PARAMETRIC TECHNOLOGY CORP
Form 10-Q/A
December 11, 2007

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

AMENDMENT NO. 1
TO
FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2007
Commission File Number: 0-18059

Parametric Technology Corporation
(Exact name of registrant as specified in its charter)

Massachusetts	**04-2866152**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**

140 Kendrick Street, Needham, MA 02494
(Address of principal executive offices, including zip code)
(781) 370-5000
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days. YES þ NO o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer þ Accelerated Filer o Non-accelerated Filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). YES o NO þ

There were 114,848,255 shares of our common stock outstanding on August 3, 2007.

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EXPLANATORY NOTE

Items Amended by this Form 10-Q/A

This Amendment No. 1 (Form 10-Q/A) to our Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2007 as originally filed with the Securities and Exchange Commission (SEC) on August 9, 2007 (the Original Form 10-Q) amends certain sections of the Original Form 10-Q to reflect the restatement of our unaudited consolidated financial statements (and related disclosures) as of June 30, 2007 and September 30, 2006 and for the three and nine months ended June 30, 2007 and July 1, 2006 described below. With this Form 10-Q/A, we are amending:

Part I, Item 1 Unaudited Financial Statements;

Part I, Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations; and

Part I, Item 4 Controls and Procedures.

This Form 10-Q/A also includes updated certifications from our Chief Executive Officer and Chief Financial Officer required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The updated certifications are included in this Form 10-Q/A as Exhibits 31.1, 31.2 and 32.

This Form 10-Q/A makes only the changes described above and does not modify or update such items in any other respect, or any other items or disclosures presented in the Original Form 10-Q. Further, this Form 10-Q/A does not reflect any other events occurring after August 9, 2007, the date we filed the Original Form 10-Q. Accordingly, this Form 10-Q/A should be read in conjunction with our filings made with the SEC since the filing date of the Original Form 10-Q, including our Current Reports on Form 8-K, our Annual Report on Form 10-K for the year ended September 30, 2007, and the amendments to our Quarterly Reports on Form 10-Q for the quarterly periods ended December 30, 2006 and March 31, 2007.

Restatement of Prior Period Financial Statements

In our Annual Report on Form 10-K for fiscal 2007, filed on November 29, 2007, we restated our consolidated financial statements as of September 30, 2006 and for the years ended September 30, 2006 and 2005 as well as our consolidated financial statements (excluding footnotes) for the quarterly periods in fiscal 2007 and 2006, as included in Item 8 Financial Statements and Supplementary Data. With the filing of this Form 10-Q/A, we are concurrently filing amendments to our Quarterly Reports on Form 10-Q for the quarterly periods ended December 30, 2006 and March 31, 2007, as originally filed with the SEC, to restate our unaudited financial statements and related financial information for those periods and the comparative 2006 periods for the effects of the restatement.

We do not intend to file any other amended Annual Reports on Form 10-K or Quarterly Reports on Form 10-Q for periods affected by the restatement. For this reason, the Consolidated Financial Statements and related financial information contained in any of our filings with the SEC prior to November 29, 2007 should no longer be relied upon.

Background of the Restatement

As a result of an independent investigation led by the Audit Committee of our Board of Directors, the Audit Committee concluded on October 29, 2007 that we would need to restate our previously issued financial statements for the effect of certain transactions involving Toshiba Corporation of Japan (Toshiba), for which we recorded revenue of approximately $41 million during fiscal 2001 through 2006. Based on its investigation, the Audit Committee concluded that the understanding of the arrangement was not fully reflected in the order paperwork for these transactions because there were additional circumstances known or knowable by one or more of our personnel in Japan. That condition required us to change our conclusion that the transactions met the revenue recognition criteria of Statement of Position 97-2, *Software Revenue Recognition*.

The results of the investigation indicate that during the period 2001 to 2006, an employee of Toshiba Corporation initiated purchases of both software and services from our subsidiary in Japan, PTC Japan K.K. (PTC Japan).

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Many of these purchases were completed through a third party trading company that procured the software and services on Toshiba s behalf. The transactions were supported by orders that were signed by employees of Toshiba and the third party trading company. PTC Japan delivered the items for which revenue was recorded and was paid for the orders in question. The Toshiba employee also allegedly entered into a series of financing agreements with third party leasing companies, including GE Capital Leasing Corporation of Japan (GECL), in the name of Toshiba to fund various purchases. As part of those transactions, the leasing companies allegedly entered into transactions with various third party trading companies to procure the purchased items on behalf of Toshiba. We were not a party to those financing agreements. Toshiba has disclaimed responsibility for repayment of these financed amounts and has alleged that the Toshiba employee who entered into the financing agreements was not authorized to do so and that Toshiba did not receive delivery of the items so financed.

Recently, the Toshiba employee involved in the transactions was arrested and charged with defrauding certain of the leasing companies. Among the allegations against him are that he forged contracts in the name of Toshiba. In addition, three individuals each employed by a different trading company involved in the transactions have been arrested for alleged involvement in a scheme to defraud the leasing companies. According to published news reports, the Toshiba employee and these other individuals are suspected of diverting some of the proceeds of the financings to a bank account controlled by one or more of them. Following these arrests, it was reported on October 23, 2007 that two former employees of PTC Japan were arrested on suspicion of demanding hush money from one of the participants in the fraudulent scheme. The press accounts indicate that the former PTC Japan employees who left employment with PTC Japan in 2003 and 2004, respectively were no longer working at PTC Japan at the time of the alleged demands. According to the press accounts, these individuals have not been charged with participating in the alleged underlying fraud.

To effect the restatement of revenue associated with the transactions placed by the Toshiba employee, we reduced previously recorded revenue by approximately $8 million in fiscal 2006, $15 million in fiscal 2005, $9 million in fiscal 2004, $2 million in fiscal 2003 and $7 million in prior years, and recorded related income tax effects. We did not make any adjustments to the costs incurred in connection with these transactions due to the uncertainty regarding our ultimate ability to retain the advances received for these transactions and our belief that all such costs are unrecoverable. Upon restatement, the revenue reversed from those prior periods was deferred and classified as Customer Advances in our consolidated balance sheets. That liability (which totaled $38.0 million and $39.5 million at June 30, 2007 and September 30, 2006, respectively, after the effects of foreign currency movements) will remain recorded until the rights and obligations of the several companies connected with the Toshiba transactions are resolved. To the extent that matters are resolved in our favor, we will reduce Customer Advances and record revenue or other income at that time.

Our restatement of prior period financial statements also includes adjustments for other previously identified errors that we had corrected in the periods they became known to us rather than in the periods in which they originated because we believed that the amounts of such errors, individually and in the aggregate, were not material to our financial statements for the affected periods. In this restatement, we have now recorded those corrections in the periods in which each error originated. Such adjustments, which have been tax effected, primarily relate to (i) recording rent expense on a straight-line basis for one of our office facilities, (ii) recording stock-based compensation expense due to the timing of approvals for certain stock options we granted, (iii) deferring or reversing revenue for certain customer orders in the Asia-Pacific region, and (iv) reversing an income tax reserve that was unwarranted when established. Our restatement also includes an adjustment to correct our third quarter 2007 financial statements for a $10.4 million overstatement of reported net income, which resulted from tax errors detected in the fourth quarter of 2007 relating primarily to our release in the third quarter of a substantial portion of the valuation allowance for our U.S. net deferred tax assets.

