

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

FORM 10-K

X ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE
- - - - ACT OF 1934 FOR THE FISCAL YEAR ENDED JANUARY 31, 1996

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
- - - - EXCHANGE ACT OF 1934

COMMISSION FILE NUMBER: 0-14338

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

DELAWARE 94-2819853
(STATE OR OTHER JURISDICTION OF (I.R.S. EMPLOYER
INCORPORATION OR ORGANIZATION) IDENTIFICATION NO.)

111 MCINNIS PARKWAY, SAN RAFAEL, CALIFORNIA 94903
(ADDRESS OF PRINCIPAL EXECUTIVE (ZIP CODE)
OFFICES)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE: (415) 507-5000

SECURITIES REGISTERED PURSUANT TO SECTION 12(B) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
----- None	----- None

SECURITIES REGISTERED PURSUANT TO SECTION 12(G) OF THE ACT:

COMMON STOCK, \$0.01 PAR VALUE
(TITLE OF CLASS)

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 No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

The aggregate market value of the voting stock held by non-affiliates of the Registrant, based upon the closing sale price of the Common Stock on April 22, 1996 as reported on the Nasdaq National Market, was approximately \$1,292,000,000. Shares of Common Stock held by each officer and director and by each person who owns 5% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

As of April 22, 1996, Registrant had outstanding 46,082,000 shares of Common Stock.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Annual Report to Stockholders for the fiscal year ended January 31, 1996 are incorporated by reference into Parts II and IV. Portions of the Proxy Statement for Registrant's 1996 Annual Meeting of Stockholders to be held June 27, 1996 are incorporated by reference in Part III.

PART I

ITEM 1. BUSINESS

GENERAL

Autodesk, Inc. ("Autodesk" or the "Company"), develops, markets, and sells a family of design and multimedia software and component technologies for use on personal computers and workstations. The Company is the world's leading volume supplier of computer-aided design ("CAD") software and the world's fourth-largest PC-software company. Customers use Autodesk's software products for tasks ranging from mechanical design and facilities management to digital terrain modeling and videography. The Company's software products are sold worldwide, primarily through a network of dealers and distributors.

In February 1995, the Company realigned its internal marketing and development organizations around the five key market groups that most closely match Autodesk's customer base. Each market group incorporates product development, quality assurance, technical publications, and product industry marketing. These market groups are discussed below.

Architecture, Engineering, and Construction/Facilities Management ("AEC/FM")--The architecture, engineering, construction and facilities management industries utilize software from Autodesk and third-party developers to manage every phase of a building's life cycle--from conceptual design through construction, maintenance and renovation. CAD is an integral part of today's building design and construction process. The Company believes that the majority of its CAD sales are used by the AEC/FM industry.

Mechanical Computer-Aided Design ("MCAD")--Autodesk's Mechanical CAD Market Group is dedicated to providing mechanical engineers, designers, and drafters with advanced, value-based software solutions that help solve their professional design challenges. The Company's MCAD products include Autodesk Mechanical Desktop, AutoCAD Designer, and AutoSurf.

Geographic Information Systems ("GIS")--The Company's GIS Market Group strategy is to provide easy-to-use mapping and GIS technology to help businesses and governments manage their assets and infrastructure. The GIS Market Group is addressing how automated mapping/facilities management, GIS, and CAD users can share mapping, GIS, and associated information in a corporate environment. AutoCAD Map, which is expected to ship during fiscal year 1997, will be the first in a series of mapping and GIS products planned by Autodesk.

Data Management ("DM")--The Data Management Market Group develops and markets products that allow users to organize, access, share, view, and revise design-related information. DM products offered by the Company include Autodesk WorkCenter, Autodesk View, AutoCAD Data Extension ("ADE"), as well as products from Autodesk Data Publishing which publishes pre-formatted product and reference libraries for specific markets.

Kinetix--The Kinetix division of Autodesk (formerly Autodesk's Multimedia Market Group) is devoted to bringing powerful 3D content-creation software to computer-industry professionals focused on film, video, interactive games, and design visualization. Products offered from this market group include 3D Studio MAX and 3D Studio.

In addition to the five market groups discussed above, the Company has established an Advanced Products Group which focuses on providing a new generation of tools for a much broader market. The goal of this group is to expand Autodesk's traditional customer base of architects and engineers by creating, for example, products for individuals in associated trades, such as landscaping and interior design.

PRODUCTS

The Company's primary CAD software products include AutoCAD, AutoCAD LT, and AutoSketch.

AutoCAD

AutoCAD software is a general-purpose CAD tool used independently and in conjunction with specific applications designed to work with AutoCAD in fields ranging from architecture and mechanical design to plant design and mapping. Professionals utilize AutoCAD for design, modeling, drafting, mapping, rendering, and management tasks. The most current version, AutoCAD Release 13, was introduced in November 1994. AutoCAD runs on MS-DOS, Windows 95, Windows NT for both Intel and Alpha, Windows 3.1, and certain UNIX platforms (Sun Solaris, HP-UX, Silicon Graphics, Inc., IRIX, and IBM AIX). The installed base of AutoCAD exceeds 1.4 million units. Because AutoCAD's .DWG files are portable across many platforms and operating systems, it is a viable solution for customers with multiple computer systems who need to exchange drawing files in such an environment.

Advanced AutoCAD functionality includes a comprehensive 2D and 3D drafting feature set. AutoCAD also has integrated 3D solid modeling, rendering, extensive 2D geometry such as NURBS (nonuniform rational B-splines), and ellipses, associative hatching, streamlined dimensioning, and text editing with a built-in spell checker.

AutoCAD software's open-system architecture allows users to adapt AutoCAD to unique professional requirements with any of more than 4,500 independently developed add-on applications. Independent application developers can use the AutoCAD Runtime Extension ("ARX") programming environment to take advantage of the rearchitected core technology contained in AutoCAD Release 13, which incorporates object-oriented programming to provide a foundation for the development of custom, market-specific applications.

Sales of AutoCAD and AutoCAD updates accounted for approximately 80 percent of the Company's revenues in fiscal years 1996 and 1995 as compared to approximately 85 percent in fiscal year 1994.

Autodesk is committed to enhancing AutoCAD software's core technology while at the same time extending the Company's reach with complementary products of varying price and functionality, some of which are described below.

AutoCAD LT

AutoCAD LT for Windows is a low-cost CAD package offering a wide range of 2D and basic 3D drafting capabilities. With an installed base of more than 250,000 seats, AutoCAD LT is intended for CAD managers, designers, and engineers who need a powerful, stand-alone CAD tool, but who do not require AutoCAD's advanced feature set. AutoCAD LT software contains an extensive 2D drafting toolset as well as 3D lines and polylines with quick shading and hidden-line removal. Other features include Aerial View for panning and zooming and Paper Space for scaling, annotating, and assembling multiple drawing views before plotting. Operating in the Windows environment with pull-down menus, customizable toolbar, toolbox, menus, and scripts, as well as dialog boxes and icons, AutoCAD LT is easy to learn and use. AutoCAD LT supports the Windows Clipboard, as well as Object Linking and Embedding, which allows users to link AutoCAD LT drawings to other Windows applications such as Microsoft Word or Excel. AutoCAD LT has complete data compatibility with AutoCAD Release 11 and Release 12, which allows the exchange of drawings with other AutoCAD users with no loss of 2D geometry data.

AutoSketch

AutoSketch for Windows is a low-cost, entry-level 2D drafting package that can be used for creating technical diagrams, architectural layouts, electrical drawings, mechanical plans, information graphics, and presentations. AutoSketch offers easy tool customization; 13 library packs with more than 2,000 predrawn symbols; extensive editing capabilities; double-precision geometry; and the ability to write .DWG files for AutoCAD and AutoCAD LT users.

AutoCAD OEM

AutoCAD OEM ("Original Equipment Manufacturer") for Windows is a selectively-licensed CAD engine offering a complete application-development environment for creating and delivering targeted or niche solutions with scaled feature sets. It is for developers, as well as enterprise-wide solution providers, requiring an embeddable CAD system which gives them the ability to scale and control the application feature set. AutoCAD OEM provides developers with a complete toolkit of AutoCAD features and application-programming interfaces ("API") including a full suite of drawing and editing functions as well as AutoLISP, a LISP API and the AutoCAD Development System, a C programming interface. These capabilities enable development of new products for new markets untapped by traditional CAD products and solutions.

Autodesk's Mechanical CAD products include Autodesk Mechanical Desktop, AutoCAD Designer, AutoSurf, and the Autodesk Mechanical Library, which are discussed below.

Mechanical Desktop

Autodesk Mechanical Desktop software, which began shipping in the first quarter of fiscal year 1997, is an integrated software application that provides advanced 2D and 3D mechanical design functions for desktop PCs. The Mechanical Desktop contains integrated modules for parametric feature-based solid modeling, surface modeling, and assembly modeling, all with associative drafting, as well as AutoCAD Release 13 and the Autodesk IGES Translator, which enables users to accurately and efficiently exchange all versions of IGES (Initial Graphics Exchange Specification)-formatted files. The Mechanical Desktop is compatible with other Autodesk product offerings, including Autodesk WorkCenter for technical document and workflow management.

AutoCAD Designer

AutoCAD Designer software delivers the power and flexibility of 3D feature-based solid modeling and assembly modeling and is completely integrated with AutoCAD software. Users of AutoCAD Designer can sketch in the industry-standard 2D AutoCAD environment and automatically create a 3D parametric solid model using "intelligent" shapes such as holes, fillets, and protrusions. Other features include automatically generated, fully associative, multiview detail drawings; the capability to create, document, and analyze mechanical assemblies; and full interoperability with a variety of independently developed applications. AutoCAD Designer is suited for drafters, designers, and engineers involved in the conceptualization, design, or drafting of mechanical parts in a variety of manufacturing industries including automotive, electrical equipment, machinery, plastics, and aerospace. AutoCAD Designer .DWG files can be used with other AutoCAD software applications as well as with Autodesk visualization products and independently developed applications.

AutoSurf

AutoSurf software is integrated with AutoCAD, AutoCAD Designer, and AutoVision software and provides customers with sophisticated, yet easy-to-use, 3D surface-modeling tools for use on PCs and engineering workstations. Fully interoperable with AutoCAD, AutoSurf extends AutoCAD's 3D modeling capabilities with sophisticated surface-modeling, -editing, and -analysis tools. AutoSurf also interoperates with other Autodesk products; for example, users can obtain complex-shape descriptions by cutting AutoCAD Designer parametric solids with AutoSurf software's sculpted free-form NURBS surfaces. AutoCAD IGES Translator software is included to ensure accurate and complete data transition across different high-end CAD systems; data can be accurately transferred, queried, and manipulated in AutoSurf, and then used in other functions in the design process. AutoSurf helps customers design complex mechanical component parts such as sophisticated consumer products, automotive products, molds, turbines, and propellers.

Autodesk Mechanical Library

Available on CD-ROM via a regularly updated subscription service from Autodesk Data Publishing, the Autodesk Mechanical Library currently consists of two titles: PartSpec and MaterialSpec. PartSpec is a "digital warehouse" representing more than 50 leading US vendors with more than 300,000 predrawn, purchasable, 2D parts drawings--plus associated attribute information--in AutoCAD .DWG file format for easy insertion into AutoCAD drawings. MaterialSpec contains a complete database of more than 25,000 materials from more than 300 manufacturers worldwide, described in more than 100,000 full-text records. Both titles offer a unified graphical user interface, run in Windows and DOS, and are fully compatible with Autodesk software and other design systems.

Autodesk's GIS Market Group is expected to offer a family of GIS products, tools, and developer programs to address the unique requirements of customers who use geographic information. The first product in the GIS product family, AutoCAD Map, is discussed below.

AutoCAD Map

AutoCAD Map, which is expected to ship during fiscal year 1997, will be the first in a series of mapping and GIS software planned by Autodesk. Incorporating the drafting power of AutoCAD software and the data management functionality of AutoCAD Data Extension software, AutoCAD Map adds comprehensive automated mapping and GIS tools, plus an application programming interface ("API") for designing custom applications. Using AutoCAD .DWG as its native file format, AutoCAD Map allows a user to import .MIF/.MID (MapInfo), .SHP (Environmental Systems Research Institute, Inc.), .DXF, and .DGN (Intergraph Corporation) formats and to export complete and accurate files in the same formats. The software provides a full set of map-creation and editing tools, including digitizing, rubber sheeting, and multiuser editing; extensive cleanup capabilities, thematic mapping capabilities; and essential geographic analysis features that utilize GIS topology, such as polygon overlay, buffering, and network analysis. AutoCAD Map offers broad map projections support and map presentation and plotting features, such as the ability to specify plot sets for map series and book production.

The Company's principal data management programs, Autodesk WorkCenter, Autodesk View, and AutoCAD Data Extension, are discussed below.

Autodesk WorkCenter

Windows-based Autodesk WorkCenter software is an easily customized software system for managing technical documents and automating workflow for design teams. Its built-in management tools allow users to organize documents according to specific needs; check documents in and out of a secured, multiuser environment; and automatically manage revisions over time. With workflow automation tools such as electronic notification, document distribution, approvals, and task routing with all relevant documents attached, Autodesk WorkCenter permits users to track projects easily and manage the flow of workgroup information. Its customizable interface and unique SmartView Folders feature allow users such as architects, mechanical engineers, or facilities managers to tailor the program using terminology and document/project organization schemes that work for them.

Fully integrated with AutoCAD for Windows, Autodesk WorkCenter offers CAD-document redlining and extensive viewing capabilities and works with more than 150 types of electronic documents, including text, spreadsheet, graphics, database, and CAD files. Thus, managers can view CAD drawings even though they may be unfamiliar with CAD software. The software also allows users to compare two drawings, and then highlights their differences.

Autodesk View

Autodesk View is a low-cost CAD preview, view, and redline tool for design teams. It views more than 150 file formats common to drafters, designers, and managers, including office productivity formats. With Autodesk View, project managers can distribute AutoCAD files and related documents to users in a workgroup who, regardless of their CAD proficiency, need to view and comment on them, and be assured that the original documents will not be altered in the process.

AutoCAD Data Extension

AutoCAD Data Extension ("ADE") software is an add-on program that incorporates AutoCAD drawings with database records and other documents into one integrated environment. The graphical information created with ADE allows users to locate data within a set of AutoCAD drawings based upon entity location; properties such as color, layer, or linetype; or associated data. Well suited for multiuser work environments, ADE software provides simultaneous access to an organization's entire drawing database. Entity-locking and user-access controls monitor changes to source drawings and prevent accidental overwrites. Other features include data management tools that automatically link drawing objects to database records and related documents.

Autodesk Data Publishing

Autodesk's Data Management Market Group also includes product offerings from Autodesk Data Publishing ("ADP") which publishes preformatted product and reference libraries for specific markets. ADP titles include PartSpec and MaterialSpec (as previously described) and PlantSpec, which is expected to ship in fiscal year 1997, and provides purchased parts information to users in the process manufacturing industry.

The principal product offerings from the Kinetix division are discussed below.

3D Studio MAX

3D Studio MAX software, which began shipping in the first quarter of fiscal year 1997, is a 3D modeling and animation software package specifically written to take advantage of advanced features offered by the Windows NT operating system. With real-time interface, multiple-processor support, and 3D graphics acceleration capabilities, 3D Studio MAX delivers workstation-class performance and functionality to desktop PCs.

The easily navigated, intuitive interface eliminates many of the commonly accepted boundaries between modeling, rendering, and animation, and offers instant feedback; users can see the results of their actions, in real time, as they are applied. Shaded views with real-time feedback allow users to visualize natural, real-world environments in which they can directly manipulate objects, regardless of scene complexity. Because 3D Studio MAX software maintains a data history of geometry creation and modification, users can return to and change any step, at any time, without having to redo prior work. 3D Studio MAX is also the only environment that can run Character Studio, a character-animation and skinning plug-in software product offered by Autodesk which is expected to ship in fiscal year 1997.

3D Studio

3D Studio is a graphics package for creating professional-quality 3D modeling and animation. This PC-based software product, running in a DOS environment, provides a full complement of modeling, animation, and rendering tools that help users create richly textured, workstation-quality images and animations. In addition, 3D Studio and AutoCAD files are easily exchanged and allow for the development of advanced engineering or architectural visualizations. This product is well suited for animation designers and can be used to create corporate presentations, broadcast animations, industrial design visualizations, crime reenactments, and architectural walk-throughs, as well as for education and training.

AutoVision

AutoVision software helps users create photorealistic still renderings and is integrated completely within AutoCAD software. With AutoVision, AutoCAD users can produce high-impact images and render, light, and compare multiple views of a single drawing. AutoVision is compatible with Autodesk 3D Studio and the Company's Texture Universe software, a collection of ready-to-use, digitized textures and backgrounds offering further visualization capabilities.

PRODUCT DEVELOPMENT AND ENHANCEMENT

The computer industry is characterized by rapid technological change in computer hardware, operating systems, and software. To keep pace with this change, Autodesk maintains an aggressive program of new product development. The Company dedicates considerable resources to research and development to further enhance its existing products and to create new products and technologies. During fiscal years 1996, 1995, and 1994, the Company incurred \$78,678,000, \$65,176,000, and \$56,231,000, respectively, for software design, development, product localization, and project-management activities (excluding capitalized software development costs of approximately \$2,100,000 in fiscal year 1995; no software development costs were capitalized during fiscal years 1996 and 1994).

The majority of the Company's basic research and product development has been performed in the US, while translation and localization of foreign-market versions are generally performed by development teams or contractors in the local markets. The Company's European product-related functions, including software development, localization, quality assurance, technical publications, and production are centralized in Neuchatel, Switzerland.

The Company intends to continue recruiting and hiring experienced software developers and to consider the licensing and acquisition of complementary software technologies and businesses. In addition, Autodesk will continue to actively collaborate with and support independent software developers who offer products that enhance and complement AutoCAD software and other products the Company offers.

The software products offered by the Company are internally complex and may contain errors ("bugs"), as is the case generally with computer software, especially when first introduced. Despite extensive product testing and quality control, there can be no assurance that errors will not be found in the Company's products. Such errors could result in damage to the Company's reputation, loss of revenues, or lack of market acceptance of its products, any of which could have a material and adverse effect on the Company's business and consolidated results of operations.

Certain of the Company's product development activities are performed by independent firms and contractors while other technologies are licensed from third parties. The Company generally either owns or has licenses for use of the software developed by third parties. Because talented development personnel are in high demand, there can be no assurance that independent developers, including those who have developed products for the Company in the past, will be able to provide development support to the Company in the future. Similarly, there can be no assurance that the Company will be able to obtain and renew license agreements on favorable terms, if at all, which could have a material and adverse effect on the Company's business and consolidated results of operations.

Additionally, there can be no assurance that the Company's development efforts will result in the timely introduction of new products or that such new products will be commercially successful. Failure to successfully develop new products or delays in the introduction of these new products or lower-than-anticipated demand for these products could have a material and adverse effect on the Company's business and consolidated results of operations.

MARKETING AND SALES

Autodesk's customer-related operations are divided into three geographic regions: the Americas, Europe, and Asia/Pacific. The Company's products are marketed worldwide through a network of domestic and foreign offices. Autodesk distributes its software products primarily through a network of more than 4,000 independent distributors and dealers (value-added resellers or "VARs") who support sales of Autodesk products to end users in more than 125 countries. VARs, including both independent owners and computer store franchisees, are supported by the Company and its subsidiaries through technical training, periodic publications, the Autodesk Forum, an electronic bulletin board on the CompuServe network, and Autodesk's Home Page on the Internet.

In addition, the Company works directly with dealer and distributor sales organizations, computer manufacturers, other software developers, and peripherals manufacturers through cooperative advertising, promotions, and trade-show presentations. Autodesk also holds annual "Expos" throughout the world. These dedicated trade shows, incorporated within major industry trade shows, highlight the Company's products, as well as a number of third-party products. The Company also employs mass-marketing techniques such as direct mailings and advertising in business and trade journals. Further, Autodesk supports user groups dedicated to the exchange of information related to the use of the Company's products.

Domestically, the Company distributes its products primarily through its authorized dealer network. Other domestic sales are made principally to large corporations, governmental agencies, educational institutions, and for certain low-end CAD products, end-users. Substantially all of the Company's international sales are made to dealers and distributors, which are supported by the Company's foreign subsidiaries and international sales organizations. Certain international sales result from direct exports from the United States.

Autodesk's ability to effectively distribute its products depends in part upon the financial and business condition of its VAR network. Although the Company has not to date experienced any material problems with its VAR network, computer software dealers and distributors are typically not highly capitalized, have tended to experience difficulties during times of economic contraction and during periods of technology-market price pressure, and may do so in the future. While no single customer accounted for more than 10 percent of the Company's consolidated revenues in fiscal year 1996, 1995, or 1994, the loss of or a significant reduction in business with any one of the Company's major international distributors or large US dealers could have a material adverse effect on the Company's business and consolidated results of operations.

The Company intends to continue to make its products available in foreign languages and expects that foreign sales will continue to contribute a significant portion of its consolidated revenues. Foreign revenues, including export sales from the US to foreign customers, accounted for approximately 64 percent, 61 percent, and 58 percent of revenues in fiscal years 1996, 1995, and 1994, respectively.

CUSTOMER AND DEALER SUPPORT

Autodesk requires each authorized dealer and distributor to provide a professional level of technical support to customers by employing full-time, trained, technical-support personnel. The Company supports its dealers and distributors through technical-product training, sales training classes, and direct telephone support. While the Company generally does not provide direct end-user support, Autodesk offers online support to customers through the Company's Home Page on the Internet and to customers who log onto the Autodesk Forum on CompuServe. The four Autodesk Forums are the AutoCAD Forum, the Autodesk Beta Forum, the Autodesk Multimedia Forum, and the Autodesk Retail Products Forum. These forums provide answers to technical questions and tips and techniques to assist users of Autodesk products. The Autodesk Forum also allows the Company to make important product-support information available simultaneously to dealers and customers.

Responding to the increasing demand for industry-specific customer services, the Company offers authorized Autodesk dealers training and support under two programs: the Autodesk Premier Support Center ("APSC") program and the Autodesk Systems Center ("ASC") Solutions Training. The APSC program requires participating dealers to provide a high level of technical support with special expertise in a specified vertical industry. The ASC Solutions Training Program requires dealers to provide superior industry-specific application training to end-users of Autodesk products. Both programs require that the dealers meet certain qualifications in order to receive an industry medallion and APSC and ASC Solutions Training status.

As of January 31, 1996, the Company had more than 900 Autodesk Training Center ("ATC") sites throughout the world. These accredited training centers offer in-depth education and training in computer-aided design skills on AutoCAD and other Autodesk products, as well as on related, independently developed software.

Customers have formed Autodesk user groups as forums for education and to suggest product enhancements and development of new products. The North American Autodesk User Group ("NAAUG"), officially recognized by Autodesk, sponsors an annual meeting held concurrently with the Autodesk University user show; publishes a quarterly newsletter; independently evaluates Autodesk products; compiles user feature and functionality requirements; and offers telecourses taught by its membership on CompuServe. In addition there are local user groups in Europe, Asia/Pacific, and the Americas focused on expanding the use of Autodesk products.

DEVELOPER PROGRAMS

One of the Company's key strategies is to maintain an open-architecture software product design to facilitate third-party development of peripheral and complementary products. This open-architecture design enables customers and third parties to customize the Company's products for a wide variety of highly specific uses. Autodesk offers several programs that provide marketing, sales, and technical support and programming tools to Autodesk Registered Developers worldwide who have, to date, developed more than 4,500 commercially available add-on applications for Autodesk products. Although Autodesk derives no direct revenue from these application developers, the Company believes that the availability and use of such add-on products enhance sales opportunities for the Company's core products.

Autodesk also licenses its industry-standard component technologies to selected developers through the Autodesk OEM Program. Currently, the OEM Program includes a CAD engine and engines for 3D graphics, drawing access, and rendering. The Company's OEM Program provides the technology for qualified developers to create and deliver suites of scaleable products that focus on solving customer needs in specialized markets. It also leverages Autodesk's technological and market leadership, enables developers to take cost-effective advantage of a growing trend in software engineering technology, and provides customers with an opportunity to migrate to fully extensible, custom, high-end Autodesk solutions.

To support the growth of third-party developers worldwide, whose applications extend and enhance the functionality of the Company's products, Autodesk established the Virtual Corporation Partner Program ("VCP") during fiscal year 1995. This program provides sales, marketing, technical, and financial support to Autodesk Strategic Developers whose efforts broaden and enhance the functionality of Autodesk software.

In fiscal year 1996, the Company introduced the Mechanical Application Initiative ("MAI") partner program which is aimed at the development and marketing of products which can be integrated with Autodesk's MCAD products. MAI partners participate with Autodesk in product marketing and development activities. In October 1995, an initial application programming interface was delivered to MAI partners to support their development of applications compatible with Autodesk's MCAD product offerings.

BACKLOG

The Company typically ships products within one to two weeks after receipt of an order, which is common in the computer software industry. Accordingly, the Company does not maintain significant backlog and backlog as of any particular date is not representative of actual sales for any succeeding period.

COMPETITION

The software industry has limited barriers to entry, and the availability of desktop computers with continually expanding capabilities at progressively lower prices, contributes to the ease-of-market entry. Because of these and other factors, competitive conditions in the future are likely to intensify. Increased competition could result in price reductions, reduced revenues and profit margins, and loss of market share, which would adversely affect the Company's business, consolidated results of operations and financial condition.

