

ANSYS INC  
Form DEF 14A  
May 12, 2006

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**SCHEDULE 14A**

**Proxy Statement Pursuant to Section 14(a) of the Securities**

**Exchange Act of 1934 (Amendment No. \_\_)**

Filed by the Registrant

Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- Definitive Proxy Statement
- Definitive Additional Materials
  
- Soliciting Material Pursuant to 167;240.14a-12

**ANSYS, Inc.**

---

(Name of Registrant as Specified In Its Charter)

---

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(4) and 0-11.

1) Title of each class of securities to which transaction applies:

---

2) Aggregate number of securities to which transaction applies:

---

Edgar Filing: ANSYS INC - Form DEF 14A

- 3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

---

- 4) Proposed maximum aggregate value of transaction:

---

- 5) Total fee paid:

---

Fee paid previously with preliminary materials.

---

Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- 1) Amount Previously Paid:

---

- 2) Form, Schedule or Registration Statement No.:

---

- 3) Filing Party:

---

4) Date Filed:

---

---

ANSYS, Inc.

Southpointe

275 Technology Drive

Canonsburg, PA 15317

May 12, 2006

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of ANSYS, Inc. (the Company) to be held on Thursday, June 15, 2006, at 2:00 p.m. Eastern Time, at the Southpointe Club located at Southpointe, 360 Southpointe Boulevard in Canonsburg, Pennsylvania (the Annual Meeting).

The Annual Meeting has been called for the purposes of (i) electing three Class I Directors for three-year terms; (ii) approving an amendment to the Company's Restated Certificate of Incorporation to increase the total number of authorized shares of Common Stock by 100,000,000 shares, from 50,000,000 shares to 150,000,000 shares; (iii) approving an amendment to the Second Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan to increase the number of shares available for offering thereunder by 2,000,000 shares, from 10,700,000 shares to 12,700,000 shares, to remove the Company's ability to grant discount options in lieu of cash compensation, and to provide that the Company may cash out options in connection with a sale of the Company in which the Company's stockholders receive cash consideration; (iv) ratifying the selection of Deloitte and Touche LLP as the Company's independent registered public accounting firm; and (v) considering and voting upon such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

The Board of Directors has fixed the close of business on May 3, 2006 as the record date for determining stockholders entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof.

The Board of Directors of the Company recommends that you vote FOR the election of the nominees of the Company's Board of Directors as Class I Directors of the Company; FOR the amendment to the Company's Restated Certificate of Incorporation to increase the total number of authorized shares of Common Stock; FOR the amendment to the Second Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan; and FOR the ratification of Deloitte and Touche LLP as the Company's independent registered public accounting firm.

**IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE ANNUAL MEETING. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, YOU ARE REQUESTED TO COMPLETE, DATE, SIGN AND RETURN YOUR PROXY IN ONE OF THE FOLLOWING WAYS: (1) USE THE WEBSITE ADDRESS SHOWN ON THE ENCLOSED PROXY CARD AND VOTE OVER THE INTERNET; (2) USE THE TOLL-FREE TELEPHONE NUMBER SHOWN ON THE ENCLOSED PROXY CARD; OR (3) MARK, DATE AND SIGN THE PROXY CARD RETURNING IT IN THE ENCLOSED ENVELOPE WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. VOTES SENT BY INTERNET OR TELEPHONE MUST BE RECEIVED BY 11:59 PM UNITED STATES EASTERN TIME ON JUNE 14, 2006. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY VOTE IN PERSON IF YOU WISH, EVEN IF YOU HAVE PREVIOUSLY RETURNED YOUR PROXY CARD.**

Sincerely,

/s/ James E. Cashman III

James E. Cashman III

*President and*

*Chief Executive Officer*

**ANSYS, Inc.**

**Southpointe**

**275 Technology Drive**

**Canonsburg, PA 15317**

**(724) 746-3304**

---

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held on Thursday, June 15, 2006**

Notice Is Hereby Given that the Annual Meeting of Stockholders of ANSYS, Inc. (the Company ) will be held on Thursday, June 15, 2006, at 2:00 p.m. Eastern Time, at the Southpointe Club, Southpointe, 360 Southpointe Boulevard in Canonsburg, Pennsylvania (the Annual Meeting ), for the purpose of considering and voting upon:

1. The election of three Class I Directors for three-year terms;
2. The approval of an amendment to the Company s Restated Certificate of Incorporation to increase the total number of authorized shares of Common Stock by 100,000,000 shares, from 50,000,000 shares to 150,000,000 shares;
3. The approval of an amendment to the Second Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan to increase the number of shares available for offering thereunder by 2,000,000 shares, from 10,700,000 shares to 12,700,000 shares, to remove the Company s ability to grant discount options in lieu of cash compensation, and to provide that the Company may cash out options in connection with a sale of the Company in which the Company s stockholders receive cash consideration;
4. The ratification of the selection of Deloitte and Touche LLP as the Company s independent registered public accounting firm; and

5. Such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof. The Board of Directors has fixed the close of business on May 3, 2006 as the record date for determination of stockholders entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof. Only holders of record of Common Stock at the close of business on that date will be entitled to notice of, and to vote at, the Annual Meeting and any adjournments or postponements thereof.

In the event there are not sufficient shares to be voted in favor of any of the foregoing proposals at the time of the Annual Meeting, the Annual Meeting may be adjourned in order to permit further solicitation of proxies.

By Order of the Board of Directors

/s/ Sheila S. DiNardo

Sheila S. DiNardo

*Vice President, General Counsel*

*and Secretary*

Edgar Filing: ANSYS INC - Form DEF 14A

Canonsburg, Pennsylvania

May 12, 2006

**IT IS IMPORTANT THAT YOUR SHARES BE REPRESENTED AT THE ANNUAL MEETING. WHETHER OR NOT YOU PLAN TO ATTEND THE ANNUAL MEETING, YOU ARE REQUESTED TO COMPLETE, DATE, SIGN AND RETURN YOUR PROXY IN ONE OF THE FOLLOWING WAYS: (1) USE THE WEBSITE ADDRESS SHOWN ON THE ENCLOSED PROXY CARD AND VOTE OVER THE INTERNET; (2) USE THE TOLL-FREE TELEPHONE NUMBER SHOWN ON THE ENCLOSED PROXY CARD; OR (3) MARK, DATE AND SIGN THE PROXY CARD RETURNING IT IN THE ENCLOSED ENVELOPE WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. VOTES SENT BY INTERNET OR TELEPHONE MUST BE RECEIVED BY 11:59 PM UNITED STATES EASTERN TIME ON JUNE 14, 2006. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY VOTE IN PERSON IF YOU WISH, EVEN IF YOU HAVE PREVIOUSLY RETURNED YOUR PROXY CARD.**

**ANSYS, Inc.**

**Southpointe**

**275 Technology Drive**

**Canonsburg, PA 15317**

**(724) 746-3304**

---

**PROXY STATEMENT**

---

**2006 ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held on Thursday, June 15, 2006**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of ANSYS, Inc. (the Company), for use at the Annual Meeting of Stockholders of the Company to be held on Thursday, June 15, 2006 at 2:00 p.m. Eastern Time at the Southpointe Club, Southpointe, 360 Southpointe Boulevard in Canonsburg, Pennsylvania, and any adjournments or postponements thereof (the Annual Meeting).