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Summary of the Restatement Effects

A summary of the cumulative revenue and net income effects of the restatement on our consolidated financial statements is as follows:

	Nine months ended June 30,	Year ended September 30,					
	2007	**2006**	**2005**	**2004**	**2003**	**Prior Years**	**Total**
			(in thousands, except per share data)				
Revenue, as previously reported	$ 674,859	$ 854,918	$ 720,719	$ 660,029	$ 671,940		
Adjustments	(232)	(6,935)	(12,744)	(8,361)	(2,487)	$ (10,506)	$ (41,265)
Revenue, as restated	$ 674,627	$ 847,983	$ 707,975	$ 651,668	$ 669,453		
Net income (loss), as previously reported	$ 119,780	$ 60,866	$ 83,592	$ 34,813	$ (98,280)		
Adjustments	(6,763)	(4,062)	(10,405)	(3,228)	(2,907)	$ (12,927)	$ (40,292)
Net income (loss), as restated	$ 113,017	$ 56,804	$ 73,187	$ 31,585	$ (101,187)		
Earnings (loss) per share Diluted, as previously reported	$ 1.02	$ 0.54	$ 0.75	$ 0.32	$ (0.93)		
Adjustments	(0.06)	(0.04)	(0.10)	(0.03)	(0.03)		
Earnings (loss) per share Diluted, as restated	$ 0.96	$ 0.50	$ 0.65	$ 0.29	$ (0.96)		

The adjustments made as a result of the restatement are more fully described in Note 2 to our consolidated financial statements included in Part I, Item 1 Unaudited Financial Statements of this Form 10-Q/A.

PARAMETRIC TECHNOLOGY CORPORATION
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For the Quarter Ended June 30, 2007

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PART I FINANCIAL INFORMATION
ITEM 1. UNAUDITED FINANCIAL STATEMENTS
PARAMETRIC TECHNOLOGY CORPORATION
CONSOLIDATED BALANCE SHEETS
(in thousands, except per share data)
(unaudited)

	June 30, 2007 Restated Note 2	September 30, 2006 Restated Note 2
ASSETS		
Current assets:		
Cash and cash equivalents	$ 259,956	$ 183,448
Accounts receivable, net of allowance for doubtful accounts of $4,007 and $4,900 at June 30, 2007 and September 30, 2006, respectively	171,764	181,008
Prepaid expenses	26,995	20,495
Other current assets (Note 1)	52,960	51,824
Deferred tax assets (Note 10)	23,283	1,341
Total current assets	534,958	438,116
Property and equipment, net	55,358	51,603
Goodwill (Note 7)	245,733	249,252
Acquired intangible assets, net (Note 7)	81,632	77,870
Deferred tax assets (Note 10)	63,523	9,148
Other assets	69,986	75,398
Total assets	$ 1,051,190	$ 901,387
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 19,004	$ 17,109
Accrued expenses and other current liabilities	52,848	52,128
Accrued compensation and benefits	54,599	72,632
Accrued income taxes	8,511	5,761
Customer advances (Note 2)	38,020	39,475
Deferred revenue (Note 1)	223,151	197,769
Total current liabilities	396,133	384,874
Other liabilities (Note 3)	96,065	97,413
Deferred revenue (Note 1)	8,225	13,228
Commitments and contingencies (Note 11)		
Stockholders equity:		
Preferred stock, $0.01 par value; 5,000 shares authorized; none issued		
	1,150	1,119

Common stock, $0.01 par value; 500,000 shares authorized; 114,990 and 111,880 shares issued and outstanding at June 30, 2007 and September 30, 2006, respectively		
Additional paid-in capital	1,751,907	1,723,570
Accumulated deficit	(1,163,204)	(1,276,221)
Accumulated other comprehensive loss	(39,086)	(42,596)
Total stockholders equity	550,767	405,872
Total liabilities and stockholders equity	$ 1,051,190	$ 901,387

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

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PARAMETRIC TECHNOLOGY CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(unaudited)

	Three months ended		Nine months ended	
	June 30, 2007 Restated Note 2	July 1, 2006 Restated Note 2	June 30, 2007 Restated Note 2	July 1, 2006 Restated Note 2
Revenue:				
License	$ 62,098	$ 65,711	$ 200,022	$ 178,863
Service	162,766	149,854	474,605	424,823
Total revenue	224,864	215,565	674,627	603,686
Costs and expenses:				
Cost of license revenue	4,084	2,995	11,855	8,187
Cost of service revenue	67,673	65,579	204,855	188,221
Sales and marketing	74,573	70,033	215,694	198,217
Research and development	39,798	36,905	117,935	107,477
General and administrative	16,855	18,038	56,489	55,706
Amortization of acquired intangible assets	1,764	1,646	5,440	4,292
Restructuring charges (Note 3)		5,947		5,947
In-process research and development (Note 6)	544	2,100	544	2,100
Total costs and expenses	205,291	203,243	612,812	570,147
Operating income	19,573	12,322	61,815	33,539
Other income (expense), net	2,268	840	4,396	2,743
Income before income taxes	21,841	13,162	66,211	36,282
(Benefit from) provision for income taxes	(58,624)	(2,752)	(46,806)	6,457
Net income	$ 80,465	$ 15,914	$ 113,017	$ 29,825
Earnings per share Basic (Note 5)	$ 0.71	$ 0.14	$ 1.00	$ 0.27
Earnings per share Diluted (Note 5)	$ 0.68	$ 0.14	$ 0.96	$ 0.26
Weighted average shares outstanding Basic	113,154	109,947	112,610	109,672
Weighted average shares outstanding Diluted	117,500	112,871	117,423	112,930

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

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PARAMETRIC TECHNOLOGY CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