The AutoCAD family of products competes directly with other CAD software, including that of MicroStation by Bentley Systems, Inc.; Personal Designer and CADDs by Computervision Corporation; MICRO CADAM which is developed and supported by CADAM Systems Company, Inc; and CADKEY by Cadkey, Inc. In the low-cost CAD segment, AutoCAD LT competes directly with Corel Visual CADD, software developed by Numerica Software and marketed by Corel Corporation, and indirectly with Visio Technical by Visio Corporation and TurboCADD 2D/3D by ISMI. The Company's MCAD products compete with Parametric Technology Corporation's Pro/Engineer; SolidWorks 95 from SolidWorks Corporation; TriSpectives from 3D/Eye; the Master Series from Structural Dynamics Research Corporation; and the CATIA and CADAM products offered by Paris-based Dassault Systemes and marketed and sold by IBM. Autodesk's data management products compete with various low end file management systems such as AM Workflow from Cyco Software BV, as well high end product data management software solutions including offerings from Sherpa Corporation and Metaphase. The Company's data management products also compete with generic document management products including offerings from Documentum and PC DOCS, Inc. When released, AutoCAD Map is expected to compete most directly with MicroStation Geographics from Bentley Systems, Inc, and GIS product lines offered by Environmental Systems Research Institute, Inc. and Intergraph Corporation. The Company also faces competition in its foreign markets from a number of products offered by foreign-based companies.

Product offerings from the Kinetix division--3D Studio MAX, 3D Studio, AutoVision, and Animator Studio--are currently available on IBM PCs and compatible computers. The primary competition in the multimedia software market consists of products available on personal computers and computer systems offered by Silicon Graphics, Inc. including multimedia product offerings from Alias|Wavefront, a wholly owned, independent subsidiary of Silicon Graphics, Inc. Products competing with 3D Studio MAX and 3D Studio software include Softimage 3D by Softimage Inc., a wholly owned subsidiary of Microsoft Corporation, Lightwave 3D by NewTek, Inc., and trueSpace 2 and trueSpace/SE by Caligari Corporation. 3D Studio Release 4 is also a viable alternative in many applications to much costlier graphics systems available only on computers offered by Silicon Graphics, Inc. AutoVision software competes with two third-party add-on products, AccuRender from Robert McNeel & Associates and RenderStar by RenderStar Technology BV.

The Company believes that the principal factors affecting competition in its markets are price, product reliability, performance, range of useful features, continuing product enhancements, reputation, and training. In addition, the availability of third-party application software is a competitive factor within the CAD market. The Company believes that it competes favorably in these areas and that its competitive position will depend, in part, upon its continued ability to enhance existing products, and to develop and market new products.

INTELLECTUAL PROPERTY AND LICENSES

The Company protects its intellectual property through copyright, trade secret, patent, and trademark laws. For substantially all AutoCAD sales outside of North America, the Company uses software protection locks to inhibit unauthorized copying. Nonetheless, there can be no assurance that the Company's intellectual property rights can be successfully asserted in the future or will not be invalidated, circumvented, or challenged. In addition, the laws of certain foreign countries where the Company's products are distributed do not protect Autodesk's intellectual property rights to the same extent as the laws of the US. The inability of the Company to protect its proprietary information could have a material adverse effect on the Company's business and consolidated results of operation.

Any disputes involving the Company's intellectual property rights or those of another party could lead to costly litigation which could have a material adverse effect on the Company's business and consolidated results of operations.

The Company retains ownership of software it develops. All software is licensed to users and provided in object code pursuant to either shrink-wrap-type licenses or executed license agreements. These agreements contain restrictions on duplication, disclosure, and transfer.

The Company believes that because of the limitations of laws protecting its intellectual property and the rapid, ongoing technological changes in both the computer hardware and software industries, it must rely principally upon software engineering and marketing skills to maintain and enhance its competitive market position.

Autodesk has an in-house antipiracy program focused on pursuing companies and individuals who illegally duplicate, sell or install the Company's software products. Software piracy is in some cases a felony under US federal law, which allows copyright and patent holders to protect and enforce their rights as owners of intellectual property.

PRODUCTION

Production of Autodesk software products involves duplication of the software media and the printing of user manuals. The purchase of media and transfer of the software programs onto media for distribution to customers are performed by the Company and by licensed subcontractors. Media for the Company's products include CD-ROMs and disks and are available from multiple sources. User manuals for Autodesk products and packaging materials are produced to Company specifications by outside sources. Domestic production is performed in leased facilities operated by the Company. Certain product assembly is also performed by independent third party contractors. International production is performed in leased facilities in Switzerland and Australia and by independent third-party contractors in Japan and Singapore. To date, Autodesk has not experienced any material difficulties or delays in production of its software and documentation.

EMPLOYEES

As of January 31, 1996, the Company had 1,894 full-time employees (1,251 in North America, 463 in Europe, and 180 in Asia/Pacific), of whom 472 were in software development, 94 in quality assurance, 911 in marketing and sales, 56 in production, and 361 in general and administrative positions. The Company believes that its future success will depend, in part, on its ability to continue to attract and retain highly skilled technical, marketing, support, and management personnel.

None of the Company's employees in the United States is subject to a collective bargaining agreement, and the Company has never experienced a work stoppage. Management believes that its employee relations are good.

FORWARD-LOOKING INFORMATION

The forward-looking statements included in this report, which reflect management's best judgment based on factors currently known, involve risks and uncertainties. Actual results could differ materially from those anticipated in the forward-looking statements included herein as a result of a number of factors, including but not limited to those discussed in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," incorporated by reference to pages 24 through 29 of the Company's 1996 Annual Report to Stockholders.

ITEM 2. PROPERTIES

The Company's executive offices and those related to product development, domestic marketing, and sales and production are located in leased office space in northern California. The Company also leases office space in various locations throughout the US for local sales and technical support personnel. Autodesk's foreign subsidiaries lease office space for their operations. The Company owns substantially all equipment used in its facilities.

ITEM 3. LEGAL PROCEEDINGS

In October 1992, Vermont Microsystems, Inc. ("VMI") filed a complaint against the Company in the US District Court for the District of Vermont, alleging among other things, misappropriation of trade secrets. In October 1994, the case was tried before a Magistrate of the US District Court of Vermont. In December 1994, the US District Court ruled in favor of VMI on the trade secret claim and the Company recorded a litigation charge of \$25.5 million as a result of a judgment in this matter. The Company appealed that judgment, and VMI cross-appealed, before the US Court of Appeals for the Second Circuit in January 1996. The Company is awaiting a ruling on the appeal. Management believes the claims in the case, including a cross appeal by VMI for additional damages, are without merit and the ultimate resolution of this matter will not have a material adverse effect on the Company's financial condition or results of operations. However, depending on the amount and timing, an unfavorable resolution of this matter could materially affect the Company's future results of operations or cash flows in a particular period.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

No matters were submitted to a vote of security holders during the fourth quarter of fiscal year 1996.

Executive Officers of the Registrant

The following sets forth certain information regarding the executive officers of the Company as of April 15, 1996:

NAME ----	AGE ---	POSITION -----	OFFICER SINCE -----
Carol A. Bartz.....	47	Chairman of the Board, President and Chief Executive Officer	1992
Joseph H. Astroth, Ph.D.....	40	Vice President, GIS Market Group	1996
Robert M. Carr.....	39	Vice President, Engineering	1993
Larry L. Crume.....	51	Vice President and General Manager, Kinetix	1995
James D. D'Arezzo.....	45	Vice President, Data Management Market Group, and Vice President, Corporate Marketing	1994

NAME	AGE	POSITION	OFFICER SINCE
----	---	-----	-----
Dominic J. Gallello....	41	Vice President, Mechanical CAD Market Group, and Vice President, Asia/Pacific	1992
Eric B. Herr.....	48	Chief Financial Officer, Vice President, Finance and Administration and Vice President, Data Publishing	1992
John E. Lynch.....	39	Chief Technology Officer, Vice President, Advanced Products Group, Vice President, AEC/FM Market Group	1993
Stephen McMahon.....	54	Vice President, Human Resources	1994
Marcia K. Sterling....	52	Vice President, Business Development, and General Counsel	1995
Godfrey R. Sullivan....	42	Vice President, Americas	1992
Michael E. Sutton.....	51	Vice President, Europe	1993

Carol A. Bartz joined the Company in April 1992 and has served as President, Chief Executive Officer, and Chairman of the Board since May 1992. Prior to joining Autodesk, she held various positions at Sun Microsystems, Inc., from 1983 to April 1992, including Vice President, Worldwide Field Operations (July 1990 to April 1992).

Dr. Joseph H. Astroth has served as Vice President, GIS Market Group, since joining the Company in January 1996. From September 1989 through December 1995, Dr. Astroth held various positions with Graphic Data Systems Corporation including Director, Environmental Market Group from January 1993 to June 1994, and Vice President of Product Management, Engineering, from June 1994 to December 1995.

Robert M. Carr has served as Vice President, Engineering, since February 1995. Mr. Carr joined the Company in November 1993 and served as Vice President, Core Technology Group, through January 1995. From September 1987 to August 1993, Mr. Carr served as Vice President of Software Development of Go Corporation, a company he cofounded.

Larry L. Crume has served as Vice President and General Manager, Kinetix (formerly Autodesk's Multimedia Market Group), since joining the Company in October 1995. From January 1990 through September 1994, Mr. Crume worked at Lotus Development Corporation, serving as Vice President, International Business Development, from January 1990 to April 1993, and as Vice President, Electronic Messaging Division, from April 1993 to September 1994. Prior to joining Autodesk, Mr. Crume was an independent consultant.

James D. D'Arezzo has served as Vice President, Corporate Marketing, and Vice President, Data Management Market Group, since February 1996. Mr. D'Arezzo joined the Company in February 1994 and served as Vice President, Marketing through January 1995. From February 1994 through December 1995, Mr. D'Arezzo served as Vice President, Corporate Marketing, and Vice President, GIS and DM Market Groups. From November 1993 to January 1994, Mr. D'Arezzo served as the Vice President of Corporate Business Development for Banyan Systems. From March 1990 to November 1993, Mr. D'Arezzo served as Banyan's Vice President of Marketing.

Dominic J. Gallello has served as Vice President, Mechanical CAD Market Group, since August 1995 and as Vice President, Asia/Pacific, since joining the Company in October 1992. From February 1995 to August 1995, Mr. Gallello served as acting Vice President, Mechanical CAD Market. From April 1981 to October 1992, he held various positions with Intergraph Corporation, including President, Intergraph Japan from June 1986 to October 1992.

Eric B. Herr has been the Company's Chief Financial Officer since joining the Company in May 1992. Mr. Herr has served as Vice President, Finance and Administration since January 1995 and as Vice President, Data Publishing since December 1995. From December 1992 through January 1995, Mr. Herr served as Vice President, Emerging Businesses. From May 1990 to May 1992, he served as Vice President of Finance and Planning, Sun Microsystems, Inc.

John E. Lynch joined Autodesk in May 1986 and has served as Chief Technology Officer and Vice President, Advanced Products Group, since February 1995 and Vice President, AEC/FM Market Group, since September 1995. From April 1993 through January 1995, Mr. Lynch served as Vice President, Product Development Group. From June 1991 to April 1993, Mr. Lynch served as General Manager, AutoCAD Division.

Stephen McMahon has served as Vice President, Human Resources, since joining the Company in July 1992. From July 1987 to July 1992, Mr. McMahon served as Senior Director, Human Resources, for Apple Computer, Inc.

Marcia K. Sterling joined Autodesk in October 1995 as Vice President, Business Development, and General Counsel. From September 1982 to October 1995, she practiced corporate and securities law at Wilson, Sonsini, Goodrich & Rosati, where she was a partner.

Godfrey R. Sullivan has served as Vice President, the Americas, since joining the Company in October 1992 and as Acting Vice President, AEC/FM Market Group, from February 1995 to September 1995. Mr. Sullivan held various positions with Apple Computer, Inc., from June 1984 to September 1992, including Vice President and General Manager, Business Markets Division, from April 1992 to September 1992 and Vice President and General Manager, US Reseller Operations, from July 1991 to March 1992.

Michael E. Sutton has served as Vice President, Europe, since June 1993. Mr. Sutton joined the Company in October 1987 as a sales and marketing director in the United Kingdom. Mr. Sutton was the Managing Director of the Company's United Kingdom subsidiary from January 1990 to January 1992. From January 1992 to February 1993, Mr. Sutton served as Northern Region Manager, Europe, and from February 1993 to May 1993, he served as acting Vice President, Europe.

PART II

ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

The information required by this Item is incorporated by reference to page 45 of the Company's 1996 Annual Report to Stockholders.

ITEM 6. SELECTED FINANCIAL DATA

The information required by this Item is incorporated by reference to page 23 of the Company's 1996 Annual Report to Stockholders.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The information required by this Item is incorporated by reference to pages 24 through 29 of the Company's 1996 Annual Report to Stockholders.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required by this Item is incorporated by reference to pages 30 through 44 of the Company's 1996 Annual Report to Stockholders.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

Certain information required by Part III is omitted from this Report in that the Registrant will file a definitive proxy statement pursuant to Regulation 14A (the "Proxy Statement") not later than 120 days after the end of the fiscal year covered by this Report and certain information included therein is incorporated herein by reference. Only those sections of the Proxy Statement that specifically address the items set forth herein are incorporated by reference. Such incorporation does not include the Compensation Committee Report or the Performance Graph included in the Proxy Statement.

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information concerning the Company's directors required by this Item is incorporated by reference to the Company's Proxy Statement.

The information concerning the Company's executive officers required by this Item is incorporated by reference herein to the section of this Report in Part I, Item 4, entitled "Executive Officers of the Registrant."

The information regarding compliance with Section 16 of the Securities and Exchange Act of 1934 is to be set forth in the Proxy Statement and is hereby incorporated by reference.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item is incorporated by reference to the Company's Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this Item is incorporated by reference to the Company's Proxy Statement.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this Item is incorporated by reference to the Company's Proxy Statement.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K

(a) The following documents are filed as a part of this Report:

1. Financial Statements: The following Consolidated Financial Statements of Autodesk, Inc. and Report of Ernst & Young LLP, Independent Auditors, are incorporated by reference to pages 30 through 44 of the Registrant's 1996 Annual Report to Stockholders:

Consolidated Statement of Income--Fiscal Years Ended January 31, 1996, 1995, and 1994

Consolidated Balance Sheet--January 31, 1996 and 1995

Consolidated Statement of Cash Flows--Fiscal Years Ended January 31, 1996, 1995, and 1994

Consolidated Statement of Stockholders' Equity--Three-Year Period Ended January 31, 1996

Notes to Consolidated Financial Statements

Report of Ernst & Young LLP, Independent Auditors

2. Financial Statement Schedule: The following financial statement schedule of Autodesk, Inc., for the fiscal years ended January 31, 1996, 1995, and 1994 is filed as part of this Report and should be read in conjunction with the Consolidated Financial Statements of Autodesk, Inc.

Schedule II Valuation and Qualifying Accounts..... S-1

Schedules not listed above have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the Consolidated Financial Statements or Notes thereto.

3. Exhibits: The Exhibits listed on the accompanying Index to Exhibits immediately following the financial statement schedules are filed as part of, or incorporated by reference into, this Report.

EXHIBIT NO.	DESCRIPTION
3.1(1)	Certificate of Incorporation of Registrant, as amended
3.2(1)	Bylaws of Registrant
4.1(2)	Preferred Shares Rights Agreement dated December 14, 1995
10.1(1)*	Registrant's 1987 Stock Option Plan, as amended
10.2*	Registrant's Employee Qualified Stock Purchase Plan and form of Subscription Agreement, as amended
10.3*	Registrant's 1990 Directors' Option Plan, as amended
10.4*	Registrant's 1996 Stock Plan
10.5(1)*	Form of Indemnification Agreement executed by the Company and each of its officers and directors

EXHIBIT NO. -----	DESCRIPTION -----
10.6(3)*	Agreement between Registrant and Carol A. Bartz dated April 7, 1992
13.1	Annual Report to Stockholders for the year ended January 31, 1996 (to be deemed filed only to the extent required by the instructions to exhibits for reports on Form 10-K)
21.1	List of Subsidiaries
23.1	Consent of Independent Auditors (included on page 19 of this Report)
24.1	Power of Attorney (included on page 18 of this Report)
27	Financial Data Schedule

-
- (1) Incorporated by reference to the exhibit filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended January 31, 1995.
 - (2) Incorporated by reference to the Registrant's Report on Form 8-A filed on January 5, 1996, as amended on January 8, 1996.
 - (3) Incorporated by reference to the exhibit filed with the Registrant's Report on Form 10-Q for the fiscal quarter ended April 30, 1992.

* Denotes a management contract or compensatory plan or arrangement.

(b) Reports on Form 8-K: No reports on Form 8-K were filed by the Company during the fiscal quarter ended January 31, 1996.

With the exception of the information incorporated by reference to the Annual Report to Stockholders in Items 5, 6, 7, and 8 of Part II and Item 14 of Part IV of this Form 10-K, the Company's 1996 Annual Report to Stockholders is not to be deemed filed as a part of this Report.

Autodesk, AutoCAD, AutoVision, World-Creating Toolkit, AutoSurf, AutoSketch, AutoCAD Data Extension, AutoLISP, 3D Studio, Autodesk WorkCenter, MaterialSpec, and ATC are registered trademarks of Autodesk, Inc. in the USA and/or other countries. Kinetix, Autodesk Mechanical Desktop, Autodesk Animator Studio, Texture Universe, PartSpec, 3D Studio MAX, Design Your World, and DXF are trademarks of Autodesk, Inc. in the USA and/or other countries. Autodesk Registered Developer and NAAUG are servicemarks of Autodesk, Inc. in the USA and/or other countries. Windows and Windows NT are registered trademarks of Microsoft Corporation. UNIX is a registered trademark licensed exclusively through X/Open Co. Ltd. CompuServe is a registered trademark of H & R Block. All other brand names, product names, or trademarks belong to their respective holders.

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference in this Annual Report (Form 10-K) of Autodesk, Inc. of our report dated February 20, 1996, included in the 1996 Annual Report to Stockholders of Autodesk, Inc.

Our audits also included the financial statement schedule of Autodesk, Inc. listed in Item 14(a). This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, the financial statement schedule referred to above, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

We also consent to the incorporation by reference in the Post Effective Amendment No. 1 to the Registration Statements (Form S-8 No. 33-54683, No. 33-22656, No. 33-51110, No. 33-41265, No. 33-15675, No. 33-39458 and No. 33-61015) pertaining to the 1987 Stock Option Plan, 1990 Directors' Option Plan and Employee Qualified Stock Purchase Plan of Autodesk, Inc. of our report dated February 20, 1996 with respect to the consolidated financial statements incorporated herein by reference, and our report included the preceding paragraph with respect to the financial statement schedule included in this Annual Report (Form 10-K) of Autodesk, Inc.

/s/ Ernst & Young LLP

ERNST & YOUNG LLP

San Francisco, California
April 26, 1996

AUTODESK, INC.

VALUATION AND QUALIFYING ACCOUNTS

DESCRIPTION	BALANCE AT BEGINNING OF YEAR	ADDITIONS-- PROVISIONS	DEDUCTIONS-- RETURNS AND WRITE-OFFS	BALANCE AT END OF YEAR

Fiscal year ended January 31, 1996				
Allowance for doubtful accounts.....	\$6,457,000	\$ 3,527,000	\$3,253,000	\$ 6,731,000
Allowance for returns, stock balancing, and product rotation.....	\$5,714,000	\$10,230,000	\$5,644,000	\$10,300,000
Fiscal year ended January 31, 1995				
Allowance for doubtful accounts.....	\$5,204,000	\$ 2,198,000	\$ 945,000	\$ 6,457,000
Allowance for returns, stock balancing, and product rotation.....	\$1,290,000	\$ 7,551,000	\$3,127,000	\$ 5,714,000
Fiscal year ended January 31, 1994				
Allowance for doubtful accounts.....	\$4,138,000	\$ 2,024,000	\$ 958,000	\$ 5,204,000
Allowance for returns, stock balancing, and product rotation.....	\$ -0-	\$ 1,290,000	\$ -0-	\$ 1,290,000

AUTODESK, INC.

ANNUAL REPORT ON FORM 10-K
FISCAL YEAR ENDED JANUARY 31, 1996

INDEX TO EXHIBITS

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- * Denotes a management contract or compensatory plan or arrangement.

AUTODESK, INC.

EMPLOYEE QUALIFIED STOCK PURCHASE PLAN

The following constitute the provisions of the Employee Qualified Stock Purchase Plan (herein called the "Plan") of Autodesk, Inc. (herein called the "Company").

1. Purpose. The purpose of the Plan is to provide employees of the

Company and its Designated Subsidiaries with an opportunity to purchase Common Stock of the Company through accumulated payroll deductions. It is the intention of the Company to have the Plan qualify as an "Employee Stock Purchase Plan" under Section 423 of the Internal Revenue Code of 1986. The provisions of the Plan shall, accordingly, be construed so as to extend and limit participation in a manner consistent with the requirements of that section of the Code.

2. Definitions.

(a) "Board" shall mean the Board of Directors of the Company.

(b) "Code" shall mean the Internal Revenue Code of 1986.

(c) "Common Stock" shall mean the Common Stock, par value \$0.01 per

share, of the Company.

(d) "Company" shall mean Autodesk, Inc., a Delaware corporation.

(e) "Compensation" shall mean all regular straight time earnings,

including payments for overtime, shift premium, incentive compensation, incentive payments, bonuses, commissions or other compensation.

(f) "Continuous Status as an Employee" shall mean the absence of any

interruption or termination of service as an Employee. Continuous Status as an Employee shall not be considered interrupted in the case of a leave of absence agreed to in writing by the Company, provided that such leave is for a period of not more than 90 days or reemployment upon the expiration of such leave is guaranteed by contract or statute.

(g) "Designated Subsidiaries" shall mean the Subsidiaries which have

been designated by the Board from time to time in its sole discretion as eligible to participate in the Plan.

(h) "Employee" shall mean any person, including an officer, who is

customarily employed for at least twenty (20) hours per week and more than five
(5) months in a calendar year by the Company or one of its Designated
Subsidiaries.

(i) "Exercise Date" shall mean the date one day prior to the date six

(6) months, twelve (12) months, eighteen (18) months or twenty-four (24) months
after the Offering Date of each Offering Period.

(j) "Exercise Period" shall mean a period commencing on an Offering

Date or on the day after an Exercise Date and terminating one day prior to the
date six (6) months later.

(k) "Offering Period" shall mean a period of twenty-four (24) months

consisting of four (4) six-month Exercise Periods during which options granted
pursuant to the Plan may be exercised.

(l) "Offering Date" shall mean the first day of each Offering Period

of the Plan.

(m) "Plan" shall mean this Employee Qualified Stock Purchase Plan.

(n) "Subsidiary" shall mean a corporation, domestic or foreign, of

which not less than 50% of the voting shares are held by the Company or a
Subsidiary, whether or not such corporation now exists or is hereafter organized
or acquired by the Company or a Subsidiary.

3. Eligibility. -----

(a) Any Employee as defined in paragraph 2 who shall be employed by the
Company on the Offering Date shall be eligible to participate in the Plan,
subject to limitations imposed by Section 423(b) of the Code.

(b) Any provisions of the Plan to the contrary notwithstanding, no
Employee shall be granted an option under the Plan (i) if, immediately after the
grant, such Employee (or any other person whose stock would be attributed to
such Employee pursuant to Section 424(d) of the Code) would own stock and/or
hold outstanding options to purchase stock possessing five percent (5%) or more
of the total combined voting power or value of all classes of stock of the
Company or of any subsidiary of the Company, or (ii) which permits such
Employee's rights to purchase stock under all employee stock purchase plans of
the Company and its subsidiaries to accrue at a rate which exceeds Twenty-Five
Thousand Dollars (\$25,000) of fair market value of such stock (determined at the
time such option is granted) for each calendar year in which such option is
outstanding at any time.

4. Offering Periods. The Plan shall be implemented by twenty-four (24)

month Offering Periods beginning every six (6) months, until terminated in
accordance with Section 20 hereof. The Board of Directors of the Company shall
have the power to change the duration of offering periods with respect to future
offerings without stockholder approval if such change is announced at least
fifteen (15) days prior to the scheduled beginning of the first offering period
to be affected.

5. Participation.

(a) An eligible Employee may become a participant in the Plan by completing a subscription agreement authorizing payroll deductions on the form provided by the Company and filing it with the Company's payroll office at least one week prior to the applicable Offering Date, unless a later time for filing the subscription agreement is set by the Board for all eligible Employees with respect to a given offering.

(b) Payroll deductions for a participant shall continue at the rate specified in the subscription agreement throughout the Offering Period with automatic re-enrollment for the Offering Period which commences the day after the Exercise Date at the same rate specified in the original subscription agreement, subject to any change in subscription rate made pursuant to Section 6(c) or (d), unless sooner terminated by the participant as provided in Section 10.

6. Payroll Deductions.

(a) At the time a participant files his or her subscription agreement, such participant shall elect to have payroll deductions made on each payday during the offering period in an amount not exceeding fifteen percent (15%) of his or her Compensation on each payroll date. The aggregate of such payroll deductions during any offering period shall not exceed fifteen percent (15%) of his or her aggregate Compensation during said offering period.

(b) All payroll deductions made by a participant shall be credited to his or her account under the Plan. A participant may not make any additional payments into such account.

(c) A participant may discontinue his or her participation in the Plan as provided in Section 11, or may decrease, but not increase, the rate of his or her payroll deductions during the Offering Period by completing or filing with the Company a form provided by the Company notifying the payroll office of such withdrawal or reduction of withholding rate. The change in rate shall be effective as of the next pay date following receipt of the form or at such other time as the Company and the participant may agree.