At the Annual Meeting, the stockholders of the Company will be asked to consider and vote upon the following matters:

1. The election of three Class I Directors for three-year terms, such terms to continue until the annual meeting of stockholders in 2009 and until such Director's successor is duly elected and qualified;
2. The approval of an amendment to the Company's Restated Certificate of Incorporation to increase the total number of authorized shares of Common Stock by 100,000,000 shares, from 50,000,000 shares to 150,000,000 shares;
3. The approval of an amendment to the Second Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan, as amended (the Option Plan) to increase the number of shares available for offering thereunder by 2,000,000 shares, from 10,700,000 shares to 12,700,000 shares, to remove the Company's ability to grant discount options in lieu of cash compensation, and to provide that the Company may cash out options in connection with a sale of the Company in which the Company's stockholders receive cash consideration (the Option Plan Amendment);
4. The ratification of the selection of Deloitte and Touche LLP as the Company's independent registered public accounting firm; and

5. Such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

The Notice of Annual Meeting, Proxy Statement and Proxy Card are first being mailed to stockholders of the Company on or about May 12, 2006 in connection with the solicitation of proxies for the Annual Meeting. The Board of Directors has fixed the close of business on May 3, 2006 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting (the Record Date). Only holders of record of the Company's Common Stock, par value \$.01 per share (the Common Stock), at the close of business on the Record Date will be entitled to notice of, and to vote at, the Annual Meeting. As of the Record Date, there were approximately 38,273,775 shares of Common Stock outstanding and entitled to vote at the Annual Meeting and approximately 335 stockholders of record. Each holder of a share of Common Stock outstanding as of the close of business on the Record Date will be entitled to one vote for each share held of record with respect to each

## Edgar Filing: ANSYS INC - Form DEF 14A

matter submitted at the Annual Meeting.

The presence, in person or by proxy, of a majority of the total number of outstanding shares of Common Stock is necessary to constitute a quorum for the transaction of business at the Annual Meeting. Shares that reflect abstentions or broker non-votes (i.e., shares represented at the meeting held by brokers or nominees as

to which instructions have not been received from the beneficial owners or persons entitled to vote such shares and with respect to which the broker or nominee does not have discretionary voting power to vote such shares) will be counted for purposes of determining whether a quorum is present for the transaction of business at the meeting.

The affirmative vote of holders of a plurality of the votes cast by holders of shares of Common Stock present or represented by proxy and entitled to vote on the matter is required for the election of the Class I Directors. Abstentions and broker non-votes will not be counted as voting with respect to the election of the Class I Directors and, therefore, will not have an effect on the election of the Class I Directors.

The affirmative vote of a majority of the total votes eligible to be cast by holders of voting stock with respect to such amendment is required for the approval of the amendment to the Company's Restated Certificate of Incorporation to increase the total number of authorized shares of Common Stock by 100,000,000 shares, from 50,000,000 shares to 150,000,000 shares. Each of Willis Stein & Partners II, L.P., Willis Stein & Partners III, L.P., Willis Stein & Partners Dutch, L.P., Willis Stein & Partners Dutch III-A, L.P., Willis Stein & Partners Dutch III-B, L.P. and Willis Stein & Partners III-C, L.P. (the Willis Stein Entities) have entered into a voting agreement with the Company, pursuant to which they have agreed to vote their shares of Common Stock in favor of the amendment to the Company's Restated Certificate of Incorporation to increase the total number of authorized shares of Common Stock. The Willis Stein Entities hold 3,815,323 shares of Common Stock or 9.97% of the outstanding shares of Common Stock. The voting agreement will terminate on the earlier of the day following the Annual Meeting or on the mutual agreement of the parties. Broker non-votes and abstentions will have the effect of a vote against the approval of the amendment to the Company's Restated Certificate of Incorporation.

The affirmative vote of holders of a majority of shares of Common Stock present or represented by proxy and entitled to vote on the matter is required for the approval of the Option Plan Amendment to increase the number of shares available for offering thereunder by 2,000,000 shares, from 10,700,000 shares to 12,700,000 shares, to remove the Company's ability to grant discount options in lieu of cash compensation, and to provide that the Company may cash out options in connection with a sale of the Company in which the Company's stockholders receive cash consideration. The Willis Stein Entities have entered into a voting agreement with the Company, pursuant to which they agreed to vote their shares of Common Stock in favor of the Option Plan Amendment. The Willis Stein Entities hold 3,815,323 shares of Common Stock or 9.97% of the outstanding shares of Common Stock. The voting agreement will terminate on the earlier of the day following the Annual Meeting or on the mutual agreement of the parties. Broker non-votes will not be considered present and represented and entitled to vote on this matter and, therefore, will not have an effect on the ratification of the approval of the Option Plan Amendment. Abstentions will be counted as voting against the approval of the Option Plan Amendment.

The affirmative vote of holders of a majority of shares of Common Stock present or represented by proxy and entitled to vote on the matter is required for the approval of the ratification of the selection of the independent registered public accounting firm. Broker non-votes will not be considered present and represented and entitled to vote on this matter and, therefore, will not have an effect on the ratification of the selection of the independent registered public accounting firm. Abstentions will be counted as voting against the ratification of the selection of the independent registered public accounting firm.

