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UNITED STATES SECURITIES AND EXCHANGE COMMISSION WASHINGTON, DC 20549 FORM 10-Q

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

For The Quarterly Period Ended October 31, 2006

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
 Commission file number 000-27874 ANSOFT CORPORATION (Exact name of registrant as  
 specified in its charter)

Delaware	72-1001909
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification no.)
225 West Station Square, Suite 200 Pittsburgh, Pennsylvania	15219-1119
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (412) 261-3200 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 whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Large accelerated filer  Accelerated filer  Non-accelerated filer  Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No  The number of shares of the registrant's Common Stock outstanding as of the close of business on October 31, 2006 was 23,653,697.

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PART I FINANCIAL INFORMATION Item 1. Financial Statements ANSOFT CORPORATION AND  
SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (In thousands, except per share  
amounts) (unaudited)

	October 31, 2006	April 30, 2006
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 19,862	\$ 16,456
Accounts receivable, net of allowance for doubtful accounts of \$770 and \$545, respectively	12,226	20,264
Deferred income taxes	164	164
Prepaid expenses and other assets	2,381	1,938
Total current assets	34,633	38,822
Equipment and furniture, net of accumulated depreciation of \$6,745 and \$6,249, respectively	2,424	2,599
Marketable securities	38,903	33,621
Other assets	154	131
Deferred income taxes	6,436	6,226
Goodwill	1,239	1,239
Other intangible assets, net	1,750	2,442
Total assets	\$ 85,539	\$ 85,080
<b>Liabilities and stockholders' equity</b>		
Current liabilities		
Accounts payable	\$ 228	\$ 274
Accrued payroll	1,210	3,027
Accrued income taxes	2,912	928
Other accrued expenses	3,350	3,609
Current portion of deferred revenue	17,967	19,893
Total current liabilities	25,667	27,731
Long-term portion of deferred revenue	1,006	1,088
Total liabilities	26,673	28,819
Stockholders' equity		
Preferred stock , par value \$0.01 per share; 1,000 shares authorized, no shares outstanding	--	--
Common stock , par value \$0.01 per share; 50,000 shares authorized; issued 28,792 and 28,576 shares, respectively and outstanding 23,654 and 23,764, respectively	288	286
Additional paid-in capital	79,808	76,795
Treasury stock, 5,138 and 4,812 shares, respectively	(44,650)	(37,913)
Accumulated other comprehensive loss, net	(1,211)	(1,539)
Retained earnings	24,631	18,632
Total stockholders' equity	58,866	56,261
Total liabilities and stockholders' equity	\$ 85,539	\$ 85,080

All share, except shares authorized, information has been adjusted to reflect

the two-for-one stock split effected in the form of 100% stock dividend that was declared on March 7, 2006 and distributed on May 9, 2006. See accompanying notes to the unaudited consolidated financial statements.

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ANSOFT CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS(In thousands, except per share amounts)(unaudited)

	Three months ended		Six months ended	
	October 31,		October 31,	
	2006	2005	2006	2005
Revenue				
License	\$ 10,938	\$ 9,123	\$ 19,123	\$ 15,943
Service and other	9,568	8,905	18,706	16,875
Total revenue	20,506	18,028	37,829	32,818
Costs of revenue				
License	141	134	261	233
Service and other	360	322	693	651
Total cost of revenue	501	456	954	884
Gross profit	20,005	17,572	36,875	31,934
Operating Expenses				
Sales and marketing	8,138	7,321	15,616	14,464
Research and development	4,730	4,129	9,556	8,189
General and administrative	1,240	1,187	2,624	2,570
Amortization	346	369	692	738
Total operating expenses	14,454	13,006	28,488	25,961
Income from operations	5,551	4,566	8,387	5,973
Net realized loss on sale of securities	--	--	--	(2)
Other income, net	577	140	1,392	480
Income before income taxes	6,128	4,706	9,779	6,451
Income tax expense	2,418	611	3,780	1,187
Net income	\$ 3,710	\$ 4,095	\$ 5,999	\$ 5,264
Net income per share				
Basic	\$ 0.16	\$ 0.17	\$ 0.25	\$ 0.22
Diluted	\$ 0.14	\$ 0.16	\$ 0.23	\$ 0.20
Weighted average shares used in calculation				
Basic	23,609	23,588	23,609	23,710
Diluted	26,151	25,784	26,165	25,890

All share and per share information has been adjusted to reflect the two-for-one stock split effected in the form of 100% stock dividend that was declared on March 7, 2006 and distributed on May 9, 2006. See accompanying notes to the unaudited consolidated financial statements.