(d) A participant may increase or decrease the rate of withholding for a new Offering Period so long as such election is made prior to the commencement of such Offering Period (subject to the limitations set forth in Section 6(a)).

7. Grant of Option.

(a) On the Offering Date of each Offering Period, each eligible Employee participating in the Plan shall be granted an option to purchase on each Exercise Date during such Offering Period (at the per share option price) up to a number of shares of the Company's Common Stock determined by dividing such Employee's payroll deductions to be accumulated prior to such Exercise Date by the lower

of (i) eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Offering Date or (ii) eighty-five percent (85%) of the fair market value of a share of the Company's Common Stock on the Exercise Date; provided that in no event shall an Employee be permitted to purchase during an Offering Period a number of shares in excess of a number determined by dividing \$50,000 by the fair market value of a share of the Company's Common Stock on the Offering Date, subject to the limitations set forth in Sections 3(b) and 13 hereof. Fair market value of a share of the Company's Common Stock shall be determined as provided in Section 7(b) herein.

(b) The option price per share of the shares offered in a given Exercise Period shall be the lower of: (i) 85% of the fair market value of a share of the Common Stock of the Company on the Offering Date; or (ii) 85% of the fair market value of a share of the Common Stock of the Company on the Exercise Date. The fair market value of the Company's Common Stock on a given date shall be the closing price as quoted on the Nasdaq Stock Market, Inc.'s National Market or, if traded on a securities exchange, the closing price on such exchange.

8. Exercise of Option. Unless a participant withdraws from the Plan as

provided in Section 11, his or her option for the purchase of shares will be exercised automatically on each Exercise Date of the Offering Period, and the maximum number of full shares subject to option will be purchased for him or her at the applicable option price with the accumulated payroll deductions in his or her account. During his or her lifetime, a participant's option to purchase shares hereunder is exercisable only by him or her.

9. Delivery. As promptly as practicable after the Exercise Date of each

offering, the Company shall arrange the delivery to each participant, as appropriate, of a certificate representing the shares purchased upon exercise of his or her option. Any cash remaining which is insufficient to purchase a full share of Common Stock at the termination of each Exercise Period shall be applied to such participant's account in the subsequent Exercise Period unless the participant requests withdrawal of such cash.

10. Automatic Transfer to Low Price Offering Period. In the event that

the fair market value of the Company's Common Stock is lower on an Exercise Date than it was on the first Offering Date for that Offering Period, all Employees participating in the Plan on the Exercise Date shall be deemed to have withdrawn from the Offering Period immediately after the exercise of their option on such Exercise Date and to have enrolled as participants in a new Offering Period which begins on or about the day following such Exercise Date. A participant may elect to remain in the previous Offering Period by filing a written statement declaring such election with the Company prior to the time of the automatic change to the new Offering Period.

11. Withdrawal; Termination of Employment.

(a) A participant may withdraw all but not less than all the payroll deductions credited to his or her account under the Plan at any time prior to the Exercise Date of the Offering Period by giving written notice to the Company. All of the participant's payroll deductions credited to his or her

account will be paid to him or her at the next pay date after receipt of his or her notice of withdrawal and his or her option for the current period will be automatically terminated, and no further payroll deductions for the purchase of shares will be made during the Offering Period.

(b) Upon termination of the participant's Continuous Status as an Employee prior to the Exercise Date for any reason, including retirement or death, the payroll deductions credited to his or her account will be returned to the participant's or, in the case the of participant's death, to the person or persons entitled thereto under Section 15, and his or her option will be automatically terminated.

(c) A participant's withdrawal from an offering will not have any effect upon his or her eligibility to participate in a succeeding offering or in any similar plan which may hereafter be adopted by the Company.

12. Interest. No interest shall accrue on the payroll deductions of a

participant in the Plan.

13. Stock.

(a) The maximum number of shares of the Company's Common Stock which shall be made available for sale under the Plan shall be 2,600,000 shares, subject to adjustment upon changes in capitalization of the Company as provided in Section 19. If the total number of shares which would otherwise be subject to options granted pursuant to Section 7(a) hereof on the Exercise Date of an Offering Period exceeds the number of shares then available under the Plan (after deduction of all shares for which options have been exercised or are then outstanding), the Company shall make a pro rata allocation of the shares remaining available for option grant in as uniform a manner as shall be practicable and as it shall determine to be equitable. In such event, the Company shall give written notice of such reduction of the number of shares subject to the option to each Employee affected thereby and shall similarly reduce the rate of payroll deductions, if necessary.

(b) The participant will have no interest or voting right in shares covered by his or her option until such option has been exercised.

(c) Shares to be delivered to a participant under the Plan will be registered in the name of the participant or in the name of the participant and his or her spouse.

14. Administration. The Plan shall be administered by the Board of

Directors of the Company or a committee appointed by the Board. The administration, interpretation or application of the Plan by the Board or its committee shall be final, conclusive and binding upon all participants. Members of the Board who are eligible Employees are permitted to participate in the Plan, provided that:

(a) Members of the Board who are eligible to participate in the Plan may not vote on any matter affecting the administration of the Plan or the grant of any option pursuant to the Plan.

(b) If a Committee is established to administer the Plan, no member of the Board who is eligible to participate in the Plan may be a member of the Committee.

15. Designation of Beneficiary.

(a) A participant may file a written designation of a beneficiary who is to receive any shares and cash, if any, from the participant's account under the Plan in the event of such participant's death subsequent to the end of the offering period but prior to delivery to such participant of such shares and cash. In addition, a participant may file a written designation of a beneficiary who is to receive any cash from the participant's account under the Plan in the event of such participant's death prior to the Exercise Date of the offering period.

(b) Such designation of beneficiary may be changed by the participant at any time by written notice. In the event of the death of a participant and in the absence of a beneficiary validly designated under the Plan who is living at the time of such participant's death, the Company shall deliver such shares and/or cash to the executor or administrator of the estate of the participant, or if no such executor or administrator has been appointed (to the knowledge of the Company), the Company, in its discretion, may deliver such shares and/or cash to the spouse or to any one or more dependents or relatives of the participant, or if no spouse, dependent or relative is known to the Company, then to such other person as the Company may designate.

16. Transferability. Neither payroll deductions credited to a

participant's account nor any rights with regard to the exercise of an option or to receive shares under the Plan may be assigned, transferred, pledged or otherwise disposed of in any way (other than by will, the laws of descent and distribution or as provided in Section 15 hereof) by the participant. Any such attempt at assignment, transfer, pledge or other disposition shall be without effect, except that the Company may treat such act as an election to withdraw funds in accordance with Section 11.

17. Use of Funds. All payroll deductions received or held by the Company

under the Plan may be used by the Company for any corporate purpose, and the Company shall not be obligated to segregate such payroll deductions.

18. Reports. Individual accounts will be maintained for each participant

in the Plan. Statements of account will be given to participating Employees annually promptly following the Exercise Date, which statements will set forth the amounts of payroll deductions, the per share purchase price, the number of shares purchased and the remaining cash balance, if any.

19. Adjustments Upon Changes in Capitalization. Subject to any required

action by the stockholders of the Company, the number of shares of Common Stock covered by each option under the Plan which has not yet been exercised and the number of shares of Common Stock which have been authorized for issuance under the Plan but have not yet been placed under option (collectively, the "Reserves"), as well as the price per share of Common Stock covered by each option under the Plan which has not yet been exercised, shall be proportionately adjusted for any increase or decrease in the

number of issued shares of Common Stock resulting from a stock split or the payment of a stock dividend (but only on the Common Stock) or any other increase or decrease in the number of shares of Common Stock effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock subject to an option.

In the event of the proposed dissolution or liquidation of the Company, the offering period will terminate immediately prior to the consummation of such proposed action, unless otherwise provided by the Board. In the event of a proposed sale of all or substantially all of the assets of the Company, or the merger of the Company with or into another corporation, each option under the Plan shall be assumed or an equivalent option shall be substituted by such successor corporation or a parent or subsidiary of such successor corporation, unless the Board determines, in the exercise of its sole discretion and in lieu of such assumption or substitution, that the participant shall have the right to exercise the option as to all of the optioned stock, including shares as to which the option would not otherwise be exercisable. If the Board makes an option fully exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Board shall notify the participant that the option shall be fully exercisable for a period of thirty (30) days from the date of such notice, and the option will terminate upon the expiration of such period.

The Board may, if it so determines in the exercise of its sole discretion, also make provision for adjusting the Reserves, as well as the price per share of Common Stock covered by each outstanding option, in the event that the Company effects one or more reorganizations, recapitalizations, rights offerings or other increases or reductions of shares of its outstanding Common Stock.

20. Amendment or Termination. The Board of Directors of the Company may

at any time terminate or amend the Plan. No such termination can affect options previously granted, nor may an amendment make any change in any option theretofore granted which adversely affects the rights of any participant. In addition, to the extent necessary to comply with Rule 16b-3 under the Act or under Section 423 of the Code (or any successor rule or provision or any other applicable law or regulation), the Company shall obtain stockholder approval in such a manner and to such a degree as so required.

21. Notices. All notices or other communications by a participant to the

Company under or in connection with the Plan shall be deemed to have been duly given when received in the form specified by the Company at the location, or by the person, designated by the Company for the receipt thereof.

22. Stockholder Approval.

(a) Continuance of the Plan shall be subject to approval by the stockholders of the Company within twelve (12) months before or after the date the Plan is adopted. If such stockholder

approval is obtained at a duly held stockholders' meeting, it must be obtained by the affirmative vote of the holders of a majority of the outstanding shares of the Company, or if such stockholder approval is obtained by written consent, it must be obtained by the unanimous written consent of all stockholders of the Company; provided, however, that approval at a meeting or by written consent may be obtained by a lesser degree of stockholder approval if the Board determines, in its discretion after consultation with the Company's legal counsel, that such a lesser degree of stockholder approval will comply with all applicable laws and will not adversely affect the qualification of the Plan under Section 423 of the Code.

(b) If and in the event that the Company registers any class of equity securities pursuant to Section 12 of the Exchange Act, any required approval of the stockholders of the Company obtained after such registration shall be solicited substantially in accordance with Section 14(a) of the Exchange Act and the rules and regulations promulgated thereunder.

(c) If any required approval by the stockholders of the Plan itself or of any amendment thereto is solicited at any time otherwise than in the manner described in paragraph 21(b) hereof, then the Company shall, at or prior to the first annual meeting of stockholders held subsequent to the later of (1) the first registration of any class of equity securities of the Company under Section 12 of the Exchange Act or (2) the granting of an option hereunder to an officer or director after such registration, do the following:

(i) furnish in writing to the holders entitled to vote for the Plan substantially the same information which would be required (if proxies to be voted with respect to approval or disapproval of the Plan or amendment were then being solicited) by the rules and regulations in effect under Section 14(a) of the Exchange Act at the time such information is furnished; and

(ii) file with, or mail for filing to, the Securities and Exchange Commission four copies of the written information referred to in subsection (i) hereof not later than the date on which such information is first sent or given to stockholders.

23. Conditions Upon Issuance of Shares. Shares shall not be issued with

respect to an option unless the exercise of such option and the issuance and delivery of such shares pursuant thereto shall comply with all applicable provisions of law, domestic or foreign, including, without limitation, the Securities Act of 1933, as amended, the Securities Exchange Act of 1934, as amended, the rules and regulations promulgated thereunder, and the requirements of any stock exchange upon which the shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an option, the Company may require the person exercising such option to represent and warrant at the time of any such exercise that the shares are being purchased only for investment and without any present intention to sell or distribute such shares if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned applicable provisions of law.

24. Term of Plan. The Plan shall become effective upon the earlier to

occur of its adoption by the Board of Directors or its approval by the stockholders of the Company as described in paragraph 22. It shall continue in effect for a term of twenty (20) years unless sooner terminated under paragraph 20.

6. I understand that if I dispose of any shares received by me pursuant to the Stock Purchase Plan within 2 years after the Offering Date (the first day of the offering period during which I purchased such shares) or within one year after the date on which such shares were transferred to me, I will be treated for federal income tax purposes as having received ordinary income at the time of such disposition in an amount equal to the excess of the fair market value of the shares at the time such shares were transferred to me over the price which I paid for the shares, and that I may be required to provide income tax withholding on that amount. I hereby agree to notify the

Company in writing within 30 days after the date of any such disposition.

However, if I dispose of such shares at any time after the expiration of the two-year and one-year holding periods, I understand that I will be treated for federal income tax purposes as having received income only at the time of such disposition, and that such income will be treated as ordinary income only to the extent of an amount equal to the lesser of (1) the excess of the fair market value of the shares at the time of such disposition over the purchase price which I paid for the shares under the option, or (2) the excess of the fair market value of the shares over the option price, measured as if the option had been exercised on the Offering Date. The remainder of the gain or loss, if any, recognized on such disposition will be treated as capital gain or loss. The federal income tax treatment of ordinary income and capital gain and loss is described in the Company's prospectus relating to the Stock Purchase Plan.

7. I hereby agree to be bound by the terms of the Stock Purchase Plan. The effectiveness of this Subscription Agreement is dependent upon my eligibility to participate in the Stock Purchase Plan.

8. In the event of my death, I hereby designate the following as my beneficiary(ies) to receive all payments and shares due me under the Stock Purchase Plan:

NAME: (Please print) _____
(First) (Middle) (Last)

Relationship _____
(Address) _____

NAME: (Please print) _____
(First) (Middle) (Last)

Relationship _____
(Address) _____

Employee's Social Security Number: _____

Employee's Address:* _____

I UNDERSTAND THAT THIS SUBSCRIPTION AGREEMENT SHALL REMAIN IN EFFECT THROUGHOUT SUCCESSIVE OFFERING PERIODS UNLESS TERMINATED BY ME.

Dated: _____
Signature of Employee

* It is the participant's responsibility to notify the Company's stock administrator in the event of a change of address.

AUTODESK, INC.

1990 DIRECTORS' OPTION PLAN

1. Purposes of the Plan. The purposes of this Directors' Option Plan are

to attract and retain highly skilled individuals as Directors of the Company, to provide additional incentive to the Outside Directors of the Company to serve as Directors, and to encourage their continued service on the Board.

All options granted hereunder shall be "non-statutory stock options."

2. Definitions. As used herein, the following definitions shall apply:

(a) "Board" means the Board of Directors of the Company.

(b) "Code" means the Internal Revenue Code of 1986, as amended.

(c) "Common Stock" means the Common Stock of the Company, par value

\$0.01 per share.

(d) "Company" means Autodesk, Inc., a Delaware corporation.

(e) "Director" means a member of the Board.

(f) "Employee" means any person, including officers and Directors,

employed by the Company or any Parent or Subsidiary of the Company. The payment of a Director's fee or consulting fee by the Company shall not be sufficient in and of itself to constitute "employment" by the Company unless the Director and the Company agree that, as a result of payment of such fees in connection with services rendered, such Director should not be considered an Outside Director.

(g) "Exchange Act" means the Securities Exchange Act of 1934, as

amended.

(h) "Fair Market Value" means, as of any date, the value of Common

Stock determined as follows:

(i) If the Common Stock is listed on any established stock exchange or national market system, including without limitation the Nasdaq National Market, the Fair Market Value of a Share of Common Stock shall be the closing sale price for such stock (or the closing bid, if no sales were reported), as quoted on such system or exchange (or, if more than one, on the exchange with the greatest volume of trading in the Company's Common Stock) on the day of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable;

(ii) If the Common Stock is quoted on Nasdaq (but not on the National Market) or regularly quoted by a recognized securities dealer, but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high and low asked prices for the Common Stock on the date of determination, as reported in The Wall Street Journal or such other source as the Board deems reliable, or;

(iii) In the absence of an established market for the Common Stock, the Fair Market Value thereof shall be determined in good faith by the Board.

(i) "Option" means an option to purchase Common Stock granted pursuant to the Plan.

(j) "Optioned Stock" means the Common Stock subject to an Option.

(k) "Optionee" means an Outside Director who receives an Option.

(l) "Outside Director" means a Director who is not an Employee.

(m) "Plan" means this 1990 Directors' Option Plan.

(n) "Purchaser" means an Outside Director who purchases Restricted Stock.

(o) "Restricted Stock" means Shares granted to and purchased by Outside Directors in accordance with Section 4(c) of this Plan.

(p) "Restricted Stock Award" means the Company's grant of Restricted Stock pursuant to Section 4(c) of the Plan.

(q) "Share" means a share of the Common Stock, as adjusted in accordance with Section 11 of the Plan.

3. Stock Subject to the Plan. Subject to the provisions of Section 11 of the Plan, the maximum aggregate number of Shares which may be optioned and sold under the Plan is 440,000 Shares (the "Pool") of Common Stock. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option expires or becomes unexercisable without having been exercised in full, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated). If Shares are forfeited to the Company pursuant to a Restricted Stock agreement, such Shares shall be returned to the Plan and shall become available for reissuance under the Plan, unless the Plan shall have been terminated. However, such Shares shall not return to the Plan if the persons to whom they were originally issued receive the benefits of

ownership of such Shares (other than voting), as such concept is interpreted from time to time by the Securities and Exchange Commission in the context of Rule 16b-3.

4. Administration of and Grants under the Plan.

(a) Administration. Except as otherwise required herein, the Plan shall be administered by the Board. All grants of Options and Restricted Stock to Outside Directors under this Plan shall be automatic and nondiscretionary and shall be made strictly in accordance with the following provisions:

(b) Option Grants.

(i) No person shall have any discretion to select which outside Directors shall be granted Options or to determine the number of Shares to be covered by Options granted to Outside Directors.

(ii) Each Outside Director who joins the Board on or after June 30, 1995 shall be automatically granted an Option to purchase 15,000 Shares (the "Initial Option") upon the date of the first meeting of the Board at which such person first serves as a Director (which shall be (i) in the case of a director elected by the stockholders of the Company, the first meeting of the Board of Directors after the meeting of stockholders at which such director was elected or (ii) in the case of a director appointed by the Board to fill a vacancy, the meeting of the Board at which such director is appointed); provided, however, that no option shall become exercisable under the Plan until stockholder approval of the Plan has been obtained in accordance with Section 16 hereof.

(iii) Effective as of the annual stockholder meeting to be held June 27, 1996 and on the date of each subsequent annual stockholder meeting during the term of this Plan, each Outside Director shall automatically receive an additional option to purchase 10,000 Shares (the "Annual Option"), provided that (1) the Annual Option shall be granted only to an outside Director who has served on the Board for at least six full months prior to the date of grant and (2) the grant of an Annual option shall be subject to the person's continued service as an outside Director.

(iv) The terms of each Option granted hereunder shall be as follows:

(1) Each Option shall terminate, if not previously exercised or otherwise terminated, on a date ten (10) years after the date of grant.

(2) Each Option shall be exercisable only while the Outside Director remains a Director of the Company, except as set forth in Section 8 hereof.

(3) The exercise price per Share of each Option shall be 100% of the Fair Market Value per Share on the date of grant of the Option.

(4) Each Option shall become exercisable in installments cumulatively as to 34%, 33% and 33%, respectively, of the Optioned Stock as of the date of each of the three (3) succeeding annual stockholder meetings, based on the Director's continued service on the Board, for a total vesting period of approximately three (3) years.

(v) In the event that any Option granted under the Plan would cause the number of Shares subject to outstanding Options plus the number of Shares previously purchased upon exercise of Options to exceed the Pool, then each such automatic grant shall be for that number of Shares determined by dividing the total number of Shares remaining available for grant by the number of Outside Directors on the automatic grant date. No further grants shall be made until such time, if any, as additional Shares become available for grant under the Plan through action of the stockholders to increase the number of Shares which may be issued under the Plan or through cancellation or expiration of Options previously granted hereunder.

(c) Restricted Stock Awards.

(i) No person shall have any discretion to select which Outside Directors shall receive Restricted Stock Awards or to determine the number of Shares to be covered by Restricted Stock awarded to Outside Directors; provided, however, that nothing in this Plan shall be construed to prevent an Outside Director from declining to receive a Restricted Stock Award under this Plan.

(ii) Effective as of the annual stockholder meeting to be held June 27, 1996 and on the date of each subsequent annual stockholder meeting during the term of this Plan, each Outside Director shall automatically receive a Restricted Stock Award for that number of Shares determined by dividing (1) the product of (a) fifty percent (50%) of the cash value of his or her annual retainer as a Director multiplied by (b) 1.2, by (2) the Fair Market Value of a Share on that date, rounded to the nearest whole Share, provided that on the date of grant of any such Restricted Stock Award such person is an Outside Director; and provided further that sufficient Shares are available under the Plan for the grant of such Restricted Stock Award.

(iii) Effective as of the annual stockholder meeting to be held in 1997 and on the date of each subsequent annual meeting during the term of this Plan, each Outside Director may elect to receive any or all of the remaining cash balance of his or her annual retainer as a Director in the form of a Restricted Stock Award by making an election (the "Election"). The Election must be in writing and delivered to the Secretary of the Company at least six (6) months before the next annual stockholder meeting. Any Election made by an Outside Director pursuant to this subsection 4(c)(iii) shall be irrevocable. Effective as of the annual stockholder meeting next following an Election, the Outside Director shall receive a Restricted Stock Award for that number of Shares determined by dividing (1) the product of (a) the amount of his or her annual retainer as a Director covered by the Election, multiplied by (b) 1.2, by (2) the Fair Market Value of a Share on that date, rounded to the nearest whole Share, provided that on the date of grant of any such Restricted Stock

Award such person is an Outside Director; and provided further that sufficient Shares are available under the Plan for the grant of such Restricted Stock Award.

(iv) The terms of a Restricted Stock Award granted hereunder shall be as follows:

(1) the purchase price shall be \$.01 per Share (the par value of the Company's Common Stock); and

(2) Subject to Sections 9(d) and 11(c), Restricted Stock shall vest on the date of the following year's annual stockholder meeting, provided that the Purchaser is an Outside Director on such date.

(d) Powers of the Board. Subject to the provisions and restrictions of the -----
Plan, the Board shall have the authority, in its discretion: (i) to determine, upon review of relevant information and in accordance with Section 2(h) of the Plan, the Fair Market Value of the Common Stock; (ii) to interpret the Plan; (iii) to prescribe, amend and rescind rules and regulations relating to the Plan; (iv) to authorize any person to execute on behalf of the Company any instrument required to effectuate the grant of an Option or Restricted Stock Award previously granted hereunder; and (v) to make all other determinations deemed necessary or advisable for the administration of the Plan.

(e) Effect of Board's Decision. All decisions, determinations and -----
interpretations of the Board shall be final.

5. Eligibility. Options and Restricted Stock Awards may be granted only -----
to Outside Directors. All Options shall be automatically granted in accordance with the terms set forth in Section 4(b) and all Restricted Stock Awards shall be automatically granted in accordance with the terms set forth in Section 4(c).

The Plan shall not confer upon any Optionee or Purchaser any right with respect to continuation of service as a Director or nomination to serve as a Director, nor shall it interfere in any way with any rights which the Director or the Company may have to terminate his or her directorship at any time.

6. Term of Plan. The Plan shall become effective upon the earlier to -----
occur of its adoption by the Board or its approval by the stockholders of the Company as described in Section 17 of the Plan. It shall continue in effect for a term of ten (10) years unless sooner terminated under Section 12 of the Plan.

7. Option Exercise Price and Consideration.

(a) Exercise Price. The per Share exercise price for Optioned Stock shall -----
be 100% of the Fair Market Value per Share on the date of grant of the Option.

(b) Form of Consideration. The consideration to be paid for the Shares to

be issued upon exercise of an Option may consist of (i) cash, (ii) check, or (iii) other shares of the Company's Common Stock which, in the case of Shares acquired upon exercise of an Option, either have been owned by the Optionee for more than six (6) months on the date of surrender or were not acquired, directly or indirectly, from the Company, and have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised.

8. Exercise of Option.

(a) Procedure for Exercise; Rights as a Stockholder. Any Option granted

hereunder shall be exercisable at such times as are set forth in Section 4(b) hereof.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed to be exercised when written notice of such exercise has been given to the Company in accordance with the terms of the Option by the person entitled to exercise the Option and full payment for the Shares with respect to which the option is exercised has been received by the Company. Full payment may consist of any consideration and method of payment allowable under Section 7(b) of the Plan. Until the issuance (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing such Shares, no right to vote or receive dividends or any other rights as a stockholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the option. A share certificate for the number of Shares so acquired shall be issued to the Optionee as soon as practicable after exercise of the option. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 11 of the Plan.

Except as otherwise provided in Section 3, exercise of an Option in any manner shall result in a decrease in the number of Shares which thereafter may be available, both for purposes of the Plan and for sale under the option, by the number of Shares as to which the option is exercised.

(b) Rule 16b-3. Options granted to Outside Directors must comply with the

applicable provisions of Rule 16b-3 promulgated under the Exchange Act or any successor thereto and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

(c) Termination of Status as a Director. If an Outside Director ceases to

serve as a Director, he may, but only within seven (7) months after the date he ceases to be a Director of the Company, exercise his Option to the extent that he was entitled to exercise it at the date of such termination. Notwithstanding the foregoing, in no event may the Option be exercised after its term has expired. To the extent that the Director was not entitled to exercise an Option at the date of such

termination, or if he does not exercise such Option (which he was entitled to exercise) within the time specified herein, the Option shall terminate.