**Stockholders of the Company are requested to complete, date, sign and return the accompanying Proxy Card in the enclosed envelope. You may also vote by telephone or over the internet in accordance with the procedures on the Proxy Card. Common Stock represented by properly executed proxies received by the Company and not revoked will be voted at the Annual Meeting in accordance with the instructions contained therein. If instructions are not given therein, properly executed proxies will be voted FOR the election of the nominees for Director listed in this Proxy Statement; the approval of the amendment to the Company's Restated Certificate of Incorporation to increase the total number of authorized shares of Common Stock and the other amendments discussed in this Proxy Statement; the approval of the Option Plan Amendment to increase the number of shares available for offering under the Company's Option**

---

**Plan and the other amendments discussed in this Proxy Statement; and the ratification of the Company's selection of Deloitte and Touche LLP as the Company's independent registered public accounting firm. It is not anticipated that any matters other than the election of Class I Directors; the approval of the amendment to the Company's Restated Certificate of Incorporation to increase the total number of authorized shares of Common Stock; the approval of the Option Plan Amendment; and the ratification of the Company's selection of Deloitte and Touche LLP as the Company's independent registered public accounting firm will be presented at the Annual Meeting. If other matters are presented, proxies will be voted in accordance with the discretion of the proxy holders. Internet and telephone voting procedures verify stockholders' identities and allow stockholders to confirm that voting has been recorded correctly. Stockholders voting over the internet should realize that there may be additional costs with electronic access, such as usage charges from internet access providers that must be paid by the stockholder.**

Any properly completed proxy may be revoked at any time before it is voted on any matter (without, however, affecting any vote taken prior to such revocation) by giving written notice of such revocation to the Secretary of the Company, or by signing and duly delivering a proxy bearing a later date, or by attending the Annual Meeting and voting in person. Attendance at the Annual Meeting will not, by itself, revoke a proxy.

The Annual Report of the Company, including financial statements for the fiscal year ended December 31, 2005 ( Fiscal 2005 ), is being mailed to stockholders of the Company concurrently with this Proxy Statement. The Annual Report, however, is not a part of the proxy solicitation material.

### **PROPOSAL 1**

#### **ELECTION OF DIRECTORS**

The Board of Directors of the Company currently consists of eight members and is divided into three classes, with three Directors in Class I, two Directors in Class II and three Directors in Class III. Directors serve for three-year terms with one class of Directors being elected by the Company's stockholders at each annual meeting.

At the Annual Meeting, three Class I Directors will be elected to serve until the annual meeting of stockholders in 2009 and until such Director's successor is duly elected and qualified. Based on the recommendation of the Company's Nominating and Corporate Governance Committee, the Board of Directors has nominated Peter J. Smith, Bradford C. Morley, and Patrick J. Zilvitis for re-election as the Class I Directors. Unless otherwise specified in the proxy, it is the intention of the persons named in the proxy to vote the shares represented by each properly executed proxy for the re-election of Mr. Peter Smith, Mr. Morley and Mr. Zilvitis as Directors. Proxies cannot be voted for a greater number of persons than the number of nominees named. The nominees have agreed to stand for re-election and to serve, if elected, as Directors. However, if any person nominated by the Board of Directors fails to stand for election or is unable to accept election, the proxies will be voted for the election of such other person or persons as the Board of Directors may recommend.

#### **Vote Required For Approval**

A quorum being present, the affirmative vote of holders of a plurality of the votes cast by holders of shares of Common Stock present or represented by proxy and entitled to vote on the matter is required for the election of the nominees as Class I Directors of the Company.

**THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS A VOTE *FOR* THE ELECTION OF THE NOMINEES OF THE BOARD OF DIRECTORS AS CLASS I DIRECTORS OF THE COMPANY.**

---

**PROPOSAL 2**

**AMENDMENT TO THE COMPANY'S RESTATED CERTIFICATE OF INCORPORATION TO  
INCREASE THE TOTAL NUMBER OF AUTHORIZED SHARES OF COMMON STOCK**

The Board of Directors has adopted, and is seeking stockholder approval of, the amendment to the Company's Restated Certificate of Incorporation, attached hereto as Exhibit A, that increases the number of authorized shares of the Company's Common Stock, from 50,000,000 shares to 150,000,000 shares (the Amended Certificate). The provisions of the Restated Certificate of Incorporation permitting the Company to issue up to 2,000,000 shares of undesignated preferred stock will not be changed by the Amended Certificate. Subject to stockholder approval of the Amended Certificate, the Board of Directors has designated an additional 100,000,000 shares of Common Stock, such that the total number of authorized shares is 150,000,000.

As of May 3, 2006, approximately 38,273,775 shares of the Company's Common Stock were issued and outstanding, approximately 5,410,000 shares of the Company's Common Stock remain reserved for issuance under the Company's Option Plan, and approximately 377,000 shares of the Company's Common Stock remain reserved for issuance under the Company's Employee Stock Purchase Plan, leaving approximately 5,939,000 shares of the Company's Common Stock currently authorized and available for issuance. The additional Common Stock to be authorized by the proposed amendment would have rights identical to the currently authorized and outstanding Common Stock of the Company. If the amendment is adopted, it will become effective upon filing the Amended Certificate with the Secretary of State of the State of Delaware.

**Reasoning for Amendment to the Company's Restated Certificate of Incorporation**

The Company's Restated Certificate of Incorporation currently authorizes the issuance of up to 50,000,000 shares of Common Stock. In October 2004, the Company effected a two-for-one stock split of its Common Stock. On May 1, 2006, the Company acquired Fluent Inc. (Fluent). In connection with this acquisition, the Company issued approximately 6,000,000 shares of Common Stock and more than doubled its headcount. Accordingly, the Board of Directors believes the Company may need additional shares of Common Stock in the future and recommends that the stockholders approve the proposed increase in the number of authorized shares. If this proposal is adopted, the Company will have approximately 38,300,000 shares issued and outstanding and approximately 105,900,000 shares authorized and available for issuance.

The Board of Directors believes that it is prudent to increase the authorized number of shares of Common Stock following the two-for-one stock split effective October 2004 and the Fluent acquisition in order to maintain a reserve of shares available for immediate issuance to meet business needs promptly as they arise. The Board of Directors believes that maintaining such a reserve will save time and money in responding to future events requiring the issuance of additional shares of Common Stock, such as other acquisitions or stock splits. In addition, the increase in the number of authorized shares of Common Stock will allow the Company to continue providing equity incentives to its employees, officers and directors.

All authorized but unissued shares of Common Stock will be available for issuance from time-to-time for any proper purpose approved by the Board of Directors (including issuances to raise capital or effect acquisitions, future stock splits by means of a dividend, and issuances in connection with stock-based employee benefit plans). There are currently no arrangements, agreements or understandings for the issuance of the additional shares of authorized Common Stock except for issuances in the ordinary course of business. The Board of Directors does not presently intend to seek further stockholder approval of any particular issuance of shares unless such approval is required by law or the rules of Nasdaq.

The additional shares of Common Stock to be authorized by the Amended Certificate would have rights identical to the currently authorized and outstanding Common Stock of the Company. The Company's stockholders do not currently have any preemptive or similar rights to subscribe for or purchase any additional shares of Common Stock that may be issued in the future, and therefore, future issuances of Common Stock may,

depending on the circumstances, have a dilutive effect on the earnings per share, voting power and other interests of existing stockholders.