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ANSOFT CORPORATION AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS(In thousands)(unaudited)

	Six months ended	
	October 31,	
	2006	2005
Cash flows from operating activities:		

Net income	\$ 5,999	\$ 5,264
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation	529	675
Amortization	917	941
Stock-based compensation	1,212	--
Excess tax benefit from stock-based compensation	(1,011)	--
Deferred income taxes	(210)	--
Loss on sale of marketable securities	--	2
Changes in assets and liabilities		
Accounts receivable	7,862	4,065
Prepaid expenses and other assets	(454)	(663)
Other long-term assets	(23)	(5)
Accounts payable and accrued expenses	924	22
Deferred revenue	(1,871)	(1,772)
Net cash provided by operating activities	13,874	8,529
Cash flows from investing activities:		
Purchases of equipment and furniture	(353)	(748)
Proceeds from the sale of marketable securities	--	3,177
Purchases of marketable securities	(4,771)	(6,319)
Net cash used in investing activities	(5,124)	(3,890)
Cash flows from financing activities:		
Purchase of treasury stock	(6,737)	(9,330)
Proceeds from the issuance of common stock, net	792	1,292
Excess tax benefit from stock-based compensation	1,011	--
Net cash used in financing activities	(4,934)	(8,038)
Net increase (decrease) in cash and cash equivalents	3,816	(3,399)
Effect of exchange rate changes	(410)	(647)
Cash and cash equivalents at beginning of period	16,456	11,910
Cash and cash equivalents at end of period	\$ 19,862	\$ 7,864
Supplemental disclosures of cash flow information		
Cash paid (received) for income taxes	\$ 221	\$ (147)

See accompanying notes to the unaudited consolidated financial statements.

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ANSOFT CORPORATION AND SUBSIDIARIES CONDENSED NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (in thousands, except per share amounts) (unaudited) (1)

Basis of Presentation The unaudited consolidated financial statements include the accounts of Ansoft Corporation ("Ansoft" or the "Company") and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of financial position and results of operations have been made. Operating results for interim periods are not necessarily indicative of results which may be expected for a full year. The information included in this Quarterly Report on Form 10-Q should be read in conjunction with the April 30, 2006 consolidated financial statements and notes thereto included in Ansoft's Annual Report on Form 10-K filed with the Securities and Exchange Commission. On March 7, 2006, the Company's Board of Directors declared a two-for-one stock split of the Company's common stock, payable in the form of a 100% stock dividend. On May 9, 2006, one additional share of Company common stock was distributed for each share held of record as of the close of business on May 2, 2006. An amount equal to the par value of the shares issued was transferred from the additional paid-in capital account to the common stock account. All references to number of shares and to per share information, except shares authorized, in the unaudited consolidated financial statements and the notes to the unaudited consolidated financial statements have been adjusted to reflect the stock split on a retroactive basis. On April 20, 2006, the Company's stockholders approved an amendment to the Company's Amended Certificate of Incorporation increasing the number of authorized shares of common stock from 25,000,000 shares to

50,000,000 shares. The preparation of consolidated financial statements in conformity with US generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and disclosure of contingent assets and liabilities. The estimates and assumptions used in the accompanying unaudited consolidated financial statements are based on management's evaluation of the relevant facts and circumstances as of the date of the unaudited consolidated financial statements. Actual results may differ from those estimates. (2) Comprehensive income "Comprehensive income" includes foreign currency translation gains and losses and other unrealized gains and losses, net of tax.

A summary of comprehensive income follows:

	Three months ended October 31,		Six months ended October 31,	
	2006	2005	2006	2005
Net income	\$ 3,710	\$ 4,095	\$ 5,999	\$ 5,264
Unrealized gain (loss) on marketable securities	446	(699)	736	(737)
Reclassification adjustment for loss on sale of marketable securities included in net income	--	--	--	2
Foreign currency translation adjustments	(307)	(122)	(408)	(407)
Comprehensive income	\$ 3,849	\$ 3,274	\$ 6,327	\$ 4,122

(3) Net Income per Share Basic net income per share is calculated using the weighted-average number of common shares outstanding during the period. The weighted-average basic shares were 23,609 for the three and six month periods ended October 31, 2006. Diluted net income per share is computed using the weighted-average number of common shares and potentially dilutive common shares outstanding during the period. The weighted-average dilutive shares were 26,151 and 26,165 for the three and six month periods ended October 31, 2006, respectively. Potentially dilutive common shares consist of the incremental common shares issuable upon the exercise of employee stock options, and are computed using the treasury stock method. Potentially dilutive common shares are excluded from the calculation if their effect is antidilutive. Unexercised stock options of 19 and 21 shares for the three and six month periods ended October 31, 2006, respectively, are not included in the computation of diluted earnings per share because the option exercise price was greater than the average market price, and therefore their inclusion would have been anti-dilutive. All unexercised stock

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options for the three and six month periods ended October 31, 2005 are included in the computation of diluted earnings per share. (4) Stock-Based Compensation Prior to May 1, 2006, the Company accounted for stock-based compensation in accordance with the Financial Accounting Standards Board's ("FASB") Statement of Financial Accounting Standards ("SFAS") No. 123 "Accounting for Stock-Based Compensation." This statement permitted a company to choose either a fair value based method of accounting for its stock-based compensation arrangements or to comply with the Accounting Principles Board ("APB") Opinion No. 25 intrinsic value based method, adding pro forma disclosures of net income and earnings per share computed as if the fair value based method had been applied in the financial statements. The Company had adopted SFAS No. 123 by retaining the APB Opinion No. 25 method of accounting for stock-based compensation with pro forma disclosures of net income and earnings per share. Pursuant to APB Opinion No. 25 the Company did not recognize compensation expense in its statements of operations for the three and six-month periods ended October 31, 2005. Effective May 1, 2006, the Company adopted the fair value recognition provisions of FASB SFAS No. 123 (revised 2004), "Share-Based Payment" (SFAS 123R), using the modified-prospective transition method. Under this method,

