

ANSYS INC  
Form DEF 14A  
March 12, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

**SCHEDULE 14A**

(Rule 14a-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION

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 §240.14a-12

**ANSYS, INC.**

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(Name of Registrant as Specified In Its Charter)

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

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Payment of Filing Fee (Check the appropriate box):

No fee required.

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

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2) Aggregate number of securities to which transaction applies:

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

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4) Proposed maximum aggregate value of transaction:

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5) Total fee paid:

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Fee paid previously with preliminary materials.

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

1) Amount Previously Paid:

2) Form, Schedule or Registration Statement No.:

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3) Filing Party:

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4) Date Filed:

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**ANSYS, INC.**

**Southpointe**

**275 Technology Drive**

**Canonsburg, PA 15317**

March 23, 2004

Dear Stockholder:

You are cordially invited to attend the Annual Meeting of Stockholders of ANSYS, Inc. (the Company) to be held on Thursday, May 6, 2004, at 2:00 p.m. Eastern Time, at the Southpointe Club located at Southpointe, 360 Southpointe Blvd. in Canonsburg, Pennsylvania (the Annual Meeting).

The Annual Meeting has been called for the purposes of (i) electing two Class II Directors for three-year terms; (ii) approving an amendment to the Company's Amended and Restated 1996 Stock Option and Grant Plan; (iii) approving an amendment to the Company's Employee Stock Purchase Plan to increase the number of shares of the Company's common stock available for offering thereunder by 190,000 shares; (iv) ratifying the selection of Deloitte and Touche LLP as the Company's independent public accountants; and (v) considering and voting upon such other business as may properly come before the Annual Meeting or any adjournments or postponements thereof.

The Board of Directors has fixed the close of business on March 9, 2004 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 Board of Directors as Class II Directors of the Company, FOR the approval of the amendment to the Company's Amended and Restated Stock Option and Grant Plan, FOR the approval of the amendment to the Company's Employee Stock Purchase Plan and FOR the ratification of Deloitte and Touche LLP as independent public accountants.

**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 ENCLOSED PROXY CARD; OR (3) MARK, DATE AND SIGN THE PROXY CARD RETURNING IT IN THE ENCLOSED ENVELOPE WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. VOTES SENT BY INTERNET OR TELEPHONE MUST BE RECEIVED BY 11:00 PM UNITED STATES EASTERN TIME ON MAY 5, 2004. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY VOTE IN PERSON IF YOU WISH, EVEN IF YOU HAVE PREVIOUSLY RETURNED YOUR PROXY CARD.**

Sincerely,

James E. Cashman III

*President and*

*Chief Executive Officer*

**ANSYS, INC.**

**Southpointe**

**275 Technology Drive**

**Canonsburg, PA 15317**

**(724) 746-3304**

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**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held on Thursday, May 6, 2004**

Notice Is Hereby Given that the Annual Meeting of Stockholders of ANSYS, Inc. (the Company ) will be held on Thursday, May 6, 2004, at 2:00 p.m. Eastern Time, at the Southpointe Club, Southpointe, 360 Southpointe Blvd. in Canonsburg, Pennsylvania (the Annual Meeting ), for the purpose of considering and voting upon:

1. The election of two Class II Directors for three-year terms;
2. The approval of an amendment to the Company s Amended and Restated Stock Option and Grant Plan;
3. The approval of an amendment to the Company s Employee Stock Purchase Plan to increase the number of shares of the Company s common stock available for offering thereunder by 190,000 shares;
4. The ratification of the selection of Deloitte and Touche LLP as the Company s independent public accountants; and
5. Such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

The Board of Directors has fixed the close of business on March 9, 2004 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

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Sheila S. DiNardo

*VP, General Counsel and Secretary*

Canonsburg, Pennsylvania

March 23, 2004

**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 ENCLOSED PROXY CARD; OR (3) MARK, DATE AND SIGN THE PROXY CARD RETURNING IT IN THE ENCLOSED ENVELOPE WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES. VOTES SENT BY INTERNET OR TELEPHONE MUST BE RECEIVED BY 11:00 PM UNITED STATES EASTERN TIME ON MAY 5, 2004. IF YOU ATTEND THE ANNUAL MEETING, YOU MAY VOTE IN PERSON IF YOU WISH, EVEN IF YOU HAVE PREVIOUSLY RETURNED YOUR PROXY CARD.**

**ANSYS, Inc.**

**Southpointe**

**275 Technology Drive**

**Canonsburg, PA 15317**

**(724) 746-3304**

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**PROXY STATEMENT**

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**2004 ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held on Thursday, May 6, 2004**

This Proxy Statement is furnished in connection with the solicitation of proxies by the Board of Directors of ANSYS, Inc. (the *Company*), for use at the Annual Meeting of Stockholders of the Company to be held on Thursday, May 6, 2004 at 2:00 p.m. Eastern Time at the Southpointe Club, Southpointe, 360 Southpointe Blvd. 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 two Class II Directors for three-year terms, such terms to continue until the annual meeting of stockholders in 2007 and until such Director's successor is duly elected and qualified;
2. The approval of an amendment of the provisions of the Company's Amended and Restated 1996 Stock Option and Grant Plan (the *Option Plan*) governing grants of stock options to new independent directors;
3. The approval of an amendment to the Company's Employee Stock Purchase Plan (the *ESPP*) to increase the number of shares of the Company's common stock available for offering thereunder by 190,000 shares;
4. The ratification of the selection of Deloitte and Touche LLP as the Company's independent public accountants; and
5. Such other business as may properly come before the Annual Meeting and any adjournments or postponements thereof.

