of any Preferred Stock had the right to elect, any director of the Company may be removed from office only with cause and by the affirmative vote of at least two-thirds of the total votes which would be eligible to be cast by stockholders in the election of such director.

Undesignated Preferred Stock. The Board of Directors of the Company is authorized, without further action of the stockholders, to issue up to 2,000,000 shares of Preferred Stock in one or more series and to fix the designations, powers, preferences and the relative participating, optional or other special rights of the shares of each series and any qualifications, limitations and restrictions thereon. Any such Preferred Stock issued by the Company may rank prior to the Common Stock as to dividend rights, liquidation preference or both, may have full or limited voting rights and may be convertible into shares of Common Stock.

The issuance of Preferred Stock could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring or seeking to acquire, a significant portion of the outstanding Common Stock.

CERTAIN PROVISIONS OF CERTIFICATE AND BY-LAWS

A number of provisions of the Company's Restated Certificate of Incorporation (the "Certificate") and By-laws which will be effective upon completion of this offering concern matters of corporate governance and the rights of stockholders. Certain of these provisions, as well as the ability of the Board of Directors to issue shares of Preferred Stock and to set the voting rights, preferences and other terms thereof, may be deemed to have an anti-takeover effect and may discourage takeover attempts not first approved by the Board of Directors, including takeovers which stockholders may deem to be in their best interests. To the extent takeover attempts are discouraged, temporary fluctuations in the market price of the Company's Common Stock, which may result from actual or rumored takeover attempts, may be inhibited. These provisions, together with the classified Board of Directors and the ability of the Board of Directors to issue Preferred Stock without further stockholder action,

also could delay or frustrate the removal of incumbent directors or the assumption of control by stockholders, even if such removal or assumption would be beneficial to stockholders of Company. These provisions also could discourage or make more difficult a merger, tender offer or proxy contest, even if favorable to the interests of stockholders, and could depress the market price of the Common Stock. The Board of Directors believes that these provisions are appropriate to protect the interests of the Company and all of its stockholders. The Board of Directors has no present plans to adopt any other measures or devices which may be deemed to have an "anti-takeover effect."

Meetings of Stockholders. The By-laws provide that a special meeting of stockholders may be called only by the Board of Directors unless otherwise required by law. The By-laws provide that only those matters set forth in the notice of the special meeting may be considered or acted upon at that special meeting unless otherwise provided by law. In addition, the By-laws set forth certain advance notice and informational requirements and time limitations on any director nomination or any new proposal which a stockholder wishes to make at an annual meeting of stockholders.

No Stockholder Action by Written Consent. The Certificate provides that any action required or permitted to be taken by the stockholders of the Company at an annual or special meeting of stockholders must be effected at a duly called meeting and may not be taken or effected by a written consent of stockholders in lieu thereof.

Indemnification and Limitation of Liability. The By-laws provide that directors and officers of the Company shall be, and in the discretion of the Board of Directors non-officer employees may be, indemnified by the Company to the fullest extent authorized by Delaware law, as it now exists or may in the future be amended, against all expenses and liabilities reasonably incurred in connection with service for or on behalf of the Company. The By-laws also provide that the right of directors and officers to indemnification shall be a contract right and shall not be exclusive of any other right now possessed or hereafter acquired under any by-law, agreement, vote of stockholders or otherwise. The Certificate contains a provision permitted by Delaware law that generally eliminates the personal liability of Directors for monetary damages for breaches of their fiduciary duty, including breaches involving negligence or gross negligence in business combinations, unless the director has breached his or her duty of loyalty, failed to act in good faith, engaged in intentional misconduct or a knowing violation of law, paid a dividend or approved a stock repurchase in violation of the Delaware General Corporation Law or obtained an improper personal benefit. This provision does not alter a director's liability under the federal securities laws and does not affect the availability of equitable remedies, such as an injunction or rescission, for breach of fiduciary duty. The Company has also entered into indemnification agreements with each of its directors reflecting the foregoing and requiring the advancement of expenses in proceedings involving the directors in most circumstances.

Amendment of the Certificate. The Certificate provides that an amendment thereof must first be approved by a majority of the Board of Directors and (with certain exceptions) thereafter approved by a majority (or 80% in the case of any proposed amendment to the provisions of the Certificate relating to the composition of the Board or amendments of the Certificate) of the total votes eligible to be cast by holders of voting stock with respect to such amendment.

Amendment of By-laws. The Certificate provides that the By-laws may be amended or repealed by the Board of Directors or by the stockholders. Such action by the Board of Directors requires the affirmative vote of a majority of the directors then in office. Such action by the stockholders requires the affirmative vote of at least two-thirds of the total votes eligible to be cast by holders of voting stock with respect to such amendment or repeal at an annual meeting of stockholders or a special meeting called for such purpose unless the Board of Directors recommends that the stockholders approve such amendment or repeal at such meeting, in which case such amendment or repeal shall only require the affirmative vote of a majority of the total votes eligible to be cast by holders of voting stock with respect to such amendment or repeal.

Ability to Adopt Shareholder Rights Plan. The Board of Directors may in the future resolve to issue shares of Preferred Stock or rights to acquire such shares, to implement a shareholder rights plan which creates voting or other impediments or under which shares are distributed to a third-party investor, to a group of investors or

stockholders or to an employee stock ownership plan to discourage persons seeking to gain control of the Company by means of a merger, tender offer, proxy contest or otherwise if such change in control is not in the best interest of the Company and its stockholders. The Board of Directors has no present intention of adopting a shareholder rights plan and is not aware of any attempt to obtain control of the Company.

STATUTORY BUSINESS COMBINATION PROVISION

Upon completion of the offering, the Company will be subject to the provisions of Section 203 of the Delaware General Corporation Law ("Section 203"). Section 203 provides, with certain exceptions, that a Delaware corporation may not engage in any of a broad range of business combinations with a person, or an affiliate or associate of such person, who is an "interested stockholder" for a period of three years from the date that such person became an interested stockholder unless: (i) the transaction resulting in a person becoming an interested stockholder, or the business combination, is approved by the board of directors of the corporation before the person becomes an interested stockholder; (ii) the interested stockholder acquired 85% or more of the outstanding voting stock of the corporation in the same transaction that makes it an interested stockholder (excluding shares owned by persons who are both officers and directors of the corporation, and shares held by certain employee stock ownership plans); or (iii) on or after the date the person becomes an interested stockholder, the business combination is approved by the corporation's board of directors and by the holders of at least 66 2/3% of the corporation's outstanding voting stock at an annual or special meeting, excluding shares owned by the interested stockholder. Under Section 203, an "interested stockholder" is defined (with certain limited exceptions) as any person that is (i) the owner of 15% or more of the outstanding voting stock of the corporation or (ii) an affiliate or associate of the corporation and was the owner of 15% or more of the outstanding voting stock of the corporation at any time within the three-year period immediately prior to the date on which it is sought to be determined whether such person is an interested stockholder.

A corporation may, at its option, exclude itself from the coverage of Section 203 by amending its certificate of incorporation or by-laws by action of its stockholders to exempt itself from coverage, provided that such by-law or charter amendment shall not become effective until 12 months after the date it is adopted. Neither the Certificate nor the By-laws contains any such exclusion.

TRANSFER AGENT AND REGISTRAR

The Company has selected Chase Mellon Shareholder Services, L.L.C. as the transfer agent and registrar for the Common Stock.

SHARES ELIGIBLE FOR FUTURE SALE

Upon completion of the offering, the Company will have a total of 16,152,760 shares of Common Stock outstanding. Of these shares, the 3,550,000 shares of Common Stock offered hereby will be freely tradable without restriction or registration under the Securities Act by persons other than "affiliates" of the Company, as defined in the Securities Act, who would be required to sell such shares under Rule 144 under the Securities Act. The remaining 12,602,760 shares of Common Stock outstanding will be "restricted securities" as that term is defined by Rule 144 (the "Restricted Shares"). The Restricted Shares were issued and sold by the Company in private transactions in reliance upon exemptions from registration under the Securities Act.

Of the Restricted Shares, 10,095,780 Restricted Shares will be eligible for sale in the public market pursuant to Rule 144, certain of which may be sold under Rule 144 in accordance with Rule 701 under the Securities Act as described below, beginning 90 days after the date of this Prospectus. Substantially all of such shares are subject to the lock-up agreements described below. The remaining 2,506,980 Restricted Shares are subject to vesting provisions and will become eligible for sale in the public market under Rule 144 at various times as they become vested.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who has beneficially owned restricted securities for at least two years (including the holding period of any prior owner except an affiliate), including persons who may be deemed "affiliates" of the Company, would be entitled to sell within any three-month period a number of shares that does not exceed the greater of one percent of the number of shares of Common Stock then outstanding (approximately 161,527 shares upon completion of the offering) or the average weekly trading volume of the Common Stock during the four calendar weeks preceding the filing of a Form 144 with respect to such sale. Sales under Rule 144 are also subject to certain manner of sale provisions and notice requirements, and to the availability of current public information about the Company. In addition, a person who is not deemed to have been an affiliate of the Company at the time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for at least three years (including the holding period of any prior owner except an affiliate), would be entitled to sell such shares under Rule 144(k) without regard to the requirements described above. Rule 144 also provides that affiliates who are selling shares that are not Restricted Shares must nonetheless comply with the same restrictions applicable to Restricted Shares with the exception of the holding period requirement. The Securities and Exchange Commission has recently proposed to reduce the two- and three-year holding periods under Rule 144 to one- and two-year holding periods. If adopted such amendment will permit earlier resales of shares of Common Stock.

Rule 701 promulgated under the Securities Act provides that shares of Common Stock acquired pursuant to the exercise of outstanding options or the grant of Common Stock pursuant to written compensation plans or contracts prior to this offering may be resold by persons other than affiliates, beginning 90 days after the date of this Prospectus, subject only to the manner of sale provisions of Rule 144, and by affiliates, beginning 90 days after the date of this Prospectus, subject to all provisions of Rule 144 except its two-year minimum holding period.

The Company's executive officers and directors, the Selling Stockholder and certain other stockholders of the Company (who in the aggregate hold substantially all of the 10,095,780 Restricted Shares upon completion of the offering) have agreed not to sell or offer to sell or otherwise dispose of any shares of Common Stock currently held by them, any right to acquire any shares of Common Stock or any securities exercisable for or convertible into any shares of Common Stock for a period of 180 days after the date of this Prospectus without the prior written consent of Alex. Brown & Sons Incorporated. In addition, the Company has agreed that for a period of 180 days after the date of this Prospectus it will not, without the prior written consent of Alex. Brown & Sons Incorporated, offer, sell or otherwise dispose of any shares of Common Stock or options, warrants or securities convertible into or exchangeable for shares of Common Stock except for the shares of Common Stock offered hereby, shares issued and options granted pursuant to the 1994 Stock Plan, the 1996 Stock Plan and the Purchase Plan and shares issued or to be issued in acquisitions, if any.

As of June 15, 1996, options to purchase 868,110 shares of Common Stock were outstanding, none of which were exercisable. An additional 2,250,000 and 210,000 shares of Common Stock are reserved for future issuance under the 1996 Stock Plan and the Purchase Plan, respectively. See "Management--Employee Stock and Other Benefit Plans--1996 Stock Option and Grant Plan" and "--1996 Employee Stock Purchase Plan." The Company intends to file a registration statement on Form S-8 under the Securities Act to register all shares of Common Stock issuable pursuant to the 1996 Stock Plan or the Purchase Plan. The Company expects to file this registration statement approximately 90 days following the date of this Prospectus, and such registration statement will become effective upon filing. Shares covered by this registration statement will thereupon be eligible for sale in the public markets, subject to Rule 144 limitations applicable to affiliates and the lock-up agreements described above.

The holders of 10,412,000 shares of Common Stock have the right in certain circumstances to require the Company to register their shares under the Securities Act for resale to the public and holders of 11,971,860 shares have the right to include their shares in a registration statement filed by the Company under the terms of the Stockholders' Agreement. See "Certain Transactions."

Prior to the offering, there has been no public market for the Common Stock and no predictions can be made of the effect, if any, that the sale or availability for sale of shares of additional Common Stock will have on the market price of the Common Stock. Nevertheless, sales of substantial amounts of such shares in the public market, or the perception that such sales could occur, could materially and adversely affect the market price of the Common Stock and could impair the Company's future ability to raise capital through an offering of its equity securities. See "Risk Factors--Shares Eligible for Future Sale."

UNDERWRITING

Subject to the terms and conditions of the Underwriting Agreement, the underwriters named below (the "Underwriters"), through their representatives Alex. Brown & Sons Incorporated, Cowen & Company, Wessels, Arnold & Henderson, L.L.C. and Parker/Hunter Incorporated (the "Representatives"), have severally agreed to purchase from the Company the following respective numbers of shares of Common Stock at the initial public offering price less the underwriting discounts and commissions set forth on the cover page of this Prospectus:

UNDERWRITER	NUMBER OF SHARES
Alex. Brown & Sons Incorporated.....	
Cowen & Company.....	
Wessels, Arnold & Henderson, L.L.C.	
Parker/Hunter Incorporated.....	
Total.....	===

The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will purchase all of the shares of the Common Stock offered hereby if any shares are purchased.

The Company and the Selling Stockholder have been advised by the Representatives that the Underwriters propose to offer the shares of Common Stock to the public at the initial public offering price set forth on the cover page of this Prospectus and to certain dealers at such price less a concession not in excess of \$ per share. See "Principal and Selling Stockholders." The Underwriters may allow, and such dealers may reallow, a concession not in excess of \$ per share to certain other dealers. After commencement of the offering, the offering price and other selling terms may be changed by the Representatives.

Certain stockholders of the Company have granted to the Underwriters an option, exercisable not later than 30 days after the date of this Prospectus, to purchase up to 532,500 additional shares of Common Stock at the initial public offering price less the underwriting discounts and commission set forth on the cover page of this Prospectus. To the extent that the Underwriters exercise such option, each of the Underwriters will have a firm commitment to purchase approximately the same percentage thereof that the number of shares of Common Stock to be purchased by it shown in the above table bears to 3,550,000 and the stockholders will be obligated, pursuant to the option, to sell such shares to the Underwriters. The Underwriters may exercise such option only to cover over-allotments made in connection with the sale of Common Stock offered hereby. If purchased, the Underwriters will offer such additional shares on the same terms as those on which the 3,550,000 shares are being offered.

The Underwriting Agreement contains covenants of indemnity and contribution among the Underwriters, the Company, the Selling Stockholder and the stockholders providing the over-allotment shares regarding certain liabilities, including liabilities under the Securities Act.

The Company has agreed not to offer, sell or otherwise dispose of any shares of Common Stock or options, warrants or securities convertible into or exchangeable for Common Stock for a period of 180 days from the date of this Prospectus without the prior written consent of Alex. Brown & Sons Incorporated, except for the shares of Common Stock offered hereby, shares issued and options granted pursuant to the 1994 Stock Plan, the 1996 Stock Plan and Purchase Plan and shares issued or to be issued in acquisitions, if any. The Company's executive officers, directors and stockholders who hold substantially all of the 10,095,780 Restricted Shares have agreed not to sell, offer to sell or otherwise dispose of any Common Stock for a period of 180 days from the date of this Prospectus without the prior written consent of Alex. Brown & Sons Incorporated.

The Representatives have advised the Company that the Underwriters do not intend to confirm sales to any account over which they exercise discretionary authority.

Prior to this offering, there has been no public market for the Common Stock. Consequently, the initial public offering price for the Common Stock will be determined by negotiations among the Company, the Representatives and the Selling Stockholder. Among the factors to be considered in such negotiations will be prevailing market conditions, the results of operations of the Company in recent periods, the market capitalizations and stages of development of other companies which the Company, the Representatives and the Selling Stockholder believe to be comparable to the Company, estimates of the business potential of the Company, the present state of the Company's development and other factors deemed relevant by the Company, the Representatives and the Selling Stockholder.

LEGAL MATTERS

The validity of the shares of Common Stock offered hereby will be passed upon for the Company by Goodwin, Procter & Hoar llp, Boston, Massachusetts. Certain legal matters related to this offering will be passed upon for the Underwriters by Piper & Marbury L.L.P., Baltimore, Maryland.

EXPERTS

The consolidated balance sheets of the Company as of December 31, 1994 and 1995 and the consolidated statements of operations, stockholders' equity deficit and cash flows of the Company for the period March 14, 1994 (date of acquisition) through December 31, 1994 and the year ended December 31, 1995 and of the Company's predecessor for the year ended December 31, 1993 and the period from January 1, 1994 through March 13, 1994, included in this Prospectus have been included herein in reliance on the reports of Coopers & Lybrand L.L.P., independent accountants, given on their authority as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Company has filed with the Securities and Exchange Commission, Washington, D.C., a registration statement on Form S-1 under the Securities Act with respect to the Common Stock being offered by this Prospectus. This Prospectus does not contain all of the information set forth in the registration statement and the exhibits and schedules filed therewith. For further information about the Company and the securities offered by this Prospectus, reference is made to the registration statement and to the financial statements, schedules and exhibits filed as a part of it. Statements contained in this Prospectus about the contents of any contract or any other documents are not necessarily complete, and in each instance, reference is made to the copy of the contract or document filed as an exhibit to the registration statement, each such statement being qualified in all respects by such reference.

A copy of the registration statement may be inspected by anyone without charge and may be obtained at prescribed rates at the Commission at the Public Reference Section of the Commission, maintained by the

Commission at its principal office located at 450 Fifth Street, N.W., Washington, D.C. 20549, the New York Regional Office located at Seven World Trade Center, New York, New York 10048, and the Chicago Regional Office located at Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661.

The Company intends to furnish its stockholders with annual reports containing audited financial statements certified by its independent auditors and quarterly reports for the first three quarters of each fiscal year containing unaudited financial information.

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
ANSYS, Inc. and Subsidiaries:

We have audited the accompanying consolidated balance sheets of ANSYS, Inc. (formerly SAS Holdings, Inc.) and Subsidiaries as of December 31, 1994 and 1995, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the period from March 14, 1994 (date of acquisition) through December 31, 1994 and for the year ended December 31, 1995. 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 generally accepted auditing standards. 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.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of ANSYS, Inc. and Subsidiaries as of December 31, 1994 and 1995, and the consolidated results of their operations and their cash flows for the period from March 14, 1994 (date of acquisition) through December 31, 1994 and for the year ended December 31, 1995, in conformity with generally accepted accounting principles.

/s/ Coopers & Lybrand L.L.P.

Pittsburgh, Pennsylvania
April 19, 1996

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
Swanson Analysis Systems, Inc.:

We have audited the accompanying combined statements of operations, stockholder's equity and cash flows of Swanson Analysis Systems, Inc. (described in Note 1) for the year ended December 31, 1993 and for the period from January 1, 1994 through March 13, 1994. These combined financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the results of operations and the cash flows of Swanson Analysis Systems, Inc. for the year ended December 31, 1993 and for the period from January 1, 1994 through March 13, 1994, in conformity with generally accepted accounting principles.

/s/ Coopers & Lybrand L.L.P.