If this Proposal 2 is approved by the stockholders, the increase in the authorized number of shares of Common Stock and the subsequent issuance of such shares could have the effect of delaying or preventing a change in control of the Company without further action by the stockholders. Shares of authorized but unissued Common Stock could (within the limits imposed by applicable law) be issued in one or more transactions, which would make a change in control of the Company more difficult, and therefore, less likely. Any such issuance of additional stock could have the effect of diluting the earnings per share and book value per share of outstanding shares of Common Stock, and such additional shares could be used to dilute the stock ownership or voting rights of a person seeking to obtain control of the Company.

The Board of Directors has determined that it is in the best interests of the Company and its stockholders to approve the Amended Certificate. If the stockholders approve this Proposal 2, the Board of Directors intends to file the Amended Certificate with the Secretary of State of the State of Delaware. If this Proposal 2 is not approved by the stockholders, the Company's Restated Certificate of Incorporation will continue as currently in effect.

#### **Vote Required For Approval**

The affirmative vote of a majority of total votes eligible to be cast by holders of the voting stock with respect to such amendment is required for the approval of the amendment to the Company's Restated Certificate of Incorporation to increase the total number of authorized shares of Common Stock. The Willis Stein Entities have entered into a voting agreement with the Company, pursuant to which they agreed to vote their shares of Common Stock in favor of the amendment to the Company's Restated Certificate of Incorporation to increase the total number of authorized shares of Common Stock. The Willis Stein Entities hold 3,815,323 shares of Common Stock or 9.97% of the outstanding shares of Common Stock. The voting agreement will terminate on the earlier of the day following the Annual Meeting or on the mutual agreement of the parties.

**THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS A VOTE *FOR* THE APPROVAL OF THE AMENDMENT TO THE COMPANY'S RESTATED CERTIFICATE OF INCORPORATION TO INCREASE THE TOTAL NUMBER OF AUTHORIZED SHARES OF COMMON STOCK BY 100,000,000 SHARES, FROM 50,000,000 SHARES TO 150,000,000 SHARES.**

### **PROPOSAL 3**

#### **AMENDMENT TO THE COMPANY'S OPTION PLAN**

The Board of Directors has adopted, and is seeking stockholder approval of, the Third Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan (the "Third Amended and Restated Option Plan") which would (a) increase the number of shares available for awards by 2,000,000 shares, from 10,700,000 shares to 12,700,000 shares, (b) remove the Company's ability to grant discount options in lieu of cash compensation, and (c) permit the Company to "cash out" options in connection with a sale of the Company in which the Company's stockholders will receive cash consideration. A copy of the Third Amended and Restated Option Plan is attached hereto as Exhibit B.

Prior to the adoption of the Third Amended and Restated Option Plan, the Company previously amended the Company's Option Plan on February 9, 2006 as follows:

Removal of the automatic annual stock option grants to independent directors and the automatic grant of stock options to any newly elected independent directors upon commencement of the initial term as a director.

Removal of the provision that permitted the exercise price of stock options granted to independent directors to equal the average fair market value over the ten trading days prior to the date of grant.

Addition of a provision for the Chairman and each independent, non-affiliated director to elect annually in advance to receive an annual award of either (i) 3,600 deferred stock units, granted quarterly in arrears, or (ii) non-qualified stock options to acquire 12,000 shares of Common Stock, granted quarterly in arrears. As amended, the Option Plan specifies that any such deferred stock awards will be fully vested upon grant, but not paid to the recipient in shares of Common Stock until each such recipient's cessation of service as a director of the Company. As amended, the Option Plan also specifies that any such non-qualified stock option grants will have an exercise price equal to the fair market value of the Common Stock on the date of grant (rather than the lesser of the fair market value on the date of grant or the average fair market value for a period of ten days prior to the date of grant) and shall become exercisable as specified by the Compensation Committee of the Board (the Committee) (rather than automatically exercisable in annual installments over four years).

The Company's Option Plan may be administered by the Committee. The Committee, in its discretion, may grant a variety of incentive awards based on the Common Stock of the Company. Awards under the Company's Option Plan include stock options (both incentive options and non-qualified options), restricted stock awards, performance shares, unrestricted stock, dividend equivalent rights and deferred stock awards. Each of these awards is described in greater detail below.

Subject to adjustment for stock splits, stock dividends and similar events, the total number of shares of Common Stock that currently can be issued under the Company's Option Plan is 10,700,000 shares. If approved by stockholders, the total number of shares that could be issued under the Company's Third Amended and Restated Option Plan would be increased by 2,000,000 shares to 12,700,000 shares. Based solely on the closing price of the Common Stock as reported on the Nasdaq National Market on April 28, 2006, the maximum aggregate market value of the additional Common Stock that could potentially be issued under the Company's Third Amended and Restated Option Plan is \$112,900,000. The shares issued by the Company under the Company's Third Amended and Restated Option Plan may be authorized but unissued shares or shares reacquired by the Company. To the extent that shares subject to an outstanding award under the Company's Third Amended and Restated Option Plan are not issued or delivered by reason of the expiration, termination, cancellation, or forfeiture of such award or by reason of the delivery of shares to pay all or a portion of the exercise price of an award, if any, or the delivery of shares to satisfy all or a portion of the tax withholding obligations relating to an award, then such shares shall again be available under the Company's Third Amended and Restated Option Plan. The proposed Third Amended and Restated Option Plan also provides that the Company can no longer grant discounted options in lieu of cash compensation.

No more than fifty percent (50%) of the number of shares of Common Stock available for issuance under the Option Plan as of May 8, 2003, and as approved by the Company's stockholders at the 2003 Annual Meeting of Stockholders (which such number shall be deemed to include any shares of Common Stock that become re-available for issuance due to their forfeiture, cancellation or reacquisition by the Company after such date) may be issued in the form of non-stock option awards. In addition, to satisfy the requirements of Section 162(m) of the Internal Revenue Code of 1986 (the Code), stock options with respect to no more than 600,000 shares of Common Stock (subject to adjustment for stock splits and similar events) may be granted to any one individual during any one-calendar-year period.

### **Recommendation**

The Board of Directors believes that stock options and other stock-based incentive awards can play an important role in the success of the Company by encouraging and enabling the officers, employees, directors and other key persons of the Company and its subsidiaries upon whose judgment, initiative and efforts the Company largely depends for the successful conduct of its business to acquire a proprietary interest in the Company. The

Board of Directors anticipates that providing such persons with a direct stake in the Company will assure a closer identification of the interests of participants in the Third Amended and Restated Option Plan with those of the Company and its stockholders, thereby stimulating their efforts on the Company's behalf and strengthening their desire to remain with the Company.