	Nine months ended	
	June 30, 2007 Restated Note 2	July 1, 2006 Restated Note 2
Cash flows from operating activities:		
Net income	$ 113,017	$ 29,825
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	28,882	24,809
Stock-based compensation	22,507	29,273
In-process research and development	544	2,100
Provision for (benefit from) deferred income taxes	(58,985)	
Other non-cash costs (credits), net	834	988
Changes in operating assets and liabilities, net of effects of acquisitions:		
Accounts receivable	33,483	637
Accounts payable and accrued expenses	(5,201)	(9,929)
Customer advances	232	6,480
Accrued compensation and benefits	(20,798)	(14,353)
Deferred revenue	21,454	20,929
Accrued income taxes	(3,323)	(24,572)
Other current assets and prepaid expenses	(3,150)	4,411
Other noncurrent assets and liabilities	(14,424)	(17,135)
Net cash provided by operating activities	115,072	53,463
Cash flows from investing activities:		
Additions to property and equipment	(17,139)	(13,065)
Acquisitions of businesses, net of cash acquired	(24,546)	(75,084)
Acquisition of remaining equity interest in a controlled subsidiary	(3,972)	
Net cash used by investing activities	(45,657)	(88,149)
Cash flows from financing activities:		
Proceeds from issuance of common stock	13,875	4,052
Payments of withholding taxes in connection with settlement of restricted stock units	(6,496)	(102)
Repurchase of common stock	(1,809)	
Tax benefit from stock-based awards	292	
Credit facility origination costs		(897)
Payments of capital lease obligations	(369)	(323)
Net cash provided by financing activities	5,493	2,730
Effect of exchange rate changes on cash and cash equivalents	1,600	1,426

Net increase (decrease) in cash and cash equivalents	76,508	(30,530)
Cash and cash equivalents, beginning of period	183,448	204,423
Cash and cash equivalents, end of period	$ 259,956	$ 173,893
Supplemental disclosures of cash flow information:		
Property and equipment acquired under capital leases	$	$ 260

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

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PARAMETRIC TECHNOLOGY CORPORATION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in thousands)
(unaudited)

	Three months ended		Nine months ended	
	June 30, 2007 Restated Note 2	July 1, 2006 Restated Note 2	June 30, 2007 Restated Note 2	July 1, 2006 Restated Note 2
Net income	$ 80,465	$ 15,914	$ 113,017	$ 29,825
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment, net of tax of $0	786	986	3,340	1,837
Change in unrealized gain on investment securities, net of tax of $0		28	(680)	(205)
Impact of release of valuation allowance on U.S. net deferred tax assets	850		850	
Other comprehensive income (loss)	1,636	1,014	3,510	1,632
Comprehensive income	$ 82,101	$ 16,928	$ 116,527	$ 31,457

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited consolidated financial statements include the accounts of Parametric Technology Corporation (PTC) and its wholly owned subsidiaries and have been prepared by management in accordance with accounting principles generally accepted in the United States of America and in accordance with the rules and regulations of the Securities and Exchange Commission regarding interim financial reporting. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. While we believe that the disclosures presented are adequate to make the information not misleading, these unaudited quarterly financial statements should be read in conjunction with our 2006 annual consolidated financial statements and related notes (as restated) included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2007. A reclassification of $5.7 million from accounts payable to accrued expenses and other current liabilities has been made in the September 30, 2006 consolidated balance sheet for consistent presentation. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments, consisting only of those of a normal recurring nature, necessary for a fair statement of our financial position, results of operations and cash flows at the dates and for the periods indicated. Unless otherwise indicated, all references to a year reflect our fiscal year, which ends on September 30. The year-end consolidated balance sheet is derived from our audited financial statements.

Deferred revenue primarily relates to software maintenance agreements billed to customers for which the services have not yet been provided. The liability associated with performing these services is included in deferred revenue and the related customer receivable, if not yet paid, is included in other current assets. Billed but uncollected maintenance-related amounts included in other current assets at June 30, 2007 and September 30, 2006 were $45.9 million and $50.0 million, respectively.

The results of operations for the three and nine months ended June 30, 2007 are not necessarily indicative of the results expected for the remainder of the fiscal year.

2. Restatement of Consolidated Financial Statements

In this Form 10-Q/A, we are restating our consolidated balance sheets as of June 30, 2007 and September 30, 2006, our consolidated statements of operations and comprehensive income for the three and nine months ended June 30, 2007 and July 1, 2006, and our condensed consolidated statements of cash flows for the nine months ended June 30, 2007 and July 1, 2006, as well as all related footnotes.

As a result of an independent investigation led by the Audit Committee of our Board of Directors, the Audit Committee concluded on October 29, 2007 that we would need to restate our previously issued financial statements for the effect of certain transactions involving Toshiba Corporation of Japan (Toshiba), for which we recorded revenue of approximately $41 million during fiscal 2001 through 2006. Based on its investigation, the Audit Committee concluded that the understanding of the arrangement was not fully reflected in the order paperwork for these transactions because there were additional circumstances known or knowable by one or more of our personnel in Japan. That condition required us to change our conclusion that the transactions met the revenue recognition criteria of Statement of Position 97-2, *Software Revenue Recognition*.

The results of the investigation indicate that during the period 2001 to 2006, an employee of Toshiba Corporation initiated purchases of both software and services from our subsidiary in Japan, PTC Japan K.K. (PTC Japan). Many of these purchases were completed through a third party trading company that procured the software and services on Toshiba s behalf. The transactions were supported by orders that were signed by employees of Toshiba and the third party trading company. PTC Japan delivered the items for which revenue was recorded and was paid for the orders in question. The Toshiba employee also allegedly entered into a series of financing agreements with third party leasing companies, including GE Capital Leasing Corporation of Japan (GECL), in the name of Toshiba to fund various purchases. As part of those transactions, the leasing companies allegedly entered into transactions with various third party trading companies to procure the purchased items on behalf of Toshiba. We were not a party to those financing agreements. Toshiba has disclaimed responsibility for repayment of these financed amounts and has alleged that the Toshiba employee who entered into the financing agreements was not authorized to do so and that Toshiba did not receive delivery of the items so financed.

Recently, the Toshiba employee involved in the transactions was arrested and charged with defrauding certain of the leasing companies. Among the allegations against him are that he forged contracts in the name of Toshiba. In addition, three individuals each employed by a different trading company involved in the transactions have been arrested for alleged involvement in a scheme to defraud the leasing companies. According to published news reports, the Toshiba employee and these other individuals are suspected of diverting some of the proceeds of the financings to a bank account controlled by one or more of them. Following these arrests, it was reported on October 23, 2007 that two former employees of PTC Japan were arrested on suspicion of demanding hush money from one of the participants in the fraudulent scheme. The press accounts indicate that the former PTC Japan employees who left employment with PTC Japan in 2003 and 2004, respectively were no longer working at PTC Japan at the time of the alleged demands. According to the press accounts, these individuals have not been charged with participating in the alleged underlying fraud.

To effect the restatement of revenue associated with the transactions placed by the Toshiba employee (the Revenue Adjustment), we reduced previously recorded revenue by $7.7 million in fiscal 2006, $15.5 million in fiscal 2005, $8.5 million in fiscal 2004, $2.1 million in fiscal 2003 and $7.1 million in prior years, and recorded related income tax effects. We did not make any adjustments to the costs incurred in connection with these transactions due to the uncertainty regarding our ultimate ability to retain the advances received for these transactions and our belief that all such costs are unrecoverable. Upon restatement, the revenue reversed from those prior periods was deferred and classified as Customer Advances in our consolidated balance sheets. That liability (which totaled $38.0 million and $39.5 million at June 30, 2007 and September 30, 2006, respectively, after the effects of foreign currency movements) will remain recorded until the rights and obligations of the several companies connected with the Toshiba transactions are resolved. To the extent that matters are resolved in our favor, we will reduce Customer Advances and record revenue or other income at that time.