compensation cost is recognized beginning with the effective date for (a) any stock-based awards granted through, but not yet vested as of April 30, 2006 based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R and (b) any stock-based awards granted subsequent to April 30, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R. The estimated fair value of the Company's stock-based awards, less expected forfeitures, is amortized over the awards' vesting period on a straight-line basis. The results for prior periods have not been retroactively adjusted. As a result of adopting SFAS 123R, the Company's income from operations and income before income taxes was reduced by \$0.6 million and \$1.2 million for the three and six month periods ended October 31, 2006 and net income was reduced by \$0.5 and \$1.0 million for the three and six month periods ended October 31, 2006, respectively. The adoption of SFAS 123R reduced basic and fully diluted net income per share by \$0.02 and \$0.04 for the three and six month periods ended October 31, 2006, respectively. The stock based compensation expense was recorded in sales and marketing, research and development, and general and administrative. As of October 31, 2006, the total unrecognized stock-based compensation related to non-vested stock option grants was \$2,133, net of estimated forfeitures, which will be recognized over a weighted average period of 2.9 years. The following table illustrates the effect on net income and net income per share if the Company had applied the fair value recognition provisions of SFAS 123R to stock option awards for the three and six months ended October 31, 2005.

	Three months ended October 31, 2005	Six months ended October 31, 2005
Net income as reported	\$ 4,095	\$ 5,264
Deduct: Total stock-based employee compensation expense determined under fair value based method, net of tax	(560)	(1,102)
Pro forma net income	\$ 3,535	\$ 4,162
Net income per basic common share, as reported	\$ 0.17	\$ 0.22
Pro forma net income per basic common share	\$ 0.15	\$ 0.18
Net income per diluted common share, as reported	\$ 0.16	\$ 0.20
Pro forma net income per diluted common share	\$ 0.14	\$ 0.16

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model, which includes the assumptions noted in the following table. The risk-free rate for the periods within the contractual life of the option is based on the U.S Treasury yield in effect at the time of the grant. Expected volatility is based on the historical volatility of the Company's stock. The expected life of the options represents the period of time the options granted are expected to be outstanding based on historical experience with similar grants. The dividend yield is based on the historical dividend yield of the Company. The weighted average grant date fair value of options granted during the three month periods ended October 31, 2006 and 2005 were \$12.95 and \$7.77, respectively. The weighted average grant date fair value of options granted during the six month periods ended October 31, 2006 and 2005 were \$12.23 and \$7.25, respectively.

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The weighted average assumptions used in the model for the three and six months ended October 31, 2006 and 2005 were as follows:

Three months ended October	Three months ended October	Six months ended October	Six months ended October
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	31, 2006	31, 2005	31, 2006	31, 2005
Risk-free rate (%)	4.66	4.14	4.78	4.08
Volatility (%)	49.75	68.08	51.72	68.27
Expected life (in years)	5.3	6.0	5.3	6.0
Dividend yield (%)	0.00	0.00	0.00	0.00

On November 10, 2005, the FASB issued FASB Staff Position No. FAS 123(R)-3, "Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards" (FSP 123R-3). The Company has elected to adopt the alternative transition method provided in FSP 123R-3 for calculating the tax effects of stock-based compensation under SFAS 123R. The alternative transition method includes a simplified method to establish the beginning balance of the additional paid-in capital pool (APIC pool) related to the tax effects of employee stock-based compensation, which is available to absorb tax deficiencies recognized subsequent to the adoption of SFAS 123R. The Company currently has stock options outstanding under the 1995 Stock Option Plan and 2006 Stock Incentive Plan (collectively the "Plans"). Stock options generally vest over five years in 20% increments from the date of grant and expire 10 years from the date of grant. The 2006 Stock Incentive Plan (2006 Plan) authorizes the issuance of 1,340 shares of common stock for the grant of incentive or nonstatutory stock options or restricted stock to employees and directors. As of October 31, 2006, there were 1,243 shares of common stock available for issuance under the 2006 Plan. There were no shares of restricted stock issued under the 2006 Plan as of October 31, 2006. The Company issues new shares of common stock upon exercise of stock options. A summary of the changes in stock options outstanding and exercisable under the Plans during the six months ended October 31, 2006 is as follows:

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding, April 30, 2006	4,177	\$ 4.36		
Granted	33	\$ 23.77		
Exercised	(228)	\$ 3.19		
Cancelled	(22)	\$ 8.64		
Outstanding, October 31, 2006	3,960	\$ 4.56	4.66	\$ 87,514
Exercisable, October 31, 2006	3,219	\$ 4.07	4.19	\$ 72,705

The aggregate intrinsic value in the table above is based on the Company's closing stock price of \$26.66 as of the last trading day of the period ended October 31, 2006. The Company recorded cash proceeds from the exercise of stock options of \$0.8 million and \$1.3 million and related tax benefits of \$1.0 million and \$1.4 million during the six-month periods ended October 31, 2006 and 2005, respectively. Nearly all of the tax benefits for the six-month period ended October 31, 2006 and all of the tax benefits for the six-month period ended October 31, 2005 were classified as excess tax benefits and accordingly were recorded in additional paid-in capital. The total intrinsic value for stock options exercised during the six-month periods ended October 31, 2006 and 2005 was \$4.4 million and \$3.9 million, respectively. During the six-month periods ended October 31, 2006 and 2005, the total fair value of options vested was \$1.3 million. The nonvested stock option activity during the six-month period ended October 31, 2006 is presented in the following table:

