

ANSYS INC
Form DEF 14A
April 01, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

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 Section 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)

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1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

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4) Date Filed:

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ANSYS, Inc.

Southpointe

275 Technology Drive

Canonsburg, PA 15317

April 1, 2011

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of ANSYS, Inc. (the Company) to be held on Wednesday, May 11, 2011, 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 III 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 150,000,000 shares, from 150,000,000 shares to 300,000,000 shares; (iii) approving an amendment and restatement of the Third Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan; (iv) considering an advisory vote on the compensation of our named executive officers; (v) considering an advisory vote on the frequency of the advisory vote on the compensation of our named executive officers; (vi) ratifying the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm; and (vii) 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 March 16, 2011 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 III 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 and restatement of the Third Amended and Restated 1996 ANSYS, Inc. Stock Option and Grant Plan; FOR the approval of the compensation of the Company's named executive officers; FOR the submission of an advisory vote on the compensation of the Company's named executive officers to the stockholders of the Company on an annual basis; and FOR the ratification of Deloitte & 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 PROXY CARD AND VOTE OVER THE INTERNET; (2) USE THE TOLL-FREE TELEPHONE NUMBER SHOWN ON THE PROXY CARD AND VOTE OVER THE TELEPHONE; OR (3) IF YOU HAVE REQUESTED A PAPER COPY OF THESE DOCUMENTS, MARK, DATE AND SIGN THE PROXY CARD AND RETURN 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 MAY 10, 2011. 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

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ANSYS, Inc.

Southpointe

275 Technology Drive

Canonsburg, PA 15317

(724) 746-3304

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

To Be Held on Wednesday, May 11, 2011

NOTICE IS HEREBY GIVEN that the Annual Meeting of Stockholders of ANSYS, Inc. (the Company) will be held on Wednesday, May 11, 2011, 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 III 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 150,000,000 shares, from 150,000,000 shares to 300,000,000 shares;
3. The approval of an amendment and restatement of the Third Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan;
4. A non-binding, advisory vote on the compensation of our named executive officers;
5. A non-binding, advisory vote on the frequency of the advisory vote on the compensation of our named executive officers;
6. The ratification of the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm; and
7. 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 March 16, 2011 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

Canonsburg, Pennsylvania

April 1, 2011

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 PROXY CARD AND VOTE OVER THE INTERNET; (2) USE THE TOLL-FREE TELEPHONE NUMBER SHOWN ON THE PROXY CARD AND VOTE OVER THE TELEPHONE; OR (3) IF YOU HAVE REQUESTED A PAPER COPY OF THESE DOCUMENTS, MARK, DATE AND SIGN THE PROXY CARD AND RETURN 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 MAY 10, 2011. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY VOTE IN PERSON IF YOU WISH, EVEN IF YOU HAVE PREVIOUSLY RETURNED YOUR PROXY CARD.

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ANSYS, Inc.

Southpointe

275 Technology Drive

Canonsburg, PA 15317

(724) 746-3304

PROXY STATEMENT

2011 ANNUAL MEETING OF STOCKHOLDERS

To Be Held on Wednesday, May 11, 2011

ANNUAL MEETING AND VOTING

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 Wednesday, May 11, 2011 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 III 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 150,000,000 shares, from 150,000,000 shares to 300,000,000 shares;
3. The approval of an amendment and restatement of the Third Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan;
4. A non-binding, advisory vote on the compensation of our named executive officers;
5. A non-binding, advisory vote on the frequency of the advisory vote on the compensation of our named executive officers;

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6. The ratification of the selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm; and

7. 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 made available to stockholders of the Company on or about April 1, 2011 in connection with the solicitation of proxies for the Annual Meeting, and the Notice of Internet Availability of Proxy Materials is first being mailed to stockholders of the Company on or about April 1, 2011. The Board of Directors has fixed the close of business on March 16, 2011 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 91,980,701 shares of Common Stock outstanding and entitled to vote at the Annual Meeting and approximately 57,621 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 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 III Directors. Abstentions and broker non-votes will not be counted as voting with respect to the election of the Class III Directors and, therefore, will not have an effect on the election of the Class III Directors.

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The affirmative vote of holders of a majority of shares of Common Stock entitled to vote on the matter 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 150,000,000 shares, from 150,000,000 shares to 300,000,000 shares. 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 amendment and restatement of the Third Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan, and the ratification of the selection of the independent registered public accounting firm. Abstentions will be counted as voting against the amendment of the Restated Certificate of Incorporation, against the amendment and restatement of the Third Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan, and against the ratification of the selection of the independent registered public accounting firm.

The particular frequency of the advisory vote on the compensation of our named executive officers receiving a majority of the votes cast for such frequency will be the frequency that stockholders approve, if any. Because there are three alternatives, it is possible that none of the alternatives will receive a majority of the votes cast. However, stockholders will still be able to communicate their preference with respect to this vote by choosing from among these alternatives. Abstentions and broker non-votes do not constitute a vote for any particular frequency.

Stockholders of the Company are requested to complete, date, sign and return their proxies in one of the following ways: use the website address shown on the proxy card and vote over the internet; use the toll-free telephone number shown on the proxy card and vote over the telephone; or, if a stockholder has requested a paper copy of these documents, mark, date and sign the proxy card and return it in the enclosed envelope, which requires no postage if mailed in the United States. 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 Directors listed in this Proxy Statement, the approval of the amendment to the Company's Restated Certificate of Incorporation, the approval of the amendment and restatement of the Third Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan, the approval of the compensation of the Company's named executive officers, the approval of submitting the compensation of the Company's named executive officers to the stockholders on an annual basis and the ratification of the Company's selection of Deloitte & Touche LLP as the Company's independent registered public accounting firm. It is not anticipated that any matters other than the election of three Class III Directors, the approval of the amendment to the Company's Restated Certificate of Incorporation, the approval of the amendment and restatement of the Third Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan, the approval of the compensation of the Company's named executive officers, the approval of submitting the compensation of the Company's named executive officers to the stockholders on an annual basis and the ratification of the Company's selection of Deloitte & 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, which 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, 2010 (Fiscal 2010), is being made available to stockholders of the Company concurrently with this Proxy Statement. The Annual Report, however, is not a part of the proxy solicitation material.

DISCUSSION OF PROPOSALS

PROPOSAL 1

ELECTION OF DIRECTORS

Our Board of Directors is divided into three classes, with three Directors in Class I, three Directors in Class II and three Directors in Class III. Directors serve for three-year terms with one class of Directors being elected by our stockholders at each annual meeting.

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At the Annual Meeting, three Class III Directors will be elected to serve until the annual meeting of stockholders in 2014 and until such Directors successors are duly elected and qualified. Based on the recommendation of our Nominating and Corporate Governance Committee, our Board of Directors has nominated James E. Cashman III and William R. McDermott for re-election as Class III Directors, and Ajei S. Gopal for election as a Class III Director. John F. Smith has opted to retire at the end of his current term as a Director and will not seek re-election as a Class III Director. The Company thanks Mr. Smith for his service on the Board of Directors since 1995. 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. Cashman and Mr. McDermott and for the election of Dr. Gopal 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 our 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 our 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 III 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 III 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**

Our Board of Directors has adopted, declared advisable to the Company and is seeking stockholder approval of, the amendment to the Company s Restated Certificate of Incorporation, attached as Exhibit A, that increases the number of authorized shares of the Company s Common Stock, from 150,000,000 shares to 300,000,000 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, our Board of Directors has designated an additional 150,000,000 shares of Common Stock, such that the total number of authorized shares is 300,000,000.

As of March 16, 2011, approximately 91,980,701 shares of the Company s Common Stock were issued and outstanding, approximately 10,209,804 shares of the Company s Common Stock remain reserved for issuance under the Company s Option Plan, and approximately 442,930 shares of the Company s Common Stock remain reserved for issuance under the Company s Employee Stock Purchase Plan, leaving approximately 47,373,065 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 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 150,000,000 shares of Common Stock. In June 2007, the Company effected a two-for-one stock split of its Common Stock. On July 31, 2008, the Company acquired Ansoft Corporation (Ansoft). In connection with this acquisition, the Company issued approximately 11,100,000 shares of Common Stock and increased its headcount by approximately 25%, which reduced the number of shares of our Common Stock available for issuances by approximately 15%. Accordingly, our Board of Directors believes the Company may need additional shares of Common Stock in the future as described below 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 91,980,701 shares issued and outstanding, approximately 10,652,734 shares reserved for issuance under the Company s equity compensation plans and approximately 197,373,065 shares authorized and available for issuance.