Our restatement of prior period financial statements also includes adjustments for other previously identified errors that we had corrected in the periods they became known to us rather than in the periods in which they originated because we believed that the amounts of such errors, individually and in the aggregate, were not material to our financial statements for the affected periods. In this restatement, we have now recorded those corrections in the periods in which each error originated. Such adjustments (the Other Adjustments), which have been tax effected, primarily relate to (i) deferring or reversing revenue for certain customer orders in the Asia-Pacific region and (ii) reversing an income tax reserve that was unwarranted when established. Our restatement also includes an adjustment to correct our third quarter 2007 financial statements for a $10.4 million overstatement of reported net income, which resulted from tax errors detected in the fourth quarter of 2007 relating primarily to our release in the third quarter of a substantial portion of the valuation allowance for our U.S. net deferred tax assets.

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The following tables present the effect of the restatement adjustments by financial statement line item for our consolidated balance sheets as of June 30, 2007 and September 30, 2006, our consolidated statements of operations for the three and nine months ended June 30, 2007 and July 1, 2006, our consolidated statements of cash flows for the nine months ended June 30, 2007 and July 1, 2006, and our consolidated statements of comprehensive income for the three and nine months ended June 30, 2007 and July 1, 2006:

	June 30, 2007			
Consolidated Balance Sheet	As Reported	Revenue Adjustment	Other Adjustments(1)	Restated
	(in thousands)			
ASSETS				
Current assets:				
Cash and cash equivalents	$ 259,956	$	$	$ 259,956
Accounts receivable	171,764			171,764
Prepaid expenses	26,995			26,995
Other current assets	52,960			52,960
Deferred tax assets	23,283			23,283
Total current assets	534,958			534,958
Property and equipment, net	55,358			55,358
Goodwill	245,733			245,733
Acquired intangible assets, net	81,632			81,632
Deferred tax assets	63,694	9,596	(9,767)	63,523
Other assets	69,986			69,986
Total assets	$ 1,051,361	$ 9,596	$ (9,767)	$ 1,051,190
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Accounts payable	$ 19,004	$	$	$ 19,004
Accrued expenses and other current liabilities	52,848			52,848
Accrued compensation and benefits	54,599			54,599
Accrued income taxes	9,816		(1,305)	8,511
Customer advances		38,020		38,020
Deferred revenue	223,151			223,151
Total current liabilities	359,418	38,020	(1,305)	396,133
Other liabilities	96,065			96,065
Deferred revenue	8,225			8,225
Stockholders equity:				
Common stock	1,150			1,150
Additional paid-in capital	1,751,907			1,751,907
Accumulated deficit	(1,122,912)	(31,164)	(9,128)	(1,163,204)
Accumulated other comprehensive loss	(42,492)	2,740	666	(39,086)
Total stockholders equity	587,653	(28,424)	(8,462)	550,767

Total liabilities and stockholders equity	$ 1,051,361	$ 9,596	$ (9,767)	$ 1,051,190

(1) Consists of (i) an adjustment to correct our third quarter 2007 financial statements for the $10.4 million overstatement of reported net income, which resulted from tax errors detected in the fourth quarter of 2007 relating primarily to our release in the third quarter of a substantial portion of the valuation allowance for our U.S. net deferred tax assets and (ii) the effect of the correction we made in 2007 to reverse an income tax reserve that was unwarranted when established in 2004.

Consolidated Balance Sheet	As Reported	Revenue Adjustment	Other Adjustments(1)	Restated
	September 30, 2006 (in thousands)			
ASSETS				
Current assets:				
Cash and cash equivalents	$ 183,448	$	$	$ 183,448
Accounts receivable	181,008			181,008
Prepaid expenses	20,495			20,495
Other current assets	51,824			51,824
Deferred tax assets	1,341			1,341
Total current assets	438,116			438,116
Property and equipment, net	51,603			51,603
Goodwill	249,252			249,252
Acquired intangible assets, net	77,870			77,870
Deferred tax assets	3,205	5,943		9,148
Other assets	75,398			75,398
Total assets	$ 895,444	$ 5,943	$	$ 901,387
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Accounts payable	$ 17,109	$	$	$ 17,109
Accrued expenses and other current liabilities	52,128			52,128
Accrued compensation and benefits	72,632			72,632
Accrued income taxes	7,066		(1,305)	5,761
Customer advances		39,475		39,475
Deferred revenue	197,769			197,769
Total current liabilities	346,704	39,475	(1,305)	384,874
Other liabilities	97,413			97,413
Deferred revenue	13,228			13,228
Stockholders equity:				
Common stock	1,119			1,119
Additional paid-in capital	1,723,570			1,723,570
Accumulated deficit	(1,242,692)	(34,834)	1,305	(1,276,221)
Accumulated other comprehensive loss	(43,898)	1,302		(42,596)
Total stockholders equity	438,099	(33,532)	1,305	405,872
Total liabilities and stockholders equity	$ 895,444	$ 5,943	$	$ 901,387

(1) Consists of the effect of the

correction we made in 2007 to reverse an income tax reserve that was unwarranted when established in 2004.

Consolidated Statement of Operations	As Reported	Revenue Adjustment	Other Adjustments(1)	Restated
	Three months ended June 30, 2007 (in thousands, except per share data)			
Revenue:				
License	$ 62,098	$	$	$ 62,098
Service	162,998	(232)		162,766
Total revenue	225,096	(232)		224,864
Costs and expenses:				
Cost of license revenue	4,084			4,084
Cost of service revenue	67,673			67,673
Sales and marketing	74,573			74,573
Research and development	39,798			39,798
General and administrative	16,855			16,855
Amortization of acquired intangible assets	1,764			1,764
In-process research and development	544			544
Restructuring and other charges				
Total costs and expenses	205,291			205,291
Operating income (loss)	19,805	(232)		19,573
Other income (expense), net	2,268			2,268
Income (loss) before income taxes	22,073	(232)		21,841
Provision for (benefit from) income taxes	(65,155)	(3,902)	10,433	(58,624)
Net income (loss)	$ 87,228	$ 3,670	$ (10,433)	$ 80,465
Earnings per share Basic	$ 0.77			$ 0.71
Earnings per share Diluted	$ 0.74			$ 0.68

Consolidated Statement of Operations	As Reported	Revenue Adjustment	Other Adjustments	Restated
	Three months ended July 1, 2006 (in thousands, except per share data)			
Revenue:				
License	$ 65,711	$	$	$ 65,711
Service	150,993	(1,139)		149,854
Total revenue	216,704	(1,139)		215,565
Costs and expenses:				
Cost of license revenue	2,995			2,995
Cost of service revenue	65,579			65,579

Sales and marketing	70,033			70,033
Research and development	36,905			36,905
General and administrative	18,038			18,038
Amortization of acquired intangible assets	1,646			1,646
In-process research and development	2,100			2,100
Restructuring and other charges	5,947			5,947
Total costs and expenses	203,243			203,243
Operating income (loss)	13,461	(1,139)		12,322
Other income (expense), net	840			840
Income (loss) before income taxes	14,301	(1,139)		13,162
Provision for (benefit from) income taxes	(2,575)	(177)		(2,752)
Net income (loss)	$ 16,876	$ (962)	$	$ 15,914
Earnings per share Basic	$ 0.15			$ 0.14
Earnings per share Diluted	$ 0.15			$ 0.14

(1) Consists of an adjustment to correct our third quarter 2007 financial statements for the $10.4 million overstatement of reported net income, which resulted from tax errors detected in the fourth quarter of 2007 relating primarily to our release in the third quarter of a substantial portion of the valuation allowance for our U.S. net deferred tax assets.