Weighted-Average

	Number of Shares	Fair Value
Nonvested, April 30, 2006	1,104	\$ 4.19
Granted	33	\$ 12.23
Vested	(374)	\$ 3.41
Forfeited	(22)	\$ 6.13
Nonvested, October 31, 2006	741	\$ 4.88

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The following table summarizes additional information about stock options outstanding as of October 31, 2006:

Range Of Exercise Prices	Options Outstanding			Options Exercisable	
	Shares	Weighted-Average Remaining Contractual Life (Years)	Weighted-Average Exercise Price	Shares	Weighted-Average Exercise Price
\$2.37-\$3.47	1,576	3.57	2.58	1,318	2.59
\$3.65-\$5.45	1,401	4.75	4.50	1,365	4.50
\$6.23-\$8.18	831	5.76	6.52	520	6.47
\$10.59-\$15.07	106	8.56	11.39	16	11.05
\$19.58-\$26.66	46	9.75	22.89	--	--

(5) Line of Credit On October 21, 2006, the Company renewed for an additional year its secured credit facility, with an aggregate commitment of up to \$30,000, with a domestic financial institution (the "Bank"). At the Company's option, borrowings under the credit facility bear interest at the Bank's prime lending rate or the LIBOR rate plus a margin of .050 basis points. The facility is secured by the Company's marketable securities. The ability of the Company to borrow under the credit facility is subject to its ongoing compliance with certain financial and other covenants, including a tangible net worth covenant. As of October 31, 2006, the Company was in compliance with its covenants under the credit facility. As of October 31, 2006, the Company had no borrowings under the credit facility. (6) Commitments and Contingencies The Company sells software licenses and services to its customers under proprietary software license agreements. Each license agreement contains the relevant terms of the contractual arrangement with the customer, and generally includes certain provisions for indemnifying the customer against losses, expense and liabilities from damages that may be incurred by or awarded against the customer in the event the Company's software or services are found to infringe upon a patent, copyright, or other proprietary right of a third party. To date, the Company has not had to reimburse any of its customers for any losses related to these indemnification provisions and no material claims asserted under these indemnification provisions are outstanding as of October 31, 2006. For several reasons, including the lack of prior indemnification claims, the Company cannot determine the maximum amount of potential future payments, if any, related to such indemnification provisions. (7) Intangible Assets The following is a summary of intangible assets as of October 31, 2006:

Purchased Technology	\$ 2,230
Non-Compete	2,500
Trademark	212
Customer List	18,488
Total	\$ 23,430

Total accumulated amortization as of October 31, 2006 was \$21,680. These intangible assets are amortized over their estimated useful lives, ranging between three and seven years. There are no expected residual values related to these intangible assets. Estimated fiscal year amortization as of October 31, 2006 is as follows: 2007 - \$580; and 2008 - \$1,170.

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(8) Recent Accounting Pronouncements In June 2006, the FASB issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" (FIN 48). FIN 48 is an interpretation of FASB Statement No. 109, "Accounting for Income Taxes," and requires expanded disclosure with respect to the uncertainty in income taxes and is effective as of the beginning of the Company's 2008 fiscal year. The Company is currently evaluating the impact, if any, that FIN 48 will have on its consolidated financial statements. In September 2006, the SEC staff issued Staff Accounting Bulletin 108 (SAB 108), which provides interpretive guidance on how the effects of the carryover or reversal of prior year misstatements should be considered in quantifying a current year misstatement. SAB 108 requires the use of both the "iron curtain" and "rollover" approach in quantifying the materiality of misstatements. SAB 108 provides transitional guidance for the correction of errors in prior periods. SAB 108 is effective no later than the Company's fiscal year ending April 30, 2007. The Company is currently evaluating the impact, if any, that SAB 108 will have on its consolidated financial statements. In September 2006, the FASB issued FASB Statement No. 157, "Fair Value Measurements" (SFAS 157), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 is effective for the Company in the beginning of the Company's 2009 fiscal year. The Company is currently evaluating the impact, if any, that SFAS 157 will have on its consolidated financial statements. (9) Marketable Securities Marketable securities, classified as available for sale, are summarized as follows:

	Amortized cost	Unrealized Gain	Unrealized (loss)	Fair Value
October 31, 2006				
Bond Funds	\$ 19,186	\$ 258	\$ (700)	\$ 18,744
Corporate Bonds	20,556	32	(429)	20,159
Total marketable securities	\$ 39,742	\$ 290	\$ (1,129)	\$ 38,903
April 30, 2006				
Bond Funds	\$ 17,061	\$ 44	\$ (868)	\$ 16,237
Corporate Bonds	18,135	2	(753)	17,384
Total marketable securities	\$ 35,196	\$ 46	\$ (1,621)	\$ 33,621

At October 31, 2006, the contractual maturities of the debt securities available for sale are:

	Amortized Cost	Fair Value
Due in one year or less	--	--
Due after one year through five years	\$ 16,496	\$ 16,142
Due after five years through ten years	\$ 4,060	\$ 4,017
Due after ten years	--	--
Total	\$ 20,556	\$ 20,159

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains certain forward-looking statements that involve substantial risks and uncertainties. When used in this Form 10-Q, the words "anticipate," "plan," "believe," "estimate," "expect" and similar expressions as they relate to Ansoft or its management are intended to identify such forward-looking statements. Ansoft's actual results, performance or achievements could differ materially from the results expressed in, or implied by, these forward-looking statements. Factors that could cause or contribute to such differences include (1) the degree and rate of growth of the markets in which Ansoft competes and the accompanying demand for Ansoft's products, (2) the level of product and price competition, (3) the ability of Ansoft to develop and market new products and to control costs, (4) the ability to expand its direct sales force, and (5) the ability to attract and retain key personnel.