Our Board of Directors believes that it is prudent to increase the number of authorized shares of Common Stock following the two-for-one stock split effective June 2007 and the Ansoft acquisition in order to maintain a reserve of shares available for immediate issuance to meet business needs promptly as they arise. Our Board of Directors believes that maintaining such a reserve will save time and money in responding to future events requiring the issuance of additional

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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 our Board of Directors (including issuance to raise capital to 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. Our 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 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.

Our 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, our 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 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 150,000,000 SHARES, FROM 150,000,000 TO 300,000,000 SHARES.

PROPOSAL 3

AMENDMENT AND RESTATEMENT OF THE COMPANY'S OPTION PLAN

Our Board of Directors has adopted, and is seeking stockholder approval of, an amendment and restatement of the Third Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan (the "1996 Plan") in the form of the Fourth Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan (the "Restated Plan"). The key material differences between the 1996 Plan and the Restated Plan are:

The maximum number of shares available for awards is being increased by 5,200,000 shares, from 25,400,000 to 30,600,000 shares under the Restated Plan (including 194,982 shares that were previously available under an option plan that we assumed in a 2008 transaction);

The Restated Plan clarifies the methodology for share counting, requires shares issued pursuant to full value awards to cause a greater number of shares to be deducted from the plan, and limits the ability to recycle shares;

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Automatic equity grants to non-affiliate directors and single trigger accelerated vesting of equity grants to non-affiliate directors are being removed;

The Restated Plan permits the award of stock appreciation rights and cash-based awards, neither of which were available under the 1996 Plan;

The Restated Plan requires minimum vesting periods for certain grants of restricted stock awards, performance share awards and deferred stock awards;

The Restated Plan eliminates the ability to grant reload options;

The Restated Plan includes the performance criteria that may be used in connection with certain performance-based awards and includes mechanisms for making awards that can be exempt from the deduction limitations under Section 162(m) of the Internal Revenue Code of 1986 as amended, or the Code ;

The Restated Plan clarifies the treatment of awards upon a sale event and includes a mechanism for an acquirer to assume outstanding awards; and

The Restated Plan extends the term of the plan for ten years.

If approved by stockholders, the total number of shares of Common Stock that can be issued under the Restated Plan will be increased by 5,200,000 shares to 30,600,000 shares. In connection with our 2008 acquisition of Ansoft Corporation, we assumed the Ansoft Corporation Stock Incentive Plan. There are currently 194,982 shares available for issuance under the Ansoft Corporation Stock Incentive Plan. If the Restated Plan is approved by stockholders, the Ansoft Corporation Stock Incentive Plan will be terminated and the shares remaining available for issuance thereunder will be subsumed into the Restated Plan and no additional grants will be made under the Ansoft Corporation Stock Incentive Plan. Accordingly, the actual net increase in the number of shares that will be available for grants is only 5,005,018 shares, as a result of the expected termination of the Ansoft Corporation Stock Incentive Plan. Based solely on the closing price of our Common Stock as reported on the NASDAQ Global Select Market on March 16, 2011, the maximum aggregate market value of the additional shares of Common Stock that could potentially be issued under the Restated Plan is \$256,957,624. The shares we issue under the Restated Plan will be authorized but unissued shares or shares that we reacquire. The shares of Common Stock underlying any awards that are forfeited, canceled or are otherwise terminated (other than by exercise) under the Restated Plan will be added back to the shares of Common Stock available for issuance under the Restated Plan. The following shares will not be added back to the shares authorized for issuance under the Restated Plan: shares tendered or held back upon exercise of an option or settlement of an award to cover the exercise price or tax withholding, and shares subject to a stock appreciation right that are not issued in connection with the stock settlement of the stock appreciation right upon exercise.

Qualified Performance-Based Compensation Under Code Section 162(m)

To ensure that certain awards granted under the Restated Plan to a covered employee (as defined in the Code) qualify as performance-based compensation under Section 162(m) of the Code, the Restated Plan provides that the Compensation Committee may require that the vesting of such awards be conditioned on the satisfaction of performance criteria that may include any or all of the following, which may be applicable to a particular organization level, unit, division, group, subsidiary or the entire Company: (1) earnings before interest, taxes, depreciation and/or amortization; (2) net income (loss) (either before or after interest, taxes, depreciation and/or amortization); (3) changes in the market price of the stock; (4) economic value-added; (5) funds from operations or similar measures; (6) sales or revenue; (7) acquisitions or strategic transactions; (8) operating income (loss); (9) cash flow (including, but not limited to, operating cash flow and free cash flow); (10) return on capital, assets, equity, or investment; (11) stockholder returns; (12) return on sales; (13) gross or net profit levels; (14) productivity; (15) expenses; (16) margins; (17) operating efficiency; (18) customer satisfaction; (19) working capital; (20) earnings (loss) per share of common stock; (21) sales or market share; and (22) number of customers, any of which may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a peer group. The Compensation Committee will select the particular performance criteria within 90 days following the commencement of a performance cycle. Subject to adjustments for stock splits and similar events, the maximum award granted to any one individual that is intended to qualify as performance-based compensation under Section 162(m) of the Code will not

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exceed 900,000 shares of Common Stock for any performance cycle and options or stock appreciation rights with respect to no more than 900,000 shares of Common Stock may be granted to any one individual during any calendar year period. If a performance-based award is payable in cash, it cannot exceed \$2,500,000 for any performance cycle.

Summary of the Restated Plan

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

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Plan Administration. The Restated Plan is administered by the Compensation Committee. The Compensation 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, and to determine the specific terms and conditions of each award, subject to the provisions of the Restated Plan. The Compensation Committee may delegate to our Chief Executive Officer the authority to grant stock options to employees who are not subject to the reporting and other provisions of Section 16 of the Exchange Act and not subject to Section 162(m) of the Code, subject to certain limitations and guidelines.

Eligibility. Persons eligible to participate in the Restated Plan will be those officers, employees, directors and other key persons (including consultants) of the Company and its subsidiaries as selected from time to time by the Compensation Committee in its discretion. Approximately 1,700 individuals are currently eligible to participate in the Restated Plan, including approximately ten officers, 1,680 other employees and seven directors. The Committee will use its discretion to select the individuals to participate in the Restated Plan who are responsible for, or contribute to, the management, growth or profitability of the Company.

Plan Limits. The maximum award of stock options or stock appreciation rights granted to any one individual will not exceed 900,000 shares of Common Stock (subject to adjustment for stock splits and similar events) for any calendar year period. If any award of restricted stock, deferred stock or performance shares granted to an individual is intended to qualify as performance-based compensation under Section 162(m) of the Code, then the maximum award shall not exceed 900,000 shares of Common Stock (subject to adjustment for stock splits and similar events) to any one individual in any performance cycle. If any cash-based award is intended to qualify as performance-based compensation under Section 162(m) of the Code, then the maximum award to be paid in cash in any performance cycle may not exceed \$2,500,000. In addition, no more than 30,600,000 shares will be issued in the form of incentive stock options.

Effect of Awards. For purposes of determining the number of shares of Common Stock available for issuance under the Restated Plan, the grant of any full value award, such as a restricted stock award, deferred stock award, unrestricted stock award or performance share, will be counted as 2.5 shares for each share of Common Stock actually subject to the award. The grant of any stock option or stock appreciation right will be counted for this purpose as one share for each share of Common Stock actually subject to the award.

Stock Options. The Restated Plan permits the granting of (1) options to purchase Common Stock intended to qualify as incentive stock options under Section 422 of the Code and (2) options that do not so qualify. Options granted under the Restated Plan will be non-qualified options if they fail to qualify as incentive options or exceed the annual limit on incentive stock options. Incentive stock options may only be granted to employees of the Company and its subsidiaries. Non-qualified options may be granted to any persons eligible to receive incentive options and to non-employee directors and key persons. The option exercise price of each option will be determined by the Compensation Committee but may not be less than 100% of the fair market value of the Common Stock on the date of grant. Fair market value for this purpose will be the closing price of the shares of Common Stock on the NASDAQ on the date of grant. The exercise price of an option may not be reduced after the date of the option grant without stockholder approval, other than to appropriately reflect changes in the Company's capital structure.

The term of each option will be fixed by the Compensation Committee and may not exceed ten years from the date of grant. The Compensation Committee will determine at what time or times each option may be exercised. Options may be made exercisable in installments and the exercisability of options may be accelerated by the Compensation Committee. In general, unless otherwise permitted by the Compensation Committee, no option granted under the Restated Plan is transferable by the optionee other than by will or by the laws of descent and distribution, and options may be exercised during the optionee's lifetime only by the optionee, or by the optionee's legal representative or guardian in the case of the optionee's incapacity.

Upon exercise of options, the option exercise price must be paid in full either in cash, by certified or bank check or other instrument acceptable to the Compensation Committee or by delivery (or attestation to the ownership) of shares of Common Stock that are beneficially owned by the optionee for at least six months or were purchased in the open market.