The Notice of Annual Meeting, Proxy Statement and Proxy Card are first being mailed to stockholders of the Company on or about March 23, 2004 in connection with the solicitation of proxies for the Annual Meeting. The Board of Directors has fixed the close of business on March 9, 2004 as the record date for the determination of stockholders entitled to notice of, and to vote at, the Annual Meeting (the *Record Date*). Only



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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 15,322,346 shares of Common Stock outstanding and entitled to vote at the Annual Meeting and approximately 197 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 and represented by proxy and entitled to vote on the matter is required for the election of the Class II Directors. Abstentions and broker non-votes will not be counted as voting with respect to the election of the Class II Directors and, therefore, will not have an effect on the election of the Class II Directors.

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 to the Company's Option Plan, approval of the amendment of the Company's ESPP, and the ratification of the selection of the independent public accountants. Broker non-votes will not be considered present and represented and entitled to vote on these matters and, therefore, will have no effect on the approval of the amendment of the Company's Option Plan, the approval of the amendment of the Company's ESPP or the ratification of the selection of the independent public accountants. Abstentions will be counted as voting against the amendment of the Company's Option Plan, against the approval of the amendment of the Company's ESPP and against the ratification of the selection of independent public accountants.

**Stockholders of the Company are requested to complete, date, sign and return the accompanying Proxy Card in the enclosed envelope. You may also vote by telephone or on the internet in accordance with the procedures on the proxy card. Common Stock represented by properly executed proxies received by the Company and not revoked will be voted at the Annual Meeting in accordance with the instructions contained therein. If instructions are not given therein, properly executed proxies will be voted FOR the election of the nominees for Director listed in this Proxy Statement, the approval of the amendment of the Company's Option Plan, the approval of the amendment to the Company's ESPP and the ratification of the Company's selection of Deloitte and Touche LLP as the Company's independent public accountants. It is not anticipated that any matters other than the election of Class II Directors, the approval of the amendment of the Company's Option Plan, the approval of the amendment to the Company's ESPP and the ratification of the Company's selection of Deloitte and Touche LLP as the Company's independent public accountants 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 through the internet should realize that there may be additional costs with electronic access, such as usage charges from internet access providers that must be paid by the stockholder.**

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

The Annual Report of the Company, including financial statements for the fiscal year ended December 31, 2003 ( Fiscal 2003 ), is being mailed to stockholders of the Company concurrently with this Proxy Statement. The Annual Report, however, is not a part of the proxy solicitation material.

## **PROPOSAL 1**

### **ELECTION OF DIRECTORS**

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

At the Annual Meeting, two Class II Directors will be elected to serve until the annual meeting of stockholders in 2007 and until such Director's successor is duly elected and qualified. Based on the



recommendation of the Company's Nominating and Corporate Governance Committee, the Board of Directors has nominated Roger J. Heinen, Jr. and Jacqueline C. Morby for re-election as the Class II Directors. Unless otherwise specified in the proxy, it is the intention of the persons named in the proxy to vote the shares represented by each properly executed proxy for the re-election of Mr. Heinen and Ms. Morby as Directors. Proxies cannot be voted for a greater number of persons than the number of nominees named. The nominees have agreed to stand for re-election and to serve, if elected, as Directors. However, if any person nominated by the Board of Directors fails to stand for election or is unable to accept election, the proxies will be voted for the election of such other person or persons as the Board of Directors may recommend.

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

A quorum being present, the affirmative vote 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 II 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 II DIRECTORS OF THE COMPANY.**

### **PROPOSAL 2**

#### **AMENDING THE AMENDED AND RESTATED 1996 STOCK OPTION AND GRANT PLAN**

The Board of Directors has adopted, and is seeking stockholder approval of, a second amendment and restatement of the Company's Option Plan which would (1) permit the Company to grant options to purchase up to 25,000 shares to new independent directors, or such other amount as may be determined by the Board of Directors and (2) amend other provisions of the Option Plan to ensure that, once the Option Plan is approved by the Company's stockholders, it is not deemed a formula plan that would require stockholder approval of individual grants under recent rules changes adopted by Nasdaq. The number of shares reserved for issuance under the Option Plan is not changed by the proposed amendment.