Overview Ansoft is a developer of electronic design automation ("EDA") software used in high technology products and industries. Ansoft's software is used by electrical engineers in the design of state of the art technology products, such as cellular phones, internet networking, satellite communications systems, computer chips and circuit boards, and electronic sensors and motors. Engineers use our software to maximize product performance, eliminate physical prototypes, and reduce time-to-market. During the second quarter of fiscal year 2007, revenues increased by 13.7% from the previous fiscal year's second quarter. New license revenue increased by 19.9% and maintenance revenue increased 7.4%. The Company experienced growth in both our domestic and international markets for the quarter ended October 31, 2006. Net income for the quarter was \$3.7 million compared to \$4.1 million during the second fiscal quarter of 2006.

	Three months ended			Six months ended		
	October 31,		Percentage change	October 31,		Percentage change
	(In thousands)			(In thousands)		
Revenue	20,506	18,028	13.7%	37,829	32,818	15.3%
Cost of revenue	501	456	9.9%	954	884	7.9%
Gross profit	20,005	17,572	13.8%	36,875	31,934	15.5%
Operating Expenses						
Sales and marketing	8,138	7,321	11.2%	15,616	14,464	8.0%
Research and development	4,730	4,129	14.6%	9,556	8,189	16.7%
General and administrative	1,240	1,187	4.5%	2,624	2,570	2.1%
Amortization	346	369	(6.2 %)	692	738	(6.2 %)
Total operating expenses	14,454	13,006	11.1%	28,488	25,961	9.7%
Income from operations	5,551	4,566	21.6%	8,387	5,973	40.4%
Net realized loss on sale of securities	--	--	--	--	(2)	--
Other income, net	577	140	312.1%	1,392	480	190.0%
Income before income taxes	6,128	4,706	30.2%	9,779	6,451	51.6%
Income tax expense	2,418	611	295.7%	3,780	1,187	218.4%
Net income	\$ 3,710	\$ 4,095	(9.4 %)	\$ 5,999	\$ 5,264	14.0%

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Comparison of the Three and Six Months Ended October 31, 2006 and 2005 Revenue. Total revenue in the three and six-month periods ended October 31, 2006 increased 13.7% and 15.3% to \$20.5 and \$37.8 million. License revenue during

the three-month period ended October 31, 2006 increased 19.9% to \$10.9 million from \$9.1 million during the comparable period in the prior fiscal year. License revenue during the six-month period ended October 31, 2006 increased 19.9% to \$19.1 million from \$15.9 million during the comparable period in the prior fiscal year. The increases are due in part to an improving economy, particularly an improvement in the technology sectors resulting in an increased demand for our software products worldwide. Growth occurred in both our high performance electronics and electromechanical (EM) product lines for the three and six-month periods. Service and other revenue in the three and six-month periods ended October 31, 2006 increased 7.4% and 10.9%, respectively, due to the continued growth of the installed base of customers under annual maintenance agreements. International revenue accounted for 60% and 61% of the Company's total revenue in the three-month periods ended October 31, 2006 and 2005, respectively. Revenue in Asia accounted for 42% and 44% and revenue in Europe accounted for 18% and 17% in the three-month periods ended October 31, 2006 and 2005, respectively. International revenue accounted for 59% and 61% of the Company's total revenue in the six-month periods ended October 31, 2006 and 2005, respectively. Revenue in Asia accounted for 43% and 44% and revenue in Europe accounted for 16% and 17% in the six-month periods ended October 31, 2006 and 2005, respectively. Generally, the Company believes international sales are subject to additional risks associated with international operations, including currency exchange fluctuations, tariff regulations and requirements for export. Exchange rates will fluctuate throughout the fiscal year. When comparing the percentage of international revenues to total revenues for the three and six-month period, using current year exchange rates for the prior year revenues, the international revenue as a percentage of total revenue would decrease 3% to 58% and 1% to 60% of total revenue for the three and six-month periods ended October 31, 2005, respectively. Cost of revenue. Cost of revenue consists primarily of software materials, personnel and other expenses related to providing maintenance, post-contract customer support, licenses and upgrades to customers. Cost of revenue for the three and six-month periods ended October 31, 2006 increased 9.9% and 7.9% from the comparable period in the prior fiscal year. Sales and marketing expenses. Sales and marketing expenses consist of salaries; commissions paid to internal sales and marketing personnel, promotional costs and related operating expenses. Sales and marketing expenses in the three and six-month periods ended October 31, 2006 increased 11.2% and 8% to \$8.1 million and \$15.6 million from the comparable periods in the prior fiscal year. Stock compensation expense of \$0.1 million and \$0.2 million was included in sales and marketing expenses for the three and six month periods ended October 31, 2006. The three and six month periods ended October 31, 2005 did not include employee stock-based compensation expense. Sales and marketing expenses represented 41.3% and 44.1% of total revenue in the six-month periods ended October 31, 2006 and 2005, respectively. Research and development expenses. Research and development expenses include all costs associated with the development of new products and enhancements to existing products. Total research and development expenses for the three and six-month periods ended October 31, 2006 increased 14.6% and 16.7% to \$4.7 million and \$9.6 million from the comparable periods in the prior fiscal year. Total research and development costs increased primarily due to the additional personnel required to meet software development requirements. Further, the increase in research and development costs can be attributed to \$0.4 million and \$0.8 million in stock-based compensation costs for the three and six month periods ended October 31, 2006. The three and six month periods ended October 31, 2005 did not include employee stock-based compensation expense. Research and development expenses represented 25.3% and 25% of total revenue in the six-month periods ended October 31, 2006 and 2005, respectively. General and administrative expenses. General and administrative expenses for the three and six month periods ended October 31, 2006 increased 4.5% and 2.1%, respectively. Included in general and administrative expenses for the three and six month periods ended October 31, 2006 was \$0.1 million and \$0.2 million in stock based compensation expense. The three and six month periods ended October 31, 2005 did not include employee stock-based compensation expense. General and administrative expenses represented 6.9% and 7.8% of total revenue in the six-month periods ended October 31, 2006 and 2005, respectively. Amortization expense. Amortization expense for the three and six-month periods ended October 31, 2006 decreased 6.2%. The decrease is due to various intangible assets being