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. In addition, the Compensation Committee may permit non-qualified options to be exercised using a net exercise feature which reduces the number of shares issued to the optionee by the number of shares with a fair market value equal to the exercise price.

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.

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The number of options to be received under the Restated Plan by the Company's named executive officers; current executive officers as a group; current directors who are not executive officers as a group; nominees elected as directors; associates of any such directors, executive officers or nominees; any person who could receive 5% of such options; and all employees including current officers who are not executive officers, as a group is not determinable because grants of options under the Restated Plan are within the discretion of the Compensation Committee.

Stock Appreciation Rights. The Compensation Committee may award stock appreciation rights subject to such conditions and restrictions as the Compensation Committee may determine. Stock appreciation rights entitle the recipient to shares of Common Stock equal to the value of the appreciation in the stock price over the exercise price. The exercise price is the fair market value of the Common Stock on the date of grant.

Restricted Stock. The Compensation Committee may award shares of Common Stock subject to such conditions and restrictions as the Compensation Committee may determine. These conditions and restrictions may include the achievement of certain performance goals (as summarized above) and/or continued employment with the Company or its subsidiaries through a specified restricted period.

Deferred Stock Awards. The Compensation Committee may award deferred stock awards. 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 Compensation Committee may determine. These conditions and restrictions may include the achievement of certain performance goals (as summarized above) and/or continued employment with the Company or its subsidiaries through a specified vesting period. In the Compensation Committee's sole discretion, it may permit an eligible recipient to make an advance election to receive a portion of his or her future cash compensation otherwise due in the form of a deferred stock award, subject to the individual's compliance with the procedures established by the Compensation Committee and requirements of Section 409A of the Code. During the deferral period, the deferred stock awards may be credited with dividend equivalent rights.

Unrestricted Stock Awards. The Compensation Committee may also grant shares of Common Stock which are free from any restrictions under the Restated Plan. Unrestricted stock may be granted in recognition of past services or other valid consideration and may be issued in lieu of cash compensation due to such individual.

Performance Share Awards. The Compensation Committee may grant performance share awards which entitle the recipient to receive shares of Common Stock upon the achievement of certain performance goals (as summarized above) and such other conditions as the Compensation Committee shall determine.

Dividend Equivalent Rights. The Compensation Committee may grant dividend equivalent rights which entitle the recipient to receive credits for dividends that would be paid if the recipient had held shares of Common Stock. Dividend equivalent rights may be settled in cash, shares of Common Stock or a combination thereof, in a single installment or installments, as specified in the award.

Cash-Based Awards. The Compensation Committee may grant cash bonuses under the Restated Plan. The cash bonuses may be subject to the achievement of certain performance goals (as summarized above).

Change of Control Provisions. The Restated Plan provides that upon the effectiveness of a sale event as defined in the Restated Plan, the Restated Plan and all outstanding awards will be assumed or continued by the successor entity, with appropriate adjustment in the awards to reflect the transaction. In such event, except as the Compensation Committee may otherwise specify with respect to particular awards in the award agreements, if the service relationship of the holder of an award is terminated without cause within 18 months after the sale event, then all awards held by such holder will become fully vested and exercisable at that time. If there is a sale event in which the successor entity refuses to assume or continue outstanding awards, then subject to the consummation of the sale event, all awards with time-based vesting conditions will become fully vested and exercisable at the effective time of the sale event and all awards with performance-based vesting conditions may become vested and exercisable in accordance with the award agreements and in the discretion of the Compensation Committee. If awards are not assumed or continued after a sale event, then all such awards will terminate at the time of the sale event. In the event of the termination of stock options or stock appreciation rights in connection with a sale event, the Compensation Committee may either make or provide for a cash payment to the holders of such awards equal to the difference between the per share transaction consideration and the exercise price of such awards or permit each holder to have at least a 15 day period to exercise such awards prior to their termination.

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Adjustments for Stock Dividends, Stock Splits, Etc. The Restated Plan requires the Compensation Committee to make appropriate adjustments to the number of shares of Common Stock that are subject to the Restated Plan, to certain limits in the Restated Plan, and to any outstanding awards to reflect stock dividends, stock splits, recapitalizations, and similar events.

Tax Withholding. Participants in the Restated Plan are responsible for the payment of any federal, state or local taxes that the Company is required by law to withhold upon the exercise of options or stock appreciation rights or vesting of other awards. Subject to approval by the Compensation Committee, participants may elect to have the minimum tax withholding obligations satisfied by authorizing the Company to withhold shares of Common Stock to be issued pursuant to the exercise or vesting of an award.

Amendments and Termination. The Board may at any time amend or discontinue the Restated Plan and the Compensation Committee may at any time amend or cancel any outstanding awards 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. No outstanding stock option or stock appreciation right under the Restated Plan may be re-priced, by amendment or cancellation and re-grant, without the prior approval of the Company's stockholders. To the extent required under the rules of the NASDAQ, or other applicable laws, rules or requirements, any amendments that materially change the terms of the Restated Plan (such as amendments to increase the cost of the Restated Plan by increasing the number of shares reserved for issuance under the Restated Plan) will be subject to approval by the Company's stockholders. Amendments shall also be subject to approval by our stockholders if and to the extent determined by the Compensation Committee to be required by the Code to preserve the qualified status of incentive options or to ensure that compensation earned under the Restated Plan qualifies as performance-based compensation under Section 162(m) of the Code.

Effective Date of Restated Plan. The Board adopted the Restated Plan on February 17, 2011, and the Restated Plan becomes effective on the date it is approved by stockholders. Awards of incentive options may be granted under the Restated Plan until February 17, 2021. No other awards may be granted under the Restated Plan after the date that is 10 years from the date of stockholder approval. If the Restated Plan is not approved by stockholders, the 1996 Plan will continue in effect until it expires, and awards may be granted thereunder, in accordance with its terms.

New Plan Benefits

Because the grant of awards under the Restated Plan is within the discretion of the Compensation Committee, the Company cannot determine the dollar value or number of shares of Common Stock that will in the future be received by or allocated to any participant in the Restated Plan. Accordingly, in lieu of providing information regarding benefits that will be received under the Restated Plan, the following table provides information concerning the benefits that were received under the 1996 Plan by the following persons and groups during 2010: each named executive officer; all current executive officers as a group; all current directors who are not executive officers as a group; and all employees, including officers who are not executive officers, as a group.

Name (1)	Average Option Exercise (\$) Price	Number of Options	Deferred Stock Dollar Value (\$)(1)	Number of Deferred Stock Awards
James E. Cashman III, CEO	\$ 48.97	75,000	\$ 1,301,750	25,000
Maria Shields, CFO	\$ 48.97	31,000	\$ 520,700	10,000
Joseph C. Fairbanks, Jr., VP	\$ 48.97	31,000	\$ 520,700	10,000
Brian Drew, VP	\$ 48.97	27,500	\$ 468,630	9,000
Joshua Fredberg, VP	\$ 48.97	27,500	\$ 156,210	3,000
All Executive Officers	\$ 48.97	267,000	\$ 3,983,355	76,500
All Non-Employee Directors	\$ 44.94	52,000	\$ 801,878	15,400
All Other Employees	\$ 48.37	885,000	\$ 520,700	10,000

(1) Determined based on a price per share which was the closing price of the Company's Common Stock as of December 31, 2010.

Table of Contents**Equity Compensation Plan Information**

The following table provides information as of December 31, 2010 regarding shares of common stock that may be issued under the Company's equity compensation plan consisting of the 1996 Plan, the Ansoft Corporation 2006 Stock Incentive Plan and the 1996 Employee Stock Purchase Plan.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted Average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plan (excluding securities referenced in column (a)) (1) (c)
Equity compensation plans approved by security holders:	7,461,778	\$ 29.92	3,518,145
Equity compensation plans not approved by security holders:	N/A	N/A	N/A
Total	7,461,778	\$ 29.92	3,518,145

- (1) Includes 2,857,540 shares remaining available under the Third Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan, 194,982 shares remaining available under the Ansoft Corporation Stock Incentive Plan, and 465,623 shares remaining available under the ANSYS, Inc. Employee Stock Purchase Plan, as amended.

Tax Aspects Under the Code

Following is a summary of the principal federal income tax consequences of certain transactions under the Restated Plan. It does not describe all federal tax consequences under the Restated Plan, nor does it describe state or local tax consequences.

The advice set forth below was not intended or written to be used, and it cannot be used, by any taxpayer for the purpose of avoiding United States federal tax penalties that may be imposed on the taxpayer. The advice was written to support the promotion or marketing of the transaction(s) or matter(s) addressed herein. Each taxpayer should seek advice based upon the taxpayer's particular circumstances from an independent tax advisor. The foregoing language is intended to satisfy the requirements under regulations in Section 10.35 of Circular 230.