Pittsburgh, Pennsylvania
April 19, 1996

ANSYS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1994 AND 1995 AND MARCH 31, 1996

	DECEMBER 31,		MARCH 31,
	----- 1994	1995	1996 -----
	(UNAUDITED)		
ASSETS			
Current assets:			
Cash and cash equivalents.....	\$ 4,299,712	\$ 8,091,305	\$ 5,576,765
Accounts receivable, less allowance for doubtful accounts of \$650,000 in 1994, \$700,000 in 1995 and \$712,500 in 1996:			
Software licenses.....	5,734,648	7,665,862	9,304,299
Maintenance and service.....	--	--	2,107,048
Due from predecessor stockholder.....	565,287	--	--
Due from officers.....	--	--	431,664
Refundable and prepaid income taxes.....	1,046,759	1,496,662	1,133,238
Other current assets.....	407,569	438,802	461,342
Deferred income taxes.....	279,000	356,000	348,000
	-----	-----	-----
Total current assets.....	12,332,975	18,048,631	19,362,356
Property and equipment, net.....	2,043,317	3,163,405	2,985,451
Capitalized software costs, net of accumulated amortization of \$4,055,037 in 1994, \$9,178,692 in 1995 and \$10,460,802 in 1996.....	11,311,421	6,206,416	4,924,306
Goodwill, net of accumulated amortization of \$3,871,412 in 1994, \$8,761,616 in 1995 and \$9,984,167 in 1996.....	10,799,182	5,908,978	4,686,427
Other intangibles.....	3,434,577	2,807,368	2,650,593
Deferred income taxes.....	4,748,000	6,786,000	7,389,000
	-----	-----	-----
Total assets.....	\$44,669,472	\$42,920,798	\$41,998,133
	=====	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

ANSYS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1994 AND 1995 AND MARCH 31, 1996

	DECEMBER 31,		MARCH 31,
	1994	1995	1996
	(UNAUDITED)		
LIABILITIES AND STOCKHOLDERS' EQUITY			
(DEFICIT)			
Current liabilities:			
Accounts payable.....	\$ 539,859	\$ 639,108	\$ 109,978
Accrued bonuses.....	1,005,897	1,951,723	614,548
Accrued pension and profit sharing...	815,365	387,544	926,949
Other accrued expenses and liabilities.....	1,109,247	1,752,729	1,257,610
Accrued interest payable on subordinated debt.....	--	1,154,809	1,582,566
Customer prepayments.....	79,579	972,102	1,432,432
Deferred revenue.....	1,961,081	2,994,911	3,994,386
Current portion of long-term debt....	5,000,000	5,000,000	5,250,000
	-----	-----	-----
Total current liabilities.....	10,511,028	14,852,926	15,168,469
Long-term debt, less current portion, including amounts due to related parties of \$16,696,356, \$17,204,301 and \$17,204,301 in 1994, 1995 and 1996, respectively.....	37,696,356	33,204,301	31,704,301
	-----	-----	-----
Total liabilities.....	48,207,384	48,057,227	46,872,770
Redeemable preferred stock, \$.01 par value, 800 shares authorized; 412 shares issued and outstanding; at liquidation value, including accrued dividends of \$326,882, and \$772,388 and \$873,977 in 1994, 1995 and 1996, respectively.....	4,446,882	4,892,388	4,993,977
Stockholders' equity (deficit):			
Common stock, \$.01 par value; 15,000,000 shares authorized; 10,626,000 shares issued and outstanding at December 31, 1994 and 1995; 11,721,860 shares issued and outstanding at March 31, 1996.....	106,260	106,260	117,219
Class A common stock, \$.01 par value; nonvoting, 2,000,000 shares authorized; 963,750 shares issued at December 31, 1994 and 993,750 shares issued at December 31, 1995 and March 31, 1996.....	9,638	9,938	9,938
Additional paid-in capital.....	1,339,677	1,351,377	1,772,082
Adjustment for predecessor basis....	(7,010,000)	(7,010,000)	(7,010,000)
Less treasury stock, at cost: 54,850 shares of Class A common stock held at December 31, 1995 and 62,850 shares held at March 31, 1996.....	--	(10,285)	(11,085)
Retained earnings (deficit).....	(2,116,369)	(4,141,607)	(4,444,268)
Notes receivable from stockholders...	(314,000)	(334,500)	(302,500)
	-----	-----	-----
Total stockholders' equity (deficit).....	(7,984,794)	(10,028,817)	(9,868,614)
	-----	-----	-----
Total liabilities, preferred and common stockholders' equity (deficit).....	\$44,669,472	\$42,920,798	\$41,998,133
	=====	=====	=====

The accompanying notes are an integral part of the consolidated financial statements.

ANSYS, INC. AND SUBSIDIARIES AND PREDECESSOR

CONSOLIDATED STATEMENTS OF OPERATIONS

	PREDECESSOR	
	1993	PERIOD JANUARY 1, TO MARCH 13, 1994
Revenue:		
Software licenses.....	\$27,495,022	\$5,984,237
Maintenance and service.....	4,109,060	584,962
Total revenue.....	31,604,082	6,569,199
Cost of sales:		
Software licenses.....	4,772,051	761,060
Maintenance and service.....	1,330,750	183,856
Total cost of sales.....	6,102,801	944,916
Gross profit.....	25,501,281	5,624,283
Operating expenses:		
Selling and marketing.....	3,762,964	672,980
Research and development.....	5,972,026	1,349,498
Amortization.....	936,839	300,000
General and administrative.....	7,181,472	1,234,049
Total operating expenses.....	17,853,301	3,556,527
Operating income (loss).....	7,647,980	2,067,756
Interest expense.....	(305,883)	(61,670)
Other income.....	778,179	39,592
Income (loss) before income tax benefit....	8,120,276	2,045,678
Income tax benefit.....	--	--
Net income (loss).....	\$ 8,120,276	\$2,045,678
Redeemable preferred stock dividends.....		
Net income (loss) applicable to common stock.....		
Net income (loss) per common share.....		
Shares used in computing per common share amounts.....		

	THE COMPANY			
	PERIOD		MARCH 31	
	MARCH 14, TO DECEMBER 31, 1994	1995	1995	1996
				(UNAUDITED)
Revenue:				
Software licenses.....	\$22,309,661	\$32,604,044	\$ 7,104,177	\$ 8,385,166
Maintenance and service.....	3,943,995	7,011,891	1,121,774	2,348,243
Total revenue.....	26,253,656	39,615,935	8,225,951	10,733,409
Cost of sales:				
Software licenses.....	3,033,816	3,331,250	955,589	666,284
Maintenance and service.....	708,802	1,571,615	272,973	528,768
Total cost of sales.....	3,742,618	4,902,865	1,228,562	1,195,052
Gross profit.....	22,511,038	34,713,070	6,997,389	9,538,357
Operating expenses:				
Selling and marketing.....	3,835,694	7,525,908	1,648,960	2,168,724
Research and development.....	5,410,301	8,328,703	2,019,292	2,329,774
Amortization.....	8,420,088	10,641,123	2,659,700	2,719,639
General and administrative.....	4,606,084	6,856,953	1,492,922	1,850,446
Total operating expenses.....	22,272,167	33,352,687	7,820,874	9,068,583
Operating income (loss).....	238,871	1,360,383	(823,485)	469,774
Interest expense.....	(3,091,293)	(3,983,177)	(994,848)	(888,163)
Other income.....	145,935	250,062	38,797	91,317
Income (loss) before income tax benefit....	(2,706,487)	(2,372,732)	(1,779,536)	(327,072)
Income tax benefit.....	917,000	793,000	595,000	126,000
Net income (loss).....	(1,789,487)	(1,579,732)	(1,184,536)	(201,072)
Redeemable preferred stock dividends.....	(326,882)	(445,506)	(101,589)	(101,589)
Net income (loss) applicable to common stock.....	\$ (2,116,369)	\$ (2,025,238)	\$ (1,286,125)	\$ (302,661)

Net income (loss) per common share.....	\$	(.19)	\$	(.17)	\$	(.11)	\$	(.02)
	=====		=====		=====		=====	
Shares used in computing per common share amounts.....		11,495,000		12,261,000		12,279,000		12,457,000
-		=====		=====		=====		=====

The accompanying notes are an integral part of the consolidated financial statements.

PREDECESSOR

CONSOLIDATED STATEMENTS OF STOCKHOLDER'S EQUITY FOR THE YEAR ENDED DECEMBER 31,
1993 AND FOR THE PERIOD FROM JANUARY 1, 1994 TO MARCH 13, 1994

	COMMON STOCK		ADDITIONAL	RETAINED	TOTAL
	SHARES	AMOUNT	PAID-IN CAPITAL	EARNINGS	STOCKHOLDER'S EQUITY
Balance, December 31, 1992.....	500,000	\$500,000	\$2,270,033	\$ 23,149,180	\$ 25,919,213
Distributions to stockholder.....	--	--	--	(15,958,688)	(15,958,688)
Contribution from stockholder.....	--	--	1,434,070	--	1,434,070
Net income for year...	--	--	--	8,120,276	8,120,276
Balance, December 31, 1993.....	500,000	500,000	3,704,103	15,310,768	19,514,871
Distributions to stockholder.....	--	--	(729,486)	(13,811,849)	(14,541,335)
Contribution from stockholder.....	--	--	61,670	--	61,670
Net income for period.	--	--	--	2,045,678	2,045,678
Balance, March 13, 1994.	500,000	\$500,000	\$3,036,287	\$ 3,544,597	\$ 7,080,884

The accompanying notes are an integral part of the consolidated financial statements.

basis	(7,010,000)
Issuance of Class A common stock.....	30,000
Issuance of Restricted stock.....	425,575
Dividends accrued on redeemable preferred stock.	(326,882)
Loans to facilitate purchase of restricted stock.....	(314,000)
Net loss for the period.....	(1,789,487)

Balance, December 31, 1994.....	(7,984,794)
Treasury stock acquired.....	(10,285)
Issuance of Class A common stock.....	12,000
Dividends accrued on redeemable preferred stock.	(445,506)
Loans to facilitate purchase of restricted stock.....	(20,500)
Net loss for the year.....	(1,579,732)

Balance, December 31, 1995.....	(10,028,817)
Unaudited information:	
Treasury stock acquired.....	(800)
Issuance of restricted stock.....	326,064
Exercise of stock options...	105,600
Dividends accrued on redeemable preferred stock.	(101,589)
Repayment of stockholder loan.....	32,000
Net income for the period.....	(201,072)

Balance, March 31, 1996 (unaudited).....	\$ (9,868,614)
	=====

The accompanying notes are an integral part of the consolidated financial statements.

ANSYS, INC. AND SUBSIDIARIES AND PREDECESSOR

CONSOLIDATED STATEMENT OF CASH FLOWS

	PREDECESSOR		THE COMPANY			
	1993	PERIOD JANUARY 1, TO MARCH 13, 1994	PERIOD MARCH 14 TO DECEMBER 31, 1994	1995	MARCH 31, 1995 1996	
					(UNAUDITED)	
Cash flows from operating activities:						
Net income (loss).....	\$8,120,276	\$ 2,045,678	\$(1,789,487)	\$(1,579,732)	\$(1,184,536)	\$(201,072)
Adjustments to reconcile net loss to net cash provided by operating activities:						
Depreciation and amortization.....	1,626,016	427,496	8,605,999	11,458,053	2,784,315	2,950,712
Deferred income tax benefit.....	--	--	(1,491,000)	(2,115,000)	(719,000)	(595,000)
Provision for bad debts.....	1,339,630	--	150,000	50,031	--	12,500
Capital gains and dividends reinvested.....	(585,949)	(8,499)	--	--	--	--
Unrealized loss on foreign exchange.....	120,873	--	5,367	--	--	--
Deferred compensation expense.....	18,232	3,596	--	--	--	--
Write-down of inventory.....	46,734	--	--	--	--	--
Change in operating assets and liabilities, net of effects of acquisition:						
Accounts receivable.....	(1,184,143)	(717,508)	57,684	(1,981,245)	(758,669)	(3,757,985)
Refundable and prepaid income taxes.....	--	--	(920,206)	(449,903)	(1,118)	363,424
Other current assets.....	63,948	71,785	1,108,620	534,054	852,733	(454,204)
Other assets.....	39,780	21,839	--	--	--	--
Accounts payable, accrued expenses and liabilities and customer prepayments.....	89,755	918,883	523,317	3,816,013	(556,108)	(933,932)
Deferred revenue.....	(30,766)	(9,874)	82,399	1,033,830	647,274	999,475
Net cash provided by operating activities..	9,664,386	2,753,396	6,332,693	10,766,101	1,064,891	(1,616,082)
Cash flows from investing activities:						
Purchase of Swanson Analysis Systems, Inc., including related acquisition costs of \$273,000, net of cash acquired of \$42,744...	--	--	(46,845,552)	--	--	--
Purchase of marketable securities.....	(2,850,000)	--	--	--	--	--
Capital expenditures.....	(1,658,386)	(91,254)	(795,004)	(1,937,073)	(441,775)	(111,322)
Capitalization of internally developed software costs.....	(280,392)	--	--	(18,650)	--	--
Payments for software products acquired.....	(600,000)	(300,200)	--	--	(110,000)	--
Other assets.....	--	--	(179,000)	--	--	--
Notes receivable from stockholders.....	185,913	--	--	(20,500)	--	32,000
Net cash used in investing activities.....	(5,202,865)	(391,454)	(47,819,556)	(1,976,223)	(551,775)	(79,322)
Cash flows from financing activities:						
Proceeds from long-term debt.....	706,663	--	28,000,000	--	--	--
Payments on long-term debt.....	--	--	(2,000,000)	(5,000,000)	(2,000,000)	(1,250,000)
Proceeds from issuance of restricted stock ..	--	--	111,575	12,000	--	326,064
Proceeds from issuance of preferred and common stock.....	--	--	5,150,000	--	--	--
Proceeds from exercise of stock options.....	--	--	--	--	--	105,600
Proceeds from issuance of subordinated notes.	--	--	15,450,000	--	--	--
Debt issuance costs.....	--	--	(925,000)	--	--	--
Purchase of treasury stock.....	--	--	--	(10,285)	--	(800)
Cash distributions to stockholder.....	(13,306,908)	(3,212,027)	--	--	--	--
Contributions by stockholder.....	704,583	61,670	--	--	--	--
Net cash (used in) provided by financing activities.....	(11,895,662)	(3,150,357)	45,786,575	(4,998,285)	(2,000,000)	(819,136)
Net (decrease) increase in cash and cash equivalents.....	(7,434,141)	(788,415)	4,299,712	3,791,593	(1,486,884)	(2,514,540)
Cash and cash equivalents, beginning of period.....	8,650,004	1,215,863	--	4,299,712	4,049,712	8,091,305
Cash and cash equivalents, end of period.....	\$1,215,863	\$ 427,448	\$4,299,712	\$8,091,305	\$2,562,828	\$5,576,765

continued

ANSYS, INC. AND SUBSIDIARIES AND PREDECESSOR
CONSOLIDATED STATEMENT OF CASH FLOWS--(CONTINUED)

	PREDECESSOR		THE COMPANY			
	1993	PERIOD JANUARY 1, TO MARCH 13, 1994	PERIOD MARCH 14 TO DECEMBER 31, 1994	1995	MARCH 31, 1995 1996	
						(UNAUDITED)
Supplemental disclosures of cash flow information:						
Cash paid during the period for:						
Interest.....	--	--	\$1,676,666	\$2,567,979	\$613,889	\$457,611
Income taxes.....	--	--	1,544,759	1,826,100	--	--
Supplemental noncash investing and financing activities:						
Deferred interest notes issued for interest in arrears on subordinated notes....	--	--	1,246,356	507,945	--	--
Restricted stock purchased with notes to stockholders.....	--	--	314,000	--	--	--
Marketable securities distributed to Predecessor stockholder.....	--	11,329,308	--	--	--	--
Purchased capitalized software included in accounts payable.....	--	212,600	--	--	--	--
Note receivable and accrued interest exchanged for partial payment of a software license included in capitalized software costs.....	1,055,483	--	--	--	--	--
Notes receivable from Predecessor stockholder distributed to Predecessor stockholder.....	2,651,780	--	--	--	--	--
Notes payable to Predecessor stockholder forgiven by Predecessor stockholder and accounted for as additional paid-in capital.....	729,486	--	--	--	--	--

The accompanying notes are an integral part of the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANIZATION AND BASIS OF PRESENTATION:

ANSYS, Inc. (the Company), formerly SAS Holdings, Inc., is a holding company incorporated on January 12, 1994 for the purpose of acquiring through its subsidiary, SAS Acquisition Corp. (Acquisition), substantially all of the assets and technology of Swanson Analysis Systems, Inc. (SASI or Predecessor) for approximately \$48 million in cash, the assumption of certain liabilities totaling \$4.9 million and acquisition costs of \$273,000. The Company, through its operating subsidiaries, develops, markets and supports a family of mechanical computer-aided engineering software products.

The acquisition was effective and the Company commenced business on March 14, 1994. The acquisition was financed through the issuance of preferred and common stock, borrowings under a \$28 million term loan with a bank and the issuance of subordinated notes (see Note 6). The acquisition of SASI was accounted for using the purchase method of accounting. In recording the acquisition, in accordance with generally accepted accounting principles, the aggregate consideration was adjusted downward to reflect the carryover of the seller's basis in the net assets acquired. The effect of this adjustment was to reduce, on the date of acquisition, the value of stockholders' equity and the purchased net assets by \$7,010,000 and to preclude a write-up of a proportionate amount of the assets acquired.

The accompanying financial statements present the Company's consolidated operations and cash flows from the acquisition date of March 14, 1994 through December 31, 1994 and for the year ended December 31, 1995, and the combined operations and cash flows of SASI for the year ended December 31, 1993 and for the period January 1, 1994 through March 13, 1994.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation:

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, SAS Acquisition Corp., ANSYS Operating Corp. and SAS IP, Inc. In addition, the accompanying combined financial statements include the accounts of SASI, Compuflo, Inc., a company owned by the sole stockholder of SASI, which merged with SASI on April 1, 1993, and a joint venture between the sole stockholder of SASI and a corporate officer of SASI, which owns the buildings leased by the Company (see Note 14). The accounts of the joint venture are not included in the accompanying consolidated financial statements of the Company. All significant intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition:

The Company's revenue recognition policy is in conformance with the American Institute of Certified Public Accountants' Statement of Position 91-1, "Software Revenue Recognition."

The Company's products are sold primarily through distributors, who are resellers with respect to its products. Revenue is derived principally from the licensing of computer software products, either on a monthly lease or perpetual basis, and from related maintenance contracts. Revenue from product licensing for perpetual licenses is recognized upon delivery of the product, acceptance by the customer and receipt of a signed contractual obligation provided that no significant Company obligations remain and collection of the receivable is probable. Revenue for monthly lease licenses is recognized monthly as earned because the lease license agreements can be cancelled by the customers with 30 days' notice. The portion of the perpetual license fee associated with providing the initial warranty is unbundled from the perpetual license fee and deferred and recognized ratably over the warranty period. Maintenance billed separately is recognized ratably over the term of the agreement. Costs related to maintenance obligations are expensed as incurred.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Revenue from training, support and other service is recognized as the services are performed.

Cash Equivalents:

For the purposes of the consolidated statements of cash flows, the Company considers highly liquid deposits in money market funds to be cash equivalents. Cash equivalents are recorded at cost, which approximates fair value.

Marketable Securities:

Marketable securities distributed to the Predecessor's sole stockholder during the period from January 1, 1994 through March 13, 1994 were carried at the lower of cost or market. Gains and losses on marketable securities were determined by specific identification.

Property and Equipment:

Property and equipment is carried at cost which includes the allocated purchase price for the acquisition described in Note 1. Depreciation is computed by the straight-line method over the estimated useful lives of the various classes of assets, which range from three to ten years for the related assets of the Company, and three to forty years for the Predecessor. Repairs and maintenance are charged to expense as incurred. Gains or losses from the sale or retirement of property and equipment are included in the results of operations.

Capitalized Software:

Internally developed computer software costs and costs of product enhancements are capitalized subsequent to the determination of technological feasibility; such capitalization continues until the product becomes available for general release. Amortization of capitalized software costs, both for internally developed as well as for purchased software products, is computed on a product-by-product basis over the estimated economic life of the product which ranges from three years to five years. Amortization is the greater of the amount computed using (1) the ratio of the current year's gross revenue to the total current and anticipated future gross revenue for that product or (2) the straight-line method over the estimated life of the product.

The Company periodically reviews the carrying value of capitalized software and impairments are recognized in the results of operations when the expected future undiscounted operating cash flow derived from the capitalized software is less than its carrying value.

Research and Development Costs:

Research and development costs are expensed as incurred.

General and Administrative Expenses:

Included in general and administrative expenses for the year ended December 31, 1993 is approximately \$1.6 million in legal fees and related costs to settle a legal dispute.