fully amortized in the prior fiscal year.

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Net realized gain (loss) on sale of securities. Net realized loss for the three and six-month periods ended October 31, 2006 and 2005 was \$-0- and \$ (2,000), respectively. Other income, net. Other income for the three and six-month periods ended October 31, 2006 was \$0.6 million and \$1.4 million, an increase of \$0.4 million and \$0.9 million from the same period in the previous fiscal year. The increase is primarily due to income from a larger portfolio of marketable securities held during the three and six month periods ended October 31, 2006 as well as a reduced realized loss on foreign currency exchange during the current fiscal year. Income tax expense. In the three and six month periods ended October 31, 2006, the Company recorded tax expense of \$2.4 million and \$3.8 million compared to \$0.6 million and \$1.2 million for the same periods in the previous fiscal year. During the three-month period ended October 31, 2005, the Company elected to claim a federal tax credit and refund related to foreign taxes previously paid. As a result, net income for the three-month period ended October 31, 2005 includes a tax benefit of \$0.5 million for a refund of prior years federal tax payments and a tax benefit of \$0.5 million for excess foreign tax credits claimed and utilized against taxable income for the six month period ended October 31, 2005. The US Research and Development Tax Credit expired at the end of 2005 and, as a result, the Company has not taken any benefit for this credit in the three and six month periods ending October 31, 2006. Congress is considering proposals to extend this Tax Credit, retroactively to January 1, 2006. If such legislation is enacted, any impact would be recorded in future quarters. Liquidity and Capital Resources As of October 31, 2006, Ansoft had \$19.9 million in cash and cash equivalents and \$38.9 million of marketable securities. Net cash provided by operating activities in the six-month periods ended October 31, 2006 and 2005 was \$13.9 million and \$8.5 million, respectively. Net cash used in investing activities in the six-month periods ended October 31, 2006 and 2005 was \$5.1 million and \$3.9 million, respectively. Capital expenditures were \$0.4 million and \$0.7 million in the six-month periods ended October 31, 2006 and 2005, respectively. Proceeds from the sale of marketable securities were \$-0- and \$3.2 million in the six-month periods ended October 31, 2006 and 2005, respectively. Purchases of marketable securities were \$4.8 million and \$6.3 million in the six-month periods ended October 31, 2006 and 2005, respectively. Auction rate securities purchases and sales totaling \$3.1 million were included in the prior year activity. Net cash used in financing activities was \$4.9 million and \$8 million in the six-month periods ended October 31, 2006 and 2005, respectively. Proceeds from the issuance of common stock were \$0.8 million and \$1.3 million in the six-month periods ended October 31, 2006 and 2005. Funds used for the repurchase of common stock were \$6.7 million and \$9.3 million in the six-month periods ended October 31, 2006 and 2005, respectively. The Company expects to continue to purchase common stock under its share repurchase plan. A summary of Ansoft's significant contractual obligations and commitments as of October 31, 2006 is as follows (in thousands and for fiscal year):

Operating Leases	
2007	\$ 1,183
2008	1,784
2009	791
2010	299
2011	196

For fiscal year 2007, the balance of \$1,183 represents the remaining payments due as of October 31, 2006. For fiscal year 2011, the balance of \$196 represents the payments through January 31, 2011.

