FORM S-1 · REGISTRATION STATEMENT

Visigenic Software Inc

IPO priced 1996-08-09 · $7.50 a share · VSGN



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AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON JUNE 19, 1996 REGISTRATION NO. 333- SECURITIES AND EXCHANGE COMMISSION WASHINGTON, D.C. 20549 FORM S-1 REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 VISIGENIC SOFTWARE, INC. (EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	7372	94-3173927
(STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	(PRIMARY STANDARD INDUSTRIAL CLASSIFICATION CODE NUMBER)	(I.R.S. EMPLOYER IDENTIFICATION NO.)

951 MARINER'S ISLAND BLVD. SUITE 460 SAN MATEO, CA 94404 (415) 286-1900 (ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES) ROGER J. SIPPL CHIEF EXECUTIVE OFFICER VISIGENIC SOFTWARE, INC. 951 MARINER'S ISLAND BLVD. SUITE 460 SAN MATEO, CA 94404 (415) 286-1900 (NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING AREA CODE, OF AGENT FOR SERVICE)

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DAVID A. HUBB, ESQ.	JEFFREY R. VETTER, ESQ.
GRAY CARY WARE & FREIDENRICH	FENWICK & WEST LLP
A PROFESSIONAL CORPORATION	TWO PALO ALTO SQUARE
400 HAMILTON AVENUE	PALO ALTO, CA 94306
PALO ALTO, CA 94301-1825	(415) 494-0600
(415) 328-6561	

APPROXIMATE DATE OF COMMENCEMENT OF PROPOSED SALE TO THE PUBLIC: As soon as practicable after the effective date of this Registration Statement.

IF ANY OF THE SECURITIES BEING REGISTERED ON THIS FORM ARE TO BE OFFERED ON A DELAYED OR CONTINUOUS BASIS PURSUANT TO RULE 415 UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") CHECK THE FOLLOWING BOX. [_] IF THIS FORM IS FILED TO REGISTER ADDITIONAL SECURITIES FOR AN OFFERING PURSUANT TO RULE 462(B) UNDER THE SECURITIES ACT, PLEASE CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING. [_] IF THIS FORM IS A POST-EFFECTIVE AMENDMENT FILED PURSUANT TO RULE 462(C) UNDER THE SECURITIES ACT, CHECK THE FOLLOWING BOX AND LIST THE SECURITIES ACT REGISTRATION STATEMENT NUMBER OF THE EARLIER EFFECTIVE REGISTRATION STATEMENT FOR THE SAME OFFERING. [_] IF DELIVERY OF THE PROSPECTUS IS EXPECTED TO BE MADE PURSUANT TO RULE 434, PLEASE CHECK THE FOLLOWING BOX. [_] CALCULATION OF REGISTRATION FEE

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	AMOUNT TO BE REGISTERED(1)	PROPOSED MAXIMUM OFFERING PRICE PER SHARE(2)	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE(2)	AMOUNT OF REGISTRATION FEE
COMMON STOCK, $0.001 PAR VALUE.....	2,415,000 SHARES	$11.00	$26,565,000	$9,161

(1) INCLUDES 315,000 SHARES WHICH THE UNDERWRITERS HAVE THE OPTION TO PURCHASE TO COVER OVER-ALLOTMENTS, IF ANY. (2) ESTIMATED SOLELY FOR THE PURPOSES OF COMPUTING THE REGISTRATION FEE PURSUANT TO RULE 457(O). THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(A) OF THE SECURITIES ACT OF 1933, AS AMENDED, OR UNTIL THE REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(A), MAY DETERMINE.

VISIGENIC SOFTWARE, INC.

CROSS-REFERENCE SHEET

PURSUANT TO ITEM 501(B) OF REGULATION S-K SHOWING LOCATION IN PROSPECTUS OF INFORMATION REQUIRED BY ITEMS OF FORM S-1.