(d) Disability of Optionee. Notwithstanding the provisions of Section 8(c)

above, in the event an Optionee is unable to continue his service as a Director as a result of his total and permanent disability (as defined in Section 22(e)(3) of the Code), he may, but only within twelve (12) months from the date of termination, exercise his Option to the extent he was entitled to exercise it at the date of such termination. Notwithstanding the foregoing, in no event may the Option be exercised after its term has expired. To the extent that he was not entitled to exercise the Option at the date of termination, or if he does not exercise such Option (which he was entitled to exercise) within the time specified herein, the Option shall terminate.

(e) Death of Optionee. In the event of the death of an Optionee during the

term of an Option, the Option shall become fully exercisable, including as to Shares for which it would not otherwise be exercisable and may be exercised, at any time within twelve (12) months following the date of death, by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance. Notwithstanding the foregoing, in no event may the Option be exercised after its term has expired.

9. Restricted Stock.

(a) Procedure for Purchase. Following a Restricted Stock Award in

accordance with Section 4(c), the Board shall notify the offeree in writing of the terms, conditions and restrictions relating to the offer, and the offeree shall have ninety (90) days following receipt of such notice within which to accept such offer. The offer shall be accepted by execution of a Restricted Stock purchase agreement in such form as the Board shall approve.

(b) Rights as a Stockholder. Until the issuance (as evidenced by the

appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company) of the stock certificate evidencing Restricted Stock, no right to vote or to receive dividends or any other rights as a stockholder shall exist with respect to purchased Shares. A share certificate for the number of Shares of Restricted Stock purchased shall be issued to the Purchaser as soon as practicable after purchase of the Restricted Stock. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 11 of the Plan.

(c) Termination of Continuous Status as a Director. In the event a

Purchaser's Continuous Status as a Director terminates prior to vesting (other than by reason of the Purchaser's death). Restricted Stock shall be forfeited by the Purchaser without any consideration therefor.

(d) Death. In the event a Purchaser's Continuous Status as a

Director terminates by reason of the Purchaser's death,

the Purchaser's Restricted Stock shall become fully vested as of the date of death.

(e) Shares Available Under the Plan. Except as otherwise provided in

Section 3 hereof, a purchase of Restricted Stock as provided hereunder shall result in a decrease in the number of Shares that thereafter shall be available under the Plan, by the number of Shares of Restricted Stock purchased.

(f) Rule 16b-3. Restricted Stock Awards to Outside Directors must comply

with the applicable provisions of Rule 16b-3 of the Exchange Act and shall contain such additional conditions or restrictions as may be required thereunder to qualify Plan transactions, and other transactions by Outside Directors that could be matched with Plan transactions, for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

10. Non-Transferability of Options and Restricted Stock Awards. Options

and Restricted Stock Awards may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution. Options may be exercised, during the lifetime of the Optionee, only by the Optionee.

11. Adjustments Upon Changes in Capitalization, Dissolution, Merger, Asset

Sale or Change of Control.

(a) Changes in Capitalization. Subject to any required action by the

stockholders of the Company, the number of Shares covered by each outstanding Option and Restricted Stock Award, the number of Shares which have been authorized for issuance under the Plan but as to which no Options or Restricted Stock Awards have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option or repurchase or forfeiture of Restricted Stock, as well as the price per Share covered by each such outstanding Option, as applicable, and the number of Shares issuable pursuant to the automatic grant provisions of Section 4 hereof shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a stock split, spin off, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Option or Restricted Stock Award.

(b) Dissolution or Liquidation. In the event of a proposed dissolution or

liquidation of the Company, Options and Restricted Stock shall become fully vested and, in the case of Options, fully exercisable, including as to Shares as to which it would not otherwise be exercisable.

To the extent an Option or Restricted Stock Award remains unexercised at the time of the dissolution or liquidation, the Option or Restricted Stock Award shall terminate.

(c) Merger or Asset Sale. In the event of a merger of the Company with or

into another corporation or the sale of substantially all of the assets of the Company, Restricted Stock shall fully vest and outstanding Options may be assumed or equivalent options may be substituted by the successor corporation or a parent or subsidiary thereof (the "Successor Corporation"). If an Option is assumed or substituted for, the Option or equivalent option shall continue to be exercisable as provided in Section 4 hereof for so long as the Optionee serves as a Director or a director of the Successor Corporation. Following such assumption or substitution, if the Optionee's status as a Director or director of the Successor Corporation, as applicable, is terminated other than upon a voluntary resignation by the Optionee, the Option or option shall become fully exercisable, including as to Shares for which it would not otherwise be exercisable. Thereafter, the Option or option shall remain exercisable in accordance with Sections 8(c) through (e) above.

If the Successor Corporation does not assume an outstanding Option or substitute for it an equivalent option, the Option shall become fully vested and exercisable, including as to Shares for which it would not otherwise be exercisable. In such event the Board shall notify the Optionee that the Option shall be fully exercisable for a period of thirty (30) days from the date of such notice, and upon the expiration of such period the Option shall terminate.

For the purposes of this Section 11(c), an Option shall be considered assumed if, following the merger or sale of assets, the Option confers the right to purchase or receive, for each Share of Optioned Stock subject to the Option immediately prior to the merger or sale of assets, the consideration (whether stock, cash, or other securities or property) received in the merger or sale of assets by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares).

12. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter,

suspend, or discontinue the Plan, but no amendment, alteration, suspension, or discontinuation shall be made which would impair the rights of any Optionee or Purchaser under any grant theretofore made, without his or her consent. In addition, to the extent necessary and desirable to comply with Rule 16b-3 under the Exchange Act (or any other applicable law or regulation), the Company shall obtain stockholder approval of any Plan amendment in such a manner and to such a degree as required. Notwithstanding the foregoing, the provisions set forth in Sections 4(b) and 4(c) of this Plan (and any additional Sections of this Plan as required by Rule 16b-3) shall not be amended more than once every six months, other than to comport with changes in the Internal Revenue Code, the Employee Retirement Income Security Act, as amended, or the rules thereunder.

(b) Effect of Amendment or Termination. Any such amendment or termination

of the Plan shall not affect Options or Restricted Stock already granted and such Options and Restricted Stock shall remain in full force and effect as if this Plan had not been amended or terminated.

13. Time of Granting Options or Restricted Stock Awards. The date of

grant of an Option or Restricted Stock Award shall, for all purposes, be the date determined in accordance with Section 4 hereof. Notice of the determination shall be given to each Outside Director to whom an Option or Restricted Stock Award is so granted within a reasonable time after the date of such grant.

14. Conditions Upon Issuance of Shares. Shares shall not be issued

pursuant to the exercise of an Option or Restricted Stock Award unless the exercise of such Option or Restricted Stock Award and the issuance and delivery of such Shares pursuant thereto shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, state securities laws, and the requirements of any stock exchange upon which the Shares may then be listed, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

As a condition to the exercise of an Option or Restricted Stock Award, the Company may require the person exercising such Option or Restricted Stock Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares, if, in the opinion of counsel for the Company, such a representation is required by any of the aforementioned relevant provisions of law.

Inability of the Company to obtain authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

15. Reservation of Shares. The Company, during the term of this Plan,

will at all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

16. Agreements. Options and Restricted Stock Awards shall be evidenced by

written option agreements in such form as the Board shall approve.

17. Stockholder Approval. Continuance of the Plan shall be subject to

approval by the stockholders of the Company at or prior to the first annual meeting of stockholders held subsequent to the adoption of the Plan. Such stockholder approval shall be obtained in the degree and manner required under applicable state and federal law.

AUTODESK, INC.
1996 STOCK PLAN

1. Purposes of the Plan. The purposes of this Stock Plan are:

- . to attract and retain the best available personnel for positions of substantial responsibility,
- . to provide additional incentive to Employees and Consultants, and
- . to promote the success of the Company's business.

Options granted under the Plan may be Incentive Stock Options or Nonstatutory Stock Options, as determined by the Administrator at the time of grant. Stock Purchase Rights and Long-Term Performance Awards may also be granted under the Plan.

2. Definitions. As used herein, the following definitions shall apply:

(a) "Administrator" means the Board or any of its Committees as shall be administering the Plan, in accordance with Section 4 of the Plan.

(b) "Applicable Laws" means the legal requirements relating to the administration of stock option plans under U. S. state corporate laws, U.S. federal and state securities laws, the Code and the applicable laws of any foreign country or jurisdiction where Options or Stock Purchase Rights will be or are being granted under the Plan.

(c) "Board" means the Board of Directors of the Company.

(d) "Code" means the Internal Revenue Code of 1986, as amended.

(e) "Committee" means a Committee appointed by the Board in accordance with Section 4 of the Plan.

(f) "Common Stock" means the Common Stock of the Company.

(g) "Company" means Autodesk, Inc., a Delaware corporation.

(h) "Consultant" means any person, including an advisor, engaged by the Company or a Parent or Subsidiary to render services and who is compensated for such services. The term "Consultant" shall not include Directors who are paid only a director's fee by the Company or who are not compensated by the Company for their services as Directors.

(i) "Continuous Status as an Employee or Consultant" means that the

employment or consulting relationship with the Company, its Parent, or any Subsidiary, is not interrupted or terminated. Continuous Status as an Employee or Consultant shall not be considered interrupted in the case of (i) any leave of absence approved by the Company or (ii) transfers between locations of the Company or between the Company, its Parent, any Subsidiary, or any successor. A leave of absence approved by the Company shall include sick leave, military leave, or any other personal leave approved by an authorized representative of the Company. For purposes of Incentive Stock Options, no such leave may exceed ninety days, unless reemployment upon expiration of such leave is guaranteed by statute or contract. If reemployment upon expiration of a leave of absence approved by the Company is not so guaranteed, on the 181st day of such leave any Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option.

(j) "Director" means a member of the Board.

(k) "Disability" means total and permanent disability as defined in

Section 22(e)(3) of the Code.

(l) "Employee" means any person, including Officers and Directors,

employed by the Company or any Parent or Subsidiary of the Company. Neither service as a Director nor payment of a director's fee by the Company shall be sufficient to constitute "employment" by the Company.

(m) "Exchange Act" means the Securities Exchange Act of 1934, as amended.

(n) "Fair Market Value" means, as of any date, the value of Common Stock

determined as follows:

(i) If the Common Stock is listed on any established stock exchange or national market system, including without limitation The Nasdaq National Market or The Nasdaq SmallCap Market of The Nasdaq Stock Market, its Fair Market Value shall be the closing sales price for such stock (or the closing bid, if no sales were reported) as quoted on such exchange or system for the date of such determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(ii) If the Common Stock is regularly quoted by a recognized securities dealer but selling prices are not reported, the Fair Market Value of a Share of Common Stock shall be the mean between the high bid and low asked prices for the Common Stock on the date of determination, as reported in The Wall Street Journal or such other source as the Administrator deems reliable;

(iii) In the absence of an established market for the Common Stock, the Fair Market Value shall be determined in good faith by the Administrator.

(o) "Incentive Stock Option" means an Option intended to qualify as an

incentive stock option within the meaning of Section 422 of the Code and the regulations promulgated thereunder.

(p) "Insiders" means individuals subject to Section 16 of the Exchange Act.

(q) "Long-Term Performance Award" means an award of cash or stock pursuant to Section 12 of the Plan.

(r) "Nonstatutory Stock Option" means an Option not intended to qualify as an Incentive Stock Option.

(s) "Notice of Grant" means a written or electronic notice evidencing certain terms and conditions of an individual Option, Stock Purchase Right or Long-Term Performance Award grant. The Notice of Grant is part of the Option Agreement.

(t) "Officer" means a person who is an officer of the Company within the meaning of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder.

(u) "Option" means a stock option granted pursuant to the Plan.

(v) "Option Agreement" means a written agreement between the Company and an Optionee evidencing the terms and conditions of an individual Option grant. The Option Agreement is subject to the terms and conditions of the Plan.

(w) "Optioned Stock" means the Common Stock subject to an Option, Stock Purchase Right or Long-Term Performance Award.

(x) "Optionee" means an Employee or Consultant who holds an outstanding Option, Stock Purchase Right or Long-Term Performance Award.

(y) "Parent" means a "parent corporation," whether now or hereafter existing, as defined in Section 424(e) of the Code.

(z) "Plan" means this 1996 Stock Plan.

(aa) "Restricted Stock" means shares of Common Stock acquired pursuant to a grant of Stock Purchase Rights under Section 11 below.

(bb) "Restricted Stock Purchase Agreement" means a written agreement between the Company and the Optionee evidencing the terms and restrictions applying to stock purchased under a Stock Purchase Right. The Restricted Stock Purchase Agreement is subject to the terms and conditions of the Plan and the Notice of Grant.

(cc) "Rule 16b-3" means Rule 16b-3 of the Exchange Act or any successor to Rule 16b-3, as in effect when discretion is being exercised with respect to the Plan.

(dd) "Section 16(b)" means Section 16(b) of the Securities Exchange Act of 1934, as amended.

(ee) "Share" means a share of the Common Stock, as adjusted in accordance with Section 14 of the Plan.

(ff) "Stock Purchase Right" means the right to purchase Common Stock pursuant to Section 11 of the Plan, as evidenced by a Notice of Grant.

(gg) "Subsidiary" means a "subsidiary corporation", whether now or hereafter existing, as defined in Section 424(f) of the Code.

3. Stock Subject to the Plan. Subject to the provisions of Section 14 of the Plan, the maximum aggregate number of Shares which may be optioned and sold under the Plan is 1,500,000 Shares, plus (i) any Shares which have been reserved but unissued under the Company's 1987 Stock Option Plan ("1987 Plan") as of the date of shareholder approval of this Plan not to exceed 3,000,000 Shares and (ii) any Shares returned to the 1987 Plan as a result of termination of options under the 1987 Plan not to exceed 9,000,000 Shares. The Shares may be authorized, but unissued, or reacquired Common Stock.

If an Option, Stock Purchase Right or Long-Term Performance Award expires or becomes unexercisable without having been exercised in full, the unpurchased Shares which were subject thereto shall become available for future grant or sale under the Plan (unless the Plan has terminated); provided, however, that

Shares that have actually been issued under the Plan, whether upon exercise of an Option, Stock Purchase Right or Long-Term Performance Award, shall not be returned to the Plan and shall not become available for future distribution under the Plan, except that if Shares of Restricted Stock are repurchased by the Company at their original purchase price, and the original purchaser of such Shares did not receive any benefits of ownership of such Shares, such Shares shall become available for future grant under the Plan. For purposes of the preceding sentence, voting rights shall not be considered a benefit of Share ownership.

4. Administration of the Plan.

(a) Procedure.

(i) Multiple Administrative Bodies. If permitted by Rule 16b-3, the Plan may be administered by different bodies with respect to Directors, Officers who are not Directors, and Employees who are neither Directors nor Officers.

(ii) Administration With Respect to Directors and Officers Subject to Section 16(b). With respect to Option, Stock Purchase Right or Long-Term Performance Award grants made to Employees who are also Officers or Directors subject to Section 16(b) of the Exchange Act, the Plan shall be administered by (A) the Board, if the Board may administer the Plan in a manner complying with

the rules under Rule 16b-3 relating to the disinterested administration of employee benefit plans under which Section 16(b) exempt discretionary grants and awards of equity securities are to be made, or (B) a committee designated by the Board to administer the Plan, which committee shall be constituted to comply with the rules under Rule 16b-3 relating to the disinterested administration of employee benefit plans under which Section 16(b) exempt discretionary grants and awards of equity securities are to be made. Once appointed, such Committee shall continue to serve in its designated capacity until otherwise directed by the Board. From time to time the Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and substitute new members, fill vacancies (however caused), and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by the rules under Rule 16b-3 relating to the disinterested administration of employee benefit plans under which Section 16(b) exempt discretionary grants and awards of equity securities are to be made.

(iii) Administration With Respect to Other Persons. With respect to

Option, Stock Purchase Right or Long-Term Performance Award grants made to Employees or Consultants who are neither Directors nor Officers of the Company, the Plan shall be administered by (A) the Board or (B) a committee designated by the Board, which committee shall be constituted to satisfy Applicable Laws. Once appointed, such Committee shall serve in its designated capacity until otherwise directed by the Board. The Board may increase the size of the Committee and appoint additional members, remove members (with or without cause) and substitute new members, fill vacancies (however caused), and remove all members of the Committee and thereafter directly administer the Plan, all to the extent permitted by Applicable Laws.

(b) Powers of the Administrator. Subject to the provisions of the Plan,

and in the case of a Committee, subject to the specific duties delegated by the Board to such Committee, the Administrator shall have the authority, in its discretion:

(i) to determine the Fair Market Value of the Common Stock, in accordance with Section 2(n) of the Plan;

(ii) to select the Consultants and Employees to whom Options, Stock Purchase Rights and Long-Term Performance Awards may be granted hereunder;

(iii) to determine whether and to what extent Options, Stock Purchase Rights and Long-Term Performance Awards or any combination thereof, are granted hereunder;

(iv) to determine the number of shares of Common Stock to be covered by each Option, Stock Purchase Right and Long-Term Performance Awards granted hereunder;

(v) to approve forms of agreement for use under the Plan;

(vi) to determine the terms and conditions, not inconsistent with the terms of the Plan, of any award granted hereunder. Such terms and conditions include, but are not limited to, the

exercise price, the time or times when Options, Stock Purchase Rights or Long-Term Performance Awards may be exercised (which may be based on performance criteria), any vesting acceleration or waiver of forfeiture restrictions, and any restriction or limitation regarding any Option, Stock Purchase Right or Long-Term Performance Awards or the shares of Common Stock relating thereto, based in each case on such factors as the Administrator, in its sole discretion, shall determine;

(vii) to construe and interpret the terms of the Plan and awards granted pursuant to the Plan;

(viii) to prescribe, amend and rescind rules and regulations relating to the Plan, including rules and regulations relating to sub-plans established for the purpose of qualifying for preferred tax treatment under foreign tax laws;

(ix) to modify or amend each Option, Stock Purchase Right or Long-Term Performance Awards (subject to Section 16(c) of the Plan), including the discretionary authority to extend the post-termination exercisability period of Options longer than is otherwise provided for in the Plan;

(x) to authorize any person to execute on behalf of the Company any instrument required to effect the grant of an Option, Stock Purchase Right or Long-Term Performance Awards previously granted by the Administrator;

(xi) to determine the terms and restrictions applicable to Options, Stock Purchase Rights, Long-Term Performance Awards and any Restricted Stock; and

(xii) to make all other determinations deemed necessary or advisable for administering the Plan.

(c) Effect of Administrator's Decision. The Administrator's decisions,

determinations and interpretations shall be final and binding on all Optionees and any other holders of Options, Stock Purchase Rights or Long-Term Performance Awards.

5. Eligibility. Nonstatutory Stock Options, Stock Purchase Rights and Long-

Term Performance Awards may be granted to Employees and Consultants. Incentive Stock Options may be granted only to Employees. If otherwise eligible, an Employee or Consultant who has been granted an Option, Stock Purchase Right or Long-Term Performance Awards may be granted additional Options, Stock Purchase Rights or Long-Term Performance Awards.

6. Limitations.

(a) Each Option shall be designated in the written option agreement as either an Incentive Stock Option or a Nonstatutory Stock Option. However, notwithstanding such designation, to the extent that the aggregate Fair Market Value of the Shares with respect to which Incentive Stock Options are

exercisable for the first time by the Optionee during any calendar year (under all plans of the Company and any Parent or Subsidiary) exceeds \$100,000, such Options shall be treated as Nonstatutory Stock Options.

(b) Neither the Plan nor any Option, Stock Purchase Right or Long-Term Performance Award shall confer upon an Optionee any right with respect to continuing the Optionee's employment or consulting relationship with the Company, nor shall they interfere in any way with the Optionee's right or the Company's right to terminate such employment or consulting relationship at any time, with or without cause.

(c) The following limitations shall apply to grants of Options to Employees:

(i) No Employee shall be granted, in any fiscal year of the Company, Options to purchase more than 1,000,000 Shares.

(ii) In connection with his or her initial employment, an Employee may be granted Options to purchase up to an additional 1,000,000 Shares which shall not count against the limit set forth in subsection (i) above.

(iii) The foregoing limitations shall be adjusted proportionately in connection with any change in the Company's capitalization as described in Section 14.

(iv) If an Option is cancelled in the same fiscal year of the Company in which it was granted (other than in connection with a transaction described in Section 14), the cancelled Option will be counted against the limits set forth in subsections (i) and (ii) above.

7. Term of Plan. Subject to Section 20 of the Plan, the Plan shall become

effective upon the earlier to occur of its adoption by the Board or its approval by the shareholders of the Company as described in Section 20 of the Plan. It shall continue in effect for a term of ten (10) years unless terminated earlier under Section 16 of the Plan.

8. Term of Option. The term of each Option shall be stated in the Notice of

Grant; provided, however, that in the case of an Incentive Stock Option, the term shall be ten (10) years from the date of grant or such shorter term as may be provided in the Notice of Grant.

9. Option Exercise Price and Consideration.

(a) Exercise Price. The per share exercise price for the Shares to be

issued pursuant to exercise of an Option shall be no less than 100% of the Fair Market Value per Share on the date of grant.

(b) Waiting Period and Exercise Dates. At the time an Option is granted,

the Administrator shall fix the period within which the Option may be exercised and shall determine any conditions which must be satisfied before the Option may be exercised. In so doing, the Administrator may

specify that an Option may not be exercised until either the completion of a service period or the achievement of performance criteria with respect to the Company or the Optionee.

(c) Form of Consideration. The Administrator shall determine the

acceptable form of consideration for exercising an Option, including the method of payment. In the case of an Incentive Stock Option, the Administrator shall determine the acceptable form of consideration at the time of grant. Such consideration may consist entirely of:

(i) cash;

(ii) check;

(iii) promissory note;

(iv) other Shares which (A) in the case of Shares acquired upon exercise of an option, have been owned by the Optionee for more than six months on the date of surrender, and (B) have a Fair Market Value on the date of surrender equal to the aggregate exercise price of the Shares as to which said Option shall be exercised;

(v) delivery of a properly executed exercise notice together with such other documentation as the Administrator and the broker, if applicable, shall require to effect an exercise of the Option and delivery to the Company of the sale or loan proceeds required to pay the exercise price;

(vi) a reduction in the amount of any Company liability to the Optionee, including any liability attributable to the Optionee's participation in any Company-sponsored deferred compensation program or arrangement;

(vii) any combination of the foregoing methods of payment; or

(viii) such other consideration and method of payment for the issuance of Shares to the extent permitted by Applicable Laws.

10. Exercise of Option.

(a) Procedure for Exercise; Rights as a Shareholder. Any Option granted

hereunder shall be exercisable according to the terms of the Plan and at such times and under such conditions as determined by the Administrator and set forth in the Option Agreement.

An Option may not be exercised for a fraction of a Share.

An Option shall be deemed exercised when the Company receives: (i) written or electronic notice of exercise (in accordance with the Option Agreement) from the person entitled to exercise the Option, and (ii) full payment for the Shares with respect to which the Option is exercised.

Full payment may consist of any consideration and method of payment authorized by the Administrator and permitted by the Option Agreement and the Plan. Shares issued upon exercise of an Option shall be issued in the name of the Optionee or, if requested by the Optionee, in the name of the Optionee and his or her spouse. Until the stock certificate evidencing such Shares is issued (as evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company), no right to vote or receive dividends or any other rights as a shareholder shall exist with respect to the Optioned Stock, notwithstanding the exercise of the Option. The Company shall issue (or cause to be issued) such stock certificate promptly after the Option is exercised. No adjustment will be made for a dividend or other right for which the record date is prior to the date the stock certificate is issued, except as provided in Section 14 of the Plan.

Exercising an Option in any manner shall decrease the number of Shares thereafter available, both for purposes of the Plan and for sale under the Option, by the number of Shares as to which the Option is exercised.

(b) Termination of Employment or Consulting Relationship. Upon

termination of an Optionee's Continuous Status as an Employee or Consultant, other than upon the Optionee's death or Disability, the Optionee may exercise his or her Option within such period of time as is specified in the Notice of Grant to the extent that he or she is entitled to exercise it on the date of termination (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant). In the absence of a specified time in the Notice of Grant, the Option shall remain exercisable for three (3) months following the Optionee's termination. If, on the date of termination, the Optionee is not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified by the Administrator, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

Notwithstanding the above, in the event of an Optionee's change in status from Consultant to Employee or Employee to Consultant, the Optionee's Continuous Status as an Employee or Consultant shall not automatically terminate solely as a result of such change in status. In such event, an Incentive Stock Option held by the Optionee shall cease to be treated as an Incentive Stock Option and shall be treated for tax purposes as a Nonstatutory Stock Option three months and one day following such change of status.

(c) Disability of Optionee. Upon termination of an Optionee's Continuous

Status as an Employee or Consultant as a result of the Optionee's Disability, the Optionee may exercise his or her Option at any time within twelve (12) months (or such other period of time as is determined by the Administrator) from the date of termination, but only to the extent that the Optionee is entitled to exercise it on the date of termination (and in no event later than the expiration of the term of the Option as set forth in the Notice of Grant). If, on the date of termination, the Optionee is not entitled to exercise his or her entire Option, the Shares covered by the unexercisable portion of the Option shall revert to the Plan. If, after termination, the Optionee does not exercise his or her Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(d) Death of Optionee. In the event of the death of an Optionee, the

Option shall become fully exercisable, including as to Shares for which it would not otherwise be exercisable and may be exercised at any time within twelve (12) months (or such other period of time as is determined by the Administrator) following the date of death (but in no event later than the expiration of the term of such Option as set forth in the Notice of Grant), by the Optionee's estate or by a person who acquired the right to exercise the Option by bequest or inheritance. If, after death, the Optionee's estate or a person who acquired the right to exercise the Option by bequest or inheritance does not exercise the Option within the time specified herein, the Option shall terminate, and the Shares covered by such Option shall revert to the Plan.