#### **Reasoning for Amendment to the Option Plan**

The existing option plan provides that new independent directors joining the Board will receive a non-qualified option to purchase the number of shares found by dividing \$200,000 by the exercise price of the option. The Board has traditionally granted options with an exercise price equal to the share price on the date of grant. At the recent share price of approximately \$40.00 per share, this meant a new independent director joining the Board would receive options to purchase approximately 5,000 shares. Because of recent changes in the laws and regulations governing public companies, independent directors play an increasingly valuable role in the governance of the Company and will likely need to devote substantially greater time to the Company than in the past. In light of these changes, the Board of Directors believes that it will need to grant an option to purchase a larger number of shares in order to attract well qualified Board members. Further, the Board believes that it should have the flexibility to tailor an option grant to the particular individual and the Company's position when such offer is extended. The Company initially adopted a formula for director grants to comply with then existing provisions of Section 16 of the Exchange Act. These provisions are no longer in effect and therefore a formula is no longer required. The Board anticipates that it will grant new independent directors options to purchase 25,000 shares, though under the amended Option Plan the Board will have discretion to offer an option to purchase other amounts of shares. Current independent directors are not affected by this amendment.

The other substantive amendment to the Option Plan ensures that the Option Plan is not treated as a formula plan under rules recently adopted by Nasdaq. If the Option Plan is deemed a formula plan, stockholders would be required to approve each individual option grant. If the Option Plan

is not deemed a formula plan, stockholders will not be required to approve each individual grant.

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Based on the last reported sale price on the Nasdaq National Market on December 31, 2003 (\$39.70 per share), the maximum aggregate market value of the 5,350,000 shares of Common Stock reserved for issuance under the Option Plan would be \$212,395,000.

### **Description of Option Plan**

*General Terms.* The Option Plan was adopted originally by the Board of Directors on April 19, 1996 and was subsequently approved by the Company's stockholders. On May 8, 2003, the Company's stockholders approved an amendment and restatement of the Option Plan. The Board of Directors of the Company adopted the Second Amended and Restated 1996 Stock Option and Grant Plan on February 5, 2004 and recommends that the Company's stockholders approve this amended and restated Option Plan. Currently, 5,350,000 shares are available for issuance under the Option Plan. The number of shares available for issuance under the Option Plan is not changed by this amendment. The following description of the material terms of the Option Plan is intended to be a summary only. This summary is qualified in its entirety by the full text of the amended Option Plan which is attached to this proxy statement as Annex I.

The Option Plan permits (i) the grant of Incentive Options, (ii) the grant of Non-Qualified Options, (iii) the issuance or sale of Common Stock with or without vesting or other restrictions ( Stock Grants ), (iv) the grant of Common Stock upon the attainment of specified performance goals ( Performance Share Awards ) and (v) the grant of the right to receive cash dividends with the holders of the Common Stock as if the recipient held a specified number of shares of the Common Stock ( Dividend Equivalent Rights ). These grants may be made to directors, officers and other employees, consultants and key persons of the Company and its subsidiaries. In addition, Independent Directors are automatically eligible for certain grants under the Option Plan, as described below. Options with respect to no more than 300,000 shares of Common Stock may be granted to any one individual in any calendar year.

During 2003, 148,000 options were granted under the Option Plan. Options with respect to a total of 2,047,325 shares of Common Stock with issuance prices ranging from \$6.00 to \$36.15 (and a weighted average of \$15.18) were outstanding under the Option Plan at December 31, 2003. At December 31, 2003, 1,487,012 shares were available for grant under the Option Plan.

*Independent Director Options.* The Option Plan currently provides for the automatic grant of Non-Qualified Options to Independent Directors. As amended, the Option Plan will provide that each Independent Director joining the Board after the amendment will receive an option to purchase 25,000 shares of Common Stock, or such other amount as the Board or the Compensation Committee may determine. The current Option Plan provides that on the date five business days following each annual meeting of stockholders of the Company, each Independent Director who is then serving is granted a Non-Qualified Option to purchase 12,000 shares of Common Stock. The amendment does not alter any of the terms of these subsequent annual grants. The Option Exercise Price of options granted to Independent Directors under the Option Plan is equal to the lesser of (i) the last reported sale price per share of Common Stock on the date of grant (or if no such price is reported on such date, such price on the nearest preceding date on which such a price is reported) or (ii) the average of the last reported sales price per share of Common Stock as published in *The Wall Street Journal* for a period of ten consecutive days prior to such date. Options granted to Independent Directors under the foregoing provisions vest in annual installments over four years, commencing with the date of grant, will expire ten years after grant, subject to earlier termination if the optionee ceases to serve as a director. The exercisability of these options will be accelerated upon a Sale Event . A total of 311,607 Non-Qualified Options have been issued to date to Independent Directors under the Option Plan.

*Administration.* The Option Plan is administered by the Compensation Committee. Subject to the provisions of the Option Plan, the Compensation Committee has full power to determine from among the persons eligible for grants under the Option Plan (i) the individuals to whom grants will be granted, (ii) the combination of grants to participants and (iii) the specific terms of each grant. Incentive Options may be granted only to

directors, officers or other employees of the Company or its subsidiaries, including members of the Board of Directors who are also employees of the Company or its subsidiaries.