Goodwill and Other Intangible Assets:

Intangible assets consist of the excess of the purchase cost over the fair value of net assets acquired (goodwill), the ANSYS trade name and a noncompete agreement, which are being amortized on the straight-line method over the estimated useful lives of these assets. The Company periodically evaluates the carrying value of goodwill, which is being amortized over three years, based on whether the goodwill is recoverable from expected future undiscounted operating cash flows of the related business. Additionally, the Company periodically reviews the carrying value of other intangible assets and will recognize impairments when the expected future operating cash flow derived from such intangible assets is less than their carrying value.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

2.SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

Debt Issuance Costs:

Debt issuance costs, which were incurred by the Company in connection with the borrowings under the credit facilities agreement (see Note 6), are deferred and amortized over the term of the related debt. Debt issuance costs have been included in other intangibles on the consolidated balance sheet.

Concentrations of Credit Risk:

The Company invests its cash primarily in deposits and money market funds with commercial banks. The Company has not experienced any losses to date on its invested cash.

The Company has a concentration of credit risk with respect to trade receivables because of the limited number of distributors through which the Company sells its products. The Company performs periodic credit evaluations of its customers' financial condition and generally does not require collateral.

During 1995, sales by distributors comprised approximately 97% of the Company's total revenue, with two distributors accounting for approximately 15% and 10% of total revenue.

Income Taxes:

The Company and its wholly-owned subsidiaries are "C" corporations. Deferred tax assets and liabilities are determined based on temporary differences between the financial statement and the tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

SASI and Compuflo, Inc., prior to its merger with SASI, were "S" corporations. These entities and the limited partnership, which owns the building leased by the Company, were not subject to federal and state income tax. Accordingly, the federal and state income tax liabilities were borne by the respective stockholders or partners.

Foreign Currency Transactions:

Certain of the Company's sales transactions are denominated in foreign currencies. These transactions are translated to U.S. dollars at the exchange rate on the transaction date. Accounts receivable in foreign currencies at year-end are translated at the effective exchange rate on that date. The unrealized exchange loss or gain resulting from the translation as of year-end is included in the results of operations.

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. Estimates also affect the amounts of revenues and expenses during the reported periods. Actual results could differ from the estimates.

Net Income (Loss) Per Share:

Net income (loss) per share is computed using the weighted average number of common and common equivalent shares outstanding during each period. Common equivalent shares are not included in the per share calculations where their inclusion would be antidilutive, except that, in accordance with certain Securities and Exchange Commission (SEC) Staff Accounting Bulletins, common and common equivalent shares issued within 12 months of the initial filing date of this registration statement have been included in the calculation as if they were outstanding for all prior periods presented, using the treasury stock method and the anticipated initial public offering (IPO) price. Such shares totaled 690,680 and are included in the shares used in computing per common

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, CONTINUED:

share amounts for all periods presented. Common equivalent shares consist of the common shares issuable upon the exercise of stock options (using the treasury stock method). Primary and fully diluted net income (loss) per share are the same for all periods presented. All references in the accompanying consolidated financial statements to the number of shares of common stock have been retroactively restated to reflect the stock split discussed in Note 18.

As the proceeds of the IPO (see Note 18) will be used to repay the Company's senior term loan, subordinated notes and associated deferred interest notes, and redeemable preferred stock, the following pro forma information for the year ended December 31, 1995 and for the three month period ended March 31, 1996 is presented:

	YEAR ENDED DECEMBER 31, 1995	THREE MONTHS ENDED MARCH 31, 1996
	(UNAUDITED)	(UNAUDITED)
Net loss.....	\$ (1,579,732)	\$ (201,072)
Pro forma adjustments to reflect repayment of long term debt and redeemable preferred stock from proceeds on January 1, 1995.....	2,815,856	583,838
Pro forma net income.....	\$ 1,236,124	\$ 382,766
Pro forma weighted average shares outstanding.....	12,261,000	12,457,000
Add: Additional pro forma shares required to repay long-term debt and redeemable preferred stock (assuming an IPO price of \$13 per share).....	3,190,000	3,190,000
Total pro forma shares.....	15,451,000	15,647,000
Pro forma income per share.....	\$0.08	\$0.02

New Accounting Pronouncements:

In March 1995, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to Be Disposed Of." The new standard is effective for fiscal year 1996. Management believes that the implementation of the standard will not have a material effect on its consolidated financial statements.

In October 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation." The new standard, which is effective for fiscal year 1996, requires the Company to adopt either a recognition method or a disclosure-only approach of accounting for stock based employee compensation plans. Management intends to adopt the disclosure-only approach and, as such, does not believe that the implementation of the standard will have a material effect on its consolidated financial statements.

Interim Consolidated Financial Statements (Unaudited):

The unaudited consolidated balance sheet as of March 31, 1996 and the unaudited consolidated statements of operations and cash flows for the three months ended March 31, 1995 and 1996, in the opinion of management, have been prepared on the same basis as the audited consolidated financial statements and include all significant adjustments, consisting only of normal recurring adjustments, necessary for the fair presentation of the results of the interim periods. The data disclosed in these notes to the consolidated financial statements for these periods are also unaudited. Operating results for the three months ended March 31, 1996 are not necessarily indicative of the results that may be expected for the entire year ending December 31, 1996.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

3. PROPERTY AND EQUIPMENT:

Property and equipment consisted of the following:

	DECEMBER 31,		MARCH 31,
	1994	1995	1996
			(UNAUDITED)
Equipment.....	\$ 987,897	\$1,721,174	\$ 1,787,497
Computer equipment and software.....	470,263	1,557,117	1,602,116
Furniture.....	256,259	265,751	265,751
Leasehold improvements.....	515,797	530,073	530,073
	2,230,216	4,074,115	4,185,437
Less: accumulated depreciation and amortization.....	(186,899)	(910,710)	(1,199,986)
	<u>\$2,043,317</u>	<u>\$3,163,405</u>	<u>\$ 2,985,451</u>

Depreciation expense was approximately \$690,000 for the year ended December 31, 1993; \$127,000 for the period January 1, 1994 through March 13, 1994; \$186,000 for the period March 14, 1994 through December 31, 1994; \$877,000 for the year ended December 31, 1995; and \$125,000 and \$231,000 for the three months ended March 31, 1995 and 1996, respectively.

During January 1996, the Company approved plans to move into new corporate office facilities on or about February 15, 1997 (see Note 14). Accordingly, the Company reduced the estimated useful life of the leasehold improvements maintained on its existing facilities through the anticipated move date. This resulted in an increase in depreciation expense of \$108,000 for the year ended December 31, 1995 and \$32,000 for the three months ended March 31, 1996.

4. OTHER INTANGIBLE ASSETS:

The components of other intangible assets were as follows:

	ESTIMATED USEFUL LIVES	DECEMBER 31,		MARCH 31,
		1994	1995	1996
				(UNAUDITED)
Trade names.....	10	\$1,824,268	\$ 1,824,268	\$ 1,824,268
Noncompete agreement....	5	1,000,000	1,000,000	1,000,000
Debt issuance costs.....	5	925,000	925,000	925,000
Other.....	3	179,000	179,000	179,000
		3,928,268	3,928,268	3,928,268
Less: accumulated amortization.....		(493,691)	(1,120,900)	(1,277,675)
		<u>\$3,434,577</u>	<u>\$ 2,807,368</u>	<u>\$ 2,650,593</u>

5. LINE OF CREDIT:

The Company has a \$1,000,000 revolving line of credit with a bank under a credit facilities agreement, which is available through June 1, 1997. Borrowings under the revolving line of credit bear interest at the bank's prime rate (8.5% at December 31, 1995) plus 1%. There were no borrowings outstanding under this line of credit during 1994, 1995 and 1996.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

6. LONG-TERM DEBT:

Long-term debt consisted of the following:

	DECEMBER 31,		MARCH 31,
	1994	1995	1996
			(UNAUDITED)
Senior term loan.....	\$26,000,000	\$21,000,000	\$19,750,000
Subordinated notes.....	15,450,000	15,450,000	15,450,000
Deferred interest notes.....	1,246,356	1,754,301	1,754,301
	42,696,356	38,204,301	36,954,301
Less current portion.....	5,000,000	5,000,000	5,250,000
Long-term Debt.....	\$37,696,356	\$33,204,301	\$31,704,301

The Company's bank credit facilities agreement includes a \$28,000,000 term loan which is payable in quarterly principal installments through December 31, 1998. The term loan agreement also provides for additional principal payments based on 75% of the Company's excess cash flow, as defined in the loan agreement. No such payment was required for 1994. For 1995, the required payment of \$890,000 was waived by the bank.

As part of the credit facilities agreement, all of the Company's assets have been pledged as collateral. The agreement contains covenants which, among other matters, restrict or limit the ability of the Company to pay dividends, incur indebtedness, merge, acquire or sell assets and make capital expenditures. The Company must also maintain certain financial ratios regarding interest coverage, leverage and net worth, among other restrictions.

The Company can elect to change the interest rate on the term loan from the bank's prime rate plus 1% to the bank's Eurodollar rate plus 3% on a 30, 60 or 90 day basis. At December 31, 1995, the interest rate in effect was the bank's Eurodollar rate (5.67% at December 31, 1995) plus 3%. The term loan had a weighted average interest rate during 1994 of 8.36% and during 1995 of 9.56%. The Company entered into an interest rate cap agreement with a bank to mitigate the fluctuations of variable rates. This agreement resulted in a fixed interest rate of 9% on \$14,000,000 of the principal through March 31, 1997.

The Company issued \$15,000,000 of subordinated notes to certain stockholders in connection with the acquisition described in Note 1. In July 1994, the Company issued an additional \$450,000 of subordinated notes to other stockholders. The notes are subordinated to the senior term loan and bear interest at 10%, with interest payable annually in arrears on May 1 of each year with the first such payment due on May 1, 1995. One-half of the initial principal amount of the notes and accrued but unpaid interest are due on April 14, 1999 with the remaining principal and accrued but unpaid interest due on April 14, 2000. The notes are subject to mandatory repayment in the event of a change in control or a qualified IPO, both as defined in the related agreements. To the extent the Company is prohibited from making subordinated note interest payments by the terms of its bank credit facilities agreement, the Company is required to issue deferred interest notes, subject to the same terms as the subordinated notes. At December 31, 1994 and 1995, in accordance with such payment provisions, accrued interest on the subordinated notes in the amounts of \$1,246,356 and \$1,754,301 was converted into deferred interest notes.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

6. LONG-TERM DEBT, CONTINUED:

Statement of Financial Accounting Standards No. 107 requires disclosure about fair value for all financial instruments. Based on interest rates currently available, management believes that the carrying amount of the long-term debt is a reasonable estimation of fair value. The carrying value of the interest rate cap is not materially different than fair value.

The scheduled aggregate maturities of total long-term debt are \$5,000,000 in 1996, \$6,000,000 in 1997, \$10,000,000 in 1998, \$8,602,000 in 1999 and \$8,602,000 in 2000.

7. INCOME TAXES:

The provision (benefit) for income taxes is comprised of the following:

	DECEMBER 31,		MARCH 31,	
	1994	1995	1995	1996
	(UNAUDITED)			
Current:				
Federal.....	\$ 86,000	\$ 680,000	--	\$ 339,000
State.....	--	5,000	--	25,000
Foreign.....	488,000	637,000	\$124,000	105,000
Deferred:				
Federal.....	(1,491,000)	(2,115,000)	(719,000)	(595,000)
Total.....	\$ (917,000)	\$ (793,000)	(595,000)	\$(126,000)

The reconciliation of the federal statutory tax rate to the consolidated effective tax rate is as follows:

	DECEMBER 31,		MARCH 31,	
	1994	1995	1995	1996
	(UNAUDITED)			
Federal statutory tax rate.....	34.0%	34.0%	34.0%	34.0%
State income taxes, net of federal benefit.....	--	0.5	--	4.7
Research and experimentation credit.....	(0.1)	(1.1)	(0.6)	(0.2)
	33.9%	33.4%	33.4%	38.5%

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

7. INCOME TAXES, CONTINUED:

The components of net deferred tax assets and liabilities are as follows:

	DECEMBER 31,		MARCH 31,
	1994	1995	1996
			(UNAUDITED)
Deferred tax assets:			
Goodwill.....	\$1,560,000	\$2,854,000	\$3,178,000
Capitalized software.....	2,595,000	3,884,000	4,206,000
Other intangible assets.....	270,000	320,000	333,000
Allowance for doubtful accounts.....	221,000	238,000	242,000
Accrued expenses and liabilities.....	57,000	118,000	116,000
Tax credits.....	420,000	--	--
	5,123,000	7,414,000	8,075,000
Deferred tax liability:			
Property and equipment.....	24,000	202,000	200,000
Other.....	72,000	70,000	138,000
	96,000	272,000	338,000
Net deferred tax asset.....	\$5,027,000	\$7,142,000	\$7,737,000

Based upon the Company's current and historical taxable income and the anticipated level of future taxable income, management believes it is more likely than not that all of the deferred tax assets will be realized. Accordingly, no valuation allowance has been established against the deferred tax assets.

8. REDEEMABLE PREFERRED STOCK:

The Company is authorized to issue 10% cumulative redeemable preferred stock. There are no voting rights associated with this class of stock. The preferred stock is redeemable at the option of the Company or upon a change of control or a qualified IPO, both as defined in the preferred stock instruments, at \$10,000 per share plus all accumulated but unpaid dividends. Each share of preferred stock is subject to annual cumulative dividend requirements of \$1,000 per share, which began to accumulate on the date of issuance and are payable in arrears as of January 1 of each year, beginning January 1, 1995.

Dividends accumulated, but unpaid, accumulate additional dividends at 10% per annum. All unpaid dividends compound semi-annually on January 1 and July 1 of each year, until such dividends are paid. At December 31, 1994, 1995 and March 31, 1996, accumulated but unpaid dividends amounted to \$326,882, \$772,388 and \$873,977, respectively. The preferred shares have a liquidation preference equal to \$10,000 per share plus all accumulated and unpaid dividends.

9. COMMON STOCK:

The Company is authorized to issue shares of \$.01 par value voting common stock and shares of \$.01 par value nonvoting Class A common stock. Shares of common stock and Class A common stock, apart from voting rights, have equal rights in liquidation and with respect to dividends. Upon the closing of an IPO of the Company's common stock, each Class A share automatically converts into one share of common stock.

Certain holders of the Company's common stock have entered into transfer restrictions and co-sale agreements with the Company. Among other provisions, the agreements restrict the transfer of common stock and allow for repurchase by the Company at the original purchase price, in the event that the restricted shares are offered for sale or upon cessation of employment of the holder with the Company. Effective upon the closing of the proposed IPO (see Note 18), these co-sale rights and the transfer restrictions terminate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

10. PENSION AND PROFIT-SHARING PLANS:

The Company maintains and the Predecessor maintained both a money purchase pension plan and a profit-sharing plan for all qualifying full-time employees. The plans are noncontributory. The pension plan requires the Company to contribute 20% of each participant's compensation annually while the profit-sharing contribution is determined annually by the Board of Directors, subject to a maximum limitation of 5% of eligible compensation.

Pension expense was \$1,747,000 for the year ended December 31, 1993; \$317,000 for the period January 1, 1994 through March 13, 1994; \$1,318,200 for the period March 14, 1994 through December 31, 1994; \$1,500,400 for the year ended December 31, 1995 and \$420,600 and \$519,200 for the three-month periods ended March 31, 1995 and 1996, respectively. Additionally, profit-sharing expense was \$380,000 for the year ended December 31, 1993; \$85,000 for the period January 1, 1994 through March 13, 1994; \$322,000 for the period March 14, 1994 through December 31, 1994; \$345,700 for the year ended December 31, 1995 and \$105,200 and \$109,700 for the three-month periods ended March 31, 1995 and 1996, respectively.

11. DEFERRED COMPENSATION:

The Predecessor had a deferred compensation agreement with two executives. One agreement provided for the payment of \$52,500 per year for 10 years upon the executive's retirement at age 65. The other agreement provided for the payment of \$26,300 per year for 10 years upon the executive's retirement at age of 65. The Predecessor expensed the present value of the payments at the time of retirement equally over the employment period in which the compensation is expected to be earned. The deferred compensation expense was \$18,232 for the year ended December 31, 1993 and \$3,596 for the period from January 1, 1994 through March 13, 1994. The liability associated with the deferred compensation agreement was not assumed by the Company in connection with the acquisition described in Note 1.

12. NONCOMPETE AND EMPLOYMENT AGREEMENTS:

The Company has entered into noncompete agreements with certain holders of the Company's common stock, including the sole stockholder of SASI. The agreements preclude the stockholders from competing either directly or indirectly with the company for a period ranging from one to three years subsequent to termination.

The Company has entered into employment agreements with the chief executive officer and another senior executive (who was the sole stockholder of SASI). The terms of the agreements are substantially similar except with respect to minimum annual base salary. In the event the chief executive officer is terminated without cause, his employment agreement provides for severance at the annual rate of \$300,000 for the later of a period of one year after termination or when he accepts other employment. In the event the other senior executive is terminated without cause, his employment agreement provides that the Company will continue to pay his base salary of \$228,000, subject to specified cost of living increases, through the later of March 14, 1999 or six months from the date of termination. The chief executive officer and the other senior executive are subject to one and three-year restrictions on competition, respectively, with the Company following termination of employment under the circumstances described in each contract.

13. STOCK OPTION AND GRANT PLAN:

In February 1994, the Company's Board of Directors adopted and the stockholders subsequently approved the 1994 Stock Option and Grant Plan (1994 Stock Plan) under which 868,110 shares of common stock have been reserved for issuance upon exercise of currently outstanding options. Under the 1994 Stock Plan, the Company may issue or sell shares of common stock with or without restrictions (restricted stock) and grant either incentive stock options (Incentive Options) or nonqualified stock options (Non-Qualified Options). The 1994

13. STOCK OPTION AND GRANT PLAN, CONTINUED:

Stock Plan provides that (i) the exercise price of an Incentive Option must be no less than the fair value of the relevant stock at the date of grant, and (ii) the exercise price of an optionee who possesses more than 10% of the total combined voting power of all classes of stock must be no less than 110% of the fair market value of the stock at the time of grant. The Board of Directors has the authority to set expiration dates no longer than ten years from the date of grant (or five years for an optionee who meets the 10% criteria), payment terms and other provisions of each grant. Shares associated with unexercised options or repurchased shares of common stock become available for options or issuances under the Plan. The Compensation Committee of the Board of Directors may, in its sole discretion, accelerate or extend the date or dates on which all or any particular award or awards granted under the 1994 Stock Plan may be exercised or vest. In the event of a merger of the Company, or the sale of substantially all of the assets of the Company, the Board of Directors has the discretion to accelerate the vesting of the options granted under the 1994 Stock Plan, except that 40,000 Non-Qualified Options held by independent directors (Independent Directors) vest automatically in such circumstances. In addition, the 1994 Stock Plan and the grants issued thereunder terminate upon the effectiveness of any such transaction or event, unless provision is made in connection with such transaction for the assumption of grants theretofore made. No options or issuances may be granted or made after March 14, 2004. In addition, the Company does not intend to make any further grants or issuances under the 1994 Plan after the effective date of the planned initial public offering (see Note 18).

During 1994, the Company issued 1,289,750 shares of restricted common stock to certain officers, employees and a member of the Board of Directors. In addition, during 1995 and for the three months ended March 31, 1996, the Company issued 30,000 and 135,860 shares, respectively, of restricted common stock to an officer and members of the Board of Directors. Substantially all shares of restricted stock and all of the options were issued at the estimated market value of the Company's common stock at the time of issuance. The recipients of the restricted stock are required to continue in the employment or service of the Company for periods up to five years after the date of issuance for ownership to vest and provide for repurchase by the Company at the original purchase price in the event of the termination of employment prior to vesting. In addition, 135,860 shares of restricted stock provide for accelerated vesting in the event of a sale of the Company or the attainment of specified valuations for the Company's common stock. Upon termination of employment, the Company repurchased 54,850 shares of restricted stock from employees in 1995 and 8,000 shares during the three month period ended March 31, 1996.

