

January 07, 1998

***Avant! Announced No Incremental Revenue Increase***

On Monday, Avant! Corporation (OTC Symbol: AVNT) (Price: \$18.5625) announced two "multi-year contracts". Avant! did not mention whether the contracts, or any small portion of the contracts, constituted any new or incremental business. Avant! claims the contracts have "a combined price of \$57 million." These alleged awarded contracts are simply revisions of existing deals necessary to change two existing Aquarius users to Apollo before an injunction is issued.

Avant! failed to provide any description of the terms of the agreement. Avant!'s main competitor is reporting that their pick-up of Avant! place and route customers has accelerated since ArcCell was enjoined. Furthermore, the "combined price" may be grossly overstated. Avant! has reported the gross "value" of prior contracts without disclosing significant discounts or other deductions. These contracts include services. The service portion is not disclosed. Service sales are less profitable than tool sales. Avant! did not disclose the method it used to value the "price" of the services sold.

Avant! hopes its customers will revise their existing Aquarius contracts before it is enjoined. U.S. Judge Ronald M. Whyte has stated that he is prepared to issue a decision on the Aquarius injunction without the need for further discovery. His decision is pending. Aquarius has been found to contain Cadence Design Systems, Inc.'s (NYSE Symbol: CDN) stolen software codes. Avant! customers must sign new contracts if they elect to change from Aquarius to Apollo. This is the second change Avant! has asked its customers to make and both were precipitated by developments in the prosecution of its criminal and civil theft charges.

We found no evidence that indicates Avant!'s deterioration has slowed, much less in any way been reversed. Avant!'s announcement is the second time it has issued highly selective data to create the appearance that its business is stable. Earlier Avant! claimed that it had increased its share of the physical verification tool market based on a narrow market definition. Avant!'s verification tools, even though they are not directly involved in its criminal and civil theft prosecution, are losing market share. More importantly, it is indisputably true that Avant! faces liabilities that far exceed any realistic estimate of the value of its assets.

Short selling involves a risk not associated with the purchase of stock including, but not only limited to, unlimited loss and stock borrowing risks. Additional information is available upon request.