Incentive Options. No taxable income is generally realized by the optionee upon the grant or exercise of an incentive option. If shares of Common Stock 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 (i) upon the 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 (ii) the Company will not be entitled to any deduction 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 of Common Stock 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 (i) 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 of Common Stock at exercise (or, if less, the amount realized on a sale of such shares of Common Stock) over the option price thereof, and (ii) we 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 of Common Stock.

If an incentive option is exercised at a time when it no longer qualifies for the tax treatment described above, the option is treated as a non-qualified option. Generally, an incentive option will not be eligible for the tax treatment described above.

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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 of Common Stock on the date of exercise, and we receive 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 of Common Stock 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 of Common Stock. 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.

Other Awards. The Company generally will be entitled to a tax deduction in connection with an award under the Restated Plan in an amount equal to the ordinary income realized by the participant at the time the participant recognizes such income. Participants typically are subject to income tax and recognize such tax at the time that an award is exercised, vests or becomes non-forfeitable, unless the award provides for a further deferral.

Parachute Payments. The vesting of any portion of an option or other award that is accelerated due to the occurrence of a change of control (such as a sale event) 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 Deductions. Under Section 162(m) of the Code, the Company's deduction for certain awards under the Restated 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 (other than the Principal Financial Officer) received 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 Restated Plan is structured to allow certain awards to qualify as performance-based compensation.

Vote Required

The affirmative vote of a majority of shares of Common Stock present in person or represented by proxy at the meeting and entitled to vote on this proposal is required for the approval of the Restated Plan.

Recommendation

Our 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. Our 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 Restated 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 July 31, 2008, the Company acquired Ansoft Corporation, and as a result, increased its employee headcount by approximately 25%. With the expansion of the Company's employee base, the Board of Directors believes that the relatively small number of shares remaining under the 1996 Plan (approximately 2.8 million shares) 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 for 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. The other changes to the Restated Plan were designed to enhance the flexibility of the plan and ensure that awards under the plan could receive favorable tax treatment under the Code to the extent possible. Accordingly, our Board of Directors has voted, subject to stockholder approval, to adopt the Restated Plan.

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THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS THAT THE FOURTH AMENDED AND RESTATED ANSYS, INC. 1996 STOCK OPTION AND GRANT PLAN BE APPROVED, AND THEREFORE RECOMMENDS A VOTE FOR THIS PROPOSAL.

PROPOSAL 4

NON-BINDING, ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS

The recently enacted Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010, or the Dodd-Frank Act, enables our stockholders to vote to approve, on a non-binding, advisory basis, the compensation of our named executive officers as disclosed in the proxy statement in accordance with the SEC's rules. This is commonly known as, and is referred to herein as, a say-on-pay proposal or resolution.

As described in detail under the heading *Compensation Discussion and Analysis*, our executive compensation programs are designed to attract, retain and motivate our named executive officers, who are critical to our success. Under these programs, our named executive officers are rewarded for the achievement of specific annual, long-term and strategic goals, and the realization of increased stockholder value. Please refer to the *Compensation Discussion and Analysis* in our proxy statement for additional details about our executive compensation programs, including information about the Fiscal 2010 compensation of our named executive officers.

The Compensation Committee annually reviews the compensation programs for our named executive officers to ensure that they achieve the desired goals of aligning our executive compensation structure with our stockholders' interests. Accordingly, pursuant to Section 14A(a)(1) of the Exchange Act, the Company is providing stockholders with the opportunity to provide an advisory vote to approve the compensation of the Company's named executive officers, as disclosed in this proxy statement pursuant to Item 402 of Regulation S-K.

The say-on-pay resolution is advisory, and therefore will not have any binding legal effect on the Company or the Compensation Committee. However, the Compensation Committee does value the opinions of our stockholders and intends to take the results of the vote on this proposal into account in its future decisions regarding the compensation of our named executive officers.

Recommendation

We are asking our stockholders to indicate their support for our named executive officers' compensation as described in this proxy statement. This say-on-pay proposal gives our stockholders the opportunity to express their views on our named executive officers' compensation. This vote is not limited to any specific item of compensation, but rather addresses the overall compensation of our named executive officers and our philosophy, policies and practices relating to their compensation as described in this proxy statement pursuant to Item 402 of Regulation S-K.

Vote Required for Approval

The affirmative vote of a majority of the votes cast on this proposal will be required for approval. Abstentions and broker non-votes will not be treated as votes cast and, accordingly, will have no effect on the outcome of the vote on this proposal.

THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS A VOTE FOR THIS PROPOSAL.

PROPOSAL 5

NON-BINDING, ADVISORY VOTE ON FREQUENCY OF SAY-ON-PAY VOTING

The Dodd-Frank Act also enables our stockholders to indicate how frequently we should seek an advisory vote from our stockholders on the compensation of our named executive officers. By voting on this Proposal 5, stockholders may indicate whether they would prefer an advisory vote on named executive officer compensation once every one, two or three years, or to abstain entirely from voting on the proposal.

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Recommendation

The Board and our Nominating and Corporate Governance Committee have considered the frequency of the advisory vote on the compensation of our named executive officers that it should recommend. After considering the benefits and consequences of each option for the frequency of submitting the advisory vote on the compensation of our named executive officers to stockholders, the Board recommends submitting the advisory vote on the compensation of our named executive officers to our stockholders annually.

We believe an annual vote on the compensation of our named executive officers will allow us to obtain information on stockholders' views of the compensation of our named executive officers on a more consistent basis. In addition, we believe an annual advisory vote on the compensation of our named executive officers will provide our Board and the Compensation Committee with frequent input from stockholders on our compensation programs for our named executive officers. Finally, we believe an annual advisory vote on the compensation of our named executive officers aligns more closely with our objective to engage in regular dialogue with our stockholders on corporate governance matters, including our executive compensation philosophy, policies and programs.

For the reasons discussed above, the Board recommends that stockholders vote in favor of holding an advisory vote on the compensation of our named executive officers at an annual meeting of stockholders every year. In voting on this advisory vote on the frequency of the advisory vote on the compensation of our named executive officers, stockholders should be aware that they are not voting for or against the Board's recommendation to vote for a frequency of every year for holding future advisory votes on the compensation of our named executive officers. Rather, stockholders will be casting votes to recommend an advisory vote on the compensation of our named executive officers which may be every year, once every two years or once every three years, or they may abstain entirely from voting on the proposal.

The option on the frequency of the advisory vote on the compensation of our named executive officers that receives the most votes from stockholders will be considered by the Compensation Committee as the stockholders' recommendation as to the frequency of future advisory votes on the compensation of our named executive officers. However, the outcome of this advisory vote on the frequency of the advisory vote on the compensation of our named executive officers is not binding on us or our Board. Nevertheless, our Board will review and consider the outcome of this vote when making determinations as to when the advisory vote on the compensation of our named executive officers will again be submitted to stockholders for approval at an annual meeting of stockholders.

THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS A VOTE *FOR* SUBMITTING THE ADVISORY VOTE ON THE COMPENSATION OF OUR NAMED EXECUTIVE OFFICERS TO STOCKHOLDERS EVERY YEAR.

PROPOSAL 6

RATIFICATION OF SELECTION OF INDEPENDENT REGISTERED

PUBLIC ACCOUNTING FIRM

Our Board of Directors, upon the recommendation of our Audit Committee, has selected the accounting firm of Deloitte & Touche LLP to serve as our independent registered public accounting firm for the fiscal year ending December 31, 2011. Deloitte & Touche LLP is considered by our management to be well-qualified. A representative of Deloitte & Touche LLP will be present at our 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 we are not required to submit the ratification of the selection of our independent registered public accounting firm to a vote of stockholders, our 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 & Touche LLP, our Directors will consider the vote and the reasons for it in future decisions on the selection of independent registered public accounting firms.

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.

Table of Contents***OUR BOARD OF DIRECTORS*****Director Profiles**

Set forth below is certain information regarding our Directors, including the Class III Directors who have been nominated for election at our Annual Meeting.

Name	Age	Director Since
Class I Term Expires 2012		
Peter J. Smith	66	1994
Bradford C. Morley (1)(3)	64	2001
Patrick J. Zilvitis (1)(3)	68	2000
Class II Term Expires 2013		
Jacqueline C. Morby (2)	73	1994
Michael C. Thurk (1)	58	2007
Class III Term Expires 2011		
James E. Cashman III*	57	2000
William R. McDermott* (2)	49	2007
Ajei S. Gopal** (1)	49	2011

* Nominee for re-election.