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Critical Accounting Policies Ansoft's critical accounting policies are as follows:

- ù Revenue Recognition
- ù Valuation of Accounts Receivable
- ù Impairment of Long-Lived Assets
- ù Impairment of Marketable Securities Available for Sale
- ù Stock-Based Compensation Expense
- ù Deferred Tax Asset Valuation Allowance

Revenue Recognition. Revenue consists of fees for licenses of software products and service and other revenue. Ansoft recognizes revenue in accordance with SOP 97-2, "Software Revenue Recognition," and related interpretations. Accordingly, revenue is recognized when all of the following criteria are met: persuasive evidence of an arrangement exists, delivery has occurred, the vendor's fee is fixed or determinable, and collectibility is probable. License revenue. Ansoft generally licenses its software on a perpetual basis with no right to return or exchange the licensed software. License revenue is recognized based on the residual method. Postcontract customer support ("PCS") for an initial three month period is bundled with the perpetual license fee. Revenue related to the three-month PCS is deferred and recognized ratably over the three-month term. Ansoft's vendor-specific objective evidence of fair value, or VSOE, for the three-month PCS is based upon the pricing for comparable transactions when the element is sold separately. Ansoft's VSOE for the three-month PCS is based upon one fourth of the customer's annual maintenance contract renewal rates. Service and other revenue consists primarily of PCS revenue. Following the initial three month PCS period, Ansoft offers customers one-year maintenance contracts generally at 15% of the list price of the respective software products. Ansoft recognizes all maintenance revenue ratably over the respective maintenance period. Customers typically renew maintenance agreements annually. Revenue from customer training, support and other services is recognized as the service is performed. Valuation of Accounts Receivable. Management reviews accounts receivable to determine which are doubtful of collection. In making the determination of the appropriate allowance for doubtful accounts, management considers Ansoft's history of write-offs, relationships with its customers, and the overall credit worthiness of its customers. The allowance for doubtful accounts as of October 31, 2006 and April 30, 2006 was \$0.8 million and \$0.5 million respectively. We had no significant changes in our collection policies or payment terms during the six month period ended October 31, 2006. Impairment of Long-Lived Assets. The Company reviews assets for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. A determination of impairment is made based on estimates of future cash flows. If such assets are considered to be impaired the amount of the impairment is based on the excess of the carrying value over the fair value of the assets. Goodwill and purchased intangibles with indefinite lives are reviewed annually for impairment. A determination of impairment is based on the estimated fair value of the reporting entity. Impairment of Marketable Securities Available for Sale. An impairment charge is recorded if a decline in the market value of any available for sale security below cost is deemed to be other than temporary. The impairment is charged to earnings and a new cost basis for the security is established.

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Stock-Based Compensation Expense. The Company accounts for stock-based compensation in accordance with the fair value recognition provisions of SFAS 123R. The Company uses the Black-Scholes option-pricing model which requires the input of assumptions. These assumptions include estimating the length of time employees will retain their vested stock options before exercising them, the estimated volatility of the Company's common stock price over the expected term and the number of options that will ultimately not complete their vesting requirements. Changes in the assumptions can materially affect the estimate of fair value of stock-based compensation and consequently, the related amount recognized on the consolidated statements of operations. Deferred Tax Asset Valuation Allowance. Deferred tax assets are recognized for deductible temporary differences, net operating loss carryforwards, and credit carryforwards. To the extent that it is more likely than not that some portion or all of the deferred tax asset will not be realized, a valuation allowance is established. The Company considers projected future taxable income and tax planning strategies in making this assessment. The judgments used in applying the above policies are based on management's evaluation of the relevant facts and circumstances as of the date of the financial statements. Actual results may differ from those estimates.

Item 3. Quantitative and Qualitative Disclosure about Market Risk There have been no material changes in reported market risks faced by the Company since April 30, 2006. Interest Rate Risk. The Company's exposure to market risk for changes in interest rates relates primarily to its investment portfolio. The Company mitigates its risk by diversifying its investments among securities and limits the amount of credit exposure to any one issuer. The Company does not hedge any interest rate exposures. The portfolio includes only marketable securities with active secondary or resale markets to ensure portfolio liquidity. Foreign Currency Risk. The majority of our foreign currency transactions are denominated in yen or euro, which are the functional currencies of Japan and Europe, respectively. As a result of transactions being denominated and settled in such functional currencies, the risks associated with currency fluctuations are primarily associated with foreign currency translation adjustments. We do not currently hedge against foreign currency translation risks and do not currently believe that foreign currency exchange risk is significant to our operations due to the short term nature of assets and liabilities denominated in foreign currencies. The average foreign exchange rates used to translate the statements of operations were as follows:

	Six months ended	Six months ended
Foreign Currency	October 31, 2006	October 31, 2005
Yen	115.2	111.5
Euro	1.27	1.22

Item 4. Controls and Procedures Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company evaluated the effectiveness of the design and operation of its disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q, and, based on their evaluation, the Chief Executive Officer and Chief Financial Officer concluded that these disclosure controls and procedures are effective. There were no significant changes in the Company's internal control over financial reporting during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II OTHER INFORMATION Item 1A. Risk Factors Information regarding risk factors is discussed in Item 1A, "Risk Factors" of the Company's Form 10-K for the fiscal year ended April 30, 2006. There have been no material change in the Company's risk factors previously disclosed in the Company's Form 10-K. Item 2. Unregistered Sales of Equity Securities and Use of Proceeds The following table sets forth, the repurchases of common stock for the quarter ended October 31, 2006:

Period	Total number of shares repurchased	Average price paid per share	Total number of shares repurchased as part of publicly announced plans or programs	Maximum number of shares that may yet be repurchased under the plans or programs (a)
August 1, 2006 - August 31, 2006	--	--	5,988,720	2,011,280
September 1, 2006 - September 30, 2006	16,000	\$ 24.84	6,004,720	1,995,280
October 1, 2006 - October 31, 2006	22,900	\$ 26.35	6,027,620	1,972,380
Total	38,900	\$ 25.73		

(a) All repurchases were made pursuant to a share repurchase program publicly announced in 1998 and amended in 2002 and 2004. On March 1, 2006, the Company announced that the Board of Directors voted to amend its existing common stock repurchase program to permit the Company to acquire an additional 2,000,000 shares of its common stock. Unless terminated earlier by resolution of our Board of Directors, the share repurchase program will expire when we have repurchased all shares authorized for repurchase thereunder. Under the plan the Company is authorized to repurchase 8,000,000 shares.