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Consolidated Statement of Operations	As Reported	Revenue Adjustment	Other Adjustments(1)	Restated
	Nine months ended June 30, 2007 (in thousands, except per share data)			
Revenue:				
License	$ 200,022	$	$	$ 200,022
Service	474,837	(232)		474,605
Total revenue	674,859	(232)		674,627
Costs and expenses:				
Cost of license revenue	11,855			11,855
Cost of service revenue	204,855			204,855
Sales and marketing	215,694			215,694
Research and development	117,935			117,935
General and administrative	56,489			56,489
Amortization of acquired intangible assets	5,440			5,440
In-process research and development	544			544
Restructuring and other charges				
Total costs and expenses	612,812			612,812
Operating income (loss)	62,047	(232)		61,815
Other income (expense), net	4,396			4,396
Income (loss) before income taxes	66,443	(232)		66,211
Provision for (benefit from) income taxes	(53,337)	(3,902)	10,433	(46,806)
Net income (loss)	$ 119,780	$ 3,670	$ (10,433)	$ 113,017
Earnings per share Basic	$ 1.06			$ 1.00
Earnings per share Diluted	$ 1.02			$ 0.96

Consolidated Statement of Operations	As Reported	Revenue Adjustment	Other Adjustments(2)	Restated
	Nine months ended July 1, 2006 (in thousands, except per share data)			
Revenue:				
License	$ 178,852	$ (442)	$ 453	$ 178,863
Service	430,564	(6,038)	297	424,823
Total revenue	609,416	(6,480)	750	603,686
Costs and expenses:				
Cost of license revenue	8,187			8,187
Cost of service revenue	187,942		279	188,221

Sales and marketing	197,938		279	198,217
Research and development	107,477			107,477
General and administrative	55,706			55,706
Amortization of acquired intangible assets	4,292			4,292
In-process research and development	2,100			2,100
Restructuring and other charges	5,947			5,947
Total costs and expenses	569,589		558	570,147
Operating income (loss)	39,827	(6,480)	192	33,539
Other income (expense), net	2,743			2,743
Income (loss) before income taxes	42,570	(6,480)	192	36,282
Provision for (benefit from) income taxes	7,427	(970)		6,457
Net income (loss)	$ 35,143	$ (5,510)	$ 192	$ 29,825
Earnings per share Basic	$ 0.32			$ 0.27
Earnings per share Diluted	$ 0.31			$ 0.26

(1) Consists of an adjustment to correct our third quarter 2007 financial statements for the $10.4 million overstatement of reported net income, which resulted from tax errors detected in the fourth quarter of 2007 relating primarily to our release in the third quarter of a substantial portion of the valuation allowance for our U.S. net deferred tax assets.

(2) Consists of the reversal of the corrections we made in 2006 of

$0.8 million for revenue erroneously recorded from 2002 to 2004 in the Asia-Pacific region as well as the reversal of related legal reserves recorded in 2004, net of the related income tax effects of these two items, which was $0 because of our full valuation allowance against net deferred tax assets.

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	Nine months ended June 30, 2007			
Consolidated Statement of Cash Flows	As Reported	Revenue Adjustment	Other Adjustments	Restated
	(in thousands)			
Cash flows from operating activities:				
Net income (loss)	$ 119,780	$ 3,670	$ (10,433)	$ 113,017
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Stock-based compensation	22,507			22,507
Depreciation and amortization	28,882			28,882
Provision for (benefit from) deferred income taxes	(65,516)	(3,902)	10,433	(58,985)
In-process research and development	544			544
Other non-cash costs (credits), net	834			834
Changes in operating assets and liabilities, net of effects of acquisitions:				
Accounts receivable	33,483			33,483
Accounts payable and accrued expenses	(5,201)			(5,201)
Customer advances		232		232
Accrued compensation and benefits	(20,798)			(20,798)
Deferred revenue	21,454			21,454
Accrued income taxes, net of income tax receivable	(3,323)			(3,323)
Other current assets and prepaid expenses	(3,150)			(3,150)
Other noncurrent assets and liabilities	(14,424)			(14,424)
Net cash provided by operating activities	115,072			115,072
Cash flows from investing activities:				
Additions to property and equipment	(17,139)			(17,139)
Acquisitions of businesses, net of cash acquired	(24,546)			(24,546)
Acquisition of remaining equity interest in a controlled subsidiary	(3,972)			(3,972)
Net cash used by investing activities	(45,657)			(45,657)
Cash flows from financing activities:				
Proceeds from issuance of common stock	13,875			13,875
Payments of withholding taxes in connection with settlement of restricted stock units	(6,496)			(6,496)
Repurchases of common stock	(1,809)			(1,809)
Tax benefit from stock-based awards	292			292
Payments of capital lease obligations	(369)			(369)
Net cash provided by financing activities	5,493			5,493
Effect of exchange rate changes on cash and cash equivalents	1,600			1,600

Net increase in cash and cash equivalents	76,508			76,508
Cash and cash equivalents, beginning of period	183,448			183,448
Cash and cash equivalents, end of period	$ 259,956	$	$	$ 259,956