** Nominee for election.

- (1) Member of the Audit Committee.
- (2) Member of the Compensation and Stock Option 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 of our Directors is set forth below.

Peter J. Smith has been Chairman of our Board of Directors 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 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. Mr. Smith is also a Director of Accellos Inc., a supply chain software solutions company. He is the past Chairman of Bluesocket, Inc., Neartek, Inc. and the Martin Group, and a former Director of NxTrend Inc. Prior oversight and management roles as chairman, director, officer and CEO of several software and global technology companies, as well as extensive board and management experience with the Company, enable Mr. Smith to provide leadership and assure a Board of Directors structure, process and diversity of skills and expertise for the Company.

James E. Cashman III has been our Chief Executive Officer since February 2000 and President since April 1999. Mr. Cashman served as our Senior Vice President of Operations from September 1997 to April 1999. Prior to joining the Company, Mr. Cashman was Vice President of Marketing and International Operations at PAR Technology Corporation, a computer software and hardware company involved in transaction processing, from May 1995 to September 1997. From September 1994 to May 1995, he was Vice President of Product Development and Marketing at Metaphase Technology, Inc., a product data management company. Prior to joining Metaphase, Mr. Cashman was employed by Structural Dynamics Research Corporation, a computer aided design company, from 1976 to 1994, in a number of sales and technical positions. Mr. Cashman is also Chairman of the Pittsburgh Technology Council and a Board Member of the Carnegie Museum of Natural History. Mr. Cashman's experience includes senior responsibilities in technology, product and market strategy management as well as sales, operational and international functions prior to his general management role with the Company for the past decade. His well-diversified background is a key component of the Company's board structure and effectiveness.

Ajei S. Gopal joined the Company's Board in February 2011. Dr. Gopal has been Executive Vice President of the Technology Development Group at CA Technologies, Inc. since joining CA Technologies in 2006. Before joining CA Technologies, he was executive vice president and chief technology officer for Symantec Corporation where earlier he managed business development, and mergers and acquisitions from 2004 to 2006. Prior to Symantec, Dr. Gopal served as chief executive officer and a member of the board of directors of ReefEdge Networks, Inc., a wireless LAN systems company that he co-founded in 2000. Before that, he worked at IBM from 1991 to 2000, initially at IBM Research, and

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most recently as chief technology officer of IBM's Pervasive Computing Division. He began his career as a member of the technical staff in the Applied Research Division at Bell Communications Research. Dr. Gopal's background in both technology and senior

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management of large software and technology companies, along with his experience in business development, provide significant insight and advisory capacity to the Company's Board of Directors.

William R. McDermott has served as a Director of the Company since July 2007. In February 2010, Mr. McDermott was appointed co-CEO of SAP AG and he has been a member of the Executive Board of SAP AG since 2008. Prior to that appointment, Mr. McDermott was the President and Chief Executive Officer of SAP Global Field Operations. Prior to SAP, Mr. McDermott served as Executive Vice President of Worldwide Sales & Operations at Siebel Systems and as President of Gartner, Inc. He spent 17 years at Xerox Corporation holding various senior management positions including President of U.S. Major Account Organization and Senior Vice President/General Manager of Xerox Business Systems. He serves on the board of directors of Under Armour, Inc., a performance apparel company dedicated to technologically advanced products, and PAETEC Communications, a nationwide integrated communications provider. Mr. McDermott's experience serving and having served in top positions with large leading worldwide software and technology companies for more than 20 years provides extensive general management, international and customer-facing insight to the Company's Board of Directors.

Jacqueline C. Morby has served as a Director of the Company since February 1994. Ms. Morby began retirement and became Senior Advisor of TA Associates, Inc. in 2003 and was Managing Director or a partner of TA Associates, Inc. or its predecessor from 1982 to 2003. Ms. Morby is also a Director of Axioma, Inc., a financial software company, and retired from the Board of Pacific Life Corporation, a life insurance company, in May 2010. Ms. Morby has been one of the top women in the private equity industry for nearly 30 years. As such, she provides considerable know-how in the areas of mergers and acquisitions, finance, broad knowledge in the software industry and a keen sense in assessing people skills and capabilities.

Bradford C. Morley has served as a Director of the Company since February 2001. From 1994 through 2007, Mr. Morley served as a Director for various high technology software companies, including Computer Aided Design Software, Inc., Camax Manufacturing Technologies, and CoCreate Software, Inc., where he served as Chairman of the Board. From 1990 to 1993, Mr. Morley was President of Applicon, Inc., a CAD/CAM subsidiary of Schlumberger Ltd. Prior to that time, Mr. Morley was employed for fifteen years at Structural Dynamics Research Corporation, where he served as Senior Vice President and General Manager. Mr. Morley has wide-ranging experience in operational, strategic senior management roles within companies which directly address similar or adjacent markets to those of the Company. In addition, his deep background in senior financial roles provides very valuable skills for functioning in an audit committee role.

John F. Smith has served as a Director of the Company since December 1995 and will retire at the end of his current term as a Director of the Company. Mr. Smith is currently a venture advisor for Flagship Ventures, an investment group that initiates and manages companies from the earliest stage of technology innovations, and was a venture partner since 2000. Mr. Smith served as the President of PerSeptive Biosystems, a life sciences company, from 1996 to 1999, and as Chief Operating Officer and Senior Vice President of Digital Equipment Corporation from 1986 through 1994. Mr. Smith is a Director of DataCore Software Corporation, a privately-held software vendor specializing in storage control, storage management and storage consolidation. Mr. Smith's roles in senior positions at top level technology companies provide significant operational background. In addition, his experience as a managing director and senior advisor in the venture capital industry has offered significant insight in consideration of potential acquisitions and the effective integration of those acquisitions with the Company.

Michael C. Thurk has served as a Director of the Company since May 2007. Mr. Thurk is currently the managing partner for Mariposa Consulting, LLC. From 2006 to 2008, Mr. Thurk served as Chief Operating Officer and member of the board at Avaya, Inc. He also held the position of President, Global Communications Solutions and Group Vice President, Systems at Avaya since 2002. Mr. Thurk has also held management positions at Ericsson and several U.S. data communications companies. At Ericsson, he was Executive Vice President, Division Data Backbone and Optical Networks and President, Ericsson Datacom, Inc. Before Ericsson, Mr. Thurk was President of Xyplex Networks and a vice president with General DataComm. Prior to that, he worked for Digital Equipment Corporation, in various senior roles and as a vice president responsible for enterprise network related businesses. Mr. Thurk retired as a Director of Acme Packet, Inc., a company specializing in border control solutions, in September 2010. Extensive general management experience at large worldwide technology-focused companies provides Mr. Thurk with the ability to contribute significantly to the Company's strategic, technology and operational directions.

Patrick J. Zilvitis has served as a Director of the Company since July 2000. Mr. Zilvitis was Chief Information Officer and Corporate Vice President of The Gillette Company, a global producer of consumer goods, from 1992 through 2000. Prior to 1992, Mr. Zilvitis managed the Consulting Services business at Digital Equipment Corporation. Mr. Zilvitis formerly served as a Director of Stocker Yale, Inc., a designer and manufacturer of structured light lasers, LED modules and

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specialty optical fibers. Mr. Zilvitis' experience as a senior manager and chief information officer provides unique and valuable background as the Company considers its internal infrastructure and synergies with acquisition partners, as well as customers' evolving information technology requirements.

Director Independence

Our Board of Directors has determined that each of Dr. Gopal, Mr. McDermott, Ms. Morby, Mr. Morley, Mr. J. Smith, Mr. Thurk and Mr. Zilvitis is an independent director in accordance with NASDAQ listing requirements. Therefore, we currently have a majority of independent directors.

Corporate Governance Guidelines

Our Board of Directors has approved and adopted Corporate Governance Guidelines to (i) promote the effective functioning of our Board and its committees and (ii) provide the framework for corporate governance of the Company. The Corporate Governance Guidelines are posted on our website at www.ansys.com in the Investors' section under the heading Corporate Governance.

Code of Business Conduct and Ethics

Our Board of Directors has adopted the ANSYS, Inc. Code of Business Conduct and Ethics, which applies to all employees, officers and Directors of the Company and its subsidiaries. Our Code of Business Conduct and Ethics meets the requirements of a code of ethics as defined by Item 406 of Regulation S-K, and applies to our Chief Executive Officer and Chief Financial Officer. Our Code of Business Conduct and Ethics also meets the requirements of corporate governance under the listing standards of NASDAQ. Our Code of Business Conduct and Ethics is posted on our website at www.ansys.com in the Investors' section under the heading Corporate Governance. We will also provide a copy of our Code of Business Conduct and Ethics to stockholders upon request, and intend to disclose any amendments to the Code of Business Conduct and Ethics, as well as any waivers for executive officers or Directors, on our website at www.ansys.com.