The option exercise price of each option granted under the Option Plan is determined by the Compensation Committee, but in the case of Incentive Options may not be less than 100% of the fair market value of the underlying shares on the date of grant and may not be exercisable more than ten years from the date the option is granted. If any employee of the Company or any subsidiary owns or is deemed to own at the date of grant shares of stock representing in excess of 10% of the combined voting power of all classes of stock of the Company or any subsidiary, the exercise price for options granted to such employee may not be less than 110% of the fair market value of the underlying shares on that date and the option may not be exercisable more than five years from the date the option is granted. No option may be exercised subsequent to the termination of the optionee's employment or other business relationship with the Company unless otherwise determined by the Compensation Committee or provided in the option agreement. Most option agreements provide that the option will be exercisable for a period of 90 days following termination of employment. At the discretion of the Compensation Committee, any option may include a reload feature, pursuant to which an optionee exercising an option receives in addition to the number of shares of Common Stock due on the exercise of such an option an additional option with an exercise price equal to the fair market value of the Common Stock on the date such additional option is granted. Upon the exercise of options, the option exercise price must be paid in full either in cash or in shares of stock owned by the optionee for at least six months, or by the optionee delivering an exercise notice along with irrevocable instructions to a broker to pay to the Company the purchase price.

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

The Compensation Committee may, at its sole discretion, accelerate or extend the date or dates on which all or any particular option or options granted under the Option Plan may be exercised or vest. In the event of a merger, liquidation or sale of substantially all of the assets of the Company ( Sale Event ), the Board of Directors has the discretion to accelerate the vesting of options granted under the Option Plan, except that vesting of options granted to Independent Directors and to Mr. Cashman automatically accelerate in such Sale Event. The Option Plan and the options issued thereunder terminate upon the effectiveness of any such Sale Event, unless provision is made in connection with such transaction for the assumption of options theretofore made or in certain circumstances following a Sale Event not accounted for as a pooling of interest.

#### **Tax Aspects under the U.S. Internal Revenue Code**

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

*Incentive Options.* No taxable income is generally realized by the optionee upon the grant or exercise of an Incentive Option. If shares 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 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) there will be no deduction for the Company for federal income tax purposes. The exercise of an Incentive Option will give rise to an item of tax preference that may result in alternative minimum tax liability for the optionee.

If shares 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) the Company will be entitled to deduct such amount. Special rules will apply where all or a portion of the exercise price of the Incentive Option is paid by tendering shares 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 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.

Under current law, an optionee will not have any additional FICA (Social Security) taxes upon exercise of an Incentive Option.

*Non-Qualified Options.* No taxable income is realized by the optionee at the time a Non-Qualified 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 the Company receives a tax deduction for the same amount and (ii) at disposition, appreciation or depreciation after the date of exercise is treated as either short-term or long-term capital gain or loss depending on how long the shares 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 FICA taxes on the excess of the fair market value over the exercise price of the option.

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

*Limitation on the Company's Deductions.* As a result of Section 162(m) of the Code, the Company deduction for certain awards under the Option Plan may be limited to the extent that a covered employee receives compensation in excess of \$1,000,000 in such taxable year of the Company (other than performance based compensation that otherwise meets the requirements of Section 162(m) of the Code).

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**Summary of Equity Compensation Plans**

The following table provides certain summary information concerning the equity compensation plans maintained by the Company as of February 1, 2004.

**Equity Compensation Plan Information**

Plan Category	(a) Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))
<b>Equity Compensation Plans Approved by Security Holders</b>			
1994 Stock Option and Grant Plan	86,528	\$ 4.29	0
1996 Stock Option and Grant Plan	2,047,325	\$ 15.18	1,487,012
1996 Employee Stock Purchase Plan	(1)	(2)	39,223(1)
<b>Equity Compensation Plans Not Approved By Security Holders</b>			
None			
<b>Total</b>	2,133,853		1,526,235

- (1) The number of shares issuable with respect to the current offering period is not determinable until the end of the period. The number does not include the 190,000 shares contemplated by the proposed amendment.
- (2) The per share purchase price of shares issuable with respect to the current offering period is not determinable until the end of the offering period.

For additional information concerning the 1994 Stock Option and Grant Plan and the 1996 Employee Stock Purchase Plan, please see the sections entitled Executive Compensation Equity Compensation Plan 1994 Stock Option and Grant Plan and Proposal 3-Approval of an Amendment to the Company's Employee Stock Purchase Plan below.

**Vote Required For Approval**

The affirmative vote of holders of a majority of shares of Common Stock present or represented by proxy and entitled to vote on the matter is required for the approval of the amendment and restatement of the Option Plan.

**THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS A VOTE FOR THE APPROVAL OF THE AMENDMENT AND RESTATEMENT OF THE 1996 STOCK PLAN.**



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**PROPOSAL 3**

**APPROVAL OF AN AMENDMENT TO THE COMPANY'S EMPLOYEE STOCK PURCHASE PLAN**

The Board of Directors has adopted, and is seeking stockholder approval of, an amendment to the ESPP which would increase the number of shares of the Company's common stock available for purchase under the ESPP by 190,000 shares, from 210,000 shares to 400,000 shares.