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Consolidated Statement of Cash Flows	As Reported	Revenue Adjustment	Other Adjustments	Restated
	Nine months ended July 1, 2006 (in thousands)			
Cash flows from operating activities:				
Net income (loss)	$ 35,143	$ (5,510)	$ 192	$ 29,825
Adjustments to reconcile net income (loss) to net cash provided by operating activities:				
Stock-based compensation	29,273			29,273
Depreciation and amortization	24,809			24,809
In-process research and development	2,100			2,100
Other non-cash costs (credits), net	1,958	(970)		988
Changes in operating assets and liabilities, net of effects of acquisitions:				
Accounts receivable	637			637
Accounts payable and accrued expenses	(10,487)		558	(9,929)
Customer advances		6,480		6,480
Accrued compensation and benefits	(14,353)			(14,353)
Deferred revenue	21,679		(750)	20,929
Accrued income taxes, net of income tax receivable	(24,572)			(24,572)
Other current assets and prepaid expenses	4,411			4,411
Other noncurrent assets and liabilities	(17,135)			(17,135)
Net cash provided by operating activities	53,463			53,463
Cash flows from investing activities:				
Additions to property and equipment	(13,065)			(13,065)
Acquisitions of businesses, net of cash acquired	(75,084)			(75,084)
Net cash used by investing activities	(88,149)			(88,149)
Cash flows from financing activities:				
Proceeds from issuance of common stock	4,052			4,052
Payment of withholding taxes in connection with settlement of restricted stock units	(102)			(102)
Credit facility origination costs	(897)			(897)
Payments of capital lease obligations	(323)			(323)
Net cash provided by financing activities	2,730			2,730
Effect of exchange rate changes on cash and cash equivalents	1,426			1,426
Net decrease in cash and cash equivalents	(30,530)			(30,530)
Cash and cash equivalents, beginning of period	204,423			204,423
Cash and cash equivalents, end of period	$ 173,893	$	$	$ 173,893

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Consolidated Statement of Comprehensive Income	Three months ended June 30, 2007			
	As Reported	Revenue Adjustment	Other Adjustments	Restated
	(in thousands)			
Comprehensive income (loss):				
Net income (loss)	$ 87,228	$ 3,670	$ (10,433)	$ 80,465
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment, net of tax of $0	(441)	1,464	(237)	786
Change in unrealized gain on investment securities, net of tax of $0				
Impact of release of valuation allowance on U.S. net deferred tax assets	(53)		903	850
Other comprehensive income (loss)	(494)	1,464	666	1,636
Comprehensive income	$ 86,734	$ 5,134	$ (9,767)	$ 82,101

Consolidated Statement of Comprehensive Income	Three months ended July 1, 2006			
	As Reported	Revenue Adjustment	Other Adjustments	Restated
	(in thousands)			
Comprehensive income (loss):				
Net income (loss)	$ 16,876	$ (962)	$	$ 15,914
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment, net of tax of $0	1,470	(484)		986
Change in unrealized gain on investment securities, net of tax of $0	28			28
Other comprehensive income (loss)	1,498	(484)		1,014
Comprehensive income	$ 18,374	$ (1,446)	$	$ 16,928

Consolidated Statement of Comprehensive Income	Nine months ended June 30, 2007			
	As Reported	Revenue Adjustment	Other Adjustments	Restated
	(in thousands)			
Comprehensive income (loss):				
Net income (loss)	$ 119,780	$ 3,670	$ (10,433)	$ 113,017
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment, net of tax of $0	2,139	1,438	(237)	3,340

Change in unrealized gain on investment securities, net of tax of $0	(680)			(680)
Impact of release of valuation allowance on U.S. net deferred tax assets	(53)		903	850
Other comprehensive income	1,406	1,438	666	3,510
Comprehensive income	$ 121,186	$ 5,108	$ (9,767)	$ 116,527

Consolidated Statement of Comprehensive Income	**As Reported**	**Nine months ended July 1, 2006 Revenue Adjustment**	**Other Adjustments**	**Restated**
		(in thousands)		
Comprehensive income (loss):				
Net income (loss)	$ 35,143	$ (5,510)	$ 192	$ 29,825
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustment, net of tax of $0	1,044	793		1,837
Change in unrealized gain on investment securities, net of tax of $0	(205)			(205)
Other comprehensive income	839	793		1,632
Comprehensive income	$ 35,982	$ (4,717)	$ 192	$ 31,457

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3. Restructuring Charges

There were no restructuring charges recorded in the first nine months of 2007.

In the third quarter and first nine months of 2006, we recorded a net restructuring charge of $5.9 million. In the second quarter of 2006, we announced that we would undertake certain cost-reduction initiatives. These initiatives were substantially completed in the third quarter of 2006 and resulted in a restructuring charge of $7.4 million for severance and related costs associated with the termination of 91 employees in the third quarter of 2006, partially offset by a credit of $1.5 million primarily related to a plan to reoccupy a portion of our headquarters facility that was previously vacant and included in restructuring costs in prior periods. The headquarters space was available for sublease and was being marketed, but was reoccupied due to space requirements related to our acquisition of Mathsoft.

The following table summarizes restructuring accrual activity for the three and nine months ended June 30, 2007:

	Three months ended June 30, 2007			Nine months ended June 30, 2007		
	Employee Severance and Related Benefits	Facility Closures and Other Costs	Total	Employee Severance and Related Benefits	Facility Closures and Other Costs	Total
	(in thousands)					
Beginning balance	$ 302	$ 18,451	$ 18,753	$ 1,084	$ 21,293	$ 22,377
Cash disbursements	(306)	(1,469)	(1,775)	(1,127)	(4,395)	(5,522)
Foreign exchange impact	4	25	29	43	109	152
Balance, June 30, 2007	$	$ 17,007	$ 17,007	$	$ 17,007	$ 17,007

As of June 30, 2007, of the $17.0 million remaining in accrued restructuring charges, $6.8 million was included in current liabilities and $10.2 million was included in other long-term liabilities, principally for facility costs to be paid out through 2014.

In determining the amount of the facilities accrual, we are required to estimate such factors as future vacancy rates, the time required to sublet properties and sublease rates. These estimates are reviewed quarterly based on known real estate market conditions and the credit-worthiness of subtenants, and may result in revisions to established facility reserves. We had accrued $16.5 million as of June 30, 2007 related to excess facilities (compared to $20.7 million at September 30, 2006), representing gross lease commitments with agreements expiring at various dates through 2014 of approximately $38.7 million, net of committed and estimated sublease income of approximately $21.8 million and a present value factor of $0.4 million. We have entered into signed sublease arrangements for approximately $19.4 million, with the remaining $2.4 million based on future estimated sublease arrangements, including $1.5 million for space currently available for sublease.

We are currently taking steps to improve operating margins and increase our strategic presence in emerging geographies. In the fourth quarter of 2007, we expect to terminate the employment of approximately 200 employees, which will result in a restructuring charge for severance and related costs of approximately $11 million in the fourth quarter of 2007. Additionally, we are evaluating other cost savings opportunities including optimizing the use of our leased facilities worldwide and relocating functions and additional workforce to lower-cost geographies. This process may result in additional restructuring costs in the fourth quarter of 2007 and in 2008.

4. Stock-based Compensation

We account for stock-based compensation under Statement of Financial Accounting Standards No. 123 (revised 2004), *Share-Based Payment* (SFAS 123(R). SFAS 123(R) requires us to measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award using an option pricing model. That cost is recognized over the period during which an employee is required to provide service in exchange for the award.