Restricted stock purchases, grants and option activity under the 1994 Stock Plan, and the issuance of 50,000 shares of restricted stock to members of the Board of Directors under separate agreements, are summarized as follows:

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

13. STOCK OPTION AND GRANT PLAN, CONTINUED:

	RESTRICTED STOCK		STOCK OPTIONS	
	NUMBER OF SHARES	RANGE OF ISSUE PRICE	NUMBER OF OPTIONS	RANGE OF OPTION PRICE
Outstanding at March 14, 1994 (date of acquisition)..	--	--	--	--
Issued/Granted.....	1,289,750	\$.01-.40	960,000	\$.11
Exercised.....	--	--	--	--
Repurchased/canceled.....	--	--	--	--
Outstanding at December 31, 1994.....	1,289,750	.01-.40	960,000	.11
Issued/Granted.....	30,000	.40	315,000	.40
Exercised.....	--	--	--	--
Repurchased/canceled.....	(54,850)	.01-.40	--	--
Outstanding at December 31, 1995.....	1,264,900	.01-.40	1,275,000	.11-.40
Issued/Granted.....	1,095,860(1)	.11-2.40(1)	234,110	1.28-2.40
Exercised.....	--	--	(960,000)	.11
Repurchased/canceled.....	(8,000)	.10	(1,000)	.40
Outstanding at March 31, 1996 (unaudited).....	2,352,760	\$.01-2.40	548,110	\$.11-2.40
Exercisable at:				
December 31, 1994.....	219,160		--	
December 31, 1995.....	471,340		--	
March 31, 1996 (unaudited).....	502,660		--	

(1) Includes 960,000 options exercised by the sole stockholder of SASI at an exercise price of \$.11 per share. The shares received upon such exercise are restricted subject to repurchase by the Company in certain circumstances and vest in March 1998 and 1999.

14. LEASES:

The Company operates from facilities it leases from a joint venture held by the sole stockholder of SASI and a corporate officer of SASI. Due to the common ownership with SASI, the accounts and results of operations of the joint venture were combined with the financial statements of SASI prior to the acquisition described in Note 1. As a result of the acquisition, the Company accounts for the lease, which provides for monthly rentals of approximately \$69,000 through March 1997, as an operating lease.

The Company incurred lease rental expense related to this lease agreement of \$628,000 for the period March 14, 1994 through December 31, 1994, \$838,700 for the year ended December 31, 1995 and \$209,700 for each of the three-month periods ended March 31, 1995 and 1996, respectively.

In January 1996, the Company entered into a lease agreement with an unrelated third party for a new corporate office facility. The Company anticipates moving into its new facility on or about February 15, 1997. The lease agreement is for ten years, with an option for five additional years, and includes a rental acceleration at the end of the fifth and tenth years. Future minimum lease payments under the facility lease are \$1,226,500 per annum for 1997 through 2001.

The Company and the Predecessor also entered into various noncancelable operating leases for equipment. Lease rental expense related to these leases totaled \$698,000 for the year ended December 31, 1993; \$138,000 for the period January 1, 1994 to March 13, 1994; \$656,900 for the period March 14, 1994 through December

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

14. LEASES, CONTINUED:

31, 1994 and \$889,300 for the year ended December 31, 1995 and \$196,700 and \$342,200 for the three months ended March 31, 1995 and 1996, respectively. Future minimum lease payments under operating leases for equipment in effect at December 31, 1995 are as follows: 1996-\$1,226,000 and 1997-\$154,000.

15. ROYALTY AGREEMENTS:

In 1995, the Company entered into various renewable nonexclusive license agreements under which the Company has been granted access to the licensor's patent technology and the right to sell the patent technology in the Company's product line. Royalty fees, which are included in cost of sales, were approximately \$114,000 for the year ended December 31, 1995 and \$15,000 for the three months ended March 31, 1996.

16. RELATED PARTY TRANSACTIONS:

In 1993, the Predecessor paid \$600,000 and exchanged a note receivable and accrued interest in the amount of \$1,055,483 for the purchase of a software license agreement from a company in which the stockholder is a board member.

Due from Predecessor stockholder arising from the acquisition described in Note 1 was collected in 1995.

In connection with his initial employment, the Company's Chief Executive Officer purchased 626,000 restricted shares of common stock in July 1994 for a cash purchase price of \$250,000 with proceeds from a loan from the Company evidenced by a promissory note bearing interest at 8.23% and maturing on July 8, 2006. The promissory note is collateralized by a pledge of the shares purchased with the proceeds of the loan. The shares purchased by the Chief Executive Officer vest on a monthly basis over a five-year period.

In addition, other officers of the Company purchased restricted shares of common stock with proceeds from loans from the Company. The loans, which totaled \$64,000 in 1994 and \$20,000 in 1995, have terms similar to the promissory note described above.

Due from officers at March 31, 1996 of \$431,664 relates to the purchase of restricted shares of common stock in March 1996 which was collected in April 1996.

17. GEOGRAPHIC INFORMATION:

Revenue by geographic area based on sales to distributors is as follows:

	UNITED STATES	CANADA	GERMANY	OTHER EUROPE	JAPAN	OTHER INTERNATIONAL	TOTAL
Year ended December 31, 1993.....	\$14,627,312	\$677,728	\$3,052,954	\$6,809,072	\$4,945,013	\$1,492,003	\$31,604,082
Period from January 1, 1994 through March 13, 1994.....	3,018,889	134,327	640,497	1,724,415	656,920	394,151	6,569,199
Period from March 14, 1994 through December 31, 1994.....	11,728,386	521,861	2,559,731	5,539,992	4,679,895	1,223,791	26,253,656
Year ended December 31, 1995.....	17,950,590	771,380	4,021,017	8,241,963	6,054,990	2,575,995	39,615,935
Three months ended March 31, 1995.....	3,491,733	214,597	830,821	1,741,102	1,145,052	802,646	8,225,951
Three months ended March 31, 1996.....	4,978,785	213,413	2,459,024	895,104	1,522,058	665,025	10,733,409

18.SUBSEQUENT EVENTS:

On April 19, 1996, the Board of Directors authorized management of the Company to file a registration statement with respect to a proposed initial public offering by the Company of up to 3,500,000 shares of common stock. The net proceeds will be applied to repay outstanding senior secured indebtedness, subordinated notes and redeemable preferred stock, including all associated accrued or accumulated and unpaid interest and dividends.

In addition on April 19, 1996, the Board of Directors approved a ten-for-one stock split of the Company's common stock, effected in the form of a stock dividend, paid on or about April 30, 1996. All references in the accompanying consolidated financial statements to the number of shares of common stock have been retroactively restated to reflect this stock split. The Board of Directors also, on April 19, 1996, authorized an increase of the number of authorized shares of common stock to 50,000,000 shares and authorized 2,000,000 shares of undesignated preferred stock issuable in one or more series by the Board of Directors.

On April 19, 1996, the Board of Directors granted 320,000 options to certain officers, employees and directors of the Company. The options expire five or ten years from the date of grant. 310,000 options are exercisable at \$10 per share and vest ratably over a period of four years, and the remaining 10,000 options are exercisable at \$11 per share and vest ratably over a period of four years.

The 1996 Stock Option and Grant Plan (1996 Stock Plan), adopted by the Board of Directors on April 19, 1996 and subsequently approved by the Company's stockholders, will become effective upon completion of the proposed offering. The 1996 Stock Plan permits (i) the grant of Incentive Options, (ii) the grant of Non-Qualified Options, (iii) the issuance or sale of common stock with or without vesting or other restrictions (Stock Grants) (iv) the grant of common stock upon the attainment of specified performance goals (Performance Share Awards), and (v) the grant of the right to receive cash dividends with the holders of the Common Stock as if the recipient held a specified number of shares of the common stock (Dividend Equivalent Rights). These grants may be made to officers and other employees, consultants and key persons of the Company and its subsidiaries. In addition, Independent Directors will automatically be eligible for certain grants under the 1996 Stock Plan, as described below. The 1996 Stock Plan provides for the issuance of 2,250,000 shares of common stock, of which no more than 300,000 shares may be issued to Independent Directors. On and after the date the 1996 Stock Plan becomes subject to Section 162(m) of the Internal Revenue Code of 1986, as amended, options with respect to no more than 300,000 shares of common stock may be granted to any one individual in any calendar year. No options or other grants have been granted under the 1996 Stock Plan.

The 1996 Stock Plan is administered by the Compensation Committee. Subject to the provisions of the 1996 Stock Plan, the Compensation Committee has full power to determine from among the persons eligible for grants under the 1996 Stock Plan (i) the individuals to whom grants will be granted, (ii) the combination of grants to participants and (iii) the specific terms of each grant. Incentive Options may be granted only to officers or other employees of the Company or its subsidiaries including members of the Board of Directors who are also employees of the Company or its subsidiaries.

The option exercise price of each option granted under the 1996 Stock Plan is determined by the Compensation Committee but, in the case of Incentive Options may not be less than 100% of the fair market value of the underlying shares on the date of grant and may not be exercisable more than ten years from the date the option is granted. If any employee of the Company or any subsidiary owns or is deemed to own at the date of grant shares of stock representing in excess of 10% of the combined voting power of all classes of stock of the Company or any subsidiary, the exercise price for options granted to such employee may not be less than 110% of the fair market value of the underlying shares on that date and the option may not be exercisable more than five years from the date the option is granted. No option may be exercised subsequent to the termination of the optionee's employment or other business relationship with the Company unless otherwise determined by the

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

18.SUBSEQUENT EVENTS, CONTINUED:

Compensation Committee or provided in the option agreement. At the discretion of the Compensation Committee, any option may include a "reload" feature, pursuant to which an optionee exercising an option receives in addition to the number of shares of common stock due on the exercise of such an option an additional option with an exercise price equal to the fair market value of the common stock on the date such additional option is granted. Upon the exercise of options, the option exercise price must be paid in full either in cash or, in the sole discretion of the Compensation Committee, by delivery of shares of common stock already owned by the optionee.

The 1996 Stock Plan also permits Stock Grants, Performance Share Awards and grants of Dividend Equivalent Rights. Stock Grants and Performance Share Awards may be made to persons eligible under the 1996 Stock Plan, subject to such conditions and restrictions as the Compensation Committee may determine. Prior to the vesting of shares, recipients of Stock Grants generally will have all the rights of a stockholder with respect to the shares, including voting and dividend rights, subject only to the conditions and restrictions set forth in the 1996 Stock Plan or in any agreement. In the case of Performance Share Awards, the issuance of shares of common stock will occur only after the recipient has satisfied the conditions and restrictions set forth in the 1996 Stock Plan or in any agreement. The Compensation Committee may also make Stock Grants to persons eligible under the 1996 Stock Plan in recognition of past services or other valid consideration, or in lieu of cash compensation. In addition, the Compensation Committee may grant Dividend Equivalent Rights in conjunction with any other grant made pursuant to the 1996 Stock Plan or as a free standing grant. Dividend Equivalent Rights may be paid currently or deemed to be reinvested in additional shares of common stock, which may thereafter accrue further dividends.

The Compensation Committee may, in its sole discretion, accelerate or extend the date or dates on which all or any particular award or awards granted under the 1996 Stock Plan may be exercised or vest. In the event of a merger, liquidation or sale of substantially all of the assets of the Company, the Board of Directors has the discretion to accelerate the vesting of options granted under the 1996 Stock Plan, except that options granted to Independent Directors as described below automatically accelerate in such circumstances. The 1996 Stock Plan and the grants issued thereunder terminate upon the effectiveness of any such transaction or event, unless provision is made in connection with such transaction for the assumption of grants theretofore made.

The 1996 Stock Plan provides for the automatic grant of Non-Qualified Options to Independent Directors. Under such provisions, options to purchase that number of shares of common stock determined by dividing \$200,000 by the Option Exercise Price (as defined below) will be granted to each individual who first becomes a member of the Board of Directors after the closing date of the proposed offering and who is not then an employee of the Company or any subsidiary of the Company. In addition, on the date five business days following each annual meeting of stockholders of the Company commencing with the meeting to be held in 1997, each Independent Director who is then serving will be granted an option to purchase that number of shares of common stock determined by dividing \$75,000 by the Option Exercise Price. The Option Exercise Price of options granted to Independent Directors under the 1996 Stock Plan will equal the lesser of (i) the last reported sale price per share of common stock on the date of grant (or if no such price is reported on such date, such price on the nearest preceding date on which such a price is reported) or (ii) the average of the last reported sales price per share of common stock as published in The Wall Street Journal for a period of ten consecutive days prior to such date. Options granted to Independent Directors under the foregoing provisions will vest in annual installments over four years commencing with the date of grant and will expire ten years after grant, subject to earlier termination if the optionee ceases to serve as a director. The exercisability of these options will be accelerated upon the occurrence of a merger, liquidation or sale of substantially all of the assets of the Company.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS--(CONTINUED)

18.SUBSEQUENT EVENTS, CONTINUED:

The Company's 1996 Employee Stock Purchase Plan (Purchase Plan) was adopted by the Board of Directors on April 19, 1996 and was subsequently approved by the Company's stockholders. Up to 210,000 shares of common stock may be issued under the Purchase Plan. The Purchase Plan is administered by the Compensation Committee. The first offering under the Purchase Plan will begin on August 1, 1996 and end on January 31, 1997. Subsequent offerings will commence on each February 1 and August 1 thereafter and will have a duration of six months. Generally, all employees who are customarily employed for more than 20 hours per week as of the first day of the applicable offering period are eligible to participate in the Purchase Plan. An employee who owns or is deemed to own shares of stock representing in excess of 5% of the combined voting power of all classes of stock of the Company may not participate in the Purchase Plan.

During each offering, an employee may purchase shares under the Purchase Plan by authorizing payroll deductions of up to 10% of his cash compensation during the offering period. The maximum number of shares which may be purchased by any participating employee during any offering period is limited to 960 shares (as adjusted by the Compensation Committee from time to time). Unless the employee has previously withdrawn from the offering, his accumulated payroll deductions will be used to purchase common stock on the last business day of the period at a price equal to 85% of the fair market value of the common stock on the first or last day of the offering period, whichever is lower. Under applicable tax rules, an employee may purchase no more than \$25,000 worth of common stock in any calendar year. No common stock has been issued to date under the Purchase Plan.

Behind it all, there's ANSYS/(R)/

Motion Picture Industry

[PHOTO OF IMAX EQUIPMENT]

Imax Corporation is a leader in giant-screen film technology. Imax uses advanced equipment to precisely control the film, a critical factor in the clarity of its images. Imax engineers use ANSYS software to optimize and improve the design of their equipment, such as projector components.

Consumer Appliances

[PHOTO OF IRON]

Black & Decker uses advanced technology in the development of its new commercial and household appliances. For instance, the company's engineers used ANSYS software to reduce the weight of the SurgeXpress iron, while increasing its steam output.

Electronics Packaging

[PHOTO OF ELECTRONIC COMPONENTS)

Motorola's Semiconductor Product Sector manufactures components that are used in tens of thousands of products. ANSYS is one of Motorola's simulation tools used by many engineers for thermal, coupled-field thermal/electric, viscoplastic, static, and dynamic analyses to ensure products resist damaging heat build-up while withstanding vibration, shock, and temperature changes.

PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 13. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION (1)

The following table sets forth the estimated expenses payable by the Company in connection with this offering (excluding underwriting discounts and commissions):

NATURE OF EXPENSE -----	AMOUNT -----
SEC Registration Fee.....	\$ 18,456
NASD Filing Fee.....	5,852
Nasdaq Listing Fee.....	50,000
Accounting Fees and Expenses.....	115,000
Legal Fees and Expenses.....	350,000
Printing Expenses.....	175,000
Blue Sky Qualification Fees and Expenses.....	10,000
Transfer Agent's Fee.....	5,000
Miscellaneous.....	120,692
TOTAL.....	\$850,000
	=====

(1) The amounts set forth above, except for the SEC, NASD and Nasdaq fees, are in each case estimated.

ITEM 14. INDEMNIFICATION OF DIRECTORS AND OFFICERS

In accordance with Section 145 of the General Corporation Law of the State of Delaware, Article VII of the Company's Restated Certificate of Incorporation (the "Certificate") provides that no director of the Company shall be personally liable to the Company or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for any breach of the director's duty of loyalty to the Company or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) in respect of certain unlawful dividend payments or stock redemptions or repurchases, or (iv) for any transaction from which the director derived an improper personal benefit. In addition, the Certificate provides that if the Delaware General Corporation Law is amended to authorize the further elimination or limitation of the liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Article V of the Company's Amended and Restated By-laws (the "By-laws") provides for indemnification by the Company of its officers and certain non-officer employees under certain circumstances against expenses (including attorneys fees, judgments, fines and amounts paid in settlement) reasonably incurred in connection with the defense or settlement of any threatened, pending or completed legal proceeding in which any such person is involved by reason of the fact that such person is or was an officer or employee of the Company if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to criminal actions or proceedings, if such person had no reasonable cause to believe his or her conduct was unlawful.

The Company has entered into indemnification agreements with each of its directors reflecting the foregoing provisions of its By-laws and requiring the advancement of expenses in proceedings involving the directors in most circumstances.

Under Section 8 of the Underwriting Agreement filed as Exhibit 1.1 hereto, the Underwriters have agreed to indemnify, under certain conditions, the Company, its directors, certain officers and persons who control the Company within the meaning of the Securities Act of 1933 against certain liabilities.

ITEM 15. RECENT SALES OF UNREGISTERED SECURITIES

Set forth in chronological order below is information regarding the number of shares of Common Stock issued, and the number of options granted, by the Registrant since its incorporation in January 1994. Further included is the consideration, if any, received by the Registrant for such shares and options, and information relating to the section of the Securities Act of 1933, as amended (the "Securities Act"), or rule of the Securities and Exchange Commission under which exemption from registration was claimed. The following transactions give effect to the Company's ten-for-one split of its Common Stock, in the form of a stock dividend, which became effective as of April 30, 1996, and the conversion of all Class A (nonvoting) Common Stock into Common Stock upon completion of this offering.

(1) In February 1994 and March 1994, pursuant to an Investment and Stockholders' Agreement (the "Stockholders' Agreement"), the Company sold an aggregate of (i) 240,300 shares of the Company's Common Stock for an aggregate purchase price of \$24,030, (ii) 7,212,500 shares of the Company's Common Stock for an aggregate purchase price of \$655,970, (iii) 300.032 shares of the Company's 10% Redeemable Preferred Stock for an aggregate purchase price of \$3,000,320 and (iv) 10% Subordinated Notes in the aggregate principal amount of \$9.9 million to Advent VII L.P., Advent Atlantic and Pacific II Limited Partnership, Chestnut Capital International III L.P., Chestnut III Limited Partnership, Advent Industrial II Limited Partnership, Advent New York L.P. and TA Venture Investors, L.P.

(2) In February 1994 and March 1994, pursuant to the Stockholders' Agreement, the Company sold an aggregate of (i) 59,700 shares of the Company's Common Stock for a purchase price of \$5,970, (ii) 1,939,500 shares of the Company's Common Stock for a purchase price of \$272,168, (iii) 79.968 shares of the Company's 10% Redeemable Preferred Stock for a purchase price of \$799,680 and (iv) a 10% Subordinated Note in the principal amount of \$4.3 million to Dr. John A. Swanson.

(3) In March 1994, pursuant to the Stockholders' Agreement, the Company sold an aggregate of (i) 548,000 shares of the Company's Common Stock for a purchase price of \$50,000, (ii) 20 shares of the Company's 10% Redeemable Preferred Stock for a purchase price of \$200,000 and (iii) a 10% Subordinated Note in the principal amount of \$750,000 to Marcia S. Morton.

(4) In July 1994, the Company sold (i) 100,000 shares of the Company's Common Stock for a purchase price of \$10,000, (ii) 4 shares of the Company's 10% Redeemable Preferred Stock for a purchase price of \$40,000 and (iii) a 10% Subordinated Note in the principal amount of \$150,000 to each of Samuel P. Geisberg, Steven C. Walske and Louis J. Volpe.

(5) In July 1994, pursuant to a Restricted Stock Agreement, the Company sold 626,000 shares of the Company's Common Stock for a purchase price of \$250,000 to Peter J. Smith.