**Reasoning for Amendment of the ESPP**

The ESPP was adopted by the Board of Directors, approved by the stockholders of the Company and became effective upon the consummation of the Company's initial public offering in 1996. As of December 31, 2003, only 39,223 shares remained available for purchase under the ESPP. On February 5, 2004, the Board of Directors approved an amendment to the ESPP increasing the number of shares that can be sold under the ESPP by 190,000 shares, subject to stockholder approval. Encouraging employees to acquire equity ownership in the Company assures a closer alignment of the interests of participants in the ESPP with those of the Company's stockholders. In addition, since the sale price of shares under the ESPP is 85% of the market value of such shares on the first or last day of an offering period, whichever is lower, the dilutive effect of shares issued under the ESPP is generally substantially less than for shares issued under the Option Plan. The Board believes that a key feature of the ESPP is that it assists the Company in attracting and retaining employees who are responsible for leading the Company amid a competitive market for financial, technical, marketing and sales personnel. The proposed increase in the number of shares of Common Stock available for sale under the ESPP would enable the Company to continue the use of the ESPP, which it believes is a valuable tool for attracting and retaining key personnel and aligning the interests of the participating employees with those of the Company's stockholders.

Based on the last reported sale price on the Nasdaq National Market on December 31, 2003 (\$39.70 per share), the maximum aggregate market value of the additional 190,000 shares reserved for issuance under the ESPP would be \$7,543,000.

**Summary of the ESPP**

The following description of material terms of the ESPP is intended to be a summary only. This summary is qualified in its entirety by the full text of the amended ESPP which is attached to this proxy statement as Annex II.

The ESPP is administered by the Compensation Committee. The ESPP provides that all employees of the Company who work at least 20 hours per week are eligible to participate, except for persons who are deemed under Section 423(b)(3) of the Code to own five percent (5%) or more of the voting stock of the Company. The number of employees potentially eligible to participate in the ESPP is approximately 300 persons.

The ESPP provides for two purchase periods within each year, the first commencing on February 1 of each year and continuing through July 31 of such year, and the second commencing on August 1 of each year and continuing through January 31 of the following year. Eligible employees may elect to become participants in the ESPP by enrolling prior to each semi-annual date for the granting of an option to purchase shares under the ESPP. Shares are purchased through the accumulation of payroll deductions of not less than one percent (1%) nor more than ten percent (10%) of each participant's compensation. The maximum number of shares of common stock that can be purchased under the ESPP during any one calendar year is 960 shares. The number of shares to be purchased is determined by dividing the participant's balance in the plan account on the last day of the purchase period by the purchase price per share for the stock. The purchase price per share will be the lower of 85% of the fair market value of the common stock as of either the beginning or ending date of the semi-annual purchase period of shares for the participant's account.

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An option granted under the ESPP is not transferable by the participant except by will or by the laws of descent and distribution. Employees can cease their participation in the offering at any time during the offering period, and participation automatically ceases on termination of employment with the Company.

The number of shares that are reserved for issuance under the ESPP is subject to adjustment for stock splits and similar events. The proceeds received by the Company from exercise under the ESPP will be used for the general purposes of the Company. Shares issued under the ESPP may be authorized but unissued or shares reacquired by the Company and held in its treasury.

The ESPP shall remain in full force and effect until suspended or discontinued by the Board of Directors. The Board of Directors may at any time or times amend or revise the ESPP for any purposes which may at any time be permitted by law, or may at any time terminate the ESPP. No amendment of the ESPP may adversely affect the rights of any recipient of any option previously granted without such recipient's consent.

#### **Federal Income Tax Considerations under the Stock Purchase Plan**

The ESPP is intended to qualify as an employee stock purchase plan as defined in Section 423(b) of the Code, which provides that an employee participating in the plan is not required to pay any federal income tax when joining the ESPP or when purchasing the shares of common stock at the end of an offering. The employee is, however, required to pay federal income tax on the difference, if any, between the price at which he or she sells the shares and the price he or she paid for them.

The following is a summary of the federal income tax consequences resulting from acquiring stock under the ESPP:

If shares acquired under the ESPP are sold more than two years after the first day of the purchase period pursuant to which the shares were purchased, no taxable income results if the proceeds of the sale are equal to or less than the price paid for the shares. If the proceeds of the sale are higher than the purchase price, the employee will recognize ordinary income for the year in which the sale occurs equal to the lesser of (a) fifteen percent (15%) of the fair market value of the common stock on the first day of the purchase period pursuant to which the shares were purchased or (b) the excess of the amount actually received for the shares over the amount paid. In addition, the employee may recognize long-term capital gain or loss in an amount equal to the difference between the proceeds of the sale and the employee's basis in the shares (*i.e.*, the employee's purchase price plus the amount taxed to the employee as ordinary income). The employee will receive long-term capital gain or loss treatment if he or she has held the shares for at least twelve (12) months. No deduction is allowed to the Company.

If shares acquired under the ESPP are sold within two (2) years of the first day of the purchase period pursuant to which the shares were purchased, the employee will recognize ordinary income equal to the difference between the fair market value of the shares on the exercise date and the employee's purchase price. This amount is reportable as ordinary income even if no profit was realized on the sale of shares or the shares were sold at a loss. Long-term or short-term (depending on the holding period for the shares) capital gain or loss will be recognized in an amount equal to the difference between the proceeds of sale and the employee's basis in the shares. The amount reportable as ordinary income from a sale made within two years of the first day of the purchase period pursuant to which the shares were purchased will generally be allowed as a tax deduction to the Company.