On May 1, 2006, the Company acquired Fluent Inc. (Fluent), and as a result, more than doubled its employee headcount. With the expansion of the Company's employee base, the relatively small number of shares remaining under the Company's Option Plan will not be adequate for its future needs. Additionally, as the Company continues to grow, it may need the flexibility to provide larger grants to key employees as an incentive to them to manage expanded levels of operations and achieve growth targets.

The amendment to increase the number of shares in the Company's Option Plan is necessary to provide for an adequate number of shares available for grant in the future. Accordingly, the Board of Directors has voted, subject to stockholder approval, to adopt the Third Amended and Restated Option Plan.

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE THIRD AMENDED AND RESTATED OPTION PLAN BE APPROVED, AND THEREFORE RECOMMENDS A VOTE FOR THIS PROPOSAL.**

#### **Summary of the Company's Third Amended and Restated Option Plan**

The following description of certain features of the Company's Third Amended and Restated Option Plan is intended to be a summary only. The summary is qualified in its entirety by the full text of the Company's Third Amended and Restated Option Plan that is attached hereto as Exhibit B.

*Plan Administration.* The Committee has full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the Company's Third Amended and Restated Option Plan. The Committee may delegate to the chief executive officer of the Company the authority to grant certain awards to employees who are not executive officers of the Company.

*Eligibility and Limitations on Grants.* Persons eligible to participate in the Company's Third Amended and Restated Option Plan will be those officers, employees, directors, consultants and other key persons of the Company and its subsidiaries as selected from time to time by the Committee. Approximately 1,350 individuals are currently eligible to participate in the Company's Third Amended and Restated Option Plan.

The maximum award of stock options granted to any one individual will not exceed 600,000 shares of Common Stock (subject to adjustment for stock splits and similar events) for any calendar year period.

*Stock Options.* The Company's Third Amended and Restated Option Plan permits the granting of (i) options to purchase Common Stock intended to qualify as incentive stock options under Section 422 of the Code and (ii) options that do not so qualify. Options granted under the Company's Third Amended and Restated Option Plan will be non-qualified options if they (a) fail to qualify as incentive options, (b) are granted to a person not eligible to receive incentive options under the Code, or (c) otherwise so provide. Non-qualified options may be granted to any persons eligible to receive incentive options and to non-employee directors. The option exercise price of each option will be determined by the Committee but will not be less than 100% of the fair market value of the Common Stock on the date of grant.

The term of each option will be fixed by the Committee and may not exceed ten years from the date of grant. The Committee will determine at what time or times each option may be exercised and, subject to the provisions of the Company's Third Amended and Restated Option Plan, the period of time, if any, after retirement, death, disability or termination of employment during which options may be exercised. Options may be made exercisable in installments and the exercisability of options may be accelerated by the Committee.

Upon exercise of options, the option exercise price must be paid in full either in cash or by certified or bank check or other instrument acceptable to the Committee or, if the Committee so permits, by delivery of shares of Common Stock that meet such requirements as may be specified by the Committee, including shares of Common Stock that are not subject to any restrictions imposed by the Company and that have been held by the optionee for at least six months. Subject to applicable law, the exercise price may also be delivered to the Company by a broker pursuant to irrevocable instructions to the broker from the optionee.

To qualify as incentive options, options must meet additional federal tax requirements, including a \$100,000 limit on the value of shares subject to incentive options that first become exercisable by a participant in any one calendar year, and a shorter term and higher minimum exercise price in the case of certain large stockholders.

At the discretion of the Committee, stock options granted under the Company's Third Amended and Restated Option Plan may include a reload feature pursuant to which an optionee exercising an option by the delivery of shares of Common Stock would automatically be granted an additional stock option (with an exercise price equal to the fair market value of the Common Stock on the date the additional stock option is granted) to purchase that number of shares of Common Stock equal to the number delivered to exercise the original stock option. The purpose of this feature is to enable participants to maintain an equity interest in the Company without dilution.

*Automatic Grants to Non-Employee, Non-Affiliated Directors.* The Company's Third Amended and Restated Option Plan provides for the automatic grant of an annual equity award to the Chairman of the Board of Directors and to each non-employee, non-affiliated Director who is serving as a director of the Company on the fifth business day after each annual meeting of stockholders. The Chairman and each such Director may elect annually, in advance, whether his or her annual equity award will consist of a deferred stock award for 3,600 deferred stock units or non-qualified stock options to acquire 12,000 shares. Any such deferred stock award will be granted quarterly in arrears, will be fully vested upon grant and will be paid to the recipient in the form of shares of Common Stock as soon as reasonably practicable following his or her cessation of service as a Director of the Company, but in no event more than two and one-half months after the end of the year in which such cessation of service occurs. Any such non-qualified stock options will be granted quarterly in arrears, will have an exercise price equal to the fair market value of Common Stock on the date of grant and will become exercisable as specified by the Committee. Such non-qualified options will expire seven years from the date of grant.

*Restricted Stock.* The Committee may award shares of Common Stock under the Company's Third Amended and Restated Option Plan subject to such conditions and restrictions as the Committee may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with the Company through a specified restricted period. If the performance goals and other restrictions are not attained, the grantee will forfeit their awards of restricted stock to the Company.

*Unrestricted Stock.* The Committee may grant shares of Common Stock under the Company's Third Amended and Restated Option Plan (at no cost or for a purchase price determined by the Committee) that are free from any restrictions. Unrestricted stock may be issued to participants in recognition of past services or other valid consideration, and may be issued in lieu of cash compensation to be paid to such individuals.

*Performance Share Awards.* The Committee may grant performance share awards under the Company's Third Amended and Restated Option Plan entitling the recipient to receive shares of Common Stock upon the achievement of individual or Company performance goals and such other conditions as the Committee shall determine.

*Dividend Equivalent Rights.* The Committee may grant dividend equivalent rights under the Company's Third Amended and Restated Option Plan that entitle the recipient to receive credits for dividends that would be paid if the recipient had held specified shares of Common Stock. Dividend equivalent rights may be granted as a

component of another award or as a freestanding award. Dividend equivalent rights credited under the Company's Third Amended and Restated Option Plan may be paid currently or be deemed to be reinvested in additional shares of Common Stock that may thereafter accrue additional dividend equivalent rights at fair market value at the time of deemed reinvestment or on the terms then governing the reinvestment of dividends under the Company's dividend reinvestment plan, if any. Dividend equivalent rights may be settled in cash, shares, or a combination thereof, in a single installment or installments, as specified in the award. Dividend equivalent rights payable in cash on a deferred basis may provide for crediting and payment of interest equivalents.