(6) In July 1994, pursuant to Restricted Stock Agreements, the Company granted an aggregate of 269,500 shares of the Company's Common Stock to certain members of management and key employees of the Company in consideration of services.

(7) In September 1994, pursuant to Restricted Stock Agreements, the Company sold an aggregate of 4,250 shares of the Company's Common Stock for an aggregate purchase price of \$425 to certain members of management and key employees of the Company.

(8) In October 1994, pursuant to Restricted Stock Agreements, the Company sold an aggregate of 190,000 shares of the Company's Common Stock for an aggregate purchase price of \$76,000 to certain members of management and key employees of the Company.

(9) In November 1994, pursuant to Restricted Stock Agreements, the Company sold an aggregate of 120,000 shares of the Company's Common Stock for an aggregate purchase price of \$48,000 to certain members of management and key employees of the Company and sold 20,000 shares of the Company's Common Stock for an aggregate purchase price of \$200 to Gary B. Eichhorn.

(10) In November 1994, pursuant to a Restricted Stock Agreement, the Company sold 60,000 shares of the Company's Common Stock for an aggregate purchase price of \$24,000 to John M. Sherbin II.

(11) In December 1995, pursuant to a Restricted Stock Agreement, the Company sold 20,000 shares of the Company's Common Stock for an aggregate purchase price of \$8,000 to John F. Smith.

(12) In December 1995, pursuant to a Restricted Stock Agreement, the Company sold 10,000 shares of the Company's Common Stock for an aggregate purchase price of \$4,000 to Gary B. Eichhorn.

(13) In February 1996, pursuant to a Restricted Stock Agreement, the Company granted 135,860 restricted shares of the Company's Common Stock to Peter J. Smith for an aggregate purchase price of \$326,064.

(14) In March 1996, pursuant to the exercise of options granted in 1994, the Company issued 960,000 shares of the Company's Common Stock for an aggregate exercise price of \$105,600 to Dr. John A. Swanson.

(15) From inception through April 1996, the Company issued options to purchase an aggregate of 1,828,110 (including the option to purchase 960,000 shares issued to Dr. Swanson, as described in the preceding paragraph) shares of the Company's Common Stock to officers, employees, consultants and directors of the Company pursuant to the Company's 1994 Stock Option and Grant Plan at exercise prices ranging from \$.11 to \$10.00 per share.

The shares of capital stock and securities issued in the above transactions were offered and sold in reliance upon the exemption from registration under Section 4(2) of the Securities Act or Regulation D or Rule 701 promulgated under the Securities Act, relative to sales by an issuer not involving a public offering.

ITEM 16. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Unless otherwise indicated, all exhibits were filed with either the Registration Statement on Form S-1, dated May 1, 1996, Amendment No. 1 to such Registration Statement, dated May 23, 1996, or Amendment No. 2 to such Registration Statement, dated June 7, 1996.

- *1.1 Form of Underwriting Agreement.
- 3.1 Second Amended and Restated Certificate of Incorporation, as amended.
- 3.2 Form of Restated Certificate of Incorporation.
- 3.3 By-laws.
- 3.4 Form of Amended and Restated By-laws.
- 4.1 Specimen certificate for shares of Common Stock, \$.01 par value.
- 5.1 Opinion of Goodwin, Procter & Hoar llp as to the validity of the securities being offered.
- 10.1 1994 Stock Option and Grant Plan, as amended.
- 10.2 1996 Stock Option and Grant Plan.
- 10.3 Employee Stock Purchase Plan.
- 10.4 Asset Purchase Agreement dated as of February 7, 1994 by and among SAS Acquisition Corp., SAS Software, Inc. and Dr. John A. Swanson, as amended (excluding schedules, which the Registrant agrees to furnish supplementally to the Commission upon request).
- 10.5 Investment and Stockholders' Agreement dated as of February 7, 1994 by and among SAS Acquisition Corp., SAS Software, Inc., Dr. John A. Swanson, the TA Investors (as defined) and Marcia S. Morton, as amended (excluding schedules, which the Registrant agrees to furnish supplementally to the Commission upon request).
- 10.6 Investment Agreement among SAS Holdings, Inc., the Present Investors (as defined), Peter J. Smith and the Parametric Investors (as defined) dated July 8, 1994, as amended.
- 10.7 Employment Agreement among the Registrant, a subsidiary of the Registrant and Dr. John A. Swanson dated February 7, 1994.
- 10.8 Incentive Stock Option Agreement between the Registrant and Dr. John A. Swanson dated March 14, 1994, as amended.
- 10.9 Agreement Regarding Inventions, Confidentiality and Competitive Activities between the Registrant, subsidiaries of the Registrant and Dr. John A. Swanson dated February 7, 1994.
- 10.10 Employment Agreement between a subsidiary of the Registrant and Peter J. Smith dated as of March 28, 1994.
- 10.11 Restricted Stock Agreement between the Registrant and Peter J. Smith dated July 12, 1994.
- 10.12 Pledge Agreement between the Registrant and Peter J. Smith dated July 12, 1994.
- 10.13 Letter Agreement between a subsidiary of the Registrant and Peter J. Smith dated July 12, 1994.

- 10.14 Promissory Note between the Registrant and Peter J. Smith dated July 12, 1994, as amended.
- 10.15 Restricted Stock Agreement between the Registrant and Peter J. Smith dated February 29, 1996.
- 10.16 Incentive Stock Option Agreement between the Registrant and Peter J. Smith dated February 29, 1996.
- 10.17 Key-Man Executive Life Insurance Policies for Peter J. Smith and Dr. John A. Swanson.
- 10.18 Lease Agreement between the Registrant, Dr. John A. Swanson and Marcia S. Morton and Swanson Analysis Systems, Inc. for the Houston, Pennsylvania property.
- 10.19 Lease between National Build to Suit Washington County, L.L.C. and the Registrant for the new Southpointe property.
- 10.20 Registrant's Pension Plan and Trust, as amended.
- 10.21 Form of Director Indemnification Agreement.
 - *21 Subsidiaries of the Registrant.
 - 23.1 Consent of Goodwin, Procter & Hoar llp (included in Exhibit 5.1 hereto).
 - *23.2 Consent of Coopers & Lybrand L.L.P.
 - 24.1 Powers of Attorney (included on page II-5 of manually signed copy and page II-4 of conformed copies).

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* Filed herewith.

(B) FINANCIAL STATEMENT SCHEDULES

The following schedule is included herewith:

Valuation and Qualifying Accounts

ITEM 17. UNDERTAKINGS

The undersigned registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of Prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of Prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused Amendment No. 3 to this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in Houston, Pennsylvania, on June 19, 1996.

ANSYS, INC.

By: /s/ John M. Sherbin II

 John M. Sherbin II,
 Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, Amendment No. 3 to this Registration Statement has been signed below by the following persons in the capacities and on the dates indicated.

SIGNATURE -----	TITLE -----	DATE -----
* _____ PETER J. SMITH	Chairman, Chief Executive Officer and Director	June 19, 1996
/s/ John M. Sherbin II ----- JOHN M. SHERBIN II	Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)	June 19, 1996
* _____ DR. JOHN A. SWANSON	Chief Technologist and Director	June 19, 1996
* _____ JACQUELINE C. MORBY	Director	June 19, 1996
* _____ ROGER B. KAFKER	Director	June 19, 1996
* _____ GARY B. EICHHORN	Director	June 19, 1996
* _____ JOHN F. SMITH	Director	June 19, 1996
* _____ ROGER J. HEINEN, JR.	Director	June 19, 1996

*By /s/ John M. Sherbin II

 JOHN M. SHERBIN II
 Attorney-in-fact

REPORT OF INDEPENDENT ACCOUNTANTS

To the Board of Directors of
ANSYS, Inc. and Subsidiaries:

In connection with our audits of the consolidated financial statements of ANSYS, Inc. and Subsidiaries as of December 31, 1994 and 1995 and for the period from March 14, 1994 (date of acquisition) through December 31, 1994 and for the year ended December 31, 1995; and combined financial statements of Swanson Analysis Systems, Inc. for the year ended December 31, 1993 and for the period January 1, 1994 through March 13, 1994, which financial statements are included in the Prospectus, we have also audited the financial statement schedule listed in Item 16 herein.

In our opinion, this financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information required to be included therein.

/s/ Coopers & Lybrand L.L.P.

Pittsburgh, Pennsylvania
April 19, 1996

SCHEDULE II

ANSYS, INC.

VALUATION AND QUALIFYING ACCOUNTS

COL. A	COL. B	COL. C	COL. D	COL. E	COL. F

ADDITIONS					

BALANCE					
AT					
BEGINNING	CHARGED TO	CHARGED TO		DEDUCTIONS	BALANCE AT
OF PERIOD	EXPENSE	OTHER ACCOUNTS			END OF PERIOD

Accounts Receivable Reserve:					
Year ended December 31, 1993.....	\$ --	\$1,504,000	--	\$754,000	\$750,000
Period from January 1, 1994 through March 13, 1994.....	750,000	--	--	--	750,000
Period from March 14, 1994 through December 31, 1994.....	750,000	--	--	100,000	650,000
Year ended December 31, 1995.....	650,000	58,000	--	8,000	700,000
Three months ended March 31, 1996.....	700,000	12,500	--	--	712,500

EXHIBIT INDEX

PAGE

- *1.1 Form of Underwriting Agreement.
- 3.1 Second Amended and Restated Certificate of Incorporation, as amended.
- 3.2 Form of Restated Certificate of Incorporation.
- 3.3 By-laws.
- 3.4 Form of Amended and Restated By-laws.
- 4.1 Specimen certificate for shares of Common Stock, \$.01 par value.
- 5.1 Opinion of Goodwin, Procter & Hoar llp as to the validity of the securities being offered.
- 10.1 1994 Stock Option and Grant Plan, as amended.
- 10.2 1996 Stock Option and Grant Plan.
- 10.3 Employee Stock Purchase Plan.
- 10.4 Asset Purchase Agreement dated as of February 7, 1994 by and among SAS Acquisition Corp., SAS Software, Inc. and Dr. John A. Swanson, as amended (excluding schedules, which the Registrant agrees to furnish supplementally to the Commission upon request).
- 10.5 Investment and Stockholders' Agreement dated as of February 7, 1994 by and among SAS Acquisition Corp., SAS Software, Inc., Dr. John A. Swanson, the TA Investors (as defined) and Marcia S. Morton, as amended (excluding schedules, which the Registrant agrees to furnish supplementally to the Commission upon request).
- 10.6 Investment Agreement among SAS Holdings, Inc., the Present Investors (as defined), Peter J. Smith and the Parametric Investors (as defined) dated July 8, 1994, as amended.
- 10.7 Employment Agreement among the Registrant, a subsidiary of the Registrant and Dr. John A. Swanson dated February 7, 1994.
- 10.8 Incentive Stock Option Agreement between the Registrant and Dr. John A. Swanson dated March 14, 1994, as amended.
- 10.9 Agreement Regarding Inventions, Confidentiality and Competitive Activities between the Registrant, subsidiaries of the Registrant and Dr. John A. Swanson dated February 7, 1994.
- 10.10 Employment Agreement between a subsidiary of the Registrant and Peter J. Smith dated as of March 28, 1994.
- 10.11 Restricted Stock Agreement between the Registrant and Peter J. Smith dated July 12, 1994.
- 10.12 Pledge Agreement between the Registrant and Peter J. Smith dated July 12, 1994.
- 10.13 Letter Agreement between a subsidiary of the Registrant and Peter J. Smith dated July 12, 1994.
- 10.14 Promissory Note between the Registrant and Peter J. Smith dated July 12, 1994, as amended.
- 10.15 Restricted Stock Agreement between the Registrant and Peter J. Smith dated February 29, 1996.
- 10.16 Incentive Stock Option Agreement between the Registrant and Peter J. Smith dated February 29, 1996.
- 10.17 Key-Man Executive Life Insurance Policies for Peter J. Smith and Dr. John A. Swanson.
- 10.18 Lease Agreement between the Registrant, Dr. John A. Swanson and Marcia S. Morton and Swanson Analysis Systems, Inc. for the Houston, Pennsylvania property.
- 10.19 Lease between National Build to Suit Washington County, L.L.C. and the Registrant for the new Southpointe property.

- 10.20 Registrant's Pension Plan and Trust, as amended.
- 10.21 Form of Director Indemnification Agreement.
- *21 Subsidiaries of the Registrant.
- 23.1 Consent of Goodwin, Procter & Hoar llp (included in Exhibit 5.1 hereto).
- *23.2 Consent of Coopers & Lybrand L.L.P.
- 24.1 Powers of Attorney (included on page II-6 of manually signed copy and page II-6 of conformed copies).

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* Filed herewith.

3,550,000 SHARES
 ANSYS, INC.
 COMMON STOCK

UNDERWRITING AGREEMENT

JUNE , 1996

ALEX. BROWN & SONS INCORPORATED
 COWEN & COMPANY
 WESSELS, ARNOLD & HENDERSON, L.L.C.
 PARKER/HUNTER INCORPORATED
 As Representatives of the
 Several Underwriters
 c/o Alex. Brown & Sons Incorporated
 135 East Baltimore Street
 Baltimore, Maryland 21202

Gentlemen:

Ansysis, Inc., a Delaware corporation (the "Company"), and a shareholder of the Company (the "Selling Shareholder") propose to sell to the several underwriters (the "Underwriters") named in Schedule I hereto for whom you are acting as representatives (the "Representatives") an aggregate of 3,550,000 shares of the Company's Common Stock, \$.01 par value (the "Firm Shares"), of which 3,500,000 shares will be sold by the Company and 50,000 shares will be sold by the Selling Shareholder. The respective amounts of the Firm Shares to be so purchased by the several Underwriters are set forth opposite their names in Schedule I hereto, and the respective amounts to be sold by the Selling Shareholder are set forth opposite their names in Schedule II hereto. The Company, the Selling Shareholder and the Option Selling Shareholders (as hereinafter defined) are sometimes referred to herein collectively as the "Sellers." Certain shareholders of the Company, other than the Selling Shareholder (the "Option Selling Shareholders"), also propose to sell at the Underwriters' option an aggregate of up to 532,500 additional shares of the Company's Common Stock (the "Option Shares") as set forth below. The maximum number of Option Shares to be sold by the Option Selling Shareholders is set forth opposite their names on Schedule III hereto.

As the Representatives, you have advised the Company, the Selling Shareholder and the Option Selling Shareholders (a) that you are authorized to enter into this Agreement on behalf of the several Underwriters, and (b) that the several Underwriters are willing, acting severally and not jointly, to purchase the numbers of Firm Shares set forth opposite their respective names in Schedule I, plus their pro rata portion of the Option Shares if you elect to exercise the over-allotment option in whole or in part for the accounts of the several Underwriters. The Firm Shares and the Option Shares (to the extent the aforementioned option is exercised) are herein collectively called the "Shares."

In consideration of the mutual agreements contained herein and of the interests of the parties in the transactions contemplated hereby, the parties hereto agree as follows:

1. REPRESENTATIONS AND WARRANTIES OF THE COMPANY, THE SELLING SHAREHOLDER AND THE OPTION SELLING SHAREHOLDERS.

(a) The Company represents and warrants to each of the Underwriters as follows:

(i) A registration statement on Form S-1 (File No. 333-4278) with respect to the Shares has been carefully prepared by the Company in conformity with the requirements of the Securities Act of 1933, as

amended (the "Act"), and the Rules and Regulations (the "Rules and Regulations") of the Securities and Exchange Commission (the "Commission") thereunder and has been filed with the Commission. Copies of such registration statement, including any amendments thereto, the preliminary prospectuses (meeting the requirements of the Rules and Regulations) contained therein and the exhibits, financial statements and schedules, as finally amended and revised, have heretofore been delivered by the Company to you. Such registration statement, together with any registration statement filed by the Company pursuant to Rule 462 (b) of the Act, herein referred to as the "Registration Statement," which shall be deemed to include all information omitted therefrom in reliance upon Rule 430A and contained in the Prospectus referred to below, has become effective under the Act and no post-effective amendment to the Registration Statement has been filed as of the date of this Agreement. "Prospectus" means (a) the form of prospectus first filed with the Commission pursuant to Rule 424(b) or (b) the last preliminary prospectus included in the Registration Statement filed prior to the time it becomes effective or filed pursuant to Rule 424(a) under the Act that is delivered by the Company to the Underwriters for delivery to purchasers of the Shares, together with the term sheet or abbreviated term sheet filed with the Commission pursuant to Rule 424(b)(7) under the Act. Each preliminary prospectus included in the Registration Statement prior to the time it becomes effective is herein referred to as a "Preliminary Prospectus."

(ii) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement. Each of the subsidiaries of the Company as listed in Exhibit 21 to Item 16(a) of the Registration Statement (collectively, the "Subsidiaries") has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement. The Subsidiaries are the only subsidiaries, direct or indirect, of the Company. The Company and each of the Subsidiaries are duly qualified to transact business in all jurisdictions in which the conduct of their business requires such qualification, except where the failure to be so qualified would not have a material adverse effect upon the Company and the Subsidiaries taken as a whole. The outstanding shares of capital stock of each of the Subsidiaries have been duly authorized and validly issued, are fully paid and non-assessable and are owned by the Company or another Subsidiary free and clear of all liens, encumbrances and equities and claims (except for the pledge of such shares pursuant to the 1994 Loan, as defined in the Prospectus); and no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligations into shares of capital stock or ownership interests in the Subsidiaries are outstanding.

(iii) The outstanding shares of Redeemable Preferred Stock, Class A Common Stock and Common Stock of the Company, including all shares of Common Stock to be sold by the Selling Shareholder and the Option Selling Shareholders, have been duly authorized and validly issued and are fully paid and non-assessable; the portion of the Shares to be issued and sold by the Company have been duly authorized and when issued and paid for as contemplated herein will be validly issued, fully paid and non-assessable; and no preemptive rights of stockholders exist with respect to any of the Shares or the issue and sale thereof. Neither the filing of the Registration Statement nor the offering or sale of the Shares as contemplated by this Agreement gives rise to any rights, other than those which have been waived or satisfied, for or relating to the registration of any shares of Common Stock.

(iv) The information set forth under the caption "Capitalization" in the Prospectus is true and correct. All of the Shares conform in all material respects to the description thereof contained in the Registration Statement. The form of certificates for the Shares conforms to the corporate law of the State of Delaware.

(v) The Commission has not issued an order preventing or suspending the use of any Prospectus relating to the proposed offering of the Shares nor instituted proceedings for that purpose. The Registration Statement contains, and the Prospectus and any amendments or supplements thereto will contain, all statements which are required to be stated therein by, and will conform, in all material respects, to the requirements of the Act and the Rules and Regulations. The Registration Statement and any amendment

thereto do not contain, and will not contain, any untrue statement of a material fact and do not omit, and will not omit, to state any material fact required to be stated therein or necessary to make the statements therein not misleading. The Prospectus and any amendments and supplements thereto do not contain, and will not contain, any untrue statement of material fact; and do not omit, and will not omit, to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that the Company makes no representations or warranties as to information contained in or omitted from the Registration Statement or the Prospectus, or any such amendment or supplement, in reliance upon, and in conformity with, written information furnished to the Company by or on behalf of any Underwriter through the Representatives, specifically for use in the preparation thereof.

(vi) The consolidated financial statements of the Company and the Subsidiaries, together with related notes and schedules as set forth in the Registration Statement, present fairly in all material respects the financial position and the results of operations and cash flows of the Company and the consolidated Subsidiaries, or its predecessor, as the case may be, at the indicated dates and for the indicated periods. Such financial statements and related schedules have been prepared in accordance with generally accepted principles of accounting, consistently applied throughout the periods involved, except as disclosed herein, and all adjustments necessary for a fair presentation of results for such periods have been made. The summary financial and statistical data included in the Registration Statement presents fairly in all material respects the information shown therein and such data has been compiled on a basis consistent with the financial statements presented therein and the books and records of the Company.