Our equity incentive plans provide for grants of nonqualified and incentive stock options, common stock, restricted stock, restricted stock units and stock appreciation rights to employees, directors, officers and consultants. Until July 2005, we generally granted stock options. For those options, the option exercise price was typically the fair market value of our common stock at the date of grant and they generally vested over four years and expired ten years from the date of grant. Since our adoption of SFAS 123(R), we have awarded restricted stock and restricted stock units as the principal equity incentive awards, including performance-based awards that are earned based on achievement of performance criteria established by the Compensation Committee of our Board of Directors on or prior to the grant date. Each restricted stock unit represents the contingent right to receive one share of our common stock. Our equity incentive plans are described more fully in Note J to the Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2006. We made the following restricted stock and restricted stock unit grants in the third quarter and first nine months of 2007 and 2006:

	Restricted Stock		**Restricted Stock Units**	
Grant Period	**Performance-based**	**Time-based**	**Performance-based**	**Time-based**
	(Number of Shares)		**(Number of Units)**	
Third quarter of 2007				420,740
First nine months of 2007	495,768	442,590	60,561	1,148,922
Third quarter of 2006			2,991	5,351
First nine months of 2006	515,617	434,800	338,858	1,297,629

Restricted Stock

Performance-based awards. In the first nine months of 2007 and 2006, we granted to our executive officers performance-based shares that are earned based on achievement of certain Company operating performance criteria specified by the Compensation Committee on or prior to the date of grant. With respect to the 2007 grants, in the third quarter of 2007, we reversed all compensation expense that we had recorded during the first six months of 2007 as we do not currently expect that these performance-based shares will be earned. With respect to the 2006 grants, because the specified performance criteria were achieved in full, the restrictions on 284,417 of the shares lapsed on November 9, 2006 and the restrictions on the remaining shares will lapse in equal installments on November 9, 2007 and 2008, provided that the holder of the award remains employed by us at those dates.

Time-based awards. In the second quarter of 2007, we granted 366,800 and 75,790 shares to our executive officers and members of our Board of Directors, respectively. The restrictions on the executive shares will lapse in substantially equal installments on February 15, 2008, 2009 and 2010, provided that the holder of the award remains employed by us at those dates. The restrictions on the shares granted to our directors will lapse in substantially equal installments on March 7, 2008, 2009 and 2010, provided that the holder of the award remains a director at those dates. In the first quarter of 2006, we granted 346,800 shares to our executive officers. The restrictions on one-third of these shares lapsed on November 9, 2006 and those on the remaining shares will lapse in substantially equal installments on November 9, 2007 and 2008, provided that the holder of the award remains employed by us at those dates. In the second quarter of 2006, we issued 88,000 shares of restricted stock to our non-employee directors, of which the restrictions on one-third of the shares lapsed on February 15, 2007 and the restrictions on the remaining shares will lapse in substantially equal installments on each of February 15, 2008 and 2009, provided that the holder of the award remains a director at those dates.

Restricted Stock Units

Performance-based awards. In the first nine months of 2007, we granted 60,561 performance-based restricted stock units to employees in connection with our employee management incentive plans for the 2007 fiscal year. These shares will vest on the later of November 9, 2007 or the date the Compensation Committee determines the extent to which the performance criteria have been achieved, provided that the holder of the award remains employed by us at that date. In the third quarter of 2007, we reversed all compensation expense related to these restricted stock units that we had recorded during the first six months of 2007 as we do not currently expect that these performance-based restricted stock units will be earned. In the first nine months of 2006, we granted 338,858 performance-based restricted stock units to employees in connection with our employee management incentive plans for the 2006 fiscal year, which were earned in full on November 9, 2006 based on achievement of specified performance criteria established by the Compensation Committee.

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Time-based awards. In the third quarter and first nine months of 2007, we granted 420,740 and 1,148,922 restricted stock units, respectively, to employees. The restricted stock units granted in the third quarter of 2007 will vest in three substantially equal installments on each of March 15, 2008, 2009 and 2010, provided that the holder of the award remains employed by us at those dates. The remaining 2007 awards will vest in substantially equal installments on each of the first three anniversaries of the date of grant, provided that the holder of the award remains employed by us at those dates. In the third quarter and first nine months of 2006, we granted 5,351 and 1,297,629 restricted stock units, respectively, to employees, which vest in three substantially equal installments on each of the first three anniversaries of the date of grant, provided that the holder of the award remains employed by us at those dates.

With respect to all types of equity awards, in the first nine months of 2007, the restrictions on 664,463 restricted shares lapsed and 1,101,133 restricted stock units vested. The fair value of restricted shares and restricted stock units granted in the first nine months of 2007 was based on the fair market value of our common stock on the date of grant. The weighted average fair value per share of restricted shares and restricted stock units granted in the first nine months of 2007 was $18.55.

Stock-based compensation expense amounts presented below reflect the reversal in the third quarter of 2007 of $3.0 million recorded in the first six months of 2007 related to performance-based awards in connection with our executive and employee management incentive plans for the 2007 fiscal year. These performance-based awards would be earned based on achievement of operating performance targets which we currently do not believe will be met. The following table shows the classification of compensation expense recorded for our stock-based awards as reflected in our consolidated statements of operations:

	Three months ended		**Nine months ended**	
	June 30, 2007	**July 1, 2006**	**June 30, 2007**	**July 1, 2006**
	(in thousands)			
Cost of license revenue	$ 60	$ 29	$ 100	$ 96
Cost of service revenue	993	1,969	4,671	5,830
Sales and marketing	2,035	2,547	5,926	7,241
Research and development	1,058	2,336	4,529	6,653
General and administrative	884	3,188	7,281	9,453
Total stock-based compensation expense	$ 5,030	$ 10,069	$ 22,507	$ 29,273

5. Common Stock and Earnings Per Share (EPS)

Earnings Per Share

Basic EPS is calculated by dividing net income by the weighted average number of shares outstanding during the period. Unvested restricted shares, although legally issued and outstanding, are not considered outstanding for purposes of calculating basic earnings per share. Diluted EPS is calculated by dividing net income by the weighted average number of shares outstanding plus the dilutive effect, if any, of outstanding stock options, restricted shares and restricted stock units using the treasury stock method. The calculation of the dilutive effect of outstanding equity awards under the treasury stock method includes consideration of unrecognized compensation expense and any tax benefits as additional proceeds.

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The following table presents the calculation for both basic and diluted EPS:

	Three months ended		Nine months ended	
	June 30, 2007 Restated Note 2	July 1, 2006 Restated Note 2	June 30, 2007 Restated Note 2	July 1, 2006 Restated Note 2
	(in thousands, except per share data)			
Net income	$ 80,465	$ 15,914	$ 113,017	$ 29,825
Weighted average shares outstanding Basic	113,154	109,947	112,610	109,672
Dilutive effect of employee stock options, restricted shares and restricted stock units	4,346	2,924	4,813	3,258
Weighted average shares outstanding Diluted	117,500	112,871	117,423	112,930
Earnings per share Basic	$ 0.71	$ 0.14	$ 1.00	$ 0.27
Earnings per share Diluted	$ 0.68	$ 0.14	$ 0.96	$ 0.26

Stock options to purchase 3.5 million shares for both the third quarter and first nine months of 2007 and 5.5 million and 4.4 million shares for the third quarter and first nine months of 2006, respectively, were outstanding but were not included in the calculation of diluted earnings per share because the exercise prices per share, plus the per share tax benefits and unamortized compensation relating thereto, were greater than the average market price of our common stock for those periods. These shares were excluded from the computation of diluted EPS as the effect would have been anti-dilutive.