Meetings of Our Board of Directors

Our Board of Directors held five (5) meetings during Fiscal 2010. Each of our incumbent Directors attended at least 80% of the total number of meetings of our Board and of the committees of which he or she was a member during Fiscal 2010.

Meetings of Our Independent Directors

Our independent Directors regularly meet in executive sessions outside of the presence of management. Currently, our independent Directors are Dr. Gopal, Mr. McDermott, Ms. Morby, Mr. Morley, Mr. John F. Smith, Mr. Thurk and Mr. Zilvitis. The presiding Director for these meetings is currently Mr. Zilvitis. Any interested party who wishes to make his or her concerns known to our independent Directors may forward such communication to the Secretary of the Company at our office in Canonsburg, Pennsylvania. Our Secretary will collect and organize such communications and forward them to Mr. Zilvitis.

Director Attendance at Our Annual Meeting

We do not have a policy with respect to Directors' attendance at our annual meeting of stockholders. The following Directors attended our 2010 annual meeting: Mr. Cashman, Mr. Peter J. Smith, Ms. Morby, Mr. Morley, Mr. John F. Smith, Mr. Thurk and Mr. Zilvitis.

Stockholder Communications with Our Board of Directors

Any stockholder desiring to send communications to our Board of Directors, or any individual Director, may forward such communication to the Secretary of the Company at our office in Canonsburg, Pennsylvania. Our Secretary will collect and organize such communications and forward them to our Board of Directors or the particular Director, as the case may be.

Board Leadership Structure

The roles of Chairman of the Board of Directors and Chief Executive Officer of the Company are separated. Mr. James E. Cashman III is the Company's Chief Executive Officer, while our Board is led by our Chairman, Mr. Peter J. Smith. Mr. Smith is the former Chief Executive Officer of the Company and has significant experience in our industry and with the Company which provides our Board with significant

leadership advantages. The Company has also established a lead independent director position in order to assure that our independent directors have a strong voice in the leadership of

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our Board. The Company has appointed Mr. Patrick J. Zilvitis as its lead independent director, and he has the principal responsibility for leading meetings of our Independent Directors. We believe that this structure provides our Board with the greatest breadth of leadership and depth of experience, while also providing balance for the direction of the Company.

Our Board of Directors delegates principal responsibility for its risk management and assessment functions to its Audit Committee. In addition to the Audit Committee, the Compensation Committee has primary responsibility for reviewing the impact of the Company's compensation programs upon the Company's risk management efforts. The Company has determined that the Chair of each of the Audit Committee and the Compensation Committee, Mr. Morley and Mr. John F. Smith, respectively, should not serve on the other committee with a significant area of risk management responsibility in order to further diversify the primary opinions of the quality of the Company's risk management. This practice will continue following the change of membership on the committees of our Board of Directors effective as of the scheduled committee meetings in May 2011, at which time the new Chairs of each of the Audit Committee and the Compensation Committee, Mr. Morley and Mr. Zilvitis, respectively, will not serve on the other committee with a significant area of risk management responsibility. Additionally, Mr. Zilvitis leads all meetings of the Independent Directors, including Mr. Morley and Mr. John F. Smith. The Company believes that this division of risk management related roles among the Independent Directors fosters an atmosphere of significant involvement in the oversight of risk at the Board of Directors level and strongly complements the Company's risk management policies.

Committees of Our Board

Our Board of Directors has established an Audit Committee (the *Audit Committee*), a Compensation and Stock Option Committee (the *Compensation Committee*) and a Nominating and Corporate Governance Committee (the *Nominating and Corporate Governance Committee*).

Audit Committee

Our Audit Committee selects our 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 our independent registered public accounting firm, reviews with management and our independent registered public accounting firm the Company's quarterly and annual operating results, reviews our periodic disclosures related to the Company's financial statements, considers the adequacy of our internal accounting procedures, oversees internal audit and compliance with the Sarbanes-Oxley Act of 2002, oversees our risk management policies and practices, and establishes policies for business values, ethics and employee relations.

Our Audit Committee currently consists of the following four (4) Directors: Ajei S. Gopal, Bradford C. Morley, Michael C. Thurk and Patrick J. Zilvitis, each of whom is not an affiliate or employee of the Company and is considered independent as required by Rule 5605(c) of the NASDAQ listing requirements and the Securities Exchange Act of 1934 (*Exchange Act*) and as such term is defined in Rule 5605 of the NASDAQ listing requirements. Our Board of Directors has determined that Bradford C. Morley and Patrick J. Zilvitis each qualify as an *audit committee financial expert*. During Fiscal 2010, our Audit Committee held four (4) meetings and all members attended 100% of the meetings. Our Audit Committee Charter is available on our website at www.ansys.com in the *Investors* section under the heading *Corporate Governance*.

Nominating and Corporate Governance Committee

Our Nominating and Corporate Governance Committee oversees the qualification and nomination process for potential director candidates, reviews the continued qualifications of existing Directors and is responsible for corporate governance oversight. As part of its evaluation of potential director candidates, our Nominating and Corporate Governance Committee considers whether each candidate's background, experience and skill sets would provide new or alternative viewpoints or areas of expertise that would expand our Board's collective understanding, insight and ability to make judgments regarding the Company's global software business.

Our Nominating and Corporate Governance Committee currently consists of the following three (3) Directors: Bradford C. Morley, John F. Smith and Patrick J. Zilvitis, each of whom is not an affiliate or employee of the Company and is considered independent as required by Rule 5605(e) and as such term is defined in Rule 5605 of the NASDAQ listing requirements. Our Nominating and Corporate Governance Committee held two (2) meetings in Fiscal 2010 and all members attended 100% of the meetings. The Chairman of the Nominating and Corporate Governance Committee, Mr. Zilvitis, attended accredited director education in Fiscal 2010. Our Nominating and Corporate Governance Committee Charter is available on our website at www.ansys.com in the *Investors* section under the heading *Corporate Governance*.

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Compensation Committee

Our Compensation Committee is responsible for reviewing and recommending the compensation of our Chief Executive Officer, reviewing and approving the compensation of all of our executive officers, overseeing general compensation levels, policies and programs for our employees as a group, approving and administering our equity plans, including our Third Amended and Restated ANSYS, Inc. 1996 Stock Option and Grant Plan (Option Plan) and Second Amended and Restated ANSYS, Inc. Employee Stock Purchase Plan (ESPP), and succession planning for our senior management. To the extent not established by our Board, our Compensation Committee is also authorized to establish compensation and benefits for our Chairman and for new and existing non-employee Directors.

Our Compensation Committee currently consists of the following three (3) Directors: William R. McDermott, Jacqueline C. Morby and John F. Smith, each of whom is not an affiliate or employee of the Company and is considered independent as required by Rule 5605(d) and as such term is defined in Rule 5605 of the NASDAQ listing requirements. Six (6) meetings of our Compensation Committee were held during Fiscal 2010 and all members attended at least 80% of the meetings. Our Compensation Committee Charter is available on our website at www.ansys.com in the Investors section under the heading Corporate Governance.

Committee Rotation

On February 16, 2011, our Board took action to change the membership of its Committees in fulfillment of a goal of having periodic rotation of Committee responsibilities. This action will be effective as of the scheduled Committee meetings to be held in May 2011. As a result of this action, the changes to the Company's Committee structure will be as follows:

Committee	Current Composition	New Composition
Audit	Bradford C. Morley (Chairman)	Bradford C. Morley (Chairman)
	Ajei S. Gopal	Ajei S. Gopal
	Michael C. Thurk	Michael C. Thurk
	Patrick J. Zilvitis	
Compensation	John F. Smith (Chairman)	Patrick J. Zilvitis (Chairman)
	William R. McDermott	William R. McDermott
	Jacqueline C. Morby	Jacqueline C. Morby
Nominating and Corporate Governance	Patrick J. Zilvitis (Chairman)	William R. McDermott (Chairman)
	Bradford C. Morley	Bradford C. Morley
	John F. Smith	Patrick J. Zilvitis

The Board's Role in Risk Oversight

Our Board is responsible for overseeing the Company's risk management process. The Board focuses on the Company's general risk management strategy and the most significant risks facing the Company, and ensures that appropriate risk management strategies are implemented by management. The Board also receives a legal and risk update from management at each of its regular quarterly meetings.