(vii) Coopers & Lybrand L.L.P., who have certified certain of the financial statements filed with the Commission as part of the Registration Statement, are independent public accountants as required by the Act and the Rules and Regulations.

(viii) There is no action, suit, claim or proceeding pending or, to the knowledge of the Company, threatened against the Company or any of the Subsidiaries before any court or administrative agency or otherwise which if determined adversely to the Company or any of its Subsidiaries would reasonably be expected to result in any material adverse change in the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company and of the Subsidiaries taken as a whole or prevent the consummation of the transactions contemplated hereby, except as set forth in the Registration Statement.

(ix) The Company and the Subsidiaries have good and valid title to all of the properties and assets reflected in the financial statements (or as described in the Registration Statement) hereinabove described, subject to no lien, mortgage, pledge, charge or encumbrance of any kind except those reflected in such financial statements (or as described in the Registration Statement) or which are not material in amount. The Company and the Subsidiaries occupy their leased properties under valid and binding leases conforming in all material respects to the description thereof set forth in the Registration Statement.

(x) The Company and the Subsidiaries have filed all Federal, State, local and foreign income tax returns which have been required to be filed and have paid all taxes shown in said returns and all assessments received by them or any of them to the extent that such taxes have become due. All tax liabilities have been adequately provided for in the financial statements of the Company.

(xi) Since the respective dates as of which information is given in the Registration Statement, as it may be amended or supplemented, there has not been any material adverse change or any development involving a prospective material adverse change in or affecting the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise), or prospects of the Company and its Subsidiaries taken as a whole, whether or not occurring in the ordinary course of business, and there has not been any material transaction entered into or any material transaction that is probable of being entered into by the Company or the Subsidiaries, other than transactions in the ordinary course of business and

changes and transactions described in the Registration Statement, as it may be amended or supplemented. Neither the Company nor any of the Subsidiaries has any material contingent obligations which are not disclosed in the Company's financial statements which are included in the Registration Statement.

(xii) Neither the Company nor any of the Subsidiaries is or with the giving of notice or lapse of time or both, will be, in violation of or in default under its Charter or By-Laws or under any agreement, lease, contract, indenture or other instrument or obligation to which it is a party or by which it, or any of its properties, is bound and which default is of material significance in respect of the management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company and the Subsidiaries taken as a whole. The execution and delivery of this Agreement and the consummation of the transactions herein contemplated and the fulfillment of the terms hereof will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust or other agreement or instrument to which the Company or any Subsidiary is a party (other than with respect to the 1994 Loan and the Subordinated Notes, as defined in the Prospectus), or of the Charter or by-laws of the Company or any order, rule or regulation applicable to the Company or any Subsidiary of any court or of any regulatory body or administrative agency or other governmental body having jurisdiction.

(xiii) Each approval, consent, order, authorization, designation, declaration or filing by or with any regulatory, administrative or other governmental body necessary in connection with the execution and delivery by the Company of this Agreement and the consummation of the transactions herein contemplated (except such additional steps as may be required by the Commission, the National Association of Securities Dealers, Inc. (the "NASD") or such additional steps as may be necessary to qualify the Shares for public offering by the Underwriters under state securities or Blue Sky laws) has been obtained or made and is in full force and effect.

(xiv) The Company and each of the Subsidiaries hold all material licenses, certificates and permits from governmental authorities which are necessary to the conduct of their businesses, other than licenses, certificates or permits the failure of which to hold would not, individually or in the aggregate, have a material adverse effect on the Company and the Subsidiaries, taken as a whole neither the Company nor any of the Subsidiaries has infringed any patents, patent rights, trade names, trademarks or copyrights, which infringement is material to the business of the Company and the Subsidiaries taken as a whole. The Company knows of no material infringement by others of patents, patent rights, trade names, trademarks or copyrights owned by or licensed to the Company which would have a material adverse effect on the business or financial condition of the Company and the Subsidiaries, taken as a whole.

(xv) Neither the Company, nor to the Company's best knowledge, any of its affiliates, has taken or may take, directly or indirectly, any action designed to cause or result in, or which has constituted or which might reasonably be expected to constitute, the stabilization or manipulation of the price of the shares of Common Stock to facilitate the sale or resale of the Shares.

(xvi) Neither the Company nor any Subsidiary is an "investment company" within the meaning of such term under the Investment Company Act of 1940 and the rules and regulations of the Commission thereunder.

(xvii) The Company maintains a system of internal accounting controls sufficient to provide reasonable assurances that (i) transactions are executed in accordance with management's general or specific authorization; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with generally accepted accounting principles and to maintain accountability for assets; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

(xviii) The Company and each of its Subsidiaries carry, or are covered by, insurance in such amounts and covering such risks as is adequate for the conduct of their respective businesses and the value of their respective properties and as is customary for companies engaged in similar industries.

(xix) The Company is in compliance in all material respects with all presently applicable provisions of the Employee Retirement Income Security Act of 1974, as amended, including the regulations and published interpretations thereunder ("ERISA"); no "reportable event" (as defined in ERISA) has occurred with respect to any "pension plan" (as defined in ERISA) for which the Company would have any liability; the Company has not incurred and does not expect to incur liability under (i) Title IV of ERISA with respect to termination of, or withdrawal from, any "pension plan" or (ii) Sections 412 or 4971 of the Internal Revenue Code of 1986, as amended, including the regulations and published interpretations thereunder (the "Code"); and each "pension plan" for which the Company would have any liability that is intended to be qualified under Section 401(a) of the Code is so qualified in all material respects and nothing has occurred, whether by action or by failure to act, which would cause the loss of such qualification.

(xx) The Company confirms as of the date hereof that it is in compliance with all provisions of Section 1 of Laws of Florida, Chapter 92-198, An Act Relating to Disclosure of doing Business with Cuba, and the Company further agrees that if it commences engaging in business with the government of Cuba or with any person or affiliate located in Cuba after the date the Registration Statement becomes or has become effective with the Commission or with the Florida Department of Banking and Finance (the "Department"), whichever date is later, or if the information reported or incorporated by reference in the Prospectus, if any, concerning the Company's business with Cuba or with any person or affiliate located in Cuba changes in any material way, the Company will provide the Department notice of such business or change, as appropriate, in a form acceptable to the Department.

(b) The Selling Shareholder and each of the Option Selling Shareholders severally represent and warrant as follows:

(i) Such Selling Shareholder or Option Selling Shareholder now has and at the Closing Date and the Option Closing Date, as the case may be (as such dates are hereinafter defined) will have good and valid title to the Firm Shares and the Option Shares to be sold by such Selling Shareholder or Option Selling Shareholder, free and clear of any liens, encumbrances, equities and claims (other than any that will be released in connection with the sale of the shares by the Selling Shareholder or an Option Selling Shareholder pursuant hereto), and full right, power and authority to effect the sale and delivery of such Firm Shares and Option Shares; and upon the delivery of, against payment for, such Firm Shares and Option Shares pursuant to this Agreement, the Underwriters will acquire good and marketable title thereto, free and clear of any liens, encumbrances, equities and claims.

(ii) Such Selling Shareholder or Option Selling Shareholder has full right, power and authority to execute and deliver this Agreement, the Power of Attorney, and the Custodian Agreement referred to below and to perform its obligations under such Agreements. The execution and delivery of this Agreement and the consummation by such Selling Shareholder or Option Selling Shareholder of the transactions herein contemplated and the fulfillment by such Selling Shareholder or Option Selling Shareholder of the terms hereof will not require such Selling Shareholder or Option Selling Shareholder to obtain any consent, approval, authorization, or other order of any court, regulatory body, administrative agency or other governmental body (except as may be required under the Act, state securities laws or Blue Sky laws) and will not result in a breach of any of the terms and provisions of, or constitute a default under, organizational documents of such Selling Shareholder or Option Selling Shareholder, if not an individual, or any indenture, mortgage, deed of trust or other agreement or instrument to which such Selling Shareholder or Option Selling Shareholder is a party, or of any order, rule or regulation applicable to such Selling Shareholder or Option Selling Shareholder of any court or of any regulatory body or administrative agency or other governmental body having jurisdiction.

(iii) Such Selling Shareholder or Option Selling Shareholder has not taken and will not take, directly or indirectly, any action designed to, or which has constituted, or which might reasonably be expected to cause or result in the stabilization or manipulation of the price of the Common Stock of the Company and, other than as permitted by the Act, the Selling Shareholder or Option Selling Shareholder will not distribute any prospectus or other offering material in connection with the offering of the Shares.

(iv) Without having undertaken to determine independently the accuracy or completeness of either the representations and warranties of the Company contained herein or the information contained in the Registration Statement, such Selling Shareholder or Option Selling Shareholder does not have actual knowledge of any representations and warranties of the Company contained in this Section 1 that are not true and correct in all material respects, and does not have actual knowledge of any material fact, condition or information not disclosed in the Registration Statement which has materially adversely affected or may reasonably be expected to materially adversely affect the business of the Company or any of the Subsidiaries; and the sale of the Firm Shares and the Option Shares by such Selling Shareholder or Option Selling Shareholder pursuant hereto is not prompted by any information concerning the Company or any of the Subsidiaries which is not set forth in the Registration Statement. The information pertaining to such Selling Shareholder or Option Selling Shareholder under the caption "Principal and Selling Shareholder" in the Prospectus is complete and accurate in all material respects.

2. PURCHASE, SALE AND DELIVERY OF THE FIRM SHARES.

(a) On the basis of the representations, warranties and covenants herein contained, and subject to the conditions herein set forth, the Sellers agree to sell to the Underwriters and each Underwriter agrees, severally and not jointly, to purchase, at a price of \$ per share, the number of Firm Shares set forth opposite the name of each Underwriter in Schedule I hereof, subject to adjustments in accordance with Section 9 hereof. The number of Firm Shares to be purchased by each Underwriter from each Seller shall be as nearly as practicable in the same proportion to the total number of Firm Shares being sold by each Seller as the number of Firm Shares being purchased by each Underwriter bears to the total number of Firm Shares to be sold hereunder. The obligations of the Company and of the Selling Shareholder, and, if applicable, Option Selling Shareholders shall be several and not joint.

(b) Certificates in negotiable form for the total number of the Shares to be sold hereunder by the Selling Shareholder and the Option Selling Shareholders have been placed in custody with John M. Sherbin II as custodian (the "Custodian") pursuant to the Custodian Agreement executed by the Selling Shareholder and each Option Selling Shareholder for delivery of all Firm Shares and any Option Shares to be sold hereunder by the Selling Shareholder and the Option Selling Shareholders. Each of the Selling Shareholder and the Option Selling Shareholders specifically agrees that the Firm Shares and any Option Shares represented by the certificates held in custody for the Selling Shareholder and the Option Selling Shareholders under the Custodian Agreement are subject to the interests of the Underwriters hereunder, that the arrangements made by the Selling Shareholder and the Option Selling Shareholders for such custody are to that extent irrevocable, and that the obligations of the Selling Shareholder and the Option Selling Shareholders hereunder shall not be terminable by any act or deed of the Selling Shareholder or the Option Selling Shareholders (or by any other person, firm or corporation including the Company, the Custodian or the Underwriters) or by operation of law (including the death of an individual Selling Shareholder or Option Selling Shareholder or the dissolution of a corporate Selling Shareholder or Option Selling Shareholder) or by the occurrence of any other event or events, except as set forth in the Custodian Agreement. If any such event should occur prior to the delivery to the Underwriters of the Firm Shares or the Option Shares hereunder, certificates for the Firm Shares or the Option Shares, as the case may be, shall be delivered by the Custodian in accordance with the terms and conditions of this Agreement as if such event has not occurred. The Custodian is authorized to receive and acknowledge receipt of the proceeds of sale of the Shares held by it against delivery of such Shares.

(c) Payment for the Firm Shares to be sold hereunder is to be made via wire transfer of same day funds to the order of the Company for the shares to be sold by it and to the order of the Selling Shareholder for the shares to be sold by the Selling Shareholder, in each case against delivery of certificates therefor to the Representatives for the several accounts of the Underwriters. Such payment and delivery are to be made at the offices of Alex. Brown & Sons Incorporated, 135 East Baltimore Street, Baltimore, Maryland, at 10:00 a.m., Baltimore time, on the third business day after the date of this Agreement or at such other time and date not later than five business days thereafter as you and the Company shall agree upon, such time and date being herein referred to as the "Closing Date." (As used herein, "business day" means a day on which the New York Stock Exchange is open for trading and on which banks in New York are open for business and not permitted by law or executive order to be closed.) The certificates for the Firm Shares will be delivered in such denominations and in such registrations as the Representatives requests in writing not later than the second full business day prior to the Closing Date, and will be made available for inspection by the Representatives at least one business day prior to the Closing Date.

(d) In addition, on the basis of the representations and warranties herein contained and subject to the terms and conditions herein set forth, the Option Selling Shareholders listed on Schedule III hereto hereby grant an option to the several Underwriters to purchase the Option Shares at the price per share as set forth in the first paragraph of this Section 2. The maximum number of Option Shares to be sold by the Option Selling Shareholders is set forth opposite their respective names on Schedule III hereto. The option granted hereby may be exercised in whole or in part by giving written notice (i) at any time before the Closing Date and (ii) only once thereafter within 30 days after the date of this Agreement, by you, as Representatives of the several Underwriters, to the Company, the Attorney-in-Fact, and the Custodian setting forth the number of Option Shares as to which the several Underwriters are exercising the option, the names and denominations in which the Option Shares are to be registered and the time and date at which such certificates are to be delivered. If the option granted hereby is exercised in part, the respective number of Option Shares to be sold by each of the Option Selling Shareholders listed in Schedule III hereto shall be determined on a pro rata basis in accordance with the percentages set forth opposite their names on Schedule III hereto, adjusted by you in such manner as to avoid fractional shares. The time and date at which certificates for Option Shares are to be delivered shall be determined by the Representatives but shall not be earlier than three nor later than 10 full business days after the exercise of such option, nor in any event prior to the Closing Date (such time and date being herein referred to as the "Option Closing Date"). If the date of exercise of the option is three or more days before the Closing Date, the notice of exercise shall set the Closing Date as the Option Closing Date. The number of Option Shares to be purchased by each Underwriter shall be in the same proportion to the total number of Option Shares being purchased as the number of Firm Shares being purchased by such Underwriter bears to the total number of Firm Shares, adjusted by you in such manner as to avoid fractional shares. The option with respect to the Option Shares granted hereunder may be exercised only to cover over-allotments in the sale of the Firm Shares by the Underwriters. You, as Representatives of the several Underwriters, may cancel such option at any time prior to its expiration by giving written notice of such cancellation to the Company and the Attorney-in-Fact. To the extent, if any, that the option is exercised, payment for the Option Shares shall be made on the Option Closing Date via wire transfer to the order of each of the Option Selling Shareholders for the Option Shares to be sold by the Option Selling Shareholders against delivery of certificates therefor at the offices of Alex. Brown & Sons Incorporated, 135 East Baltimore Street, Baltimore, Maryland.

(e) If on the Closing Date or Option Closing Date, as the case may be, any Selling Shareholder or Option Selling Shareholder fails to sell the Firm Shares or Option Shares which such Selling Shareholder or Option Selling Shareholder has agreed to sell on such date as set forth in Schedule II hereto, the Company agrees that it will sell or arrange for the sale of that number of shares of Common Stock to the Underwriters which represents Firm Shares or the Option Shares which such Selling Shareholder or Option Selling Shareholder has failed to so sell, as set forth in Schedule II hereto, or such lesser number as may be requested by the Representatives.

3. OFFERING BY THE UNDERWRITERS. It is understood that the several Underwriters are to make a public offering of the Firm Shares as soon as the Representatives deem it advisable to do so. The Firm Shares are to be initially offered to the public at the initial public offering price set forth in the Prospectus. The Representatives may from time to time thereafter change the public offering price and other selling terms. To the extent, if at all, that any Option Shares are purchased pursuant to Section 2 hereof, the Underwriters will offer them to the public on the foregoing terms.

It is further understood that you will act as the Representatives for the Underwriters in the offering and sale of the Shares in accordance with a Master Agreement Among Underwriters entered into by you and the several other Underwriters.

4. COVENANTS OF THE COMPANY, THE SELLING SHAREHOLDER AND THE OPTION SELLING SHAREHOLDERS.

(a) The Company covenants and agrees with the several Underwriters that:

(i) The Company will (A) use its best efforts to cause the Registration Statement to become effective or, if the procedure in Rule 430A of the Rules and Regulations is followed, to prepare and timely file with the Commission under Rule 424(b) of the Rules and Regulations a Prospectus in a form approved by the Representatives containing information previously omitted at the time of effectiveness of the Registration Statement in reliance on Rule 430A of the Rules and Regulations and (B) not file any amendment to the Registration Statement or supplement to the Prospectus of which the Representatives shall not previously have been advised and furnished with a copy or to which the Representatives shall have reasonably objected in writing or which is not in compliance with the Rules and Regulations.

(ii) The Company will advise the Representatives promptly (A) when the Registration Statement or any post-effective amendment thereto shall have become effective, (B) of receipt of any comments from the Commission, (C) of any request of the Commission for amendment of the Registration Statement or for supplement to the Prospectus or for any additional information, and (D) of the issuance by the Commission of any stop order suspending the effectiveness of the Registration Statement or the use of the Prospectus or of the institution of any proceedings for that purpose. The Company will use its best efforts to prevent the issuance of any such stop order preventing or suspending the use of the Prospectus and to obtain as soon as possible the lifting thereof, if issued.

(iii) The Company will cooperate with the Representatives in endeavoring to qualify the Shares for sale under the securities laws of such jurisdictions as the Representatives may reasonably have designated in writing and will make such applications, file such documents, and furnish such information as may be reasonably required for that purpose, provided the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction where it is not now so qualified or required to file such a consent. The Company will, from time to time, prepare and file such statements, reports, and other documents, as are or may be required to continue such qualifications in effect for so long a period as the Representatives may reasonably request for distribution of the Shares.

(iv) The Company will deliver to, or upon the order of, the Representatives, from time to time, as many copies of any Preliminary Prospectus as the Representatives may reasonably request. The Company will deliver to, or upon the order of, the Representatives during the period when delivery of a Prospectus is required under the Act, as many copies of the Prospectus in final form, or as thereafter amended or supplemented, as the Representatives may reasonably request. The Company will deliver to the Representatives at or before the Closing Date, four signed copies of the Registration Statement and all amendments thereto including all exhibits filed therewith, and will deliver to the Representatives such number of copies of the Registration Statement (including such number of copies of the exhibits filed therewith that may reasonably be requested), including documents incorporated by reference therein, and of all amendments thereto, as the Representatives may reasonably request.

(v) The Company will comply with the Act and the Rules and Regulations, and the Securities Exchange Act of 1934 (the "Exchange Act"), and the rules and regulations of the Commission thereunder, so as to permit the completion of the distribution of the Shares as contemplated in this Agreement and the Prospectus. If during the period in which a prospectus is required by law to be delivered by an Underwriter or dealer, any event shall occur as a result of which, in the judgment of the Company or in the reasonable opinion of the Underwriters, it becomes necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances existing at the time the Prospectus is delivered to a purchaser, not materially misleading, or, if it is necessary at any time to amend or supplement the Prospectus to comply with any law, the Company promptly will prepare and file with the Commission an appropriate amendment to the Registration Statement or supplement to the Prospectus so that the Prospectus as so amended or supplemented will not, in the light of the circumstances when it is so delivered, be materially misleading, or so that the Prospectus will comply with the law.

(vi) The Company will make generally available to its security holders, as soon as it is practicable to do so, but in any event not later than 15 months after the effective date of the Registration Statement, an earning statement (which need not be audited) in reasonable detail, covering a period of at least 12 consecutive months beginning after the effective date of the Registration Statement, which earning statement shall satisfy the requirements of Section 11(a) of the Act and Rule 158 of the Rules and Regulations and will advise you in writing when such statement has been so made available.