(e) Rule 16b-3. Options granted to individuals subject to Section 16 of

the Exchange Act (Insiders) must comply with the applicable provisions of Rule 16b-3 and shall contain such additional conditions or restrictions as may be required thereunder to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

11. Stock Purchase Rights.

(a) Rights to Purchase. Stock Purchase Rights may be issued either alone,

in addition to, or in tandem with other awards granted under the Plan and/or cash awards made outside of the Plan. After the Administrator determines that it will offer Stock Purchase Rights under the Plan, it shall advise the offeree in writing or electronically, by means of a Notice of Grant, of the terms, conditions and restrictions related to the offer, including the number of Shares that the offeree shall be entitled to purchase, the price to be paid provided, however, that the purchase price shall not be less than the par value of the Company's Common Stock, and the time within which the offeree must accept such offer, which shall in no event exceed ninety (90) days from the later of (i) the date upon which the Administrator made the determination to grant the Stock Purchase Right, or (ii) the date the Notice of Grant of Stock Purchase Rights is delivered to the Executive. The offer shall be accepted by execution of a Restricted Stock Purchase Agreement in the form determined by the Administrator. The number of Shares subject to grants of Stock Purchase Rights shall not exceed fifteen percent (15%) of the total number of Shares authorized under the Plan.

(b) Repurchase Option. The Restricted Stock Purchase Agreement shall

grant the Company a repurchase option exercisable upon the voluntary or involuntary termination of the purchaser's employment with the Company for any reason (including Disability); provided, however, that such repurchase option shall terminate in the event of death of the purchaser. In all other cases, the repurchase option shall lapse at a rate determined by the Administrator; provided, however that, except as otherwise provided in this subsection, no portion of the repurchase option shall lapse before the end of three years from the date of purchase of the Restricted Stock. The purchase price for Shares

repurchased pursuant to the Restricted Stock Purchase Agreement shall be the original price paid by the purchaser and may be paid by cancellation of any indebtedness of the purchaser to the Company.

(c) Rule 16b-3. Stock Purchase Rights granted to Insiders, and Shares

purchased by Insiders in connection with Stock Purchase Rights, shall be subject to any restrictions applicable thereto in compliance with Rule 16b-3. An Insider may only purchase Shares pursuant to the grant of a Stock Purchase Right, and may only sell Shares purchased pursuant to the grant of a Stock Purchase Right, during such time or times as are permitted by Rule 16b-3.

(d) Other Provisions. The Restricted Stock Purchase Agreement shall

contain such other terms, provisions and conditions not inconsistent with the Plan as may be determined by the Administrator in its sole discretion. In addition, the provisions of Restricted Stock Purchase Agreements need not be the same with respect to each purchaser.

(e) Rights as a Shareholder. Once the Stock Purchase Right is exercised,

the purchaser shall have the rights equivalent to those of a shareholder, and shall be a shareholder when his or her purchase is entered upon the records of the duly authorized transfer agent of the Company. No adjustment will be made for a dividend or other right for which the record date is prior to the date the Stock Purchase Right is exercised, except as provided in Section 14 of the Plan.

(f) Issuance of Shares. As soon as possible after full payment of the

purchase price, the Shares purchased shall be duly issued; provided, however, that the Administrator may require that the purchaser make adequate provision for any Federal and State withholding obligations of the Company as a condition to such purchase.

(g) Shares Available Under the Plan. Exercise of a Stock Purchase Right

in any manner shall result in a decrease in the number of Shares that thereafter shall be available for reissuance under the Plan.

(h) Stock Withholding to Satisfy Tax Obligations. The Administrator may,

in its discretion, permit a purchaser to satisfy any withholding tax obligation that arises in connection with the vesting of Shares by electing to have the Company withhold from such vested Shares that number of Shares having a Fair Market Value equal to the amount required to be withheld. Elections by purchasers to have Shares withheld for this purpose shall be made in writing in a form acceptable to the Administrator and shall be subject to such restrictions and limitations as the Administrator may specify.

12. Long-Term Performance Awards.

(a) Awards. Long-Term Performance Awards are cash or stock bonus awards

that may be granted either independently or along with, in addition to or in tandem with other awards granted under the Plan and/or awards made outside of the Plan. Long-Term Performance Awards shall not require payment by the recipient of any consideration for the Long-Term Performance Award or for the Shares covered by such award. The Administrator shall determine the nature, length and starting date

of any performance period (the "Performance Period") for each Long-Term Performance Award and shall determine the performance and/or employment factors to be used in the determination of the value of Long-Term Performance Awards and the extent to which such Long-Term Performance Awards have been earned. Shares issued pursuant to a Long-Term Performance Award may be made subject to various conditions, including vesting or forfeiture provisions. Long-Term Performance Awards may vary from participant to participant and between groups of participants and shall be based upon the achievement of Company, Subsidiary and/or individual performance factors or upon such other criteria as the Administrator may deem appropriate. Performance Periods may overlap and participants may participate simultaneously with respect to Long-Term Performance Awards that are subject to different Performance Periods and different performance factors and criteria. Long-Term Performance Awards shall be confirmed by, and be subject to the terms of, a written Long-Term Performance Award agreement.

(b) Value of Awards. At the beginning of each Performance Period, the

Administrator may determine for each Long-Term Performance Award subject to such Performance Period the range of dollar values and/or numbers of Shares to be issued to the participant at the end of the Performance Period if and to the extent that the relevant measures of performance for such Long-Term Performance Award are met. Such dollar values or numbers of Shares may be fixed or may vary in accordance with such performance or other criteria as may be determined by the Administrator.

(c) Adjustment of Awards. Notwithstanding the provisions of Section 16

hereof, the Administrator may, after the grant of Long-Term Performance Awards, adjust the performance factors applicable to such Long-Term Performance Awards to take into account changes in the law or in accounting or tax rules and to make such adjustments as the Administrator deems necessary or appropriate to reflect the inclusion or exclusion of the impact of extraordinary or unusual items, events or circumstances in order to avoid windfalls or hardships.

(d) Termination. Unless otherwise provided in the applicable Long-Term

Performance Award agreement, if a participant terminates his or her employment or his or her consultancy during a Performance Period because of death or Disability, the Administrator may in its discretion provide for an earlier payment in settlement of such award, which payment may be in such amount and under such terms and conditions as the Administrator deems appropriate.

Unless otherwise provided in the applicable Long-Term Performance Award agreement, if a participant terminates employment or his or her consultancy during a Performance Period for any reason other than death or Disability, then such a participant shall not be entitled to any payment with respect to the Long-Term Performance Award subject to such Performance Period, unless the Administrator shall otherwise determine in its discretion.

(e) Form of Payment. The earned portion of a Long-Term Performance Award

may be paid currently or on a deferred basis (with such interest or earnings equivalent as may be determined by the Administrator). Payment shall be made in the form of cash or whole Shares (including Restricted

Stock), or a combination thereof, either in a lump sum payment or in installments, all as the Administrator shall determine.

(f) Reservation of Shares. In the event that the Administrator grants a

Long-Term Performance Award that is payable in cash or Common Stock, the Administrator may (but need not) reserve an appropriate number of Shares under the Plan at the time of grant of the Long-Term Performance Award. If and to the extent that the full amount reserved is not actually paid in Common Stock, the Shares representing the portion of the reserve for that Long-Term Performance Award that is not actually issued in satisfaction of such Long-Term Performance Award shall again become available for award under the Plan. If Shares are not reserved by the Administrator at the time of grant, then (i) no Shares shall be deducted from the number of Shares available for grant under the Plan at that time and (ii) at the time of payment of the Long-Term Performance Award, only the number of Shares actually issued to the participant shall be so deducted. If there are not a sufficient number of Shares available under the Plan for issuance to a participant at the time of payment of a Long-Term Performance Award, any shortfall shall be paid by the Company in cash.

(g) Rule 16b-3. Grants of Long-Term Performance Awards to Directors and

Officers must comply with the applicable provisions of Rule 16b-3 and such Long-Term Performance Awards shall contain such additional conditions or restrictions, if any, as may be required by Rule 16b-3 to be in the written agreement relating to such Long-Term Performance Awards in order to qualify for the maximum exemption from Section 16 of the Exchange Act with respect to Plan transactions.

13. Non-Transferability of Options, Stock Purchase Rights and Long-Term

Performance Awards. An Option, Stock Purchase Right or Long-Term Performance

Award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by will or by the laws of descent or distribution and may be exercised, during the lifetime of the Optionee, only by the Optionee.

14. Adjustments Upon Changes in Capitalization, Dissolution, Merger or Asset

Sale.

(a) Changes in Capitalization. Subject to any required action by the

shareholders of the Company, the number of Shares covered by each outstanding Option, Long-Term Performance Award and Stock Purchase Right, and the number of Shares which have been authorized for issuance under the Plan but as to which no Options, Long-Term Performance Awards or Stock Purchase Rights have yet been granted or which have been returned to the Plan upon cancellation or expiration of an Option, Long-Term Performance Award or Stock Purchase Right, as well as the price per Share covered by each such outstanding Option, Long-Term Performance Award or Stock Purchase Right, shall be proportionately adjusted for any increase or decrease in the number of issued Shares resulting from a stock split, reverse stock split, stock dividend, combination or reclassification of the Common Stock, or any other increase or decrease in the number of issued Shares effected without receipt of consideration by the Company; provided, however, that conversion of any convertible securities of the Company shall not be deemed to have been "effected without receipt of consideration." Such adjustment shall be made by the Board, whose determination in that respect shall be final, binding and conclusive. Except as expressly provided herein, no issuance by the Company of Shares of stock of any class, or securities convertible into Shares

of stock of any class, shall affect, and no adjustment by reason thereof shall be made with respect to, the number or price of Shares subject to an Option, Long-Term Performance Award or Stock Purchase Right.

(b) Dissolution or Liquidation. In the event of the proposed dissolution

or liquidation of the Company, the Administrator shall notify each Optionee as soon as practicable prior to the effective date of such proposed transaction. The Administrator in its discretion may provide for an Optionee to have the right to exercise his or her Option, Stock Purchase Right or Long-Term Performance Award until ten (10) days prior to such transaction as to all of the Optioned Stock covered thereby, including Shares as to which the Option would not otherwise be exercisable. In addition, the Administrator may provide that any Company repurchase option applicable to any Shares purchased upon exercise of an Option, Stock Purchase Right or Long-Term Performance Award shall lapse as to all such Shares, provided the proposed dissolution or liquidation takes place at the time and in the manner contemplated. To the extent it has not been previously exercised, an Option, Stock Purchase Right or Long-Term Performance Award will terminate immediately prior to the consummation of such proposed action.

(c) Merger or Asset Sale. In the event of a merger of the Company with or

into another corporation, or the sale of substantially all of the assets of the Company, each outstanding Option, Stock Purchase Right and Long-Term Performance Award shall be assumed or an equivalent option or right substituted by the successor corporation or a Parent or Subsidiary of the successor corporation, or in the event that the successor corporation refuses to assume or substitute for the Option, Stock Purchase Right or Long-Term Performance Award, the Optionee shall have the right to exercise the Option, Stock Purchase Right or Long-Term Performance Award as to all of the Optioned Stock, including Shares as to which it would not otherwise be exercisable. If an Option, Stock Purchase Right or Long-Term Performance Award is exercisable in lieu of assumption or substitution in the event of a merger or sale of assets, the Administrator shall notify the Optionee in writing or electronically that the Option, Stock Purchase Right or Long-Term Performance Award shall be fully exercisable for a period of fifteen (15) days from the date of such notice, and the Option, Stock Purchase Right or Long-Term Performance Award shall terminate upon the expiration of such period. For the purposes of this paragraph, the Option, Stock Purchase Right or Long-Term Performance Award shall be considered assumed if, following the merger or sale of assets, the option or right confers the right to purchase or receive, for each Share of Optioned Stock subject to the Option, Stock Purchase Right or Long-Term Performance Award immediately prior to the merger or sale of assets, the consideration (whether stock, cash, or other securities or property) received in the merger or sale of assets by holders of Common Stock for each Share held on the effective date of the transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding Shares); provided, however, that if such consideration received in the merger or sale of assets was not solely common stock of the successor corporation or its Parent, the Administrator may, with the consent of the successor corporation, provide for the consideration to be received upon the exercise of the Option, Stock Purchase Right or Long-Term Performance Award, for each Share of Optioned Stock subject to the Option, Stock Purchase Right or Long-Term Performance Award, to be solely common stock of the successor corporation or its Parent equal in fair market value to the per share consideration received by holders of Common Stock in the merger or sale of assets.

15. Date of Grant. The date of grant of an Option, Stock Purchase Right or

Long-Term Performance Award shall be, for all purposes, the date on which the Administrator makes the determination granting such Option, Stock Purchase Right or Long-Term Performance Award, or such other later date as is determined by the Administrator. Notice of the determination shall be provided to each Optionee within a reasonable time after the date of such grant.

16. Amendment and Termination of the Plan.

(a) Amendment and Termination. The Board may at any time amend, alter, suspend or terminate the Plan.

(b) Shareholder Approval. The Company shall obtain shareholder approval of any Plan amendment to the extent necessary and desirable to comply with Rule 16b-3 or with Sections 162(m) or 422 of the Code (or any successor rule or statute or other applicable law, rule or regulation, including the requirements of any exchange or quotation system on which the Common Stock is listed or quoted). Such shareholder approval, if required, shall be obtained in such a manner and to such a degree as is required by the applicable law, rule or regulation.

(c) Effect of Amendment or Termination. No amendment, alteration, suspension or termination of the Plan shall impair the rights of any Optionee, unless mutually agreed otherwise between the Optionee and the Administrator, which agreement must be in writing and signed by the Optionee and the Company.

17. Conditions Upon Issuance of Shares.

(a) Legal Compliance. Shares shall not be issued pursuant to the exercise of an Option, Stock Purchase Right or Long-Term Performance Award unless the exercise of such Option, Stock Purchase Right or Long-Term Performance Award and the issuance and delivery of such Shares shall comply with all relevant provisions of law, including, without limitation, the Securities Act of 1933, as amended, the Exchange Act, the rules and regulations promulgated thereunder, Applicable Laws, and the requirements of any stock exchange or quotation system upon which the Shares may then be listed or quoted, and shall be further subject to the approval of counsel for the Company with respect to such compliance.

(b) Investment Representations. As a condition to the exercise of an Option, Stock Purchase Right or Long-Term Performance Award, the Company may require the person exercising such Option, Stock Purchase Right or Long-Term Performance Award to represent and warrant at the time of any such exercise that the Shares are being purchased only for investment and without any present intention to sell or distribute such Shares if, in the opinion of counsel for the Company, such a representation is required.

18. Liability of Company.

(a) Inability to Obtain Authority. The inability of the Company to obtain

authority from any regulatory body having jurisdiction, which authority is deemed by the Company's counsel to be necessary to the lawful issuance and sale of any Shares hereunder, shall relieve the Company of any liability in respect of the failure to issue or sell such Shares as to which such requisite authority shall not have been obtained.

(b) Grants Exceeding Allotted Shares. If the Optioned Stock covered by an

Option, Stock Purchase Right or Long-Term Performance Award exceeds, as of the date of grant, the number of Shares which may be issued under the Plan without additional shareholder approval, such Option, Stock Purchase Right or Long-Term Performance Award shall be void with respect to such excess Optioned Stock, unless shareholder approval of an amendment sufficiently increasing the number of Shares subject to the Plan is timely obtained in accordance with Section 16(b) of the Plan.

19. Reservation of Shares. The Company, during the term of this Plan, will at

all times reserve and keep available such number of Shares as shall be sufficient to satisfy the requirements of the Plan.

20. Shareholder Approval. Continuance of the Plan shall be subject to

approval by the shareholders of the Company within twelve (12) months before or after the date the Plan is adopted. Such shareholder approval shall be obtained in the manner and to the degree required under applicable federal and state law.

pg with charts- Net revenues by Geography

Graph- net revenues in fiscal years 1994, 1995, and 1996 of \$405.6 million, \$454.6 million, and \$534.2 million, respectively.

Every day investors ask us, "What exactly does Autodesk do?"

To help answer that question we've created an annual report that is both a financial document and a narrative. It is a story as much about people with vision--customers, partners, Autodesk staff--as it is about developing quality software, leveraging technology trends to pursue new market opportunities, and a reorientation toward customers.

We also want to reintroduce ourselves because we're no longer just the AutoCAD(R) company. We're the company that creates and markets design software, software that you, or people you know, use to create, visualize, imagine, and manage the designed world. Stay with us, it's an exciting story.

Selected financial data

(In thousands, except per share data, percentages, and employees)

	Fiscal year ended January 31,		Percentage change
	1996	1995	
Net revenues	\$534,167	\$454,612	17.5%
Income from operations	\$129,027	\$107,411	20.1%
Net income*	\$ 87,788	\$ 56,606	55.1%
Net income per share*	\$ 1.76	\$ 1.14	54.4%
Return on net revenues	16.4%	12.5%	31.2%
Working capital	\$203,539	\$218,095	(6.7%)
Stockholders' equity	\$342,328	\$323,484	5.8%
Shares used in computing net income per share	49,800	49,840	0%
Number of employees	1,894	1,788	5.9%

*Fiscal year 1995 results include a pre-tax litigation charge of approximately \$26 million resulting in a \$0.33 reduction in earnings per share.

Letter to Stockholders

Last winter when I first began thinking about this letter, I recalled one incident from fiscal year 1996 with particular clarity. I was meeting with the Autodesk Mechanical Desktop(TM) team to discuss beta testing for this new mechanical computer-aided design (CAD) product. The talk was lively and opinionated; it always is at Autodesk. As we got into the rhythm of the meeting, many people seemed to realize at about the same moment that what we'd planned just wasn't going to be enough.

I'm sure some of us were also thinking about the technology transition problems we were then having with AutoCAD(R) Release 13, and about the thousands of customers and partners we were meeting with worldwide who were telling us what was needed to make this release the success it has since become.

From the seeds of this Desktop discussion and out of our experience with Release 13, a new model for developing quality software has taken root. It's a model in which Autodesk programmers will work side-by-side with our customers and application developer partners and their customers to shape the final product, to make sure that when it's released, it has the features and the performance gains that design professionals need and expect. And what began as some 60 beta sites for the Desktop eventually topped out at more than 700.

The other hallmarks of this experience, a renewal of vision and the role of dedicated, gifted people in Autodesk success, also characterize fiscal year 1996, and our future course. Vision has led us into new markets and down exciting paths. We're not just "that CAD software company"

anymore, we're a design software company. That story is told through-out this document, and I hope you'll spend some time with it. Vision has led us as well to a renewed commitment to customers. You'll see some of the results of that commitment when you review our strong product lineup and read about our enhanced support resources. But ultimately, people made the difference in fiscal year 1996. Customers, partners, all of us here at Autodesk helped turn a year of difficult but essential change into a success.

I can tell you that we are working hard to create the best design software in the industry, that we are committed to superior strategic execution in fiscal year 1997, and that we enter our new fiscal year with confidence, with a solid and enduring foundation for success. Now let's look at the bottom-line results.

Financial Highlights

Net revenues for the fiscal year ended January 31, 1996, were \$534.2 million, an increase of 17.5 percent over the previous year. Net income was \$87.8 million or \$1.76 per share compared to \$73.1 million or \$1.47 per share last year. The fiscal year 1995 earnings figure excludes the \$16.5 million earnings impact related to the VMI litigation judgment. Setting aside the litigation accrual, earnings grew 20 percent for the year.

Sales of 233,000 new AutoCAD seats, a record number and an increase of 15 percent over fiscal year 1995, as well as a 32 percent increase in sales of non-AutoCAD products sparked growth. I'm pleased to tell you that the installed AutoCAD base now approaches 1.5 million seats. The 1996 balance sheet also reflects a \$17 million increase in cash reserves over the previous fiscal year, even though we spent nearly \$108 million to repurchase stock as part of our ongoing commitment to maintaining stockholder value.

Net revenues by geography were up worldwide. Europe led that annual growth with an increase of 33 percent, its highest in more than 5 years. Asia/Pacific increased by 23 percent; the Americas by only 3 percent, a direct result of the execution problems we had with AutoCAD Release 13.

A Tough Transition, A Positive Outcome

The core AutoCAD rearchitecting we undertook for Release 13, which incorporated a new object-oriented design paradigm, made for a difficult transition. But the final AutoCAD Release 13 platform, for Windows(R) 95 and Windows NT(R), is an excellent product. It's significantly faster than the original product and includes new features, some of which, such as real-time Pan and Zoom, customers had wanted for a long time. AutoCAD Release 13 also plays particularly well with new customers who want to pursue a more-collaborative design process using "intelligent" digital models. That story is also told within this document.

The final Release 13 platform contains the revolutionary new application programming interface, the AutoCAD(R) Runtime Extension (ARX). Developer partners and customers will leverage ARX to create high-powered applications that are integrated into, not merely compatible with, Release 13. Reaching the ARX milestone is sure to add to AutoCAD success in fiscal year 1997 and beyond.

The Design Software Company

Our reorganization around customer-focused market groups began to reach a critical mass in fiscal year 1996. The products these groups are launching in fiscal year 1997 speak strongly to our traditional, but rapidly evolving markets and effectively position us in new ones, authenticating our view of ourselves as the world's leading design software company. To signal this shift we have even changed our Nasdaq stock symbol from ACAD to ADSK.

In first quarter 1997 we shipped Autodesk Mechanical Desktop for mechanical design. The Desktop, with newly developed assembly-modeling technology, integrates AutoCAD Release 13, AutoCAD(R). Designer, and AutoSurf(R) modules for a comprehensive "art-to-part" mechanical-design environment. Later in fiscal year 1997 we will be launching AutoCAD(R) Map, the first in a planned series of AutoCAD "avors" in which Release 13 technology will be customized and complemented to better suit the needs of our vertical markets.

When you're first in world markets, as we are in CAD software revenues and in seats for animation and visualization, you're expected to lead. So look for our multimedia team to create a stir as the newly formed Kinetix(TM). Autodesk was born out of an entrepreneurial spirit and continues to foster it, which is why we've launched Kinetix as a separate division. And if you haven't already heard about the new Kinetix animation product 3D Studio MAX(TM), believe me, you will in fiscal year 1997.

The work of our Data Management Market Group in fiscal year 1996 moves us strongly into new markets for the electronic publishing of design content through Autodesk Data Publishing (ADP) and for design process management software like Autodesk WorkCenter(R). Finally, we're licensing Autodesk technology as OEM engines to select developer partners, a move that further strengthens the competitive advantage of our .DWG file format, the worldwide standard for computer-aided design.

Each new business opportunity we're pursuing is volume based, markets to existing customers, wins us new ones, and adds to our competitiveness.

Looking Ahead

I believe Autodesk is now better positioned to pursue multiple, global opportunities than at any time in our history. Our business model is more integrated and focused, our products support the needs of a total design environment, our partners are stronger, our customer base larger. We're learning, changing, and growing. In fiscal year 1997 we want to delight our customers with quality software. I can't state our future goals any more clearly or powerfully than that. We hope you'll continue to share in our vision.

And to those people--customers, business partners, stockholders, the Autodesk workforce--who were so very loyal during a challenging business year, I extend my personal thanks.

Carol Bartz, President, Chief Executive Officer, and
Chairman of the Board

Design Your World

The world of design represents extraordinary business opportunities. In pursuing them, we've become the world's leading design software company.

"We're becoming the company whose products help define the total design environment. Our market opportunities are limited only by the imagination of the design and multimedia communities."

Eric Herr, Chief Financial Officer and Vice President, Finance and Administration

People design office towers and robotics, restorations of natural environments and plans for emergency services, car bodies and cameras. They design educational programs and pipelines, clothing and yachts, video games and maps. People also manage and analyze what they imagine and build. They add aesthetic content to their work as they move through the creative process. And as they design this complex, interrelated world--your world--they use Autodesk software.

Opening a Door on the Designed World

What's more ordinary than grasping a door handle as you enter an office tower on business? You don't think about the cross-hatched, stainless-steel handle that's so easy to grasp and swing, although you can be sure a designer has. No matter. We take for granted the highly designed world.

Even so, it's a rather extraordinary place. It's a world in which a stream of electronic data defines, organizes, models, and reinforces all the design spaces in your world: From the very tower itself and its urban surroundings to the bushings, screws, and bolts in the door handle assembly. From the advanced electrical, engineering, heating, air-conditioning, and facilities-management systems that support the tower workforce to the product videos you watch with your investment banker.

These designs and interdependent processes are possible, this environment made functional and pleasing, in part because of the quality, precision, and broad resources found in Autodesk software.

So although we began with AutoCAD(R) software for computer-aided design, we're now much more. We will always support the 2D CAD market. But professionals across the design continuum now need software that allows them to work in more collaborative and creative ways, to work in 2D and 3D, whether they're manufacturing aircraft, adding special effects to a film, or re-modeling a kitchen. We market software for this wider world of design, software for mechanical CAD, for multimedia and data management, for architecture and geographic information systems, and for design-content creation.

Your world, Autodesk software.

Quality Software

We've innovated a new software-development model to meet the creative and competitive needs of the people designing your world.

"With Mechanical Desktop, the MCAD Market Group hit high gear. From the Gunslinger events for software development to extended beta testing, from the Mechanical Applications Initiative to the creation of extensive learning materials, we've architected a complete MCAD software solution that will delight customers and partners alike."