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

The affirmative vote of holders of a majority of shares of Common Stock present or represented by proxy and entitled to vote on the matter is required for the approval of the amendment to the Company's Employee Stock Purchase Plan.

**THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS A VOTE FOR THE APPROVAL OF THE AMENDMENT TO THE COMPANY S ESPP.**

**PROPOSAL 4**

**RATIFICATION OF SELECTION OF PUBLIC ACCOUNTANTS**

The Board of Directors of the Company, upon the recommendation of the Audit Committee, has selected the accounting firm of Deloitte and Touche LLP to serve as independent accountants of the Company for the fiscal year ended December 31, 2004. Deloitte and Touche LLP is considered by management of the Company to be well qualified. A representative of Deloitte and Touche LLP will be present at the Annual Meeting, will be given the opportunity to make a statement if he or she so desires and will be available to respond to appropriate questions.

Although the Company is not required to submit the ratification of the selection of its independent accountants to a vote of stockholders, the Board of Directors believes that it is sound policy to do so. In the event that the majority of the votes cast are against the selection of Deloitte and Touche LLP, the directors will consider the vote and the reasons for it in future decisions on the selection of independent accountants.

**Vote Required For Approval**

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

**THE BOARD OF DIRECTORS OF THE COMPANY RECOMMENDS A VOTE FOR THE APPROVAL OF THE RATIFICATION OF THE SELECTION OF PUBLIC ACCOUNTANTS.**



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**INFORMATION REGARDING DIRECTORS**

The Board of Directors of the Company held seven meetings during Fiscal 2003. During Fiscal 2003, each of the incumbent Directors attended at least 91% of the total number of meetings of the Board and of the committees of which he or she was a member. The Board of Directors has established an Audit Committee (the Audit Committee ), a Compensation Committee (the Compensation Committee ) and a Nominating and Corporate Governance Committee (the Nominating and Corporate Governance Committee ).

The Audit Committee selects the independent accounting firm to audit financial statements and to perform services related to the audit, reviews the scope and results of the audit with the independent accountants, reviews with management and the independent accountants the Company's annual operating results, reviews the Company's periodic disclosure related to its financial statements, considers the adequacy of the internal accounting procedures, considers the effect of such procedures on the accountants' independence and establishes policies for business values, ethics and employee relations. The Audit Committee currently consists of three directors, Roger J. Heinen, Jr., Bradford C. Morley and Patrick J. Zilvitis, each of whom is not an employee of the Company and is considered independent within the meaning of Rule 4200(a)(15) of the Nasdaq listing requirements. The Board of Directors has determined that Bradford C. Morley qualifies as the audit committee financial expert and is independent under the Securities Exchange Act of 1934, as amended (the Exchange Act ). The Audit Committee has a written charter adopted by the Board of Directors which was attached as an exhibit to the proxy statement for the Company's 2002 Annual Meeting and is available on the Company's website at [www.ansys.com](http://www.ansys.com). The foregoing information concerning the Audit Committee shall not be deemed soliciting material or to be filed with the commission, nor incorporated by reference into any other filing, in each case to the extent permitted by the rules and regulations of the Securities and Exchange Commission. During Fiscal 2003, the Audit Committee held five meetings. The Audit Committee's report to stockholders appears elsewhere in the proxy statement.

The Compensation Committee reviews and recommends the compensation arrangements for officers and other senior level employees, reviews general compensation levels for other employees as a group, reviews succession planning for senior management, reviews the options or stock to be granted to eligible persons under the Company's Option Plan and takes such other action as may be required in connection with the Company's compensation and incentive plans. The Compensation Committee currently consists of two non-employee, independent directors, Jacqueline C. Morby and John F. Smith and held four meetings during Fiscal 2003. The Compensation Committee's report on executive compensation appears elsewhere in this proxy statement.

The Nominating and Corporate Governance Committee oversees the qualification and nomination process for potential director candidates, reviews the continued qualification of existing directors and is responsible for corporate governance oversight. The Nominating and Corporate Governance Committee currently consists of three non-employee directors, Bradford C. Morley, John F. Smith and Patrick J. Zilvitis. As required by Rule 4350(c) of the Nasdaq listing requirements, each of these members is independent as defined in Rule 4200 of the Nasdaq listing requirements. The Nominating and Corporate Governance Committee held two meetings in Fiscal 2003. The Nominating and Corporate Governance Committee has a written charter adopted by the Board of Directors, which is available on the Company's website at [www.ansys.com](http://www.ansys.com).