The Board oversees the Company's risk assessment processes actively through the Audit Committee. The Audit Committee receives a risk management update from management as part of its regular quarterly meetings and reviews all risk assessments conducted by the Company annually, the results of which are reported by the Audit Committee to the full board as part of its subsequent quarterly report. In addition, the Audit Committee oversees the Company's annual enterprise business risk assessment and bi-annual fraud risk assessment, which are conducted by the Company's Internal Auditor, who reports directly to the Audit Committee. The annual enterprise business risk assessment reviews the Company's performance with regard to ongoing financial risks, operational risks, strategic risks and previously identified external risks, and also identifies new risks that the Company will face for each upcoming year.

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Our Compensation Committee also reviews the annual enterprise business risk assessment as part of its ongoing oversight of the Company's compensation programs, with particular attention paid to the review of risks related to the Company's reliance on equity compensation as a significant portion of the total compensation paid to our executive officers.

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We have determined that it is not reasonably likely that our compensation policies would have a material, adverse effect on the Company.

Compensation Committee Interlocks and Insider Participation

No member of our Compensation Committee was or is an officer or employee of the Company or any of its subsidiaries and all members are considered independent as such term is defined in Rule 5605 of the NASDAQ listing requirements. We are not aware of any Compensation Committee interlocks.

Director Compensation

We compensate our non-affiliate independent Directors through a mix of cash and equity-based compensation. Beginning on April 1, 2006 through February 17, 2011, our non-affiliate independent Directors received 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), all paid quarterly in arrears. Our non-affiliate independent Directors also received, at their option, (i) a grant of 5,600 deferred stock units (DSUs), which are rights to receive shares of our Common Stock upon termination of service as a Director, or (ii) options to purchase 16,000 shares of our Common Stock. On February 17, 2011, the annual retainer for the Chairman of the Nominating and Corporate Governance Committee was increased from \$7,500 to \$15,000, and equity compensation in the form of stock options was reduced from 16,000 to 14,000 annually. The DSU and option grants are all awarded quarterly in arrears in accordance with our Option Plan and our Equity Grant Policy. Under our Equity Grant Policy, which is described on page 29 of this Proxy Statement, the exercise price of all options granted is equal to the closing price of the Common Stock on the date of grant. For stock option grants occurring prior to February 17, 2011, pursuant to our Option Plan and our stock option agreements with each non-affiliate independent Director, all stock options awarded to non-affiliate independent Directors are subject to single-trigger vesting and shall become fully vested in the event of a change of control of the Company. Stock option grants occurring on or after February 17, 2011 are subject to double-trigger vesting and shall become fully vested in the event the Director is no longer a Director within 18 months of a change of control of the Company.

Directors who are also our employees do not receive cash or equity compensation for service on the Board.

Director Stock Ownership Guidelines

On December 14, 2005, our Board approved stock ownership guidelines for Directors, which were amended on February 17, 2011. Under these guidelines, all members of our Board are required to own equity in the form of stock or deferred stock units of the Company equal to a minimum of 3,000 shares and to maintain this minimum amount throughout their tenure as a member of our Board. New Board members have three years to attain this minimum stock ownership level. The Director stock ownership guidelines are part of our Corporate Governance Guidelines and are available on our website at www.ansys.com in the Investors section under the heading Corporate Governance.

Director Compensation

Name (1)	Fees Earned or Paid in	Stock	Option Awards	Non-Equity Incentive Plan Compensation	Change in Pension Value and Nonqualified Deferred Compensation Earnings	All Other Compensation	Total
	Cash (\$)	Awards \$(2)(3)	(\$)(2)(3)	(\$)	(\$)	(\$)	(\$)
Ajei S. Gopal							
William R. McDermott	\$ 50,000	\$ 251,790					\$ 301,790
Jacqueline C. Morby	\$ 50,000		\$ 294,384				\$ 344,384
Bradford C. Morley	\$ 65,000		\$ 294,384				\$ 359,384
John F. Smith	\$ 60,000	\$ 189,322	\$ 74,962				\$ 324,284
Michael C. Thurk	\$ 50,000		\$ 294,384				\$ 344,384
Patrick J. Zilvitis	\$ 57,500	\$ 251,790					\$ 309,290

- (1) Mr. James E. Cashman III and Mr. Peter J. Smith, each of whom is a Director of our Company, have been omitted from this table because they receive no compensation for serving on our Board. Mr. Cashman's compensation as CEO for Fiscal 2010 is detailed in the Compensation Discussion and Analysis section of this Proxy Statement beginning on

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page 21. Mr. Smith's compensation as our Chairman for Fiscal 2010 consisted of the following: (1) \$120,000 base salary; (2) \$7,200 auto allowance; (3) \$1,704 reimbursement for auto usage-related expenses; (4) \$5,406 Company contributions to defined contribution and 401(k) plans; and (5) option grants for a total of 16,000 stock options. Mr. Smith's option grants occurred on March 2, 2010, May 17, 2010, August 16, 2010 and November 15, 2010 during open trading windows, have an exercise price of \$44.62, \$45.39, \$40.87 and \$48.97, respectively, equal to the closing price of the Common Stock on the grant date, vest in installments over four years, and have a seven-year life. The aggregate grant date fair value of the stock options awarded to Mr. Smith is \$294,384, computed in accordance with accounting guidance for stock-based compensation.

- (2) The aggregate number of non-employee Director stock options outstanding as of our December 31, 2010 fiscal year end was 430,000 and the aggregate number of non-employee Director stock awards outstanding was 52,400. The following are the aggregate number of stock option awards outstanding that have been granted to each of our non-affiliate independent Directors as of December 31, 2010: Ms. Morby: 71,500; Mr. Morley: 148,500; Mr. J. Smith: 103,000; Mr. Thurk: 43,000; and Mr. Zilvitis: 64,000. The following are the aggregate number of DSU awards outstanding that have been granted to each of our non-affiliate independent Directors as of December 31, 2010: Mr. McDermott: 20,020; Mr. J. Smith: 10,200; Mr. Thurk: 6,400; and Mr. Zilvitis: 15,800.
- (3) Refer to Note 2, "Stock-Based Compensation" beginning on page 64 of the Notes to Consolidated Financial Statements included in the Annual Report on Form 10-K filed on February 25, 2011 for the relevant assumptions used to determine the valuation of our stock awards and option awards. The amounts in the table reflect the dollar amount that will be recognized for financial statement reporting purposes over the four-year vesting period, in accordance with accounting guidance for stock-based compensation. These amounts reflect fair values of these awards on the grant dates, and do not correspond to the actual value that may be recognized by the non-employee Directors.

Transactions with Related Persons

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

OWNERSHIP OF OUR COMMON STOCK**Security Ownership of Certain Beneficial Owners**

The following table presents information about persons or entities known to the Company to be the beneficial owner of more than five percent of our Common Stock as of December 31, 2010. The following information is based solely upon copies of filings of Schedule 13G received by the Company pursuant to the rules of the Securities and Exchange Commission ("SEC").

Name and Address of Beneficial Owner	Shares Beneficially Owned	
	Number	Percent
FMR LLC 82 Devonshire Street Boston, MA 02109	7,536,681(1)	8.28%
BlackRock Inc 40 East 52 nd Street New York, NY 10022	4,810,759(2)	5.29%

- (1) The information reported is based on a Schedule 13G/A filed with the SEC on February 14, 2011 reporting beneficial ownership as of December 31, 2010.
- (2) The information reported is based on a Schedule 13G/A filed with the SEC on February 2, 2011 reporting beneficial ownership as of December 31, 2010.

Security Ownership of Our Management

The following table presents certain information pertaining to all of our executive officers and Directors as of January 31, 2011, based on their representations to the Company. All such information was provided by the stockholders listed and reflects their beneficial ownership as of January 31, 2011.

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Name and Address of Beneficial Owner (1)	Shares Beneficially Owned	
	Number	Percent (2)
Peter J. Smith (3)	180,100	*
James E. Cashman III (4)	1,206,288	1.31%
Maria T. Shields (5)	222,527	*
Brian C. Drew (6)	81,675	*
Joseph C. Fairbanks, Jr. (7)	133,649	*
Joshua Fredberg (8)	10,798	*
Ajei S. Gopal	0	*
William R. McDermott (9)	20,020	*
Jacqueline C. Morby (10)	130,200	*
Bradford C. Morley (11)	111,875	*the Company is, will or may be expected to be a participant; and any related person has or will have a direct or indirect material interest.

The policy excludes certain transactions, including:

- any compensation paid to an executive officer of the Company if the Governance Committee of the Board approved (or recommended that the Board approve) such compensation;
- any compensation paid to a director of the Company if the Board or an authorized committee of the Board approved such compensation; and
- any transaction with a related person involving consumer and investor financial products and services provided in the ordinary course of the Company's business and on substantially the same terms as those prevailing at the time for comparable services provided to unrelated third parties or to the Company's employees on a broad basis (and, in the case of loans, in compliance with the Sarbanes-Oxley Act of 2002).