*Deferred Stock Awards.* The Committee may award phantom stock units as deferred stock awards to participants under the Company's Third Amended and Restated Option Plan. Deferred stock awards are ultimately payable in the form of shares of Common Stock and may be subject to such conditions and restrictions as the Committee may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with the Company through a specified vesting period. During the deferral period, subject to terms and conditions imposed by the Committee, the deferred stock awards may be credited with dividend equivalent rights. With the Committee's consent and subject to the participant's compliance with the procedures established by the Committee, a participant may make an advance election to receive a portion of his or her compensation otherwise due in the form of a deferred stock award.

*Tax Withholding.* Participants in the Company's Third Amended and Restated Option Plan are responsible for the payment of any federal, state or local taxes that the Company is required by law to withhold upon any option exercise or vesting of other awards.

*Adjustments for Stock Dividends, Stock Splits, Etc.* The Company's Third Amended and Restated Option Plan authorizes the Committee to make appropriate adjustments to outstanding awards to reflect stock dividends, stock splits and similar events. In the event of a merger, consolidation, sale of the Company or similar event, the Committee will make appropriate adjustments in the limits specified in the Company's Third Amended and Restated Option Plan and to outstanding awards. The Committee may also adjust outstanding awards to take into consideration material changes in accounting practices or extraordinary dividends or similar events if the Committee determines that such adjustments are appropriate.

*Change in Control Provisions.* The Company's Third Amended and Restated Option Plan provides that in the event of a transaction (as defined in the Company's Third Amended and Restated Option Plan) resulting in a change in control of the Company, all stock options held by non-employee directors will automatically become fully exercisable. All other awards may become exercisable, vested and/or non-forfeitable in connection with a change in control either as provided in the applicable award agreement or in the Committee's discretion. In addition, the Company's Third Amended and Restated Option Plan and all awards will terminate at the effective time of a transaction unless the awards are assumed by the successor entity. In the event that awards are so terminated, each optionee will have a period of at least 15 days to exercise his or her stock options to the extent then exercisable. Further, under the proposed amendment to the Third Amended and Restated Option Plan, in the event of a sale event in which the Company's stockholders will receive cash consideration, the Company may make or provide for a cash payment to participants holding options equal to the difference between the per share cash consideration and the exercise price of the options.

*Amendments and Termination.* The Board of Directors may, at any time, amend or discontinue the Company's Third Amended and Restated Option Plan, and the Committee may, at any time, amend or cancel any outstanding award for the purpose of satisfying changes in the law or for any other lawful purpose. However, no such action may adversely affect any rights under any outstanding award without the holder's consent. Any amendments that require the approval of stockholders pursuant to applicable law or regulation will be subject to approval by stockholders. In addition, except in connection with a reorganization of the Company or a merger or other transaction, the Board may not reduce the exercise price of an outstanding stock option or effect repricing of an outstanding stock option through cancellation or regrants without stockholder approval.

**Effective Date of Third Amended and Restated Option Plan**

The Company's Option Plan first became effective in 1996 and was subsequently amended and restated in 2003 and 2004. The Board of Directors adopted an amendment to the current Option Plan on February 9, 2006 which did not require stockholder approval. The Board also adopted the proposed Option Plan Amendment on February 9, 2006. The proposed Option Plan Amendment, increasing the number of shares that may be granted under the Company's Third Amended and Restated Option Plan, and amending such other provisions as described in this Proxy Statement, will not be effective unless and until approved by the stockholders. Awards of incentive options may be granted under the Company's Third Amended and Restated Option Plan until February 9, 2016. No other awards may be granted under the Company's Third Amended and Restated Option Plan after the date that is 10 years from the date of stockholder approval.

**New Plan Benefits**

No grants have been made with respect to the additional shares of Common Stock to be reserved for issuance under the Company's Third Amended and Restated Option Plan. The number of shares that may be granted to the Company's Chief Executive Officer, executive officers, non-employee Directors and non-executive officers under the Company's Third Amended and Restated Option Plan is undeterminable at this time, as such grants are subject to the discretion of the Committee and/or the election of each non-affiliate independent Director.

The number of shares of Common Stock that were granted to the Company's Chief Executive Officer, all executive officers, all non-employee Directors and all other employees (other than executive officers) in 2005 under the Company's Option Plan are included on the following table:

Group	Options		Restricted Stock	
	Number	Average Exercise Price	Number	Value
Chief Executive Officer	200,000	\$ 33.75		
All Executive Officers (1)	311,000	\$ 34.03	1,800	\$ 64,548
All Non-Employee Directors	60,000	\$ 32.57		
All Employees (excluding Executive Officers).	129,975	\$ 34.85	9,425	\$ 337,980

(1) Includes Chairman, Chief Executive Officer and 7 other executives.

**Summary of Equity Compensation Plans**

The following table provides certain summary information concerning the equity compensation plans maintained by the Company as of December 31, 2005.

**Equity Compensation Plan Information**

Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))
<b>Equity Compensation Plans Approved by Security Holders</b>			
1994 Stock Option and Grant Plan	18,000	\$ 5.00	
1996 Stock Option and Grant Plan, as amended	3,604,418	\$ 14.10	1,995,834
1996 Employee Stock Purchase Plan, as amended	(1)	(2)	392,629(1)
<b>Equity Compensation Plans Not Approved by Security Holders</b>			
None	N/A	N/A	N/A
<b>Total</b>	<b>3,622,418(3)</b>	<b>\$ 14.05</b>	<b>2,388,463</b>

- (1) The number of shares issuable with respect to the current offering period is not determinable until the end of the period.
- (2) The per share purchase price of shares issuable with respect to the current offering period is not determinable until the end of the offering period.
- (3) The average weighted remaining life is 6.16 years.

**Tax Aspects Under the U.S. Internal Revenue Code**

The following is a summary of the principal federal income tax consequences of transactions under the Company's Third Amended and Restated Option Plan. It does not describe all federal tax consequences under the Company's Third Amended and Restated Option Plan, nor does it describe state or local tax consequences.

*Incentive Options.* No taxable income is generally realized by the optionee upon the grant or exercise of an incentive option. If shares issued to an optionee pursuant to the exercise of an incentive option are sold or transferred after two years from the date of grant and after one year from the date of exercise, then (1) upon sale of such shares, any amount realized in excess of the option price (the amount paid for the shares) will be taxed to the optionee as a long-term capital gain, and any loss sustained will be a long-term capital loss, and (2) there will be no deduction for the Company for federal income tax purposes. The exercise of an incentive option will give rise to an item of tax preference that may result in alternative minimum tax liability for the optionee.