Dominic Gallello, Vice President, MCAD Market Group

Autodesk Mechanical Desktop(TM) for the mechanical CAD (MCAD) software market typifies this new model, leverages core AutoCAD(R) technology, and redefines for the entire Company what it means to delight customers with quality products.

The software-development cycle generally follows a linear pattern of coding, quality assurance, automated testing, and so on. With Mechanical Desktop we initiated a new process in addition to following the traditional methodology. We held so-called Gunslinger events (Desktop was code-named Texas) in which software architecture and documentation were refined under exacting real-world conditions.

Gunslinger teams included Autodesk software-development engineers and application engineers, mechanical engineers from our value-added reseller partners, and most importantly, customer engineers.

We held 12 four-day Gunslingers at our development sites at which more than 100 mechanical engineers participated. The goal: to create a complete "art to part" MCAD software solution that also helps end-users cut product time-to-market.

The Dialog

Gunslinger events fostered a rich dialog. As a participant identified a software issue--perhaps a developer application stalled at a particular command sequence--an Autodesk programmer was there to sort it out online, in real time.

Typically, this sort of exchange does not occur face-to-face. It happens after product launch and is conducted over e-mail or via fax. Under those circumstances, some highly complex problems may never be fully resolved. The Gunslinger innovation eliminates these inefficiencies. As a result Mechanical Desktop is the product our customers and partners told us they needed, a product that enhances their design creativity and makes them more competitive.

To meet concerns about training and staffing expressed during the Desktop development cycle, we created curriculum materials targeted for college and university audiences as well as for Autodesk Training Centers. And we provided the

award-winning, interactive, multimedia software, Inside Track(TM), which promotes individualized learning of current mechanical-design techniques for both professional and student users.

Revolutionary ARX

The tightly integrated Mechanical Desktop modules, among them AutoCAD(R) Release 13 and a newly created Assembly Modeler, unite 2D and 3D design capabilities and provide for associative drafting as well as surface, mechanical-assembly, and feature-based solid modeling.

We also adapted the Release 13-embedded 32-bit, object-oriented application programming interface, AutoCAD(R) Runtime Extension (ARX), for the MCAD design community. ARX heralds a revolutionary new generation of applications that will be fully integrated into AutoCAD, not merely AutoCAD-compatible. These applications will foster a seamless and associative design, analysis, and manufacturing environment for the MCAD professional.

This pure focus on customer and partner needs now drives Autodesk software development more than at any other time in our history. We're confident Autodesk Mechanical Desktop software is the right product at the right price point for the estimated US\$3 billion MCAD software market.

Imaginative Software

Given technology trends, the release of 3D Studio MAX software, and new leadership within our multimedia team, the launch of Kinetix seemed inevitable.

"With 3D Studio MAX for Windows NT, not only can we leverage new business opportunities in the 3D design animation and modeling space, we can spur that growth. This compelling, cost-effective software unites 2D and 3D design in an intelligent object-oriented environment. It's a trendsetter."

Larry Crume, Vice President and General Manager, Kinetix

Now Playing: The 3D Experience

Producing the realistic, interactive 3D content that design professionals and sophisticated consumers desire is costly, typically undertaken in a workstation environment. But demand for the 3D experience is so great that we're seeing a shift in hardware and operating-system choices to accommodate it. Professional users who model and animate in 3D can now achieve workstation-level performance--multiple-processor support, built-in networking capabilities, and 3D graphics acceleration--by moving to the more cost-effective, PC-based, 32-bit Windows NT(R) platform. This opens up an exciting new market for design animation software.

Kinetix is ready with the vision and the products to leverage these opportunities.

Who are Kinetix customers? Investment bankers Volpe and Welty define multimedia software as tools for people creating films and videos; authoring interactive content, such as World Wide Web home pages; developing video games; and for visualizing design, where Autodesk 3D Studio(R) and AutoVision(R) software are already market leaders. With the release of 3D Studio MAX(TM) for Windows NT, an object-oriented, next-generation graphics and animation environment, Kinetix offers a single, dynamic content-creation solution for all these market sectors, the current estimated value of which is US\$650 million.

Design Visualization and More

Many of our architectural and mechanical customers who are now considering a move to Windows NT will want to leverage 3D Studio MAX software's unified 2D and 3D environment if

they make the change. With this software, they'll be able to initiate a highly creative, productive process for design visualization and conceptualization. This software also meets the needs of professional animators and of those creating 3D content for videos, films, and video games. And with 3D Studio MAX plug-ins--products created by our Plug-In developer partners--games professionals can output to the Sony(R) PlayStation(TM) and Sega(R) Saturn games machines. 3D Studio MAX software also supports VRML, Virtual Reality Markup Language, used on the Internet to publish 3D scenes.

The Vision

Consumers and design professionals want the richer experience of 3D. Certainly for entertainment--movies like Johnny Mnemonic or Virtuosity, TV, video games--but also for more serious purposes. As a communications tool in educating the medical profession, for animated forensics and crime reenactments, for architectural, engineering, and product design. They want the 3D experience because it mirrors the way people see and absorb information. It enhances understanding, it's visceral. And more interestingly from a market perspective, they want to create it, to explore its design potential. With our software and that of our Plug-In partners, they can.

New Software Markets

Real-world location, and the data and documents that are linked to it, must be managed in every design process.

"GIS technology is no longer for a specialist class. People will be using GIS data on their laptops to avoid traffic jams, book hotel rooms, map out a travel itinerary. It doesn't get more down-to-earth than that."

Dr. Joseph Astroth, Vice President,
GIS Market Group

That freeway will be built 1,500 meters from that wetlands area, How will the one affect the other? Those HVAC-system drawings have to be modified by the construction team, How do they get electronically reviewed and corrected? Not surprisingly, people using Autodesk software also need tools to manage design documents and to optimize data tied to location.

You and GIS

A storm knocks out the electricity. You're curbside when the repairperson arrives. She leans out the truck window, asks for your address, and punches some keys on a laptop computer hooked into a cellular phone. You watch as she downloads files, plugs into a printer, and outputs a map of the neighborhood and a diagram of the switching unit on the power pole. Then she hooks up her utility belt, climbs the pole, and gets to work.

That's a geographic information system, a GIS, in action. It's another way in which information technology is changing our lives. The spatial technology in a GIS yields a database that links maps, design graphics, and related data to real-world location, to geography. That data-base becomes a powerful, intelligent information tool for managing land, assets, and infrastructure--from handling environmental restorations to tracking emergency services. Estimated GIS software market: approaching US\$900 million.

Over 100,000 Autodesk customers already use AutoCAD(R) for mapping. In fiscal year 1997 they can switch to AutoCAD(R) Map software, a more-complete mapping solution with tools for data transfer, custom digitizing, editing and cleanup, query and analysis, presentation and plotting. The GIS Market Group, now developing other products, has this goal: "When people think GIS software solutions, they'll think of Autodesk."

"In fiscal year 1997, we'll be fulfilling a long-term vision: building market share by offering software that helps customers manage design data and processes. There are no clear leaders in this relatively new market, but we intend to be one."

James D'Arezzo, Vice President,
Data Management Market Group

Managing the Data You Already Have

Entry into data management and electronic publishing, through Autodesk(R) Data Publishing, is a natural move for us. Our customers, having created more than a billion AutoCAD files, want to cost-effectively organize, manage, visualize, and share that data. They also want re-usable digital content. Who better to provide these tools than the company that helped them create their design data in the first place?

Estimates suggest that for every professional designing with AutoCAD software, five to ten more people on the extended, collaborative design team may need to access and elaborate on that person's work. Beyond this immediate circle are the manufacturers, purchasers, salespeople, and others who add information to design documents as part of their jobs.

The solution: software from the Autodesk Data Management Market Group, software that helps people utilize design data and documents for diverse purposes. From Autodesk WorkCenter(R) software for networked file management to Autodesk(R) View for viewing and redlining. From AutoCAD Data Extension(R) for linking data-base information to drawings to the Autodesk(R) Mechanical Library for adding digital content.

We offer a comprehensive response to these complex, interrelated design needs.

Collaborative Design

We're helping our customers explore the economic and aesthetic possibilities of an Internet-based, collaborative design environment using object-oriented digital models.

As Robert Carr, vice president of our Engineering Group explains, "It's a leading-edge technology story that we're already exploiting through new and existing products and through our industry-standard file formats."

Digital Models

A digital model recreates in a computing environment the natural, intuitive way people see designed objects. It's 3D, "experiential computing": a digital model mimics its real-world counter-part. For example, with digital models a robotics assembly can be visualized, analyzed, and simulated before it's built, at tremendous savings. Or models can simulate student learning experiences--flying a plane, running an experiment. We also enjoy digital models in video games and films and on the Internet.

An effective digital model must also be "intelligent"; its individual objects must "understand" their context, their relationship with other objects, and regenerate quickly and accurately when object parameters change. The digital model, used collaboratively, has tremendous potential to improve design and productivity. Autodesk provides the world with design technology tools that offer these benefits, including AutoCAD(R), Autodesk Mechanical Desktop(R), AutoCAD(R) LT, and 3D Studio MAX(TM) software.

The Foundry and the Internet

To be widely adopted, the digital-model paradigm must be economical to implement, easily used, and models must be available in quantity for the mass-market PC platform. Fortunately, much that turns potential into profit is now in place. With technology advances such as the release of 32-bit Windows(R) 95 and the broader professional use of the Windows NT(R) operating system, the digital model now has a life on the desktop.

This suggests the rise of digital foundries, where design professionals--our customers--will create and supply digital models in volume. And by permitting on a global scale the fast, easy sharing of these models, the Internet will enable the economies of collaborative design and shorten product development cycles. For example, imagine a robotics manufacturing team downloading revised drawing files from the Internet. They correct files and e-mail them to the engineers, in offices halfway around the world. In a matter of hours, final changes are completed; new files are sent; and manufacturing can begin.

Industry-Standard File Formats

As our three-million-plus customers move to the Internet to find these economies, to access already-created digital models and to share their own, they will take with them our open and de facto file-format standards, AutoCAD.DWG and DXF(TM) and 3D Studio .3DS. A fourth file format, .DWF, for the recently announced Autodesk WHIP(TM) Plug-In software has been specifically created for real-time access to 2D, vector-based, design data over the Internet, a fundamental step in enabling a truly collaborative design environment for our customers and their clients.

These Autodesk formats will become the software languages by which countless digital models will be stored, published, viewed, and manipulated. Millions of people already use them, millions more will.

"Autodesk's next big franchise, which builds on our design and visualization businesses, will be design-capture software for a collaborative design environment. Autodesk Mechanical Desktop is our first entry in this field, and I think it's a knockout."

John Lynch, Chief Technology Officer and Vice President, Advanced Products Group

Delighting Customers

We want to delight customers with easily accessible, highly utilitarian support resources, such as those on our new World Wide Web home page. We're moving on other fronts as well.

Enhanced Product Support

We've installed a new customer-call-tracking software, SCOPUS ProTeam, for recording complete data about support calls. With it, we can spot any trend in end-user problems with a particular software product and quickly initiate proactive solutions. Eventually we'll use SCOPUS to automate the flow of customer questions, bug-related data, and the solutions we've crafted to our technical specialists around the world.

The Worldwide Workgroups program creates support teams grouped by product and specialty area to rapidly solve complex technical problems. The program leverages the expertise and knowledge of individual Autodesk staff across geographies and reduces duplication of resources. In a related effort, our Product Support team is writing more customer-focused technical papers, which we post to the AutoCAD Forum on CompuServe(R), to our fax information system, and to our World Wide Web site. And as Michael Sutton, vice president of European operations notes, "We're even centralizing customer- and developer-support operations, which allows us to offer more, and more focused, product information and a wider range of technical training and expertise."

Education and Training Strategies

Education and training are a vital part of our business. For example in fiscal year 1996, with International Thomson Publishing, we established Autodesk(R) Press to respond to the evolving educational needs of design professionals, educators, and students. The Press's Inside Track(TM) software, an award-winning, interactive, multimedia learning and productivity tool for engineers, is based on the educational concepts of just-in-time and just-enough learning. It optimizes an engineer's use of Autodesk MCAD software by demonstrating the design techniques she must master to solve specific mechanical problems. Under consideration: a similar tool for the AEC community.

Rather than address learning and training strategies late in a software-development cycle, they will now be instituted concurrently. This approach means better training tools sooner, from technical documentation to the course work presented by our worldwide network of more than 5,000 dealer, distributor, and training center partners. Additionally, we've certified more than 240 Autodesk Systems Centers to deliver advanced industry training, technical support, and solutions to customers. And the new Autodesk Developer Network supplies the marketing and technical support as well as the Autodesk software engines our developer partners need to deliver critical add-on applications.

Global Accounts, ISO 9000

We're exploring ways to make it easier for customers to do business with us. For example, the Global Accounts Program sets up a process in which customers, with offices worldwide, can establish global pricing for their software purchases, rather than negotiating contracts and pricing on a country-by-country basis. The Global Accounts Sales Manager then works with other Autodesk sales representatives and dealers and distributors to provide comprehensive account management for these customers.

As significantly, we have achieved ISO 9001 or ISO 9002 certification in a number of countries, including Germany, Singapore, the UK, the US, and for our European Software Center in Neuchatel, Switzerland. ISO, the International Standards Organization, has established globally recognized standards for quality assurance in software design, development, production, installation, and servicing. All of these advances are win-win developments for our customers and for us.

"The only sustainable competitive advantage is the ability to learn the right things faster. We can't just market software; we have to help customers hone in on what they need to know, when they need to know it, so that they can be more productive."

Wayne Hodgins, Technical Director, Autodesk Worldwide Learning Solutions

Design Partners

We can focus on what we do best because our partners take excellent care of everything else.

Autodesk's partner-network of developers, dealers, distributors, and training centers helps us serve markets great and small the world over. The businesses profiled here exemplify the success, creativity, and dedication of thousands more. We celebrate all of them.

Serving One Market

Germany's OPEN MIND Software Technologies GmbH, international producers of numerical-control (NC) software that turns CAD into CAM (computer-aided manufacturing), joined our Mechanical Application Initiative because they share our philosophy of combining technologies to benefit customers.

Integrating their NC applications--hyperWORK for 2D milling and lathing, hyperMILL for 3D mold-and-die work with AutoCAD(R) software allows mechanical designers and manufacturing engineers to work collaboratively from "art to part" within a unified CAM system. Adding additional luster to our mechanical CAD offerings are versions of hyperMILL and hyperCAM (a new, feature-based milling application) fully integrated into Autodesk Mechanical Desktop(TM) software.

Serving Many

Quebec-based MKS Compu-Group, Inc., and Eagle Point Software, with headquarters in Iowa, have found multiple-market synergy as Autodesk partners.

MKS serves the AEC/FM, Civil Engineering, Mapping/GIS, and Process and Power industries as an Autodesk Systems Center, Developer, and Unique Application Reseller. Their activities include developing and selling SAUF, a popular utility that converts English-language AutoCAD Release 12 and Release 13 Help files into French Canadian (significantly different from Continental French); and promoting Autodesk-based solutions through a comprehensive marketing plan that includes strong consulting and support divisions and MKSEXPO, an annual, province wide convention. They are currently localizing AutoCAD Release 13 software and developing an AutoCAD(R) Map-based tool for use in a long-term mapping and GIS project.

Eagle Point Software began its Autodesk partnership by integrating its stand-alone applications with AutoCAD. They quickly established a reputation for technical support and training expertise and attained Autodesk Dealer status. They now develop and sell more than 85 AutoCAD-based AEC, Civil Engineering, Surveying/Mapping, and Hydrology solutions to 20,000-plus clients in 61 countries. Last year Eagle Point purchased LandCADD, Facility Mapping Systems, and ECOM Associates, and in June went public in a 2-million-share initial offering.

Opening New Markets

HOPE (Hindustan Office Products, Ltd.), a New Delhi-based Autodesk Distributor, works closely with a growing network of 100-plus dealers and uses a variety of tactics--including massive customer-education campaigns and a full range of support services--to introduce sophisticated design software solutions to areas that are new to CAD. They have contributed to Autodesk software's strong presence in nearly all of India's design markets, most of which--such as videography, an expanding market due to the privatization of Indian television--are beginning to open up.

Recent government policies easing access to foreign technologies and products, reducing import tariffs, and the like will further accelerate the pace of technical implementation. HOPE is ready.

"People use our software and that of our developer partners to do highly creative and innovative work. For example, we never set out to market software for the apparel industry, but they use AutoCAD-based applications just the same. There's wonderful synergy here--customers, us, developers."

Godfrey Sullivan, Vice President, the Americas

People with Vision

"A company is only as good as its people, and I think we have some of the best and the brightest in the industry. When you've got people like these behind every business effort, it's easy to see an exciting future for Autodesk."

Christine Tsingos, Vice President and Treasurer

We share responsibility for the Company's success, which requires vision and clarity and a focus on customers.

"In Product Support we get e-mails and calls from all over the company asking us to help provide customer solutions. We know we've succeeded when a partner comes back with the message that the solution we offered met the customer's needs. Our target is customer delight, and we aim for the bull's-eye."

Jessica Freiberg, AutoCAD Support Specialist

"We owe much of our success to the efforts of our worldwide registered developer community. To provide them with the world-class marketing and technical support they need, we launched the Autodesk Developer Network. After all, delighting partners is an integral part of delighting customers."

Laks Sampath, Product Manager, Autodesk Developer Network

"We have a rich workplace--rich in people, skills, interests. That's a great plus for a software company. It leads inevitably to greater creativity and confidence."

Steve McMahon, Vice President, Human Resources

"We're a high-energy culture, and people are committed to making a difference, in business and in the world. From late-night, pizza-fueled brain-storms to early-morning code reviews, we all feel an obligation to our customers and ourselves to give it our best."

Blair LaCorte, General Manager, Autodesk Data Publishing

"In Operations we work to deliver quality products efficiently, on time, cost-effectively. Day-to-day it's exciting to be part of the release process, from the rollout plan to the final sell sheet. We've also earned ISO 9002 certification, which exemplifies our commitment to quality and to customer satisfaction."

Catrina Eames, Operations Release Coordinator

"Programming is a science, an art, and a technology, and each programmer's work is essential to everyone else's. Seeing an idea become a reality and serving millions of customers at the same time can be a peak experience."

Shui-Sheng Chern, Senior Software Engineer

Financial Information

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(In thousands, except per share data, percentages, and employees)	Fiscal year ended January 31,				
	1996	1995	1994	1993	1992
For the fiscal year					
Revenues	\$ 546,884	\$ 465,278	\$ 418,720	\$ 367,721	\$ 284,903
Direct commissions	12,717	10,666	13,124	14,567	10,929
Net revenues	534,167	454,612	405,596	353,154	273,974
Cost of revenues	66,812	61,725	63,338	63,652	39,173
Marketing and sales	183,550	154,562	137,788	119,871	82,520
Research and development	78,678	65,176	56,231	51,481	34,782
General and administrative	76,100	65,738	58,536	54,953	37,268
Income from operations	129,027	107,411	89,703	63,197	80,231
Interest and other income, net	9,253	7,233	7,055	11,566	12,063
Litigation charge	--	25,500	--	5,000	--
Income before income taxes	138,280	89,144	96,758	69,763	92,294
Net income	87,788	56,606	62,166	43,873	57,794
Net cash provided by operating activities	106,632	104,412	88,853	68,608	72,858
At year end					
Cash, cash equivalents, and marketable securities	\$ 272,402	\$ 255,373	\$ 217,011	\$ 192,277	\$ 191,330
Current assets	347,834	373,085	279,557	249,341	247,538
Total assets	517,929	482,076	404,874	358,283	328,026
Current liabilities	144,295	154,990	102,316	84,080	56,984
Total liabilities	175,601	158,592	107,995	90,450	60,721
Stockholders' equity	342,328	323,484	296,879	267,833	267,305
Working capital	203,539	218,095	177,241	165,261	190,554
Number of employees	1,894	1,788	1,788	1,565	1,272
Common stock data					
Net income per share	\$ 1.76	\$ 1.14	\$ 1.25	\$ 0.88	\$ 1.15
Book value per share	\$ 7.39	\$ 6.85	\$ 6.25	\$ 5.58	\$ 5.44
Dividends paid per share	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.23
Shares used in computing net income per share	49,800	49,840	49,740	49,800	49,980
Shares outstanding at year end	46,351	47,241	47,480	48,022	49,176
Financial ratios					
Current ratio	2.4	2.4	2.7	3.0	4.3
Return on net revenues	16.4%	12.5%	15.3%	12.4%	21.1%
Return on average assets	17.6%	12.8%	16.3%	12.8%	19.5%
Return on average stockholders' equity	26.4%	18.2%	22.0%	16.4%	23.8%
Growth percentages					
Net revenues	17.5%	12.1%	14.8%	28.9%	18.9%
Net income	55.1%	(8.9%)	41.7%	(24.1%)	1.8%
Net income per share	54.4%	(8.8%)	42.0%	(23.5%)	0%

Management's Discussion and Analysis of Financial
Condition and Results of Operations

Operating Results

Net Revenues (In millions)	1996	Percentage change	1995	Percentage change	1994
Revenues	\$ 546.9	18%	\$ 465.3	11%	\$ 418.7
Direct commissions	12.7	19%	10.7	(19%)	13.1
Net revenues	\$ 534.2	18%	\$ 454.6	12%	\$ 405.6

Autodesk's consolidated net revenues increased 18 percent to \$534.2 million in fiscal year 1996 from \$454.6 million in fiscal year 1995. The Company achieved net revenue growth in all sales geographies, the most significant occurring in the Company's European operations. Growth in revenues resulted from higher sales of AutoCAD(R) software, the Company's flagship product, as well as increased sales of multimedia, data management, and low-end CAD product offerings, most notably AutoCAD(R) LT.

Sales of AutoCAD and AutoCAD updates increased from the prior fiscal year while continuing to represent approximately 80 percent of consolidated net revenues. Worldwide demand for AutoCAD remained strong in fiscal year 1996, resulting in the sale of 233,000 new licenses compared to 203,000 in the prior fiscal year. Fiscal year 1996 AutoCAD update revenue resulted principally from sales of the most current AutoCAD version, AutoCAD Release 13, which was released in the fourth quarter of fiscal year 1995. AutoCAD update revenue increased 17 percent over the previous fiscal year to approximately \$49 million in fiscal year 1996.

When viewed by geography, fiscal year 1996 net revenues increased 33 percent, 23 percent, and 3 percent in Europe, Asia/Pacific, and the Americas, respectively, compared to fiscal year 1995 growth in these regions of 15 percent, 25 percent, and 4 percent. Foreign revenues, including export sales from the United States, accounted for approximately 64 percent, 61 percent, and 58 percent of revenues in fiscal years 1996, 1995, and 1994, respectively. The weaker value of the dollar, relative to international currencies, favorably affected fiscal year 1996 international revenues by approximately \$18.8 million compared to fiscal year 1995. Fiscal year 1995 sales were also favorably impacted by currencies by approximately \$12.0 million compared to fiscal year 1994. Since most of the Company's international production costs and operating expenses are incurred in foreign currencies, the net impact of exchange rate fluctuations on income from operations is less than on revenues.

A summary of revenues by geographic area is presented in Note 9, page 43, to the consolidated financial statements.

Direct commissions paid to dealers represented 2 percent of net revenues in both fiscal years 1996 and 1995 and increased to \$12.7 million in fiscal year 1996 from \$10.7 million in fiscal year 1995. This increase resulted from higher sales to national accounts and US educational institutions. The decrease in direct commissions in fiscal year 1995 when compared to fiscal year 1994 resulted from a reduction in the domestic commission rate in the last half of fiscal year 1994, partially offset by increased national account and educational sales in the US.

The Company expects continued revenue growth during fiscal year 1997 in all geographies resulting from sales of AutoCAD and new product offerings including Autodesk Mechanical Desktop, (TM) 3D Studio MAX, (TM) and AutoCAD(R) Map. Delays in the introduction of new or enhanced products or failure to achieve significant customer acceptance could have a material adverse effect on the Company's revenues and consolidated results of operations in future periods. The foregoing forward-looking information is based upon current expectations of the Company. Actual results could differ materially for the reasons noted and due to other risks, including but not limited to those mentioned above and otherwise discussed under "Certain Risk Factors Which May Impact Future Operating Results," page 27.

Cost of Revenues

(In millions)	1996	Percentage change	1995	Percentage change	1994
Cost of revenues	\$ 66.8	8%	\$ 61.7	(3%)	\$ 63.3
Percentage of net revenues	13%		14%		16%

Cost of revenues includes the purchase of disks and compact discs (CD-ROMs), costs associated with transferring the Company's software to electronic media, printing of user manuals and packaging materials, freight, royalties, amortization of capitalized software development costs, and, in certain foreign markets, software protection locks. The improved gross margin in fiscal years 1996 and 1995 resulted from ongoing cost-control measures primarily in the areas of purchasing, disk duplication, assembly, packaging, shipping, and the increased use of lower-cost CD-ROM media. In the future, the Company expects that cost of revenues as a percentage of net revenues may be impacted by the mix of product sales, royalty rates for licensed technology embedded in the Company's products, the geographic distribution of sales, and sales of product updates, which have lower gross margins than commercial versions of the Company's software products.