(vii) The Company will, for a period of five years from the Closing Date, deliver to the Representatives copies of annual reports and copies of all other documents, reports and information furnished by the Company to its stockholders or filed with any securities exchange pursuant to the requirements of such exchange or with the Commission pursuant to the Act or the Securities Exchange Act of 1934, as amended. The Company will deliver to the Representatives similar reports with respect to significant subsidiaries, as that term is defined in the Rules and Regulations, which are not consolidated in the Company's financial statements.

(viii) No offering, sale, short sale or other disposition of any shares of Common Stock of the Company or options or warrants for the purchase of any shares of Common Stock or other securities convertible into or exchangeable or exercisable for shares of Common Stock or derivative of Common Stock (or agreement for such) will be made for a period of 180 days after the date of this Agreement, directly or indirectly, by the Company otherwise than hereunder or with the prior written consent of Alex. Brown & Sons Incorporated, except that the Company may, without such consent, issue shares upon exercise of options outstanding on the date of this Agreement granted pursuant to the 1994 Stock Plan, the 1996 Stock Plan and the Purchase Plan (each as defined in the Prospectus), and shares issued or to be issued in acquisitions, if any.

(ix) The Company will use its best efforts to have the Common Stock authorized for inclusion, subject to notice of issuance, the Shares on The Nasdaq Stock Market.

(x) The Company has caused each officer and director and specific shareholders of the Company to furnish to you, on or prior to the date of this agreement, a letter or letters, in form and substance satisfactory to the Underwriters, pursuant to which each such person shall agree not to offer, sell, or otherwise dispose of any shares of Common Stock of the Company (or as to which such person has the right to direct the disposition of) for a period of 180 days after the date of this Agreement, directly or indirectly, except with the prior written consent of Alex. Brown & Sons Incorporated ("Lockup Agreements").

(xi) The Company shall apply the net proceeds of its sale of the Shares as set forth in the Prospectus and shall file such reports with the Commission with respect to the sale of the Shares and the application of the proceeds therefrom as may be required in accordance with Rule 463 under the Act.

(xii) The Company shall not invest, or otherwise use the proceeds received by the Company from its sale of the Shares in such a manner as would require the Company or any of the Subsidiaries to register as an investment company under the Investment Company Act of 1940, as amended (the "1940 Act").

(xiii) The Company will maintain a transfer agent and, if necessary under the jurisdiction of incorporation of the Company, a registrar for the Common Stock.

(xiv) The Company will not take, directly or indirectly, any action designed to cause or result in, or that has constituted or might reasonably be expected to constitute, the stabilization or manipulation of the price of any securities of the Company.

(b) The Selling Shareholder and each of the Option Selling Shareholders, severally and not jointly, covenants and agrees with the several Underwriters that:

(i) No offering, sale or other disposition of any shares of Common Stock of the Company owned by the Selling Shareholder or each Option Selling Shareholder (or as to which the Selling Shareholder or any Option Selling Shareholder has the right to direct the disposition of) will be made for a period of 180 days after the date of this Agreement, directly or indirectly, by such Selling Shareholder or Option Selling Shareholder otherwise than hereunder or with the prior written consent of Alex. Brown & Sons Incorporated.

(ii) In order to document the Underwriters' compliance with the reporting and withholding provisions of the Tax Equity and Fiscal Responsibility Act of 1982 and the Interest and Dividend Tax Compliance Act of 1983 with respect to the transactions herein contemplated, each of the Selling Shareholder and Option Selling Shareholders agrees to deliver to you prior to or at the Closing Date a properly completed and executed United States Treasury Department Form W-9 (or other applicable form or statement specified by Treasury Department regulations in lieu thereof).

(iii) Such Selling Shareholder or Option Selling Shareholder will not take, directly or indirectly, any action designed to cause or result in, or that has constituted or might reasonably be expected to constitute, the stabilization or manipulation of the price of any securities of the Company.

5. COSTS AND EXPENSES. The Company will pay all costs, expenses and fees incident to the performance of the obligations of the Sellers under this Agreement, including, without limiting the generality of the foregoing, the following: accounting fees of the Company; the fees and disbursements of counsel for the Company and the Option Selling Shareholders and the Selling Shareholder; the cost of printing and delivering to, or as requested by, the Underwriters copies of the Registration Statement, Preliminary Prospectuses, the Prospectus, this Agreement, the Underwriters' Invitation Letter, the Preliminary Blue Sky Survey and any supplements or amendments thereto; the filing fees of the Commission; the filing fees of the NASD; the Listing Fee of The Nasdaq Stock Market; and the expenses, including the fees and disbursements of counsel for the Underwriters, incurred in connection with the qualification of the Shares under State securities or Blue Sky laws. To the extent, if at all, that the Selling Shareholder or any of the Option Selling Shareholders engage special legal counsel to represent them in connection with this offering, the fees and expenses of such counsel shall be borne by such Selling Shareholder or Option Selling Shareholder. Any transfer taxes imposed on the sale of the Shares to the several Underwriters will be paid by the Sellers pro rata. The Sellers shall not, however, be required to pay for any of the Underwriters expenses (other than those related to State securities or Blue Sky laws) except that, if this Agreement shall not be consummated because the conditions in Section 6 hereof are not satisfied, or because this Agreement is terminated by the Representatives pursuant to Section 11 hereof, or by reason of any failure, refusal or inability on the part of the Company, the Selling Shareholder or the Option Selling Shareholders to perform any undertaking or satisfy any condition of this Agreement or to comply with any of the terms hereof on their part to be performed, unless such failure to satisfy said condition or to comply with said terms be due to the default or omission of any Underwriter, then the Company shall reimburse the several Underwriters for reasonable out-of-pocket expenses, including fees and disbursements of counsel, reasonably incurred in

connection with investigating, marketing and proposing to market the Shares or in contemplation of performing their obligations hereunder; but the Company, the Selling Shareholder and the Option Selling Shareholders shall not in any event be liable to any of the several Underwriters for damages on account of loss of anticipated profits from the sale by them of the Shares.

6. CONDITIONS OF OBLIGATIONS OF THE UNDERWRITERS. The several obligations of the Underwriters to purchase the Firm Shares on the Closing Date and the Option Shares, if any, on the Option Closing Date are subject to the accuracy, as of the Closing Date or the Option Closing Date, as the case may be, of the representations and warranties of the Company, the Selling Shareholder and the Option Selling Shareholders contained herein, and to the performance by the Company, the Selling Shareholder and the Option Selling Shareholders of their covenants and obligations hereunder and to the following additional conditions:

(a) The Registration Statement and all post-effective amendments thereto shall have become effective and any and all filings required by Rule 424 and Rule 430A of the Rules and Regulations shall have been made, and any request of the Commission for additional information (to be included in the Registration Statement or otherwise) shall have been disclosed to the Representatives and complied with to their reasonable satisfaction. No stop order suspending the effectiveness of the Registration Statement, as amended from time to time, shall have been issued and no proceedings for that purpose shall have been taken or, to the knowledge of the Company, the Selling Shareholder or the Option Selling Shareholders, shall be contemplated by the Commission and no injunction, restraining order, or order of any nature by a Federal or state court of competent jurisdiction shall have been issued as of the Closing Date which would prevent the issuance of the Shares.

(b) The Representatives shall have received on the Closing Date or the Option Closing Date, as the case may be, the opinions of Goodwin, Procter & Hoar LLP, counsel for the Company, the Option Selling Shareholders and the Selling Shareholder, dated the Closing Date or the Option Closing Date, as the case may be, addressed to the Underwriters (and stating that it may be relied upon by counsel to the Underwriters) to the effect that:

(i) The Company has been duly organized and is validly existing as a corporation in good standing under the laws of the State of Delaware, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement; each of the Subsidiaries has been duly organized and is validly existing as a corporation in good standing under the laws of the jurisdiction of its incorporation, with corporate power and authority to own or lease its properties and conduct its business as described in the Registration Statement; the Company and each of the Subsidiaries are duly qualified to transact business in the jurisdictions identified in such counsel's opinion; and the outstanding shares of capital stock of each of the Subsidiaries have been duly authorized and validly issued and are fully paid and non-assessable and are owned of record by the Company or a Subsidiary; and, to the best of such counsel's knowledge, (i) the outstanding shares of capital stock of each of the Subsidiaries is owned free and clear of all liens, encumbrances and equities and claims (except for the pledge of such shares pursuant to the 1994 Loan), and (ii) no options, warrants or other rights to purchase, agreements or other obligations to issue or other rights to convert any obligations into any shares of capital stock or of ownership interests in the Subsidiaries are outstanding.

(ii) The Company has authorized and outstanding capital stock as set forth under the caption "Capitalization" in the Prospectus; the authorized shares of the Company's Redeemable Preferred Stock, Class A Common Stock and Common Stock have been duly authorized; the outstanding shares of the Company's Redeemable Preferred Stock, Class A Common Stock and Common Stock, including the Shares to be sold by the Selling Shareholder and the Option Selling Shareholders, have been duly authorized and validly issued and are fully paid and non-assessable; all of the Shares conform as to matters of law in all material respects to the description thereof contained in the Prospectus; the certificates for the Shares, assuming they are in the form filed with the Commission, are in due and

proper form under the Delaware General Corporation Law; the shares of Common Stock, including the Option Shares, if any, to be sold by the Company pursuant to this Agreement have been duly authorized and will be validly issued, fully paid and non-assessable when issued and paid for as contemplated by this Agreement; and, to the knowledge of such counsel, no preemptive rights of stockholders exist with respect to any of the Shares or the issue or sale thereof.

(iii) Except as described in or contemplated by the Prospectus, to the knowledge of such counsel, there are no outstanding securities of the Company convertible or exchangeable into or evidencing the right to purchase or subscribe for any shares of capital stock of the Company and there are no outstanding or authorized options, warrants or rights of any character obligating the Company to issue any shares of its capital stock or any securities convertible or exchangeable into or evidencing the right to purchase or subscribe for any shares of such stock; and except as described in the Prospectus, to the knowledge of such counsel, no holder of any securities of the Company or any other person has the right, contractual or otherwise, which has not been satisfied or effectively waived, to issue any shares of its capital stock or any securities convertible or exchangeable into or evidencing the right to purchase or subscribe for any shares of such stock or to have any Common Stock or other securities of the Company included in the Registration Statement or the right, as a result of the filing of the Registration Statement, to require registration under the Act of any shares of Common Stock or other securities of the Company.

(iv) The Registration Statement has become effective under the Act and, to the knowledge of such counsel, no stop order proceedings with respect thereto have been instituted or are pending or threatened under the Act.

(v) The Registration Statement, the Prospectus and each amendment or supplement thereto comply as to form in all material respects with the requirements of the Act and the applicable Rules and Regulations thereunder (except that such counsel need express no opinion as to the financial statements or notes thereto, and related schedules and other financial and statistical data therein).

(vi) The statements under the captions "Management--Employee Bonus Plan," "--Employee Stock and Other Benefit Plans," "--Employment Agreements," "Certain Transactions," "Description of Capital Stock" and "Shares Eligible for Future Sale" in the Prospectus, insofar as such statements constitute a summary of documents referred to therein or matters of law, fairly summarize in all material respects the information called for with respect to such documents and matters.

(vii) Such counsel does not know of any contracts or documents required to be filed as exhibits to the Registration Statement or described in the Registration Statement or the Prospectus which are not so filed or described as required.

(viii) Such counsel knows of no material legal or governmental proceedings pending or threatened against the Company or any of the Subsidiaries that are required to be described in the Prospectus that are not described as required.

(ix) The execution and delivery of this Agreement and the consummation of the transactions herein contemplated do not and will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under, the Charter or by-laws of the Company, or any agreement or instrument known to such counsel to which the Company or any of the Subsidiaries is a party or by which the Company or any of the Subsidiaries is bound that is material to the Company and the Subsidiaries, taken as a whole.

(x) This Agreement has been duly authorized, executed and delivered by the Company.

(xi) No approval, consent, order, authorization, designation, declaration or filing by or with any Massachusetts, Delaware or Federal regulatory, administrative or other governmental body is necessary in connection with the execution and delivery of this Agreement and the consummation of the transactions herein contemplated (other than such as have been obtained under the Act and such as may be required by the NASD or as required by State securities and Blue Sky laws as to which such counsel need express no opinion) except such as have been obtained or made, specifying the same.

(xii) The Company is not, and will not become, as a result of the consummation of the transactions contemplated by this Agreement, and application of the net proceeds therefrom as described in the Prospectus, required to register as an investment company under the 1940 Act.

(xiii) To such counsel's knowledge, this Agreement has been duly authorized, executed and delivered on behalf of the Selling Shareholder and the Option Selling Shareholders.

(xiv) Each Option Selling Shareholder that is not an individual has full legal right, power and authority under its governing partnership agreement and, to such counsel's knowledge, has all approvals required by law (other than as required by State securities and Blue Sky laws as to which such counsel need express no opinion), to sell, assign, transfer and deliver the portion of the Shares to be sold by such Option Selling Shareholder.

(xv) To such counsel's knowledge, the Custodian Agreement and the Power of Attorney executed and delivered by each Selling Shareholder and Option Selling Shareholders is valid and binding.

(xvi) Upon payment and delivery in accordance with this Agreement, the Underwriters (assuming that they are bona fide purchasers within the meaning of the Uniform Commercial Code) will have acquired all rights of such Selling Shareholder and Option Selling Shareholders in and to the Shares on the Closing Date, and the Option Closing Date, as the case may be, free, to such counsel's knowledge, of any adverse claim, any lien in favor of the Company and any restrictions on transfer imposed by the Company.

In rendering such opinion Goodwin, Procter & Hoar LLP may rely as to matters governed by laws other than the laws of the Commonwealth of Massachusetts, the Delaware General Corporation Law or Federal laws on local counsel in such other jurisdictions and as to the matters set forth in subparagraphs (xiii), (xiv) and (xv) on opinions of other counsel representing the respective Selling Shareholder or Option Selling Shareholder, provided that in each case Goodwin, Procter & Hoar LLP shall state that they believe that they and the Underwriters are justified in relying on such other counsel. In addition to the matters set forth above, such opinion shall also include a statement to the effect that nothing has come to the attention of such counsel which leads them to believe that (i) the Registration Statement, at the time it became effective under the Act (but after giving effect to any modifications incorporated therein pursuant to Rule 430A under the Act) and as of the Closing Date or the Option Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (ii) the Prospectus, or any supplement thereto, on the date it was filed pursuant to the Rules and Regulations and as of the Closing Date or the Option Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements, in the light of the circumstances under which they are made, not misleading (except that such counsel need express no view as to financial statements, or notes thereto, schedules and other financial and statistical information therein). With respect to such statement, Goodwin, Procter & Hoar LLP may state that their belief is based upon the procedures set forth therein, but is without independent check and verification.

(c) The Representatives shall have received from Piper & Marbury L.L.P., counsel for the Underwriters, an opinion dated the Closing Date or the Option Closing Date, as the case may be, substantially to the effect specified in subparagraphs (ii), (iii), (iv) and (x) of Paragraph (b) of this Section 6, and that the Company is a duly organized and validly existing corporation under the laws of the State of Delaware. In rendering such opinion Piper & Marbury L.L.P. may rely as to all matters governed other than

by the laws of the states of Maryland and Delaware or Federal laws on the opinion of counsel referred to in Paragraph (b) of this Section 6. In addition to the matters set forth above, such opinion shall also include a statement to the effect that nothing has come to the attention of such counsel which leads them to believe that (i) the Registration Statement, or any amendment thereto, as of the time it became effective under the Act (but after giving effect to any modifications incorporated therein pursuant to Rule 430A under the Act) as of the Closing Date or the Option Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, and (ii) the Prospectus, or any supplement thereto, on the date it was filed pursuant to the Rules and Regulations and as of the Closing Date or the Option Closing Date, as the case may be, contained an untrue statement of a material fact or omitted to state a material fact, necessary in order to make the statements, in the light of the circumstances under which they are made, not misleading (except that such counsel need express no view as to financial statements, schedules and statistical information therein). With respect to such statement, Piper & Marbury L.L.P. may state that their belief is based upon the procedures set forth therein, but is without independent check and verification.

(d) The Representatives shall have received at or prior to the Closing Date from Piper & Marbury L.L.P. a memorandum or summary, in form and substance satisfactory to the Representatives, with respect to the qualification for offering and sale by the Underwriters of the Shares under the State securities or Blue Sky laws of such jurisdictions as the Representatives may reasonably have designated to the Company.

(e) You shall have received, on each of the dates hereof, the Closing Date and the Option Closing Date, as the case may be, a letter dated the date hereof, the Closing Date or the Option Closing Date, as the case may be, in form and substance satisfactory to you, of Coopers & Lybrand L.L.P. confirming that they are independent public accountants within the meaning of the Act and the applicable published Rules and Regulations thereunder and stating that in their opinion the financial statements and schedules examined by them and included in the Registration Statement comply in form in all material respects with the applicable accounting requirements of the Act and the related published Rules and Regulations; and containing such other statements and information as is ordinarily included in accountants' "comfort letters" to Underwriters with respect to the financial statements and certain financial and statistical information contained in the Registration Statement and Prospectus.

(f) The Representatives shall have received on the Closing Date or the Option Closing Date, as the case may be, a certificate or certificates of the Chairman, President and Chief Executive Officer and the Chief Financial Officer, Vice President--Finance and Administration, Secretary and Treasurer of the Company to the effect that, as of the Closing Date or the Option Closing Date, as the case may be, each of them severally represents as follows:

(i) The Registration Statement has become effective under the Act and no stop order suspending the effectiveness of the Registrations Statement has been issued, and no proceedings for such purpose have been taken or are, to his knowledge, contemplated by the Commission;

(ii) The representations and warranties of the Company contained in Section 1 hereof are true and correct as of the Closing Date or the Option Closing Date, as the case may be;

(iii) All filings required to have been made pursuant to Rules 424 or 430A under the Act have been made;

(iv) He has carefully examined the Registration Statement and the Prospectus and, in his or her opinion, as of the effective date of the Registration Statement, the statements contained in the Registration Statement were true and correct, and such Registration Statement and Prospectus did not omit to state a material fact required to be stated therein or necessary in order to make the statements therein not misleading, and since the effective date of the Registration Statement, no event has occurred

which should have been set forth in a supplement to or an amendment of the Prospectus which has not been so set forth in such supplement or amendment; and

(v) Since the respective dates as of which information is given in the Registration Statement and Prospectus, there has not been any material adverse change or any development involving a prospective material adverse change in or affecting the condition, financial or otherwise, of the Company and its Subsidiaries taken as a whole or the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company and the Subsidiaries taken as a whole, whether or not arising in the ordinary course of business.

(g) The Company, the Selling Shareholder and the Option Selling Shareholders shall have furnished to the Representatives such further certificates and documents confirming the representations and warranties, covenants and conditions contained herein and related matters as the Representatives may reasonably have requested.

(h) The Firm Shares and Option Shares, if any, have been approved for designation upon notice of issuance on The Nasdaq Stock Market.

(i) The Lockup Agreements described in Section 4(x) are in full force and effect.

The opinions and certificates mentioned in this Agreement shall be deemed to be in compliance with the provisions hereof only if they are in all material respects satisfactory to the Representatives and to Piper & Marbury L.L.P., counsel for the Underwriters.

If any of the conditions hereinabove provided for in this Section 6 shall not have been fulfilled when and as required by this Agreement to be fulfilled, the obligations of the Underwriters hereunder may be terminated by the Representatives by notifying the Company, the Selling Shareholder and the Option Selling Shareholders of such termination in writing or by telegram at or prior to the Closing Date or the Option Closing Date, as the case may be. In such event, the Selling Shareholder, the Option Selling Shareholders the Company and the Underwriters shall not be under any obligation to each other (except to the extent provided in Sections 5 and 8 hereof).

7. CONDITIONS OF THE OBLIGATIONS OF THE SELLERS. The obligations of the Sellers to sell and deliver the portion of the Shares required to be delivered as and when specified in this Agreement are subject to the conditions that at the Closing Date or the Option Closing Date, as the case may be, no stop order suspending the effectiveness of the Registration Statement shall have been issued and in effect or proceedings therefor initiated or threatened.