Related person transactions will be approved or ratified by the Audit Committee. In determining whether to approve or ratify a related person transaction, the Audit Committee will consider all relevant factors, including:

- whether the terms of the proposed transaction are at least as favorable to the Company as those that might be achieved with an unaffiliated third party;
 - the size of the transaction and the amount of consideration payable to the related person;
 - the nature of the interest of the related person;
 - whether the transaction may involve a conflict of interest; and
- whether the transaction involves the provision of goods and services to the Company that are available from unaffiliated third parties.

A member of the Audit Committee who has an interest in the transaction will abstain from voting on approval of the transaction, but may, if so requested by the chair of the Audit Committee, participate in some or all of the discussion.

Relationships and Transactions with the Company and the Bank. The Sarbanes-Oxley Act of 2002 generally prohibits loans by the Company to its executive officers and directors. However, the Sarbanes-Oxley Act contains a specific exemption from such prohibition for loans by the Bank to its executive officers and directors in compliance with federal banking regulations. Federal regulations require that all loans or extensions of credit to executive officers and directors of insured financial institutions must be made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons not related to the Bank and must not involve more than the normal risk of repayment or present other unfavorable features. The Bank is therefore prohibited from making any new loans or extensions of credit to executive officers and directors at different rates or terms than those offered to the general public. Notwithstanding this rule, federal regulations permit the Bank to make loans to executive officers and directors at reduced interest rates if the loan is made under a benefit program generally available to all other employees and does not give preference to any executive officer or director over any other employee. The Bank does not currently have such a program in place. From time to time, the Bank makes loans and extensions of credit to its executive officers and directors, and members of their immediate families. The outstanding loans made to our directors and executive officers, and members of their immediate families, were made in the ordinary course of business, were made on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to the Bank, and did not involve more than the normal risk of collectibility or present other unfavorable features. As of December 31, 2013, these loans were performing according to their original terms.

In accordance with banking regulations, the Board of Directors reviews all loans made to a director or executive officer in an amount that, when aggregated with the amount of all other loans to such person and his or her related interests, exceed the greater of \$25,000 or 5% of the Company's capital and surplus (up to a maximum of \$500,000), and such loan must be approved in advance by a majority of the disinterested members of the Board of Directors.

STOCKHOLDER PROPOSALS AND NOMINATIONS

To be eligible for inclusion in the Company's proxy materials for next year's annual meeting of stockholders, any stockholder proposal to take action at such meeting must be received at the Company's main office at 3035 Leonardtown Road, Waldorf, Maryland 20601 no later than November 25, 2014. If next year's annual meeting is held on a date more than 30 calendar days from May 5, 2015, a stockholder proposal must be received by a reasonable time before the Company begins to print and mail its proxy solicitation materials. Any stockholder proposals will be subject to the requirements of the proxy rules adopted by the Securities and Exchange Commission.

Stockholder proposals, other than those submitted above, and nominations must be submitted in writing, delivered or mailed by first class United States mail, postage pre-paid, to the Secretary of the Company not fewer than 30 days nor

more than 60 days before any such meeting; provided, however, that if notice or public disclosure of the meeting is given fewer than 40 days before the meeting, such written notice shall be delivered or mailed to the Secretary of the Company not later than the close of the 10th day following the day on which notice of the meeting was mailed to stockholders.

BOARD POLICIES REGARDING COMMUNICATIONS

WITH THE BOARD OF DIRECTORS

The Board of Directors maintains a process for stockholders to communicate with the Board of Directors. Stockholders wishing to communicate with the Board of Directors should send any communication to the Secretary, The Community Financial Corporation, 3035 Leonardtown Road, Waldorf, Maryland 20601. Any communication must state the number of shares beneficially owned by the stockholder making the communication. The Secretary will forward such communication to the full Board of Directors or to any individual director or directors to whom the communication is addressed unless the communication is unduly hostile, threatening, illegal or similarly inappropriate, in which case the Secretary has the authority to discard the communication or take appropriate legal action regarding the communication.

MISCELLANEOUS

The Company will pay the cost of this proxy solicitation. The Company will reimburse brokerage firms and other custodians, nominees and fiduciaries for reasonable expenses incurred by them in sending proxy materials to the beneficial owners of the common stock. In addition to conducting solicitations by mail, directors, officers and regular employees of the Company may solicit proxies personally or by telephone without additional compensation.

The Company's 2013 Annual Report to Stockholders, including financial statements, accompanies this proxy statement. Such Annual Report is not to be treated as a part of the proxy solicitation material nor as having been incorporated herein by reference. **A copy of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2013, as filed with the Securities and Exchange Commission, will be furnished without charge to stockholders as of March 7, 2014, upon written request to the Secretary, The Community Financial Corporation, 3035 Leonardtown Road, Waldorf, Maryland 20601.**

[The Community Financial Corporation Letterhead]

Dear ESOP Participant:

On behalf of the Board of Directors, I am forwarding to you the attached vote authorization form to convey your voting instructions to Joseph V. Stone, Jr. and H. Beaman Smith, Trustees for the Community Bank of the Chesapeake Employee Stock Ownership Plan and Trust (the “ESOP”) on the proposals presented at the Annual Meeting of Stockholders of The Community Financial Corporation (the “Company”) on May 5, 2014. Also enclosed is a Notice of Annual Meeting and Proxy Statement for the Company’s Annual Meeting of Stockholders and a The Community Financial Corporation 2013 Annual Report to Stockholders.

As an ESOP participant, you are entitled to instruct the ESOP Trustees how to vote the shares of Company common stock allocated to your ESOP account as of March 7, 2014, the record date for the Annual Meeting. The Trustees will vote all allocated shares of Company common stock as directed by ESOP participants. The Trustees will vote unallocated shares of common stock held in the ESOP Trust and the shares for which timely instructions are not received in a manner calculated to most accurately reflect the instructions received from ESOP participants, subject to the exercise of their fiduciary duties.

To direct the ESOP Trustees how to vote the shares of common stock allocated to your ESOP account, please complete and sign the enclosed vote authorization form and return it to the attention of Marlene Smith at the address indicated on the vote authorization form no later than **April 28, 2014**.

Sincerely,

/s/ Michael L. Middleton
Michael L. Middleton
Chairman of the Board and Chief Executive Officer

VOTE AUTHORIZATION FORM

COMMUNITY BANK OF THE CHESAPEAKE

EMPLOYEE STOCK OWNERSHIP PLAN AND TRUST

THE COMMUNITY FINANCIAL CORPORATION

Annual Meeting of Stockholders – May 5, 2014

With respect to all shares of common stock of The Community Financial Corporation (the “Company”) that are allocated to the account of the undersigned pursuant to the Community Bank of the Chesapeake Employee Stock Ownership Plan and Trust (the “ESOP”), the undersigned hereby directs Joseph V. Stone, Jr. and H. Beaman Smith, as Trustees of the Trust established under the ESOP, to vote such shares at the Annual Meeting of Stockholders (the “Meeting”) to be held at the Community Bank of the Chesapeake, Waldorf, Maryland, on Monday, May 5, 2014 at 10:00 a.m., local time, and at any and all adjournments thereof as follows:

The Board of Directors recommends a vote “FOR” all of the nominees and “FOR” Proposals 2 and 3.

You are to vote my shares as follows:

x PLEASE MARK VOTES AS IN THIS EXAMPLE

1. ELECTION OF DIRECTORS

FOR all nominees “ **WITHHOLD AUTHORITY** to vote “ ***EXCEPTIONS** “
listed below for all nominees listed below

Philip T. Goldstein, James R. Shepherd and M. Arshed Javaid

(INSTRUCTIONS: To withhold authority to vote for any individual nominee, mark the “Exceptions” box and write that nominee’s name in the space provided below).

*Exceptions: _____

2. THE RATIFICATION OF THE APPOINTMENT OF STEGMAN & COMPANY AS THE INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM FOR THE FISCAL YEAR ENDING DECEMBER 31, 2014

FOR AGAINST ABSTAIN

.. .. .

3. THE APPROVAL OF A NON-BINDING RESOLUTION ON THE COMPENSATION OF THE NAMED EXECUTIVE OFFICERS.

FOR AGAINST ABSTAIN

.. .. .

The undersigned acknowledges receipt from the Company prior to the execution of this vote authorization form of the Notice of Annual Meeting, a Proxy Statement for the Annual Meeting and the Company's 2013 Annual Report.

PARTICIPANT'S NAME

Dated: _____, 2014

SIGNATURE OF PARTICIPANT

Please complete this direction form, sign, date and return it to the Company, Attn: Marlene Smith, The Community Financial Corporation, 3035 Leonardtown Road, Waldorf, Maryland 20601 by April 28, 2014.