If shares acquired upon the exercise of an incentive option are disposed of prior to the expiration of the two-year and one-year holding periods described above (a disqualifying disposition), generally (a) the optionee will realize ordinary income in the year of disposition in an amount equal to the excess (if any) of the fair market value of the shares at exercise (or, if less, the amount realized on a sale of such shares) over the option price thereof, and (b) the Company will be entitled to deduct such amount. Special rules will apply where all or a portion of the exercise price of the incentive option is paid by tendering shares.

If an incentive option is exercised at a time when it no longer qualifies for the tax treatment described above (e.g., if the holding periods described above are not satisfied), the option is treated as a non-qualified option. In



addition, an incentive option will not be eligible for the tax treatment described above if it is exercised more than three months following termination of employment (or one year in the case of termination of employment by reason of disability). In the case of termination of employment by reason of death, the three-month rule does not apply.

*Non-Qualified Options.* No income is realized by the optionee at the time the option is granted. Generally (i) at exercise, ordinary income is realized by the optionee in an amount equal to the difference between the option price and the fair market value of the shares on the date of exercise, and the Company receives a tax deduction for the same amount, and (ii) at disposition, appreciation or depreciation after the date of exercise is treated as either short-term or long-term capital gain or loss depending on how long the shares have been held. Special rules will apply where all or a portion of the exercise price of the non-qualified option is paid by tendering shares. Upon exercise, the optionee will also be subject to Social Security taxes on the excess of the fair market value over the exercise price of the option.

*Parachute Payments.* The vesting of any portion of an option or other award that is accelerated due to the occurrence of a change in control may cause a portion of the payments with respect to such accelerated awards to be treated as parachute payments as defined in the Code. Any such parachute payments may be non-deductible to the Company, in whole or in part, and may subject the recipient to a non-deductible 20% federal excise tax on all or a portion of such payment (in addition to other taxes ordinarily payable).

*Limitation on the Company's Deductions.* As a result of Section 162(m) of the Code, the Company's deduction for certain awards under the Third Amended and Restated Option Plan may be limited to the extent that the Chief Executive Officer or other executive officer whose compensation is required to be reported in the summary compensation table receives compensation in excess of \$1 million a year (other than performance-based compensation that otherwise meets the requirements of Section 162(m) of the Code). The Third Amended and Restated Option Plan is structured to allow certain grants to qualify as performance-based compensation.

#### **Vote Required For Approval**

The vote required for the approval of the Option Plan Amendment is the affirmative vote of holders of a majority of shares of Common Stock present or represented by proxy and entitled to vote on this proposal. The Willis Stein Entities have entered into a voting agreement with the Company, pursuant to which they agreed to vote their shares of Common Stock in favor of the Option Plan Amendment. The Willis Stein Entities hold 3,815,323 shares of Common Stock or 9.97% of the outstanding shares of Common Stock. The voting agreement will terminate on the earlier of the day following the Annual Meeting or on the mutual agreement of the parties.

**THE BOARD OF DIRECTORS RECOMMENDS A VOTE FOR THE APPROVAL OF THE OPTION PLAN AMENDMENT.**

#### **PROPOSAL 4**

##### **RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Board of Directors of the Company, upon the recommendation of the Audit Committee, has selected the accounting firm of Deloitte and Touche LLP to serve as the independent registered public accounting firm of the Company for the fiscal year ended December 31, 2006. Deloitte and Touche LLP is considered by management of the Company to be well-qualified. A representative of Deloitte and Touche LLP will be present at the Annual Meeting, will be given the opportunity to make a statement if he or she so desires and will be available to respond to appropriate questions.

Although the Company is not required to submit the ratification of the selection of its independent registered public accounting firm to a vote of stockholders, the Board of Directors believes that it is sound policy to do so.

In the event that the majority of the votes cast are against the selection of Deloitte and Touche LLP, the Directors will consider the vote and the reasons for it in future decisions on the selection of independent registered public accounting firms.

#### **Vote Required For Approval**

The affirmative vote of holders of a majority of shares of Common Stock present or represented by proxy and entitled to vote on the matter is required for the approval of the ratification of the selection of the independent registered public accounting firm.

**THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS A VOTE *FOR* THE APPROVAL OF THE RATIFICATION OF THE SELECTION OF THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM.**

#### **INFORMATION REGARDING DIRECTORS**

The Board of Directors of the Company held fourteen (14) meetings during Fiscal 2005. During Fiscal 2005, each of the incumbent Directors attended at least 95% of the total number of meetings of the Board and of the committees of which he or she was a member. The Board of Directors has established an Audit Committee (the Audit Committee), a Compensation Committee (the Compensation Committee) and a Nominating and Corporate Governance Committee (the Nominating and Corporate Governance Committee).

The Audit Committee selects the independent registered public accounting firm to audit financial statements and to perform services related to the audit, reviews the scope and results of the audit with the independent registered public accounting firm, reviews with management and the independent registered public accounting firm the Company's quarterly and annual operating results, reviews the Company's periodic disclosures related to its financial statements, considers the adequacy of the internal accounting procedures, oversees internal audit and compliance within the Sarbanes-Oxley Act of 2002, oversees the Company's risk management policies and practices, and establishes policies for business values, ethics and employee relations. The Audit Committee currently consists of three (3) Directors, Roger J. Heinen, Jr., Bradford C. Morley and Patrick J. Zilvitis, each of whom is not an employee of the Company and is considered independent within the meaning of Rule 4200(a)(15) of the Nasdaq listing requirements. The Board of Directors has determined that Bradford C. Morley and Patrick J. Zilvitis each qualify as an audit committee financial expert and that each is independent under the Securities Exchange Act of 1934, as amended (the Exchange Act) or applicable Nasdaq listing requirements. The Audit Committee's Charter is available on the Company's website at [www.ansys.com](http://www.ansys.com). The foregoing information concerning the Audit Committee shall not be deemed soliciting material or to be filed with the Securities and Exchange Commission (SEC), nor incorporated by reference into any other filing, in each case to the extent permitted by the rules and regulations of the SEC. During Fiscal 2005, the Audit Committee held four (4) meetings. The Audit Committee's report to stockholders appears elsewhere in this Proxy Statement.

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, reviews succession planning for senior management, reviews the options or stock to be granted to eligible persons under the Company's Option Plan, and takes such other action as may be required in connection with the Company's compensation and incentive plans. The Compensation Committee currently consists of two (2) independent Directors, Jacqueline C. Morby and John F. Smith, and held six (6) meetings during Fiscal 2005. The Compensation Committee's report on executive compensation appears elsewhere in this Proxy Statement. The Compensation Committee recommended amendments to its written charter, which was adopted by the Board of Directors on December 15, 2005. The amended Charter is available on the Company's website at [www.ansys.com](http://www.ansys.com).