The Nominating and Corporate Governance Committee will review and consider director candidates who have been recommended by stockholders. Stockholders submitting candidates for consideration by the Nominating and Corporate Governance Committee should deliver a submission in writing to the Secretary of the Company and should follow the timing, informational and other requirements regarding stockholder proposals set forth in the Company's By-laws. Such proposal should specify whether the named person(s) should be considered by the Nominating and Corporate Governance Committee for inclusion as a Board of Directors nominee or whether the named person(s) are to be considered stockholder nominees under the By-laws. At a minimum, each nominee, whether proposed by a stockholder or any other party, is expected to have the highest personal and professional integrity, shall demonstrate sound judgment, and shall be expected to effectively

interact with other members of the Board to serve the long-term interests of the Company and its stockholders. A stockholder wishing to nominate a director separately from the slate of directors nominated by the Company should follow the procedures described in this Proxy Statement under the heading Submission of Stockholder Proposals for 2005 Annual Meeting.

In Fiscal 2003, non-employee directors received fees of \$2,000, \$1,000 and \$500, respectively, for each Board of Directors meeting, Board committee meeting or Board of Directors conference call, or Board committee conference call they attended. Each director was reimbursed for travel and other expenses incurred in attending meetings. The Company also pays a \$5,000 annual retainer to each independent director. Also, under the Option Plan, each independent director is entitled to receive a one-time option grant upon becoming a director and an annual grant of options to purchase Common Stock as described under Amended and Restated 1996 Stock Option and Grant Plan Independent Director Options.

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

The Company does not have a policy with respect to directors' attendance at the Company's annual meeting. The following directors attended the Company's annual meeting for fiscal year 2002: James E. Cashman III, Roger J. Heinen, Jr., Bradford C. Morley, John F. Smith, Peter J. Smith and Patrick J. Zilvitis.

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

<u>Name</u>	<u>Age</u>	<u>Director Since</u>
<b>Class I Term Expires 2006</b>		
Peter J. Smith	59	1994
Patrick J. Zilvitis(1)(3)	60	2000
Bradford C. Morley(1)(3)	57	2001
<b>Class II Term Expires 2004</b>		
Roger J. Heinen, Jr.(1)*	53	1996
Jacqueline C. Morby(2)*	66	1994
<b>Class III Term Expires 2005</b>		
James E. Cashman III	50	2000
John F. Smith(2)(3)	68	1995

\* Nominee for re-election.

(1) Member of Audit Committee.

(2) Member of the Compensation Committee.

(3) Member of the Nominating and Corporate Governance Committee.

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

Peter J. Smith has been Chairman of the Board of Directors of the Company since July 1995. Mr. Smith served as President until April 1999 and Chief Executive Officer until February 2000. Prior to joining the Company, Mr. Smith was Vice President of European Operations for Digital Equipment Corporation, a computer

company, from November 1991 to March 1994. Previously, he managed Digital's worldwide applications development and marketing activities, including its engineering systems group which focused on CAD and CAM, graphics and general engineering market business. Mr. Smith holds a B.S. degree in electrical engineering from Northeastern University and an M.B.A. from the University of Notre Dame. Mr. Smith is also Chairman of Neartek, Inc., a storage software company, and Chairman of The Martin Group, Inc., a telecommunications software billing company, and Executive Chairman of Blue Socket, Inc., a wireless local dish network company. He also serves as director of NxTrend Technology, Inc., an enterprise software company, and GenuOne, Inc.

James E. Cashman III has been Chief Executive Officer of the Company since February 2000 and President since April 1999. Mr. Cashman served as the Company's 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 a director of the Pittsburgh Technology Council.

Roger J. Heinen, Jr. has served as a director of the Company since April 1996. Mr. Heinen is Managing Director of Flagship Ventures in Cambridge, Massachusetts and was a Senior Vice President, Developer Division, of Microsoft Corporation, a software company, from January 1993 through March 1996. Mr. Heinen is also a director of Progress Software Corporation, which markets and supports application development, deployment and management software, as well as a director for several start-up companies in the information technology sector.

Jacqueline C. Morby has served as a director of the Company since February 1994. Ms. Morby began semi-retirement and became a Principal 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 J&B Software, a transaction processing software and services company, NxTrend Technology, Inc., an enterprise software company, SoftMed Systems Incorporated, a healthcare information systems company, Pacific Life Corporation, a life insurance company, and HVL Incorporated, a manufacturer and distributor of vitamins and nutritional supplements.

Bradford C. Morley has served as a director of the Company since February 2001. From 1994 through 1999, Mr. Morley served as a director for two high technology software companies: Computer Aided Design Software, Inc. and Camax Manufacturing Technologies. 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 is also currently serving as Chairman of CoCreate Software Inc., a provider of collaborative product design software solutions.

John F. Smith has served as a director of the Company since December 1995. Mr. Smith is currently a partner in NewcoGen Group, a group that initiates and manages companies from the earliest stage of technology innovations. Most recently, Mr. Smith served as Chief Executive Officer and Director of Infini Switch, a venture backed company developing switch technology for infiniband standard. Mr. Smith served as the President of Perceptive Biosystems, a life sciences company, from July 1996 to 1999 and as Chief Operating Officer and Senior Vice President of Digital Equipment Corporation from 1986 through 1994. Mr. Smith also serves on numerous private company boards.

Patrick J. Zilvitis has served as a director 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, a

computer company. Mr. Zilvitis is a director of StockerYale, Inc., a provider of advanced illumination and optical products and services. He is also an active consultant with Benchmarking Partners of Cambridge, Massachusetts and with Segway LLC, a New Hampshire start-up company manufacturing and selling the Segway Human Transporter.