Operating Expenses

(In millions)	1996	Percentage change	1995	Percentage change	1994
Marketing and sales	\$ 183.6	19%	\$ 154.6	12%	\$ 137.8
Percentage of net revenues	34%		34%		34%
Research and development	\$ 78.7	21%	\$ 65.2	16%	\$ 56.2
Percentage of net revenues	15%		14%		14%
General and administrative	\$ 76.1	16%	\$ 65.7	12%	\$ 58.5
Percentage of net revenues	14%		14%		14%

Marketing and sales expenses include salaries, sales commissions, travel, and facility costs for the Company's marketing, sales, dealer training, and support personnel. These expenses also include programs aimed at increasing revenues, such as advertising, trade shows, and expositions, as well as various sales and promotional programs designed for specific sales channels. While remaining constant as a percentage of net revenues, fiscal year 1996 marketing and sales expenses increased from the prior fiscal year due to an increase in personnel costs, sales incentive programs, continued expansion in the sales geographies, and expenses to support the Company's market group structure. Fiscal year 1995 marketing and sales expenses increased over fiscal year 1994 primarily due to worldwide marketing programs to support releases of new and enhanced products, including AutoCAD Release 13. The Company expects to continue to invest in marketing and sales of its products, to develop market opportunities, and to promote Autodesk's competitive position. Accordingly, the Company expects marketing and sales expenses to continue to be significant, both in absolute dollars and as a percentage of net revenues.

Research and development expenses consist principally of salaries and benefits for software engineers, contract development fees, expenses associated with product translations, costs of computer equipment used in software development, and facility expenses. Total research and development spending, including capitalized expenses, increased \$11.4 million or 17 percent during fiscal year 1996 due to the addition of software engineers, costs associated with the development of new and enhanced products, and the translation of certain of these products into foreign languages. Research and development

Management's Discussion and Analysis of Financial
Condition and Results of Operations

spending, including capitalized expenses, in fiscal year 1995 increased \$11.1 million from fiscal year 1994 as a result of development costs for software products such as AutoCAD Release 13 and expenses for product localization. The Company capitalized product development expenses of \$2.1 million in fiscal year 1995 and none in fiscal years 1996 and 1994. The Company anticipates that research and development expenses will increase in fiscal year 1997 as a result of product development efforts by the Company's market groups. Additionally, the Company intends to continue recruiting and hiring experienced software developers and to consider the licensing and acquisition of complementary software technologies and businesses.

General and administrative expenses include the Company's information systems, human resources, finance, legal, purchasing, and other administrative operations. The increase in these expenses in fiscal year 1996 resulted from higher personnel costs associated with increased operations and expenses to upgrade and maintain the Company's worldwide information systems, partially offset by a reduction in legal expenses. The increase in general and administrative expenses in fiscal year 1995 over fiscal year 1994 resulted primarily from legal expenses incurred in connection with the litigation discussed below and due to higher personnel and facility costs. In fiscal year 1997, the Company currently expects that general and administrative expenses will increase at approximately the same rate as, or slightly below, anticipated revenue growth to support spending on infrastructure, including continued investment in Autodesk's worldwide information systems.

Interest and Other Income and Litigation Charge

(In millions)	1996	Percentage change	1995	Percentage change	1994
Interest and other income, net	\$ 9.3	28%	\$ 7.2	3%	\$ 7.1
Percentage of net revenues	2%		2%		2%
Litigation charge	\$ 0		\$ 25.5		\$ 0
Percentage of net revenues	0%		6%		0%

Interest income was \$10.6 million, \$8.0 million, and \$7.9 million for fiscal years 1996, 1995, and 1994, respectively. The increase in fiscal year 1996 interest income from the prior fiscal year resulted from a greater average balance of cash, cash equivalents, and marketable securities, partially offset by lower interest rates on the Company's international investment portfolio when compared to the same period in the prior fiscal year. Interest and other income for fiscal years 1996 and 1995 was net of interest expense of \$1.8 million and \$0.2 million, respectively, associated with the legal judgment discussed below.

The Company has a hedging program to minimize foreign exchange gains or losses, where possible, from recorded foreign-denominated assets and liabilities. This program involves the use of forward foreign exchange contracts in the primary European and Asian currencies. The Company does not currently attempt to hedge foreign-denominated revenues and expenses not yet incurred. Gains (losses) resulting from foreign currency transactions primarily in Europe and Asia/Pacific, which are included in interest and other income, were \$554,000, (\$1,043,000), and (\$969,000) in fiscal years 1996, 1995, and 1994, respectively.

In December 1994, a \$25.5 million judgment was entered against the Company on a claim of trade secret misappropriation brought by Vermont Microsystems, Inc. ("VMI"). At January 31, 1996, the Company had accrued the judgment plus interest at the rate specified in the judgment. The Company appealed the judgment, and VMI cross-appealed, before the US Court of Appeals for the Second Circuit, in January 1996. Management believes that the ultimate resolution of this matter will not have a material adverse effect on the Company's consolidated financial condition or results of operations. See Note 4, page 39, to the consolidated financial statements.

Provision for Income Taxes (In millions)	1996	Percentage change	1995	Percentage change	1994
Provision for income taxes	\$ 50.5	55%	\$ 32.5	(6%)	\$ 34.6
Percentage of net revenues	9%		7%		9%
Effective income tax rate	36.5%		36.5%		35.8%

See Note 3, page 38, to the consolidated financial statements for an analysis of the differences between the US statutory and the effective income tax rates.

Net Income and Net Income per Share (In millions, except per share data)	1996	Percentage change	1995	Percentage change	1994
Net income	\$ 87.8	55%	\$ 56.6	(9%)	\$ 62.2
Percentage of net revenues	16%		12%		15%
Net income per share	\$ 1.76	54%	\$ 1.14	(9%)	\$ 1.25

Results for fiscal year 1995 include a pre-tax litigation charge of approximately \$26 million resulting in a \$0.33 reduction in net income per share.

Certain Risk Factors Which May Impact Future Operating Results

Autodesk operates in a rapidly changing environment that involves a number of risks, some of which are beyond the Company's control. The following discussion highlights some of these risks and the possible impact of these factors on future results from operations.

The forward-looking statements included in Management's Discussion and Analysis of Financial Condition and Results of Operations, which reflect management's best judgment based on factors known, involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including but not limited to those discussed below. Forward-looking information provided by Autodesk pursuant to the safe harbor established by recent securities legislation should be evaluated in the context of these factors.

Fluctuations in Quarterly Operating Results

The Company has experienced some fluctuations in operating results in interim periods in certain geographic regions due to seasonality. The Company's operating results in Europe during the third fiscal quarter are usually impacted by a slow summer period, while the Asia/Pacific operations typically experience seasonal slowing in the third and fourth fiscal quarters.

The Company typically receives and fulfills a majority of its orders within the quarter, with a substantial portion occurring in the third month of the fiscal quarter. As a result, the Company may not learn of revenue shortfalls until late in a fiscal quarter. Additionally, the Company's operating expenses are based in part on its expectations for future revenues and are relatively fixed in the short term. Any revenue shortfall below expectations could have an immediate and significant adverse effect on results of operations.

Similarly, shortfalls in Autodesk's revenues or earnings from levels expected by securities analysts could have an immediate and significant adverse effect on the trading price of the Company's common stock. Moreover, the Company's stock price is subject to the volatility generally associated with technology stocks and may also be affected by broader market trends unrelated to performance.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Product Concentration

Autodesk derives a substantial portion of its revenues from sales of AutoCAD, AutoCAD updates, and adjacent products which are interoperable with AutoCAD. As such, any factor adversely affecting sales of AutoCAD and AutoCAD updates, including such factors as market acceptance, product performance and reliability, reputation, price competition, and the availability of third-party applications, could have a material adverse effect on the Company's business and consolidated results of operations and financial condition.

Product Development and Introduction

The software industry is characterized by rapid technological change as well as changes in customer requirements and preferences. The Company believes that its future results will depend largely upon its ability to offer products that compete favorably with respect to price, reliability, performance, range of useful features, continuing product enhancements, reputation, and training. Delays or difficulties with new product introductions or product enhancements planned for release in fiscal year 1997 could have a material and adverse effect on the Company's business and consolidated results of operations. Further, increased competition in the market for design, multimedia, data management, or data publishing software products could also have a negative impact on the Company's business and consolidated results of operations.

The software products offered by the Company are internally complex and may contain errors or defects ("bugs"), especially when first introduced. Despite extensive product testing and quality control, there can be no assurance that defects and errors will not be found in the Company's products. Such defects or errors could result in damage to the Company's reputation, loss of revenues, or lack of market acceptance of its products, any of which could have a material and adverse effect on the Company's business and consolidated results of operations.

Certain of the Company's product development activities are performed by independent firms and contractors while other technologies are licensed from third parties. Autodesk generally either owns or has an exclusive license for use of the software developed by third parties. Because talented development personnel are in high demand, there can be no assurance that independent developers, including those who have developed products for the Company in the past, will be able to provide development support to the Company in the future. Similarly, there can be no assurance that the Company will be able to obtain and renew license agreements on favorable terms, if at all, which could have a material and adverse effect on the Company's business and consolidated results of operations.

International Revenues

The Company anticipates that international revenues will continue to account for a significant portion of its revenues. Risks inherent in the Company's international sales include the following: unexpected changes in regulatory practices and tariffs; difficulties in staffing and managing foreign operations; longer collection cycles; potential changes in tax laws; greater difficulty in protecting intellectual property; and the impact of fluctuating exchange rates between the US dollar and foreign currencies in markets where Autodesk does business. The Company's international results may also be impacted by general economic and political conditions in these foreign markets. During the past fiscal year, the Company's results were adversely impacted by reduced economic expansion in southeast Asia, most notably in Taiwan, and by economic uncertainty and instability in Latin America. There can be no assurance that these and other factors will not have a material and adverse effect on the Company's future international sales and consequently on the Company's business and consolidated results of operations.

Dependence on Distribution Channels

The Company sells its software products primarily to distributors and dealers (value-added resellers or "VARs"). Autodesk's ability to effectively distribute its products depends in part upon the financial and business condition of its VAR network. Although the Company has not to date experienced any material problems with its VAR network, computer software dealers and distributors are typically not highly capitalized and have experienced difficulties during times of economic contraction and may do so in the future. While no single customer accounted for more than 10 percent of the Company's consolidated revenues in fiscal years 1996, 1995, or 1994, the loss of or a significant reduction in business with any one of the Company's major international distributors or large US dealers could have a material and adverse effect on the Company's business and consolidated results of operations in future periods.

Product Returns

With the exception of certain European distributors, agreements with the Company's VARs do not contain specific product-return privileges. However, the Company permits its VARs to return product in certain instances, generally during periods of product transition and update cycles. In fiscal year 1996, the Company experienced a higher level of product returns than in prior fiscal years, most notably in the US, which management attributed to performance issues associated with initial versions of AutoCAD Release 13 software. Autodesk establishes allowances, including allowances for stock balancing and product rotation, based on estimated future returns of product and after taking into account channel inventory levels, the timing of new product introductions, and other factors. While the Company maintains strict measures to monitor channel inventories and to provide appropriate allowances, actual product returns may differ from the Company's reserve estimates, and such differences could be material to Autodesk's consolidated financial statements.

Intellectual Property

The Company protects its intellectual property through copyright, trade secret, patent, and trademark laws. There can be no assurance that such measures will be adequate to protect the Company's proprietary intellectual property or that claims or infringement of third parties' intellectual property rights will not occur. Costs incurred in the future to litigate intellectual property ownership or to acquire license rights could negatively impact future results of operations.

Liquidity and Capital Resources

Working capital, which consists principally of cash, cash equivalents, and marketable securities, was \$203.5 million at January 31, 1996, compared to \$218.1 million at January 31, 1995. Cash, cash equivalents, and marketable securities, which consist primarily of high-quality municipal bonds, tax-advantaged money market instruments, and US treasury notes, totaled \$272.4 million at January 31, 1996 (including a restricted balance of \$28.0 million related to the VMI litigation discussed on page 26), compared to \$255.4 million at January 31, 1995. The increase in cash, cash equivalents, and marketable securities of \$17.0 million was due primarily to cash generated from operations (\$106.6 million) and cash proceeds from the issuance of shares through employee stock option and stock purchase programs (\$46.4 million). This increase was partially offset by cash used to repurchase shares of the Company's common stock under an ongoing, systematic repurchase program (\$108.0 million); to purchase computer equipment, furniture, and leasehold improvements (\$16.3 million); and to pay dividends on the Company's common stock (\$11.2 million).

During fiscal years 1996, 1995, and 1994, the Company repurchased and retired 2,671,000, 2,990,000, and 3,176,000 shares of its common stock at average repurchase prices of \$40.43, \$30.05, and \$22.54, respectively, pursuant to a systematic repurchase program approved by its Board of Directors to reduce the dilutive effect of common shares to be issued under the Company's employee stock plans. In December 1995, the Board of Directors continued the program by approving the repurchase of up to 4 million additional shares.

The Company has an unsecured \$40 million bank line of credit that may be used from time to time to facilitate short-term cash flow. At January 31, 1996, there were no borrowings outstanding under this credit agreement. The line of credit expires in January 1997.

The Company's principal commitments at January 31, 1996, consisted of obligations under operating leases for facilities.

Longer-term cash requirements, other than normal operating expenses, are anticipated for development of new software products and enhancement of existing products; financing anticipated growth; dividend payments; repurchases of the Company's common stock; and the possible acquisition of businesses, software products, or technologies complementary to the Company's business. The Company believes that its existing cash, cash equivalents, marketable securities, available line of credit, and cash generated from operations will be sufficient to satisfy its currently anticipated cash requirements for fiscal year 1997.

Consolidated Statement of Income

Autodesk, Inc.

(In thousands, except per share data)	Fiscal year ended January 31,		
	1996	1995	1994
Revenues	\$ 546,884	\$ 465,278	\$ 418,720
Direct commissions	12,717	10,666	13,124
Net revenues	534,167	454,612	405,596
Costs and expenses:			
Cost of revenues	66,812	61,725	63,338
Marketing and sales	183,550	154,562	137,788
Research and development	78,678	65,176	56,231
General and administrative	76,100	65,738	58,536
Total costs and expenses	405,140	347,201	315,893
Income from operations	129,027	107,411	89,703
Interest and other income, net	9,253	7,233	7,055
Litigation charge	--	25,500	--
Income before income taxes	138,280	89,144	96,758
Provision for income taxes	50,492	32,538	34,592
Net income	\$ 87,788	\$ 56,606	\$ 62,166
Net income per share	\$ 1.76	\$ 1.14	\$ 1.25
Shares used in computing net income per share	49,800	49,840	49,740

See accompanying notes.

Consolidated Balance Sheet

Autodesk, Inc.

(In thousands)	January 31,	
Assets	1996	1995
<hr/>		
Current assets:		
Cash and cash equivalents	\$ 129,305	\$ 195,038
Marketable securities	64,001	45,316
Accounts receivable, net of allowance for doubtful accounts of \$6,731 (\$6,457 in 1995)	93,919	86,340
Inventories	9,685	5,769
Deferred income taxes	33,769	29,915
Prepaid expenses and other current assets	17,155	10,707
Total current assets	347,834	373,085
Marketable securities, including a restricted balance of \$28,000 at January 31, 1996	79,096	15,019
Computer equipment, furniture, and leasehold improvements:		
Computer equipment and furniture	106,643	91,557
Leasehold improvements	21,100	20,048
Accumulated depreciation	(78,778)	(65,090)
Net computer equipment, furniture, and leasehold improvements	48,965	46,515
Capitalized software and purchased technologies	22,141	26,406
Other assets	19,893	21,051
	\$ 517,929	\$ 482,076
<hr/>		
Liabilities and stockholders' equity		
<hr/>		
Current liabilities:		
Accounts payable	\$ 24,547	\$ 21,535
Accrued compensation	22,441	18,165
Accrued income taxes	65,517	53,202
Litigation accrual	--	25,800
Other accrued liabilities	31,790	36,288
Total current liabilities	144,295	154,990
Deferred income taxes	1,912	2,625
Litigation accrual	27,640	--
Other liabilities	1,754	977
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value; 100,000 shares authorized, 46,351 issued and outstanding (47,241 in 1995)	140,765	100,870
Retained earnings	191,109	215,064
Foreign currency translation adjustment	10,454	7,550
Total stockholders' equity	342,328	323,484
	\$ 517,929	\$ 482,076

See accompanying notes.

Fiscal year ended January 31,

(In thousands)

1996

1995

1994

Operating activities

Net income	\$ 87,788	\$ 56,606	\$ 62,166
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	25,247	24,989	20,568
Changes in operating assets and liabilities, net of business combinations:			
Accounts receivable	(7,579)	(15,068)	(8,283)
Inventories	(3,850)	3,034	8,049
Deferred income taxes	(4,567)	(18,334)	(9,133)
Prepaid expenses and other current assets	(6,443)	(2,898)	923
Accounts payable and accrued liabilities	3,721	48,017	5,031
Accrued income taxes	12,315	8,066	9,532
Net cash provided by operating activities	106,632	104,412	88,853

Investing activities

Purchases of available-for-sale marketable securities	(224,655)	(74,682)	(438,405)
Maturities of available-for-sale marketable securities	141,893	145,754	426,168
Purchases of computer equipment, furniture, and leasehold improvements	(16,306)	(20,019)	(21,503)
Business combinations, net of cash acquired	(7,194)	(4,469)	(6,536)
Capitalization of software costs and purchases of software technologies	(1,409)	(4,958)	(2,479)
Other	8,042	4,642	1,474
Net cash provided (used) by investing activities	(99,629)	46,268	(41,281)

Financing activities

Proceeds from issuance of common stock	46,424	59,912	47,899
Repurchase of common stock	(107,976)	(89,851)	(71,586)
Dividends paid	(11,184)	(11,307)	(11,388)
Net cash used in financing activities	(72,736)	(41,246)	(35,075)
Net increase (decrease) in cash and cash equivalents	(65,733)	109,434	12,497
Cash and cash equivalents at beginning of year	195,038	85,604	73,107
Cash and cash equivalents at end of year	\$ 129,305	\$ 195,038	\$ 85,604

See accompanying notes.

Three-year period ended January 31, 1996

(In thousands)	Common stock		Retained earnings	Foreign currency translation adjustment	Total stockholders' equity
	Shares	Amount			
Balances, January 31, 1993	48,022	\$ 67,456	\$ 206,274	\$ (5,897)	\$ 267,833
Common shares issued under stock option and stock purchase plans	2,634	41,875			41,875
Tax effect of stock options		6,024			6,024
Net income			62,166		62,166
Dividends paid			(11,388)		(11,388)
Repurchase of common shares	(3,176)	(71,586)			(71,586)
Foreign currency translation adjustment				1,955	1,955
Balances, January 31, 1994	47,480	43,769	257,052	(3,942)	296,879
Common shares issued under stock option and stock purchase plans	2,751	49,467			49,467
Tax effect of stock options		10,445			10,445
Net income			56,606		56,606
Dividends paid			(11,307)		(11,307)
Repurchase of common shares	(2,990)	(2,811)	(87,040)		(89,851)
Foreign currency translation adjustment				11,492	11,492
Unrealized losses on available-for-sale securities, net of tax			(247)		(247)
Balances, January 31, 1995	47,241	100,870	215,064	7,550	323,484
Common shares issued under stock option and stock purchase plans	1,781	35,712			35,712
Tax effect of stock options		10,712			10,712
Net income			87,788		87,788
Dividends paid			(11,184)		(11,184)
Repurchase of common shares	(2,671)	(6,529)	(101,447)		(107,976)
Foreign currency translation adjustment				2,904	2,904
Unrealized gains on available-for-sale securities, net of tax			888		888
Balances, January 31, 1996	46,351	\$ 140,765	\$ 191,109	\$ 10,454	\$ 342,328

See accompanying notes.

Notes to Consolidated Financial Statements

Note 1. Summary of significant accounting policies

Operations

Autodesk, Inc. ("Autodesk" or the "Company"), develops, markets, and sells a family of design and multimedia software products for use on personal computers and workstations.

Principles of consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries. All significant intercompany accounts and transactions have been eliminated.

The asset and liability accounts of foreign subsidiaries are translated from their respective functional currencies at the rates in effect at the balance sheet date, and revenue and expense accounts are translated at weighted average rates during the period. Foreign currency translation adjustments are reflected as a separate component of stockholders' equity. Gains (losses) resulting from foreign currency transactions, which are included in interest and other income, were \$554,000, (\$1,043,000), and (\$969,000) in fiscal years 1996, 1995, and 1994, respectively.

In August 1993, the Company acquired the remaining outstanding stock of Ithaca Software and in November 1993, purchased the net assets of Woodbourne, Inc. The aggregate cash purchase price of these two transactions was approximately \$6.5 million. In fiscal year 1995, approximately \$3.5 million was paid to the former Ithaca Software stockholders based on product milestones and revenues. In August 1995, the Company acquired certain assets of Automated Methods (Pty) Ltd. and during fiscal year 1996 made final payments to the former Ithaca stockholders based on revenues from specified products. Cash payments associated with these transactions totaled approximately \$7.2 million. Additional consideration may also be payable to the former shareholders of Automated Methods (Pty) Ltd. based on future revenues from specified products. These acquisitions were accounted for using the purchase method of accounting with the purchase price being principally allocated to capitalized software and purchased technologies, and intangible assets. The results of the acquired entities, which have not been material in relation to those of the Company, have been included in the consolidated financial results from the respective dates of acquisition.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Foreign currency translation

The Company hedges a portion of its exposure on certain intercompany receivables and payables denominated in foreign currencies using forward foreign exchange contracts in European and Asian foreign currencies. Gains and losses associated with exchange rate fluctuations on forward foreign exchange contracts are recorded currently as other income or loss and offset corresponding gains and losses on the foreign currency assets being hedged. The costs of forward foreign exchange contracts are amortized on a straight-line basis over the life of the contract as interest and other income.

Cash and cash equivalents

The Company considers all highly liquid investments with insignificant interest-rate risk and original maturities of three months or less to be cash equivalents. Cash equivalents are recorded at cost, which approximates fair value.

Marketable securities

Marketable securities, consisting principally of high-quality municipal bonds, tax-advantaged money market instruments, and US treasury notes, are stated at fair value. Marketable securities maturing within one year that are not restricted are classified as current assets.

Effective February 1, 1994, the Company adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" ("FAS No. 115"). FAS No. 115 has been adopted prospectively, and the financial statements of prior years have not been restated. The cumulative effect as of February 1, 1994, of adopting FAS No. 115 was not material.

Under FAS No. 115, the appropriate classification of securities is determined at the time of purchase and is reevaluated as of each balance sheet date. The Company has classified all of its marketable securities as available-for-sale and carries such securities at fair value, with unrealized gains and losses, net of tax, reported in stockholders' equity until disposition.

Concentration of credit risk

The Company places its cash, cash equivalents, and marketable securities with financial institutions with high credit standing and, by policy, limits the amounts invested with any one institution, type of security, and issuer. Autodesk's accounts receivable are derived from software sales to a large number of dealers and distributors in the Americas, Europe, and Asia/Pacific. The Company performs ongoing evaluations of its customers' financial conditions and limits the amount of credit extended when deemed necessary, but generally requires no collateral.

Inventories

Inventories, consisting principally of disks and technical manuals, are stated at the lower of cost (determined on the first-in, first-out method) or market.

Computer equipment, furniture, and leasehold improvements

Computer equipment and furniture are depreciated using the straight-line method over the estimated useful lives of the assets, which range from two to ten years. Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life or the lease term.

Capitalized software and purchased technologies

Costs incurred in the initial design phase of software development are expensed as incurred. Once the point of technological feasibility is reached, production costs (programming and testing) are capitalized. Certain acquired software-technology rights are also capitalized. Capitalized software costs are amortized ratably as revenues are recognized, but not less than on a straight-line basis over two- to seven-year periods. Amortization expense was \$11,765,000, \$7,634,000, and \$7,478,000 in fiscal years 1996, 1995, and 1994, respectively. The actual lives of the Company's capitalized software or purchased technologies may differ from the Company's estimates, and such differences could cause carrying amounts of these assets to be reduced materially.

Royalties

The Company licenses software used to develop components of AutoCAD, AutoCAD LT, 3D Studio, and certain other software products. Royalties are payable to developers of the software at various rates and amounts generally based on unit sales or revenues. Royalty expense was \$6,102,000, \$5,944,000, and \$5,128,000 in fiscal years 1996, 1995, and 1994, respectively. Such costs are included as a component of cost of revenues.

Revenue recognition

Autodesk's revenue recognition policy is in compliance with the provisions of the American Institute of Certified Public Accountants' Statement of Position 91-1, "Software Revenue Recognition." Revenue is recognized at the time of shipment, provided that no significant vendor obligations exist and collection of the resulting receivable is deemed probable. A portion of revenues related to customer consulting and training obligations is deferred, while costs associated with certain post-sale customer obligations are accrued.

Notes to Consolidated Financial Statements

Autodesk establishes allowances for product returns, including allowances for stock balancing and product rotation, based on estimated future returns of product and after taking into consideration channel inventory levels at its resellers, the timing of new product introductions, and other factors. These allowances are recorded as direct reductions of accounts receivable. While the Company maintains strict measures to monitor channel inventories and to provide appropriate allowances, actual product returns may differ from the Company's estimates, and such differences could be material to the consolidated financial statements.

Net income per share

Net income per share is based on the weighted average number of outstanding common shares and dilutive common stock equivalents.

Common stock split

In October 1994, Autodesk's stockholders approved an amendment to the Company's Certificate of Incorporation to increase the number of authorized shares of common stock from 50,000,000 to 100,000,000 shares and to effect a two-for-one split of the Company's common stock in the form of a 100 percent common stock dividend. All share and per share amounts have been restated to reflect the stock split.

Recently issued accounting standards

In March 1995, the Financial Accounting Standards Board issued Statement No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed Of" ("FAS No. 121"). FAS No. 121 requires that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company will adopt FAS No. 121 in the first quarter of fiscal year 1997. Based on current circumstances, management does not believe the effect of adoption will be material to the consolidated financial statements.

Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("FAS No. 123") was issued in October 1995 and is effective for the Company's fiscal year ending January 31, 1997. FAS No. 123 allows for the adoption of a new fair-value-based method or the continued use of the intrinsic-value-based method of accounting prescribed by Accounting Principles Board Opinion No. 25 ("APB No. 25") to measure compensation expense for the Company's stock-based compensation plans. The Company intends to continue to follow APB No. 25 but will be required to make pro forma disclosures of net income and earnings per share as if the fair-value-based method had been applied.

Note 2. Financial Instruments

Fair values of financial instruments

Estimated fair values of financial instruments are based on quoted market prices. The carrying amounts and fair value of the Company's financial instruments are as follows:

(In thousands)	January 31, 1996		January 31, 1995	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	\$ 129,305	\$ 129,305	\$ 195,038	\$ 195,038
Marketable securities	143,097	143,097	60,335	60,335
Forward foreign currency contracts	(143)	(143)	25	25

Foreign currency contracts

The Company enters into forward foreign currency contracts to hedge the value of assets and liabilities recorded in foreign currencies against fluctuations in exchange rates. Substantially all forward foreign currency contracts entered into by the Company have maturities of 60 days or less. The notional amounts of foreign currency contracts were \$15.5 million and \$10.7 million at January 31, 1996 and 1995, respectively, and were predominantly to buy Swiss francs. While the contract or notional amount is often used to express the volume of foreign exchange contracts, the amounts potentially subject to credit risk are generally limited to the amounts, if any, by which the counterparties' obligations under the agreements exceed the obligations of the Company to the counterparties.

Marketable securities

Marketable securities include the following available-for-sale debt securities at January 31, 1996 and 1995:

(In thousands)	Cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
January 31, 1996				

Short-Term:				
Municipal bonds	\$ 30,439	\$ 85	\$ 1	\$ 30,523
Time deposits	33,478	--	--	33,478
	63,917	85	1	64,001
Long-Term:				
Municipal bonds	47,380	694	3	48,071
US Treasury notes	29,397	608	3	30,002
Time deposits and other	1,008	15	--	1,023
	77,785	1,317	6	79,096
	\$141,702	\$ 1,402	\$ 7	\$143,097
January 31, 1995				

Short-Term:				
Municipal bonds	\$ 45,312	\$ 6	\$ 143	\$ 45,175
Time deposits	141			141
	45,453	6	143	45,316
Long-Term:				
Municipal bonds	15,271		252	15,019
	\$ 60,724	\$ 6	\$ 395	\$ 60,335

Long-term US Treasury notes included a restricted balance of \$28 million at January 31, 1996. The contractual maturities of Autodesk's short-term marketable securities at January 31, 1996, were one year or less while the Company's long-term marketable securities had contractual maturities of between one and two years except \$3.8 million maturing in three years. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations without prepayment penalties.

Notes to Consolidated Financial Statements

Note 3. Income Taxes

The provision for income taxes consists of the following:

	Fiscal year ended January 31,		
(In thousands)	1996	1995	1994

Federal:			
Current	\$ 26,711	\$ 29,203	\$ 21,516
Deferred	(3,392)	(13,169)	(6,282)
State:			
Current	8,779	9,417	7,884
Deferred	(856)	(3,839)	(1,110)
Foreign:			
Current	19,569	12,252	14,325
Deferred	(319)	(1,326)	(1,741)
	\$ 50,492	\$ 32,538	\$ 34,592

The principal reasons that the aggregate income tax provisions differ from the US statutory rate of 35 percent are as follows:

	Fiscal year ended January 31,		
(In thousands)	1996	1995	1994

Income tax provision at statutory rate	\$ 48,398	\$ 31,200	\$ 33,865
Foreign income taxed at rates different from the US statutory rate	(7,863)	(4,916)	(4,537)
State income taxes, net of federal benefit	8,616	4,802	5,277
Tax-exempt interest	(1,668)	(1,608)	(1,539)
Other	3,009	3,060	1,526
	\$ 50,492	\$ 32,538	\$ 34,592

Significant sources of the Company's deferred tax assets and liabilities are as follows:

	Fiscal year ended January 31,	
(In thousands)	1996	1995

Net deferred tax assets:		
Accrued state income taxes	\$ 5,409	\$ 4,607
Expenses not currently deductible	24,303	21,353
Other	4,057	3,955
	33,769	29,915
Net deferred tax liabilities:		
Capitalized software	2,573	4,384
Other	(661)	(1,759)
	1,912	2,625
Net deferred tax assets	\$ 31,857	\$ 27,290

No provision has been made for federal income taxes on unremitted earnings of certain of the Company's foreign subsidiaries (cumulative \$122,257,000 at January 31, 1996) since the Company plans to indefinitely reinvest all such earnings. At January 31, 1996, the unrecognized deferred tax liability for these earnings was approximately \$35.8 million. Foreign pre-tax income was \$64,433,000, \$34,294,000, and \$35,840,000 in fiscal years 1996, 1995, and 1994, respectively.

Cash payments for income taxes were \$32,032,000, \$32,361,000, and \$28,157,000 for fiscal years 1996, 1995, and 1994, respectively.

Note 4. Litigation Accrual

In December 1994, the Company recorded a \$25.5 million litigation charge as the result of a judgment against the Company on a claim of trade secret misappropriation brought by Vermont Microsystems, Inc. ("VMI"). The Company appealed that judgment, and VMI cross-appealed, before the US Court of Appeals for the Second Circuit, in January 1996. The Company is awaiting a ruling on the appeal. Management believes the claims in the case, including a cross-appeal by VMI for additional damages, are without merit and that the ultimate resolution of this matter will not have a material adverse effect on the Company's consolidated financial condition or results of operations. However, depending on the amount and timing, an unfavorable resolution of this matter could materially affect the Company's future results of operations or cash flows in a particular period.

The Company was required by statute to post collateral approximating the amount of the judgment plus accrued interest. At January 31, 1996, the Company's long-term marketable securities included a balance of \$28.0 million which is restricted as to its use until final adjudication of this matter.

Note 5. Commitments and Contingencies

The Company leases office space and equipment under noncancelable lease agreements. The leases generally provide that the Company pay taxes, insurance, and maintenance expenses related to the leased assets. Future minimum lease payments for fiscal years ended January 31 are as follows: \$14,280,000 in 1997; \$12,687,000 in 1998; \$11,437,000 in 1999; \$9,770,000 in 2000; \$7,648,000 in 2001; and \$32,757,000 thereafter.

Rent expense was \$16,992,000, \$18,221,000, and \$14,806,000 in fiscal years 1996, 1995, and 1994, respectively.

The Company has an unsecured \$40 million bank line of credit, which may be used from time to time to facilitate short-term cash flow. The line of credit expires in January 1997.

The Company is a party to various legal proceedings arising from the normal course of business activities. In management's opinion, resolution of these matters is not expected to have a material adverse impact on the Company's consolidated results of operations or its financial position. However, depending on the amount and timing, an unfavorable resolution of a matter could materially affect the Company's future results of operations or cash flows in a particular period.

Note 6. Employee Benefit Plans

Stock Option Plans

Under the Company's stock option plans, incentive and nonqualified stock options may be granted to officers, employees, directors, and consultants to purchase shares of the Company's common stock. A maximum of 20,240,000 shares of common stock have been authorized for issuance under the plans. The exercise price of the stock options is determined by the Company's Board of Directors on the date of grant and is at least equal to the fair market value of the stock on the grant date.

Stock option activity is as follows:

	Number of Shares	Price Per Share
Options outstanding at January 31, 1994	8,710,000	\$12.56-\$28.19
Granted	2,123,000	\$24.25-\$38.25
Exercised	(2,416,000)	\$12.56-\$25.38
Canceled	(420,000)	\$13.38-\$30.25
Options outstanding at January 31, 1995	7,997,000	\$12.56-\$38.25
Granted	2,546,000	\$35.25-\$49.25
Exercised	(1,484,000)	\$12.56-\$30.50
Canceled	(368,000)	\$13.38-\$49.25
Options outstanding at January 31, 1996	8,691,000	\$13.38-\$49.25
Options exercisable at January 31, 1996	3,379,000	\$13.38-\$38.25
Options available for grant at January 31, 1996	3,223,000	

Certain employees have disposed of stock acquired through the exercise of incentive stock options earlier than the mandatory holding period required for such options. The tax benefits allowed to the Company because of these dispositions, together with the tax benefits realized from the exercise of nonqualified stock options, have been recorded as increases to common stock.

Employee Stock Purchase Plan

The Company has an employee stock purchase plan for all employees meeting certain eligibility criteria. Under the plan, employees may purchase shares of the Company's common stock, subject to certain limitations, at not less than 85 percent of fair market value as defined in the plan. A total of 2,100,000 shares have been reserved for issuance under the plan. In fiscal years 1996, 1995, and 1994, shares totaling 301,000, 335,000, and 318,000, respectively, were issued under the plan at average prices of \$24.01, \$17.90, and \$14.30 per share. At January 31, 1996, a total of 621,000 shares were available for future issuance under the plan.

Pre-Tax Savings Plans

The Company has pre-tax savings plans covering nearly all US employees that qualify under Section 401(k) of the Internal Revenue Code. Eligible employees may contribute up to 15 percent of their pre-tax salary, subject to certain limitations. The Company makes voluntary contributions and matches a portion of employee contributions. Company contributions, which may be terminated at the Company's discretion, were \$2,442,000, \$1,474,000, and \$964,000 in fiscal years 1996, 1995, and 1994, respectively.

Note 7. Stockholders' Equity

Reincorporation

In August 1994, the Company was reincorporated in the state of Delaware. As part of this reincorporation, each outstanding share of the California corporation no par common stock was converted to one share of the Delaware corporation \$0.01 par value common stock.

Preferred Stock

The Company's Certificate of Incorporation authorizes two million shares of preferred stock, none of which is issued or outstanding. The Board of Directors has the authority to issue the preferred stock in one or more series and to fix rights, preferences, privileges and restrictions, including dividends, and the number of shares constituting any series or the designation of such series, without any further vote or action by the stockholders.

In December 1995, the Company adopted a Shareholder Rights Plan which provides existing stockholders with the right to purchase for \$200 one one-thousandth of a share of preferred stock for each share of common stock owned by the stockholder in the event of certain changes in the Company's ownership. These rights may serve as a deterrent to certain unauthorized takeover attempts which are not in the best interests of stockholders. The rights expire in December 2005.

Common Stock Repurchase Program

During fiscal years 1996, 1995, and 1994, the Company repurchased and retired a total of 2,671,000, 2,990,000, and 3,176,000 shares of its common stock at average repurchase prices of \$40.43, \$30.05, and \$22.54, respectively, pursuant to a systematic repurchase plan approved by the Company's Board of Directors to reduce the dilutive effect of common stock to be issued under the Company's employee stock plans. In December 1995, the Board of Directors continued the program by approving the repurchase of up to 4 million additional shares.

Notes to Consolidated Financial Statements

Note 8. Quarterly Financial Information (Unaudited)

Summarized quarterly financial information for fiscal years 1996, 1995, and 1994 is as follows:

(In thousands, except per share data)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Fiscal Year
Fiscal year 1996:					
Net revenues	\$ 138,658	\$ 140,686	\$ 128,537	\$ 126,286	\$ 534,167
Gross margin	121,373	123,324	112,419	110,239	467,355
Income from operations	38,408	38,897	28,046	23,676	129,027
Net income	25,977	26,299	19,207	16,305	87,788
Net income per share	0.51	0.52	0.38	0.34	1.76
Fiscal year 1995:					
Net revenues	\$ 106,578	\$ 110,259	\$ 108,179	\$ 129,596	\$ 454,612
Gross margin	91,479	95,123	93,994	112,291	392,887
Income from operations	24,340	24,398	23,230	35,443	107,411
Net income	16,446	16,587	15,896	7,677	56,606
Net income per share	0.33	0.34	0.32	0.15	1.14
Fiscal year 1994:					
Net revenues	\$ 101,665	\$ 103,613	\$ 98,176	\$ 102,142	\$ 405,596
Gross margin	84,661	86,865	83,481	87,251	342,258
Income from operations	21,830	23,935	21,298	22,640	89,703
Net income	15,442	16,471	14,928	15,325	62,166
Net income per share	0.31	0.33	0.30	0.31	1.25

Results for the fourth quarter of fiscal year 1995 included a pre-tax litigation charge of approximately \$26.0 million, resulting in a \$0.33 reduction in net income per share.

Note 9. Information by Geographic Area

Information regarding the Company's operations by geographic area at January 31, 1996, 1995, and 1994 and for the fiscal years then ended is as follows:

	Fiscal year ended January 31,		
(In thousands)	1996	1995	1994
Revenues:			

The Americas			
Customers in the United States	\$ 195,272	\$ 182,133	\$ 177,833
Customers in Asia/Pacific	42,262	36,513	26,788
Customers in Canada	14,619	15,720	16,173
Other exports	11,103	14,951	11,492
Intercompany revenues	67,728	48,539	48,068
	330,984	297,856	280,354
Europe	211,480	159,110	138,317
Asia/Pacific	72,148	56,851	48,117
Consolidating eliminations	(67,728)	(48,539)	(48,068)
	\$ 546,884	\$ 465,278	\$ 418,720
Income from operations:			

The Americas	\$ 63,843	\$ 71,518	\$ 56,127
Europe	53,696	25,121	24,687
Asia/Pacific	11,488	10,772	8,889
	\$ 129,027	\$ 107,411	\$ 89,703
Identifiable assets:			

The Americas	\$ 306,795	\$ 336,403	\$ 261,347
Europe	250,268	211,056	172,328
Asia/Pacific	73,426	51,761	45,555
Consolidating eliminations	(112,560)	(117,144)	(74,356)
	\$ 517,929	\$ 482,076	\$ 404,874

Intercompany revenues consist of royalty revenue payable by the Company's subsidiaries under software license agreements with the US parent company. At January 31, 1996, 1995, and 1994, total foreign net equity was \$133,213,000, \$88,660,000, and \$115,025,000, respectively.

Report of Ernst & Young LLP, Independent Auditors

The Board of Directors and Stockholders
Autodesk, Inc.

We have audited the accompanying consolidated balance sheets of Autodesk, Inc. as of January 31, 1996 and 1995, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended January 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Autodesk, Inc. at January 31, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended January 31, 1996, in conformity with generally accepted accounting principles.

/s/ ERNST & YOUNG LLP

San Francisco, California
February 20, 1996

Market Prices

The Company's common stock is traded on the Nasdaq National Market under the symbol ADSK (previously ACAD). The following table lists the high and low sales prices for each quarter in the last three fiscal years (as adjusted for the stock split in October 1994):

Fiscal year 1996	High	Low
First quarter	\$ 44	\$ 33
Second quarter	50 1/4	34
Third quarter	53	33
Fourth quarter	39 1/2	27 3/4
Fiscal year 1995		
First quarter	\$ 30 7/8	\$ 24 1/8
Second quarter	28 1/4	23 1/4
Third quarter	35	24 5/8
Fourth quarter	41 1/2	30 3/4
Fiscal year 1994		
First quarter	\$ 24 3/8	\$ 19 3/8
Second quarter	28 3/8	19 7/8
Third quarter	25 7/8	19 7/8
Fourth quarter	26 1/8	18 1/2

Dividends

The Company paid quarterly dividends of \$0.06 per share in fiscal years 1996, 1995, and 1994. The Company currently intends to continue paying regular cash dividends on a quarterly basis.

Stockholders

As of March 31, 1996, the approximate number of common stockholders of record was 1,430.

Annual Meeting

The Company's Annual Meeting of Stockholders will be held at 3:00 PM on June 27, 1996, at the Wyndham Garden Hotel, 1010 Northgate Drive, San Rafael, California.

Form 10-K

A copy of the Company's Annual Report on Form 10-K for fiscal year 1996 filed with the Securities and Exchange Commission may be obtained without charge by sending a written request to: Investor Relations, Autodesk, Inc., 111 McInnis Parkway, San Rafael, CA 94903.

Corporate Information

Directors

Carol A. Bartz
President, Chief Executive Officer, and Chairman of the Board,
Autodesk, Inc.

Mark A. Bertelsen
Managing Partner, Wilson, Sonsini, Goodrich & Rosati, Attorneys-at-Law

Crawford W. Beveridge
Chief Executive Officer, Scottish Enterprise, an economic development
company

J. Hallam Dawson
IDI Associates CA, a private investment bank

Jerre L. Stead
Former Chairman and Chief Executive Officer, Legent Computer Corp.

Mary Alice Taylor
Senior Vice President-US and Canada, Federal Express Corporation

Morton L. Topfer
Vice Chairman, Dell Computer Corporation

Officers

Carol Bartz
President and Chief Executive Officer

Dr. Joseph Astroth
Vice President, GIS Market Group

John Calonico
Vice President and Corporate Controller

Robert Carr
Vice President, Engineering Group

Larry Crume
Vice President and General Manager, Kinetix

James D'Arezzo
Vice President, Data Management Market Group, and Vice President,
Corporate Marketing

Dominic Gallelo
Vice President, Mechanical CAD Market Group, and Vice President,
Asia/Pacific

Eric Herr
Chief Financial Officer, Vice President, Finance and Administration, and
Vice President, Autodesk Data Publishing

William Kredel
Vice President and Chief Information Officer

John Lynch
Chief Technology Officer, Vice President, Advanced Products Group,
and Vice President, AEC/FM Market Group

Stephen McMahon
Vice President, Human Resources

John Sanders
Vice President, Worldwide Support & Services

Marcia Sterling
Vice President, Business Development, and General Counsel

Godfrey Sullivan
Vice President, the Americas

Michael Sutton
Vice President, Europe

Michael Tabatabai
Vice President, Worldwide Operations

Christine Tsingos
Vice President and Treasurer

Legal Counsel

Wilson, Sonsini, Goodrich & Rosati
650 Page Mill Road
Palo Alto, CA 94304

USA

Transfer Agent

Harris Trust & Savings Bank
c/o Shareholder Services
11th Floor
311 West Monroe Street
Chicago, IL 60606
USA

Independent Auditors

Ernst & Young LLP
555 California Street
San Francisco, CA 94104
USA

Corporate Headquarters

Autodesk, Inc.
111 McInnis Parkway
San Rafael, CA 94903
USA

The Americas

Autodesk, Inc.
111 McInnis Parkway
San Rafael, CA 94903
USA

Asia/Pacific

Autodesk, Inc.
111 McInnis Parkway
San Rafael, CA 94903
USA

Europe

Autodesk (Europe) SA
20, route de Pre-Bois
Case Postale 766
CH-1215 Geneva 15
Switzerland

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For more information

For more information, please write Investor Relations, Autodesk, Inc., 111
McInnis Parkway, San Rafael, CA 94903, phone us at 415-507-5000, or visit our
World Wide Web home pages at: www.autodesk.com OR www.ktx.com.

Autodesk, Inc.
111 McInnis Parkway
San Rafael, CA 94903
USA
415-507-5000

1996 AUTODESK ANNUAL REPORT IMAGE DESCRIPTION

Front cover

- - - Blue and yellow lines in oval and circular shapes intersecting a rectangle with a blue field of color and the Autodesk logo and corporate tagline "Design Your World" reversed out in white.

Back cover

- - - Yellow oval line and blue line plus 3 small black and white photographs featuring Autodesk employees, the Autodesk logo appears at the bottom right.

Inside cover/page 1

- - - 3 sets of graphs showing financial information: Revenues by Geography (3 separate pie charts in yellow and blue), Net Revenues for 1994-96 (vertical bar chart in blue and black) and Selected Financial Data (horizontal chart in yellow and black).

Net Revenues by geography

Fiscal year 1994
Americas - 48%
Europe - 34%
Asia/Pacific - 18%
Fiscal year 1995
Americas - 44%
Europe - 35%
Asia/Pacific - 21%

Fiscal year 1996

Americas - 39%
Europe - 40%
Asia/Pacific - 21%
Net revenues
Fiscal year 1994 - \$405.6 million
Fiscal year 1995 - \$454.6 million
Fiscal year 1996 - \$534.2 million

Letter to the stockholders/2-3

- - - Color photograph of the CEO, Carol Bartz, 5 black and white photographs of the Executive Staff, a large blue oval monotone photo of Bartz and 2 Executive Staff members in the background across the spread, 2 circular yellow lines.

Letter to the stockholders/4-5

- - - A large blue oval monotone photo of 2 Exec Staff members in the background across the spread, 7 black and white photos of the Executive Staff, 2 circular yellow lines, Bartz's signature.

Design Your World/6-7

- - - A photograph showing a man with his hand on a door handle in front of a solid yellow door shape. Blue oval lines and 5 circular shapes encircle the figure suggesting "orbiting planets". 3 of the circles are filled with images: 1. a photograph of a city/buildings/waterfront, 2. a manufacturing scene of melted metal being poured into a mold, 3. a photo of a mountain, trees and meadow.

MCAD/8-9

- - - A 3D rendering of a gray camera, a circular electrical component, metal tanks and piping, a section view of a telescope, an exploded view of a washing machine basket and control panel, 3 yellow line art drawings of mechanical components.

Multimedia/10-11

- - - A black and white photograph of a young boy sitting with a game operating control device in his hands, a blue line extends from the device to the center of a monitor depicted in yellow lines. 3 rendered images appear at the top of the monitor: 1. a blue dinosaur skeleton in a museum display, 2. a greenish interior dining room set, 3. the box cover of the game 7th Guest (a menacing house on a hilltop). 2 wireframe frogs in yellow are to the left of the spread - jumping and the Kinetix logo is in yellow.

1996 AUTODESK ANNUAL REPORT IMAGE DESCRIPTION

GIS & Data Management/12-13

- - - An overhead photo of a woman in an orange hardhat entering data into a laptop computer. This image is linked with blue lines and circles to an image of a residential house, data (addresses and utility information), a parcel map and a photo of 2 people servicing an electrical power pole.

Technology/14-15

- - - The left page bottom shows a blue monotone of a computer monitor, a rendered robotic arm shows on the screen. Overlapping this image is a black and white photo of 2 men viewing a computer monitor, the same rendered robot arm is shown on this screen. The left side top shows a blue monotone computer monitor with a wireframe of a welding nozzle on the screen. Overlapping this image is a black and white photo of 1 woman viewing a monitor, the same wireframe image is on her screen. Linking the two sets of images on both pages is a circular yellow line and 2 circles. On the left page, bottom are 3 rendered parts of the robotic arm (a metal nozzle, and 2 metal bases), along with 3 more circles, overlapping a wireframe of one of the bases.

Customer Support/16-17

- - - On the right page, upper corner is a screen shot of the Support and Training "page" of the Autodesk web site. Connected to the internet page graphic is a man sitting at a computer terminal connected by blue circles and a line. 3 circular black and white photos are linked to sections of the internet page by yellow circles and lines. The 3 photos show 1. a woman with a telephone headset, 3 people in a training class and a man raising his hand in a user's group.

Design Partners/18-19

- - - A series of 11 black and white photos spread across 2 pages linked by a cutout oval shape. A large color circle is placed next to and distinguishes 4 groupings of photos along with outline type of 4 companies: Eagle Point, MKS, Open Mind, HOPE. The photos include 11 images of various Autodesk business partners, people at computer monitors, giving presentations, in computer training, in the workplace.

People with Vision/20-21

- - - A series of black and white photos spread across 2 pages linked by an oval cutout shape, converging blue lines, a magenta oval, a yellow solid oval and a blue oval. The 12 photos include various Autodesk employees in the work environment, in meetings, on the assembly line, at computers, in offices.

Financials/45

- - - The letters ADSK appear large in the background in the upper left quarter of the page.

Back Inside Cover

- - - 2 yellow ovals and a blue line connect a single small photo at the bottom left (a man playing a guitar) to a grouping of 6 black and white photos on the upper right. The photos are linked by a cutout of an oval and show Autodesk employees in the workplace.

The Registrant owns 100% of the outstanding voting securities of the following corporations, all of which are included in the Registrant's consolidated financial statements:

Name	Jurisdiction of Incorporation
Autodesk (Europe) S.A.	Switzerland
Autodesk AB	Sweden
Autodesk AG	Switzerland
Autodesk Asia Pte. Ltd.	Singapore
Autodesk Australia Pty. Ltd.	Australia
Autodesk B.V.	Netherlands
Autodesk Canada Inc.	Canada
Autodesk Development Africa (Pty) Ltd.	Republic of South Africa
Autodesk Development B.V.	Netherlands
Autodesk Far East Ltd.	Hong Kong
Autodesk Gesm bH	Austria
Autodesk GmbH	Germany
Autodesk International Ltd.	Barbados
Autodesk Korea Ltd.	Korea
Autodesk Ltd.	United Kingdom
Autodesk Ltd. Japan	Japan
Autodesk Ltda	Brazil
Autodesk R	Russian Federation
Autodesk S.A.	Spain
Autodesk S.A.	France
Autodesk S.p.A.	Italy
Autodesk Software limitada	Portugal
Autodesk spol. s.r.o	Czechia
Autodesk, Inc. Taiwan	Taiwan

12-MOS

JAN-31-1996		
FEB-01-1995		
JAN-31-1996		
		129,305
	64,001	
	100,650	
	6,731	
	9,685	
347,834		127,743
	78,778	
	517,929	
144,295		0
	0	
		0
	140,765	
	201,563	
517,929		
		546,884
546,884		
		66,812
	338,328	
	0	
	3,527	
	1,841	
	138,280	
	50,492	
87,788		
	0	
	0	
		0
	87,788	
	1.76	
	0	