8. INDEMNIFICATION.

(a) The Company agrees, and each of the Option Selling Shareholders listed on Schedule IV hereto (the "Management Selling Shareholders"), severally and not jointly, agree to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of the Act, against any losses, claims, damages or liabilities to which such Underwriter or any such controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto, or (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading; and will reimburse each Underwriter and each such controlling person for any legal or other expenses reasonably incurred by such Underwriter or such controlling person in connection with investigating or defending any such loss, claim, damage or liability, action or proceeding or in responding to a subpoena or governmental inquiry related to the offering of the Shares, whether or not such Underwriter or controlling person is a party to any action or proceeding; provided, however, that the Company and the Management Selling Shareholders will not be liable in any such case to the extent that any such loss, claim,

damage or liability arises out of or is based upon an untrue statement or alleged untrue statement, or omission or alleged omission made in the Registration Statement, any Preliminary Prospectus, the Prospectus, or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by or through the Representatives specifically for use in the preparation thereof; and provided, further, that neither the Company nor the Management Selling Shareholders shall be liable to any Underwriter under this Section 8(a) with respect to any Preliminary Prospectus to the extent that any such loss, claim, damage or liability of such Underwriter results solely from an untrue statement of a material fact contained in, or the omission of a material fact from, such Preliminary Prospectus, which untrue statement or omission was corrected in the Prospectus, if the Company or the Management Selling Shareholders, as the case may be, shall sustain the burden of proving that such Underwriter sold Shares to the person alleging such loss, claim, damage or liability without sending or giving, at or prior to the written confirmation of such sale, a copy of the Prospectus if the Company has previously furnished copies thereof to such Underwriter. In no event, however, shall the liability of any Management Selling Shareholder for indemnification under this Section 8(a) exceed the lesser of (A) the product of (I) the total number of Shares sold by such Management Selling Shareholder, times (II) the Share Price, or (B) the proportion of such losses, claims, damages or liabilities equal to the proportion of the total number of Shares sold hereunder which is being sold by such Management Selling Shareholder. This indemnity agreement will be in addition to any liability which the Company, the Selling Shareholder or the Option Selling Shareholders may otherwise have.

(b) Each of the Selling Shareholder and the Option Selling Shareholders listed on Schedule V hereto (the "Non-Management Selling Shareholders"), severally and not jointly, agrees to indemnify and hold harmless each Underwriter and each person, if any, who controls any Underwriter within the meaning of the Act, against any losses, claims, damages or liabilities to which such Underwriter or any controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto, or (ii) the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in the light of the circumstances under which they were made; provided, however, that a Non-Management Selling Shareholder shall be liable only to the extent that such untrue statement or alleged untrue statement or such omission or alleged omission has been made in the the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto in reliance upon and in conformity with written information furnished to the Company by such Non-Management Selling Shareholder specifically for use in preparation thereof; and will reimburse each Underwriter and each such controlling person upon demand for any legal or other expenses reasonably incurred by such Underwriter and each such controlling person in connection with investigating or defending any such loss, claim, damage, liability, action or proceeding or in responding to a subpoena or governmental inquiry related to the offering of the Shares, whether or not such Underwriter or controlling person is a party to any such action or proceeding; provided, however, that the Non-Management Selling Shareholders will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement, or omission or alleged omission, made in the Registration Statement, any Preliminary Prospectus, the Prospectus or such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by or through the Representatives specifically for use in the preparation thereof; and provided further that the Non-Management Selling Shareholders shall not be liable to any Underwriter under this Section 8(b) with respect to any Preliminary Prospectus to the extent that any such loss, claim, damage or liability of such Underwriter results solely from an untrue statement of a material fact contained in, or the omission of a material fact from, such Preliminary Prospectus, which untrue statement or omission was corrected in the Prospectus, if the Non-Management Selling Shareholders shall sustain the burden of proving that such Underwriter sold Shares to the person alleging such loss, claim, damage or liability without sending or giving, at or prior to the written confirmation of such sale, a copy of the Prospectus if the Company has previously furnished copies thereof

to such Underwriter. In no event, however, shall the liability of any Non-Management Selling Shareholder for indemnification under this Section 8(c) exceed the lesser of (A) the product of (I) the total number of Shares sold by such Non-Management Selling Shareholder, times (II) the Share Price, or (B) the proportion of such losses, claims, damages or liabilities equal to the proportion of the total number of Shares sold hereunder which is being sold by such Non-Management Selling Shareholder. This indemnity agreement will be in addition to any liability which the Non-Management Selling Shareholders may otherwise have.

(c) Each Underwriter severally and not jointly will indemnify and hold harmless the Company, each of its directors, each of its officers who have signed the Registration Statement, the Selling Shareholder and the Option Selling Shareholders and each person, if any, who controls the Company or the Selling Shareholder and the Option Selling Shareholders within the meaning of the Act, against any losses, claims, damages or liabilities to which the Company or any such director, officer, Selling Shareholder or Option Selling Shareholders or controlling person may become subject under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) arise out of or are based upon (i) any untrue statement or alleged untrue statement of any material fact contained in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto, or (ii) the omission or the alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances under which they were made; and will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, Selling Shareholder or Option Selling Shareholders or controlling person in connection with investigating or defending any such loss, claim, damage, liability, action or proceeding; provided, however, that each Underwriter will be liable in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission has been made in the Registration Statement, any Preliminary Prospectus, the Prospectus or such amendment or supplement, in reliance upon and in conformity with written information furnished to the Company by or through the Representatives specifically for use in the preparation thereof. This indemnity agreement will be in addition to any liability which such Underwriter may otherwise have.

(d) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to this Section 8, such person (the "indemnified party") shall promptly notify the person against whom such indemnity may be sought (the "indemnifying party") in writing. No indemnification provided for in Section 8(a), (b) or (c) shall be available to any party who shall fail to give notice as provided in this Section 8(d) if the party to whom notice was not given was unaware of the proceeding to which such notice would have related and was materially prejudiced by the failure to give such notice, but the failure to give such notice shall not relieve the indemnifying party or parties from any liability which it or they may have to the indemnified party for contribution or otherwise than on account of the provisions of Section 8(a), (b) or (c). In case any such proceeding shall be brought against any indemnified party and it shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party and shall pay as incurred (or within thirty days of presentation thereof) the fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel at its own expense. Notwithstanding the foregoing, the indemnifying party shall pay as incurred (or within 30 days of presentation) the fees and expenses of the counsel retained by the indemnified party in the event (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel, (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them or (iii) the indemnifying party shall have failed to assume the defense and employ counsel acceptable to the indemnified party within a reasonable period of time after notice of commencement of the action. It is understood that the indemnifying party shall not, in connection with any proceeding or related proceedings in the same jurisdiction, be liable

for the reasonable fees and expenses of more than one separate firm for all such indemnified parties. Such firm shall be designated in writing by you in the case of parties indemnified pursuant to Section 8(a) and by the Company, the Selling Shareholder and the Option Selling Shareholders in the case of parties indemnified pursuant to Section 8(b) or (c), as the case may be. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. In addition, the indemnifying party will not, without the prior written consent of the indemnified party, settle or compromise or consent to the entry of any judgment in any pending or threatened claim, action or proceeding of which indemnification may be sought hereunder (whether or not any indemnified party is an actual or potential party to such claim, action or proceeding) unless such settlement, compromise or consent includes an unconditional release of each indemnified party from all liability arising out of such claim, action or proceeding.

(e) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under Section 8(a), (b) or (c) above in respect of any losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions or proceedings in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company, the Selling Shareholder and the Option Selling Shareholders on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company, the Selling Shareholder and the Option Selling Shareholders on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, (or actions or proceedings in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company, the Selling Shareholder and the Option Selling Shareholders on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company, the Selling Shareholder and the Option Selling Shareholders bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company, the Selling Shareholder or the Option Selling Shareholders on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission.

The Company, the Selling Shareholder and the Option Selling Shareholders and the Underwriters agree that it would not be just and equitable if contributions pursuant to this Section 8(e) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this Section 8(e). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions or proceedings in respect thereof) referred to above in this Section 8(e) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this subsection (e), (i) no Underwriter shall be required to contribute any amount in excess of the underwriting discounts and commissions applicable to the Shares purchased by such Underwriter, (ii) no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation, and (iii) no Selling Shareholder or Option Selling Shareholder shall be required to contribute any amount in excess of the lesser of (A) that proportion of the total of such losses, claims, damages or liabilities indemnified or contributed against equal

to the proportion of the total Shares sold hereunder which is being sold by such Selling Shareholder or Option Selling Shareholder, or (B) the proceeds received by such Selling Shareholder or Option Selling Shareholder from the Underwriters in the offering. The Underwriters' obligations in this Section 8(e) to contribute are several in proportion to their respective underwriting obligations and not joint.

(f) In any proceeding relating to the Registration Statement, any Preliminary Prospectus, the Prospectus or any supplement or amendment thereto, each party against whom contribution may be sought under this Section 8 hereby consents to the jurisdiction of any court having jurisdiction over any other contributing party, agrees that process issuing from such court may be served upon him or it by any other contributing party and consents to the service of such process and agrees that any other contributing party may join him or it as an additional defendant in any such proceeding in which such other contributing party is a party.

(g) Any losses, claims, damages, liabilities or expenses for which an indemnified party is entitled to indemnification or contribution under this Section 8 shall be paid by the indemnifying party to the indemnified party as such losses, claims, damages, liabilities or expenses are incurred (or within thirty days of presentation thereof). The indemnity and contribution agreements contained in this Section 8 and the representations and warranties of the Company set forth in this Agreement shall remain operative and in full force and effect, regardless of (i) any investigation made by or on behalf of any Underwriter or any person controlling any Underwriter, the Company, its directors or officers or any persons controlling the Company, (ii) acceptance of any Shares and payment therefor hereunder, and (iii) any termination of this Agreement. A successor to any Underwriter, or to the Company, its directors or officers, or any person controlling the Company, shall be entitled to the benefits of the indemnity, contribution and reimbursement agreements contained in this Section 8.

9. DEFAULT BY UNDERWRITERS. If on the Closing Date or the Option Closing Date, as the case may be, any Underwriter shall fail to purchase and pay for the portion of the Shares which such Underwriter has agreed to purchase and pay for on such date (otherwise than by reason of any default on the part of the Company, the Selling Shareholder or an Option Selling Shareholders), you, as Representatives of the Underwriters, shall use your reasonable efforts to procure within 36 hours thereafter one or more of the other Underwriters, or any others, to purchase from the Company, the Selling Shareholder and the Option Selling Shareholders such amounts as may be agreed upon and upon the terms set forth herein, the Firm Shares or Option Shares, as the case may be, which the defaulting Underwriter or Underwriters failed to purchase. If during such 36 hours you, as such Representatives, shall not have procured such other Underwriters, or any others, to purchase the Firm Shares or Option Shares, as the case may be, agreed to be purchased by the defaulting Underwriter or Underwriters, then (a) if the aggregate number of shares with respect to which such default shall occur does not exceed 10% of the Firm Shares or Option Shares, as the case may be, covered hereby, the other Underwriters shall be obligated, severally, in proportion to the respective numbers of Firm Shares or Option Shares, as the case may be, which they are obligated to purchase hereunder, to purchase the Firm Shares or Option Shares, as the case may be, which such defaulting Underwriter or Underwriters failed to purchase, or (b) if the aggregate number of shares of Firm Shares or Option Shares, as the case may be, with respect to which such default shall occur exceeds 10% of the Firm Shares or Option Shares, as the case may be, covered hereby, the Company, the Selling Shareholder and the Option Selling Shareholders or you as the Representatives of the Underwriters will have the right, by written notice given within the next 36-hour period to the parties to this Agreement, to terminate this Agreement without liability on the part of the non-defaulting Underwriters or of the Company, the Selling Shareholder or the Option Selling Shareholders except to the extent provided in Section 8 hereof. In the event of a default by any Underwriter or Underwriters, as set forth in this Section 9, the Closing Date or Option Closing Date, as the case may be, may be postponed for such period, not exceeding seven days, as you, as Representatives, may determine in order that the required changes in the Registration Statement or in the Prospectus or in any other documents or arrangements may be effected. The term "Underwriter" includes any person substituted for a defaulting Underwriter. Any action taken under this Section 9 shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

10. NOTICES. All communications hereunder shall be in writing and, except as otherwise provided herein, will be mailed, delivered, telecopied or telegraphed and confirmed as follows: if to the Underwriters, to Alex. Brown & Sons Incorporated, 135 East Baltimore Street, Baltimore, Maryland 21202, Attention: Patrick J. Kerins, Managing Director; with a copy to Alex. Brown & Sons Incorporated, 135 East Baltimore Street, Baltimore, Maryland 21202. Attention: General Counsel; if to the Company, the Selling Shareholder or the Option Selling Shareholders, to ANSYS, Inc., 201 Johnson Road, Houston, Pennsylvania 15342-1300, Attention: Peter J. Smith, Chairman, President and Chief Executive Officer.

11. TERMINATION. This Agreement may be terminated by you by notice to the Sellers as follows:

(a) at any time prior to the earlier of (i) the time the Shares are released by you for sale by notice to the Underwriters, or (ii) 11:30 a.m. on the first business day following the date of this Agreement;

(b) at any time prior to the Closing Date if any of the following has occurred: (i) since the respective dates as of which information is given in the Registration Statement and the Prospectus, any material adverse change or any development involving a prospective material adverse change in or affecting the condition, financial or otherwise, of the Company and its Subsidiaries, taken as a whole, or the earnings, business, management, properties, assets, rights, operations, condition (financial or otherwise) or prospects of the Company and its Subsidiaries, taken as a whole, whether or not arising in the ordinary course of business, (ii) any outbreak or escalation of hostilities or declaration of war or national emergency or other national or international calamity or crisis or change in economic or political conditions if the effect of such outbreak, escalation, declaration, emergency, calamity, crisis or change on the financial markets of the United States would, in your reasonable judgment, make it impracticable to market the Shares or to enforce contracts for the sale of the Shares, or (iii) suspension of trading in securities generally on the New York Stock Exchange or the American Stock Exchange or limitation on prices (other than limitations on hours or numbers of days of trading) for securities on either such Exchange, (iv) the enactment, publication, decree or other promulgation of any statute, regulation, rule or order of any court or other governmental authority which in your opinion materially and adversely affects or may materially and adversely affect the business or operations of the Company, (v) declaration of a banking moratorium by United States or New York State authorities, (vi) the suspension of trading of the Company's Common Stock by the Commission on The Nasdaq Stock Market or (vii) the taking of any action by any governmental body or agency in respect of its monetary or fiscal affairs which in your reasonable opinion has a material adverse effect on the securities markets in the United States; or

(c) as provided in Sections 6 and 9 of this Agreement.

12. SUCCESSORS. This Agreement has been and is made solely for the benefit of the Underwriters and, the Company, the Selling Shareholder and the Option Selling Shareholders and their respective successors, executors, administrators, heirs and assigns, and the officers, directors and controlling persons referred to herein, and no other person will have any right or obligation hereunder. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign merely because of such purchase.

13. INFORMATION PROVIDED BY UNDERWRITERS. The Company, the Selling Shareholder and the Option Selling Shareholders and the Underwriters acknowledge and agree that the only information furnished or to be furnished by any Underwriter to the Company for inclusion in any Prospectus or the Registration Statement consists of the information set forth in the last paragraph on the front cover page (insofar as such information relates to the Underwriters), legends required by Item 502(d) of Regulation S-K under the Act and the information under the caption "Underwriting" in the Prospectus.

14. MISCELLANEOUS. The reimbursement, indemnification and contribution agreements contained in this Agreement and the representations, warranties and covenants in this Agreement shall remain in full force and effect regardless of (a) any termination of this Agreement, (b) any investigation made by or on behalf of any

Underwriter or controlling person thereof, or by or on behalf of the Company or its directors or officers and (c) delivery of and payment for the Shares under this Agreement.

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

This Agreement shall be governed by, and construed in accordance with, the laws of the State of Maryland.

If the foregoing letter is in accordance with your understanding of our agreement, please sign and return to us the enclosed duplicates hereof, whereupon it will become a binding agreement among the Selling Shareholder and the Option Selling Shareholders, the Company, the several Underwriters in accordance with its terms.

Any person executing and delivering this Agreement as Attorney-in-Fact for the Selling Shareholder or an Option Selling Shareholder represents by so doing that he has been duly appointed as Attorney-in-Fact by such Selling Shareholder or an Option Selling Shareholder pursuant to a validly existing and binding Power of Attorney which authorizes such Attorney-in-Fact to take such action.

Very truly yours,

ANSYS, INC.

By _____
Peter J. Smith
President and Chief Executive
Officer

SELLING SHAREHOLDER

By _____
Attorney-in-Fact

OPTION SELLING SHAREHOLDERS

By _____
Attorney-in-Fact

(signatures continue on following page)

The foregoing Underwriting Agreement
is hereby confirmed and accepted as
of the date first above written

ALEX BROWN & SONS INCORPORATED
COWEN & COMPANY
WESSELS, ARNOLD & HENDERSON, L.L.C.
PARKER/HUNTER INCORPORATED

As Representatives of the several
Underwriters listed on Schedule I

By _____
ALEX BROWN & SONS INCORPORATED

By _____
Authorized Officer

SCHEDULE I
SCHEDULE OF UNDERWRITERS

UNDERWRITER -----	NUMBER OF FIRM SHARES TO BE PURCHASED -----
Alex. Brown & Sons Incorporated.....	
Cowen & Company.....	
Wessels, Arnold & Henderson, L.L.C.....	
Parker/Hunter Incorporated.....	
Total.....	----- 3,500,000 =====

SCHEDULE II

SCHEDULE OF SELLING SHAREHOLDER

SELLING SHAREHOLDER -----	NUMBER OF FIRM SHARES TO BE SOLD -----
Marcia S. Morton	50,000
Total	----- 50,000 =====

SCHEDULE III

SCHEDULE OF OPTION SHARES

NAME OF SELLER -----	MAXIMUM NUMBER OF OPTION SHARES TO BE SOLD -----	PERCENTAGE OF TOTAL NUMBER OF OPTION SHARES -----
Peter J. Smith.....	32,046	6.02%
John A. Swanson.....	139,637	26.22%
Advent VII L.P.....	240,547	45.17%
Advent Atlantic and Pacific II Limited Partnership.....	48,885	9.18%
Advent Industrial II Limited Partnership...	17,624	3.30%
Advent New York L.P.....	24,055	4.52%
TA Venture Investors, L.P.....	5,051	0.95%
Chestnut III Limited Partnership.....	18,487	3.47%
Chestnut Capital International III L.P.....	6,168	1.16%
	-----	-----
Total.....	532,500 =====	100% =====

SCHEDULE IV

SCHEDULE OF MANAGEMENT SELLING SHAREHOLDERS

Peter J. Smith

Dr. John A. Swanson

SCHEDULE V

SCHEDULE OF NON-MANAGEMENT SELLING SHAREHOLDERS

Marcia S. Morton

Advent VII L.P.

Advent Atlantic and Pacific II Limited Partnership

Advent Industrial II Limited Partnership

Advent New York L.P.

TA Venture Investors, L.P.

Chestnut III Limited Partnership

Chestnut Capital International III L.P.

Subsidiaries of the Registrant

ANSYS Operating Corporation, a Delaware corporation

SAS Acquisition Corp., a Delaware corporation

SAS IP, Inc., a Wyoming corporation

ASN Systems Limited

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the inclusion in this Registration Statement on Form S-1 (Registration No. 333-4278) of our reports dated April 19, 1996, on the consolidated financial statements of ANSYS, Inc. and Subsidiaries as of December 31, 1994 and 1995 and for the period from March 14, 1994 (date of acquisition) through December 31, 1994 and for the year ended December 31, 1995; and combined financial statements of Swanson Analysis Systems, Inc. for the year ended December 31, 1993 and for the period January 1, 1994 through March 13, 1994. We also consent to the reference to the firm under the caption "Experts."

/s/ Coopers & Lybrand LLP

600 Grant Street
Pittsburgh, Pennsylvania

June 19, 1996