Share Repurchase Authorization

In September 1998, our Board of Directors authorized the repurchase of up to 8.0 million shares of our common stock and in July 2000 increased the shares authorized for repurchase to 16.0 million. We had repurchased 12.5 million shares through the end of 2004 and did not repurchase any additional shares until the third quarter of 2007, when our Board of Directors authorized us to resume repurchases within established parameters (described in Part II, Item 2 of this report). In the third quarter of 2007, we repurchased 100,000 shares for $1.8 million. Through the end of the third quarter of 2007, we had repurchased, at a cost of $368.6 million, a total of 12.6 million shares of the 16.0 million shares authorized for repurchase. In the fourth quarter of 2007 to date, we have repurchased an additional 457,000 shares for $8.2 million.

6. Acquisitions

NC Graphics

In the third quarter of 2007, we acquired NC Graphics (Cambridge) Limited, headquartered in England, for $7.2 million in cash, including $0.2 million of acquisition-related transaction costs. NC Graphics provided computer-aided manufacturing solutions for design and machining of molds, dies, prototypes, and other high-speed precision machining applications. Results of operations for NC Graphics have been included in the accompanying consolidated statements of operations since May 3, 2007. Our results of operations prior to this acquisition if presented on a pro forma basis, as if the companies had been combined since the beginning of fiscal 2006, would not differ materially from our reported results.

This acquisition was accounted for as a business combination. The purchase price allocation is preliminary pending the final valuation of the acquired assets and liabilities. The preliminary purchase price allocation resulted in goodwill of $1.5 million; intangible assets of $5.8 million (including purchased software of $4.3 million, customer relationships of $1.4 million, and other intangible assets of $0.1 million, which are being amortized over useful lives ranging from 1 to 9 years); other net assets of $0.8 million; and deferred tax liabilities of $1.4 million. In addition, the preliminary purchase price allocation resulted in a charge of $0.5 million for in-process research and development.

ITEDO

In the first quarter of 2007, we acquired ITEDO Software GmbH and ITEDO Software LLC (together, ITEDO), headquartered in Germany, for $16.7 million in cash, including $0.2 million of acquisition-related costs. In addition, we agreed to pay up to $0.5 million of additional cash consideration if specified product integration targets are achieved within three years of the acquisition date of which $0.3 million was paid in the third quarter of 2007. ITEDO provided software solutions for creating and maintaining technical illustrations to customers in multiple discrete manufacturing vertical markets such as automotive, aerospace and defense, and industrial equipment. ITEDO had approximately 30 employees and generated revenue of approximately $5 million for the twelve months ended July 31, 2006. Results of operations for ITEDO have been included in the accompanying consolidated statements of operations since October 19, 2006. Our results of operations prior to this acquisition if presented on a pro forma basis, as if the companies had been combined since the beginning of fiscal 2006, would not differ materially from our reported results.

This acquisition was accounted for as a business combination. The purchase price allocation resulted in goodwill of $11.5 million; intangible assets of $8.1 million (including purchased software of $6.2 million, customer relationships of $1.8 million, and other intangible assets of $0.1 million, which are being amortized over useful lives ranging from 4 to 10 years); other net liabilities of $1.0 million; restructuring accruals of $0.3 million related to our planned integration of ITEDO; deferred tax liabilities of $2.5 million, equal to the tax effect of the amount of the acquired intangible assets other than goodwill that are not deductible for income tax purposes; and, as a result of recording those deferred tax liabilities, a $1.2 million reduction in our valuation allowance recorded against our pre-acquisition deferred tax assets in the U.S. and a foreign jurisdiction. The goodwill and certain intangible assets are not deductible for tax purposes.

This transaction resulted in $11.5 million of purchase price that exceeded the estimated fair values of tangible and intangible assets and liabilities, all of which was allocated to goodwill. We believe that the high amount of goodwill relative to identifiable intangible assets was the result of several factors including the potential to sell ITEDO products into our traditional manufacturing customer base, including leveraging our direct and indirect sales force and our established presence in geographies not previously served by ITEDO; and our intention to integrate our ITEDO, Arbortext, Windchill and Pro/ENGINEER solutions to enhance our technical publications capabilities.

Mathsoft

In the third quarter of 2006, we acquired Mathsoft Corporate Holdings, Inc., including its wholly owned subsidiary Mathsoft Engineering & Education, Inc. (together, Mathsoft). Mathsoft s primary product was Mathcad® software, which helps engineering organizations create, automate, document and reuse engineering calculations in the product development process, and in other mathematics-driven processes. Mathsoft had approximately 120 employees in offices primarily in the U.S. and Europe and generated revenue of approximately $20 million for the twelve months ended March 31, 2006. Results of operations for Mathsoft have been included in the accompanying consolidated statement of operations since April 29, 2006. Our results of operations prior to this acquisition if presented on a pro forma basis, as if the companies had been combined since the beginning of fiscal 2006, would not differ materially from our reported results.

DENC and Cadtrain

In the first quarter of 2006, we acquired DENC AG and substantially all of the assets of Cadtrain, Inc. for an aggregate of $9.9 million in cash. In addition, we agreed to pay up to an aggregate of $2.0 million of additional cash consideration if specified targets, including revenue and customer retention results, were achieved within one year of the acquisition dates. As of September 30, 2006, the specified targets of the DENC contingent purchase price arrangement were met and related payments of $0.5 million were recorded as additional goodwill. In the first quarter of 2007, the specified targets of the Cadtrain contingent purchase price arrangement were met and related payments of $1.5 million were recorded as additional goodwill.

7. Goodwill and Acquired Intangible Assets

We have two reportable segments: (1) software products and (2) services. As of June 30, 2007 and September 30, 2006, goodwill and acquired intangible assets in the aggregate attributable to our software products reportable segment was $301.9 million and $300.9 million, respectively; and attributable to our services reportable segment was $25.5 million and $26.2 million, respectively. Goodwill and other intangible assets are tested for impairment at least annually, or on an interim basis if an event occurs or circumstances change that would, more likely than not,

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reduce the fair value of the reporting segment below its carrying value. We completed our annual impairment review as of June 30, 2007 and concluded that no impairment charge was required as of that date.
Goodwill and acquired intangible assets consisted of the following:

	June 30, 2007			September 30, 2006		
	Gross Carrying Amount	Accumulated Amortization	Net Book Value	Gross Carrying Amount	Accumulated Amortization	Net Book Value
	(in thousands)					
Goodwill and intangible assets with indefinite lives (not amortized):						
Goodwill			$ 245,733			$ 249,252
Trademarks			4,271			4,200
			250,004			253,452