### **Director Independence**

The Board of Directors has determined that each of Mr. Heinen, Ms. Morby, Mr. Morley, Mr. John F. Smith and Mr. Zilvitis is an independent director in accordance with newly-adopted Nasdaq listing requirements. Therefore, the Company currently has a majority of independent directors.

### **Meetings of Independent Directors**

Independent directors of the Company regularly meet in executive sessions outside the presence of management. Currently, the independent directors of the Company are Mr. Heinen, Ms. Morby, Mr. Morley, Mr. John F. Smith and Mr. Zilvitis. The presiding director for these meetings is currently Mr. Zilvitis. Any interested party who wishes to make their concerns known to the independent directors may forward such communication to the Secretary of the Company at the Company's office in Canonsburg, Pennsylvania. The Secretary of the Company will collect and organize such communications and forward them to Mr. Zilvitis.

### **Audit Committee Report To Stockholders**

The Board of Directors has established an Audit Committee, whose members during Fiscal 2003 were Roger J. Heinen, Jr., Bradford C. Morley and Patrick J. Zilvitis. The Board of Directors has determined that each of the members of the Audit Committee is independent as defined in Rule 4200 of the Nasdaq listing requirements. The information contained in this Audit Committee Report to Shareholders shall not be deemed soliciting material or to be deemed filed with the commission nor incorporated by reference into any other filing, in each case to the extent permitted by the rules and regulations of the Securities and Exchange Commission.

With respect to Fiscal 2003, the Audit Committee:

reviewed and discussed the audited financial statements with the Company's management;

discussed with Deloitte and Touche LLP, the Company's independent auditors, the matters required to be discussed by Statement on Auditing Standards No. 61 (Communications with Audit Committees); and

received the written disclosures and the letter from Deloitte and Touche LLP required by Independence Standards Board Standard No. 1, and has discussed with Deloitte and Touche LLP its independence.

Based upon these reviews and discussions, the Audit Committee has recommended to the Board of Directors that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003 for filing with the U.S. Securities

and Exchange Commission.

AUDIT COMMITTEE

Bradford C. Morley, Chairman

Roger J. Heinen, Jr.

Patrick J. Zilvitis

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**INDEPENDENT ACCOUNTANTS**

The Company has selected Deloitte and Touche LLP as the independent public accountants for the Company for the fiscal year ending December 31, 2004. The firm of PricewaterhouseCoopers LLP, or a predecessor thereof, had served as the Company's independent public accountants from 1994 to March 19, 2002. During these periods the Company did not have any disagreement with PricewaterhouseCoopers LLP on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, nor did any report issued by PricewaterhouseCoopers LLP contain an adverse opinion or a disclaimer of opinion, nor was any such report qualified or modified as to uncertainty, audit scope or accounting principles.

On March 19, 2002, the Audit Committee determined to replace its independent accountants, PricewaterhouseCoopers LLP, as the principal accountant to audit financial statements. The determination to replace the independent accountants was recommended by management following the solicitation of bids to perform audit work and was approved by the Audit Committee. During the two fiscal years ended December 31, 2001 and the subsequent interim period through March 19, 2002, there were no disagreements with PricewaterhouseCoopers LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreements, if not resolved to the satisfaction of PricewaterhouseCoopers LLP, would have caused it to make reference to the subject matter of the disagreement in connection with its reports. Furthermore, PricewaterhouseCoopers LLP's reports for the two most recently completed fiscal years prior to March 19, 2002 did not contain any adverse opinion or disclaimer of opinion nor were they qualified or modified as to uncertainty, audit scope or accounting principles. In addition, no events required to be reported pursuant to Item 304(a)(1)(v) of Regulation S-K occurred during such fiscal years or during the subsequent interim period through March 19, 2002.

The Company and the Audit Committee approved the engagement of Deloitte and Touche LLP as its new independent accountants on March 19, 2002. The engagement of Deloitte and Touche LLP was recommended by management following the solicitation of bids to perform the Company's audit work and was approved by the Audit Committee of the Company's Board of Directors. There was no consultation during the two years prior to the engagement of Deloitte and Touche LLP by the Company with Deloitte regarding the application of accounting principles or the type of audit opinion that might be rendered on the Company's financial statements.

A representative of Deloitte and Touche LLP will be present at the Annual Meeting and will be given the opportunity to make a statement if he or she so desires. The representative will be available to respond to appropriate questions.

The Audit Committee pre-approves all auditing services and the terms thereof and all non-audit services, provided that the pre-approval requirement is waived for any non-audit services if the de minimus exception set forth in Section 10A(i)(1)(B) of the Securities Exchange Act of 1934 is satisfied.

The following table sets forth the aggregate fees billed to the Company for professional services rendered by the Company's principal accounting firm for the fiscal years ended December 31, 2003 and 2002, including the reviews of the financial statements included in the Company's Form 10-Q filings and general accounting consultations, by the Company's principal accounting firm, Deloitte and Touche LLP.

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	<u>2002</u>	<u>2003</u>
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