The Nominating and Corporate Governance Committee oversees the qualification and nomination process for potential Director candidates, reviews the continued qualification of existing Directors and is responsible for

corporate governance oversight. The Nominating and Corporate Governance Committee currently consists of three (3) non-employee Directors, Bradford C. Morley, John F. Smith and Patrick J. Zilvitis. As required by Rule 4350(c) of the Nasdaq listing requirements, each of these members is independent as defined in Rule 4200 of the Nasdaq listing requirements. The Nominating and Corporate Governance Committee held three (3) meetings in Fiscal 2005. The Nominating and Corporate Governance Committee recommended amendments to its written charter, which was adopted by the Board of Directors on December 15, 2005. The amended Charter is available on the Company's website at [www.ansys.com](http://www.ansys.com).

The Nominating and Corporate Governance Committee will review and consider Director candidates who have been recommended by stockholders, using the same criteria as potential nominees recommended by the Nominating and Corporate Governance Committee or others. The Company did not receive any stockholder recommendations for Director candidates for election at the 2006 Annual Meeting. Stockholders submitting candidates for consideration by the Nominating and Corporate Governance Committee should deliver a submission in writing to the Secretary of the Company, at the Company's office in Canonsburg, Pennsylvania, and should follow the timing, informational and other requirements regarding stockholder proposals set forth in the Company's By-laws or in applicable SEC rules. Such submission should specify whether the named person(s) should be considered by the Nominating and Corporate Governance Committee for inclusion as a Board of Directors nominee or whether the named person(s) are to be considered stockholder nominees under the By-laws. At a minimum, each nominee, whether proposed by a stockholder or any other party, is expected to have the highest personal and professional integrity, shall demonstrate sound judgment, and shall be expected to effectively interact with other members of the Board to serve the long-term interests of the Company and its stockholders. A stockholder wishing to nominate a Director separately from the slate of Directors nominated by the Company should follow the procedures described in this Proxy Statement under the heading "Submission of Stockholder Proposals for 2007 Annual Meeting."

Stockholders who wish to submit Director candidates for consideration should send such recommendations to the Secretary of the Company at the Company's executive offices not less than 120 calendar days prior to the first anniversary of the date on which the Company's proxy statement for the prior year was released. Such recommendations must include: (1) the name and address of record of the stockholder; (2) a representation that the stockholder is a record holder of the Company's Common Stock, or if the stockholder is not a record holder, evidence of ownership in accordance with Rule 14a-8(b)(2) of the Exchange Act; (3) the name, age, business and residential address, educational background, current principal occupation or employment, and principal occupation or employment for the preceding five (5) full fiscal years of the proposed Director candidate; (4) a description of the qualifications of the proposed Director candidate which address the minimum qualifications described above; (5) a description of all arrangements or understandings between the stockholder and the proposed Director candidate; and (6) the consent of the proposed director candidate to be named in the proxy statement and to serve as a Director if elected at such meeting. Stockholders must also submit any other information regarding the proposed candidate that is required to be included in a proxy statement filed pursuant to the rules of the SEC. See also the information under "Submission of Stockholder Proposals for 2007 Annual Meeting."

In Fiscal 2005, non-affiliate independent Directors received fees ranging from \$1,000 to \$2,000 for each Board of Directors meeting or Board of Directors conference call they attended and fees ranging from \$500 to \$1,000 for each Board Committee meeting they attended, in person or telephonically. Each Director was reimbursed for travel and other expenses incurred in attending meetings. The Company also paid a \$5,000 annual retainer to each non-affiliate independent Director and an additional \$5,000 annual retainer to the Audit Committee Chairman. Each non-affiliate independent Director also received a grant of 12,000 options to purchase Common Stock pursuant to the Company's Option Plan.

On February 9, 2006, the Board of Directors modified the Director compensation arrangements such that the Chairman of the Board of Directors and the non-affiliate independent Directors will receive an annual retainer of \$40,000, and an annual retainer of \$10,000 for each member of the Audit Committee (\$20,000 for the Chairman), \$10,000 for each member of the Compensation Committee (\$15,000 for the Chairman), and \$5,000 for each member of the Nominating and Corporate Governance Committee (\$7,500 for the Chairman). Non-affiliate

independent Directors will also receive, at their option, (i) an annual grant of 3,600 deferred stock units, which are rights to receive shares of Common Stock upon termination of service as Director, or (ii) options to purchase 12,000 shares of Common Stock. The stock options and deferred stock units will be issued quarterly in arrears. The exercisability of unvested stock options will be accelerated upon the occurrence of a merger, liquidation or sale of substantially all of the assets of the Company.

Any security holder desiring to send communications to the Board of Directors, or any individual Director, may forward such document to the Secretary of the Company at the Company's office in Canonsburg, Pennsylvania. The Secretary of the Company will collect and organize such communications and forward them to the Board of Directors or the particular Director, as the case may be.

The Company does not have a policy with respect to Directors' attendance at the Company's annual meeting. The following Directors attended the Company's annual meeting for fiscal year 2004: James E. Cashman III, Roger J. Heinen, Jr., Bradford C. Morley, John F. Smith, Peter J. Smith and Patrick J. Zilvitis.

Set forth below is certain information regarding the Directors of the Company, including the Class I Directors who have been nominated for election at the Annual Meeting, based on information furnished by them to the Company.

Name	Age	Director Since
<b>Class I Term Expires 2006</b>		
Peter J. Smith*	61	1994
Bradford C. Morley(1)(3)*	59	2001
Patrick J. Zilvitis(1)(3)*	62	2000
<b>Class II Term Expires 2007</b>		
Roger J. Heinen, Jr.(1)	55	1996
Jacqueline C. Morby(2)	68	1994
<b>Class III Term Expires 2008</b>		
Daniel H. Blumenthal**	42	2006
James E. Cashman III	52	2000
John F. Smith (2)(3)	70	1995

\* Nominee for re-election.

\*\* Appointment effective upon consummation of the acquisition of Fluent Inc. on May 1, 2006.

- (1) Member of Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Nominating and Corporate Governance Committee.

The principal occupation and business experience for at least the last five years for each Director of the Company is set forth below.

Peter J. Smith has been Chairman of the Board of Directors of the Company since July 1995. Mr. Smith served as President until April 1999 and Chief Executive Officer until February 2000. Prior to joining the Company, Mr. Smith was Vice President of European Operations for Digital Equipment Corporation, 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 software business. Mr. Smith holds a Bachelor of Science degree in Electrical Engineering from Northeastern University and an M.B.A. from the University of Notre