On March 7, 2006, the Company announced a two-for-one stock split effected in the form of a 100% stock dividend that was distributed on May 9, 2006. Accordingly, all share and share price information have been adjusted to reflect the stock split. Item 4. Submission of Matters to a Vote of Security Holders. The Annual Meeting of stockholders of the Company was held on September 6, 2006. Proxies were solicited pursuant to Section 14(a) of the Securities and Exchange Act of 1934 and there was no solicitation in opposition to the Company's solicitations. The following five nominees proposed by the Board of Directors were elected for one year terms expiring at the 2007 Annual Meeting:

Name	Shares in Favor	Shares Withheld
Nicholas Csendes	20,069,426	1,774,638
Zoltan J. Cendes	19,719,568	2,124,496
Peter Robbins	21,026,539	817,525
John N. Whelihan	20,756,415	1,087,649
Paul J. Quast	21,022,105	821,959

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## Item 6. Exhibits

- 10.14 Letter dated October 20, 2006 amending Loan Agreement by and between Ansoft Corporation and PNC Bank, National Association dated October 21, 2004--Filed herewith.
- 31.1 Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, and Section 302 of the Sarbanes Oxley Act of 2002--Filed herewith.
- 31.2 Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, and Section 302 of the Sarbanes Oxley Act of 2002--Filed herewith.
- 32.1 Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002--Filed herewith.

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Signatures Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: November 17, 2006 ANSOFT CORPORATION  
By: /s/ Nicholas Csendes  
Nicholas Csendes  
President and Chief Executive  
Officer  
By: /s/ Thomas A.N. Miller  
Thomas A.N. Miller  
Chief Financial Officer

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EXHIBIT 10.14October 20, 2006 Ansoft Corporation  
225 West Station Square Drive  
Suite 200

Pittsburgh, PA 15219 Attention: Shane Emswiler Re: Renewal of Expiration Date for \$30,000,000.00 Revolving Credit Facility Commitment Dear Mr. Emswiler: Capitalized terms used herein shall have the meanings ascribed to them in the Loan Agreement (as hereinafter defined). We are pleased to inform you that your Revolving Credit Facility Commitment has been renewed. The Revolving Credit Facility Expiry Date, as set forth in that certain Loan Agreement dated October 21, 2004 (the "Loan Agreement"), has been extended from October 21, 2006 to October 21, 2007, effective on October 22, 2006. All other terms and conditions of the Loan Agreement, and all Loan Documents executed and delivered in connection therewith, remain in full force and effect. It has been a pleasure working with you and I look forward to a continued successful relationship. Thank you again for your business.

Very truly yours,

PNC BANK, NATIONAL  
ASSOCIATION

By: /s/ Michael L. Hammond  
Michael L. Hammond  
Senior Vice President

A member of The PNC Financial Services GroupOne PNC Plaza 249 Fifth Avenue  
Pittsburgh Pennsylvania 15222 2707

EXHIBIT 31.1CertificationsI, Nicholas Csendes, certify that: 1. I have reviewed this Quarterly Report on Form 10-Q of Ansoft Corporation, the registrant; 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report; 4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have: a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and 5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions): a) all significant deficiencies and material weaknesses in the design or operation of internal control of financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 17, 2006

By: /s/ Nicholas Csendes  
Nicholas Csendes  
President and Chief Executive Officer

EXHIBIT 31.2CertificationsI, Thomas A.N. Miller, certify that: 1. I have reviewed this Quarterly Report on Form 10-Q of Ansoft Corporation, the registrant; 2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report; 3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report; 4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have: a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared; b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles; c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of the annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and 5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions): a) all significant deficiencies and material weaknesses in the design or operation of internal control of financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 17, 2006

By: /s/ Thomas A.N. Miller  
Thomas A.N. Miller  
Chief Financial Officer

EXHIBIT 32.1 CERTIFICATION PURSUANT TO  
18 U.S.C. SECTION 1350  
AS ADOPTED PURSUANT TO

SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002 In connection with the Quarterly Report of Ansoft Corporation (the "Company") on Form 10-Q for the quarter ended October 31, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), each of the undersigned officers of the Company, certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to his knowledge: (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: November 17, 2006

By: /s/ Nicholas Csendes  
Nicholas Csendes  
President and Chief Executive Officer

Date: November 17, 2006

By: /s/ Thomas A.N. Miller  
Thomas A.N. Miller  
Chief Financial Officer

This certification is made solely for purposes of 18 U.S.C. Section 1350, subject to the knowledge standard contained therein, and not for any other purpose.

{graphic omitted}