ITEM NUMBER AND HEADING IN FORM S-1 REGISTRATION STATEMENT LOCATION IN PROSPECTUS 1. FOREPART OF THIS REGISTRATION STATEMENT AND OUTSIDE FRONT COVER PAGE OF PROSPECTUS..... FACING PAGE OF THIS REGISTRATION STATEMENT AND OUTSIDE FRONT COVER PAGE 2. INSIDE FRONT AND OUTSIDE BACK COVER PAGES OF PROSPECTUS..... INSIDE FRONT AND OUTSIDE BACK COVER PAGES 3. SUMMARY INFORMATION, RISK FACTORS AND RATIO OF EARNINGS TO FIXED CHARGES..... PROSPECTUS SUMMARY; RISK FACTORS 4. USE OF PROCEEDS..... PROSPECTUS SUMMARY; USE OF PROCEEDS 5. DETERMINATION OF OFFERING PRICE..... OUTSIDE FRONT COVER PAGE; UNDERWRITING 6. DILUTION..... DILUTION 7. SELLING SECURITY HOLDERS..... PRINCIPAL AND SELLING STOCKHOLDERS 8. PLAN OF DISTRIBUTION..... OUTSIDE FRONT COVER PAGE; UNDERWRITING 9. DESCRIPTION OF SECURITIES TO BE REGISTERED..... PROSPECTUS SUMMARY; CAPITALIZATION; DESCRIPTION OF CAPITAL STOCK 10. INTERESTS OF NAMED EXPERTS AND COUNSEL..... LEGAL MATTERS 11. INFORMATION WITH RESPECT TO THE REGISTRANT..... OUTSIDE FRONT AND INSIDE FRONT COVER PAGES; PROSPECTUS SUMMARY; RISK FACTORS; DIVIDEND POLICY; CAPITALIZATION; SELECTED CONSOLIDATED FINANCIAL DATA; MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS; BUSINESS; MANAGEMENT; CERTAIN TRANSACTIONS; PRINCIPAL AND SELLING STOCKHOLDERS; DESCRIPTION OF CAPITAL STOCK; SHARES ELIGIBLE FOR FUTURE SALE; FINANCIAL STATEMENTS 12. DISCLOSURE OF COMMISSION POSITION ON INDEMNIFICATION FOR SECURITIES ACT LIABILITIES..... NOT APPLICABLE

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+INFORMATION CONTAINED HEREIN IS SUBJECT TO COMPLETION OR AMENDMENT. A   +
+REGISTRATION STATEMENT RELATING TO THESE SECURITIES HAS BEEN FILED WITH THE   +
+SECURITIES AND EXCHANGE COMMISSION. THESE SECURITIES MAY NOT BE SOLD NOR MAY +
+OFFERS TO BUY BE ACCEPTED PRIOR TO THE TIME THE REGISTRATION STATEMENT   +
+BECOMES EFFECTIVE. THIS PROSPECTUS SHALL NOT CONSTITUTE AN OFFER TO SELL OR   +
+THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THESE   +
+SECURITIES IN ANY STATE IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE   +
+UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF +
+ANY SUCH STATE.   +
++

SUBJECT TO COMPLETION, DATED JUNE 19, 1996

PROSPECTUS

2,100,000 SHARES

[LOGO OF VISIGENIC SOFTWARE, INC.]

COMMON STOCK

OF THE 2,100,000 SHARES OF COMMON STOCK OFFERED HEREBY, 1,700,000 SHARES ARE BEING SOLD BY THE COMPANY AND 400,000 SHARES ARE BEING SOLD BY THE SELLING STOCKHOLDERS. THE COMPANY WILL NOT RECEIVE ANY OF THE PROCEEDS FROM THE SALE OF THE SHARES BY THE SELLING STOCKHOLDERS. SEE "PRINCIPAL AND SELLING STOCKHOLDERS."

PRIOR TO THIS OFFERING, THERE HAS BEEN NO PUBLIC MARKET FOR THE COMMON STOCK OF THE COMPANY. IT IS CURRENTLY ESTIMATED THAT THE INITIAL PUBLIC OFFERING PRICE WILL BE BETWEEN $9.00 AND $11.00 PER SHARE. SEE "UNDERWRITING" FOR A DISCUSSION OF THE FACTORS TO BE CONSIDERED IN DETERMINING THE INITIAL PUBLIC OFFERING PRICE. THE COMPANY HAS APPLIED TO HAVE THE COMMON STOCK APPROVED FOR QUOTATION ON THE NASDAQ NATIONAL MARKET UNDER THE SYMBOL VSGN.

The Shares Offered Hereby Involve a High Degree of Risk. See "Risk Factors" on Page 4.

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

PRICE TO UNDERWRITING PROCEEDS TO PROCEEDS TO SELLING PUBLIC DISCOUNT (1) COMPANY (2) STOCKHOLDERS (2)

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Per Share.............    $          $          $             $
Total (3).............  $          $          $             $
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(1) See "Underwriting" for indemnification arrangements with the several Underwriters. (2) Before deducting expenses payable by the Company estimated at $750,000. (3) The Company and the Selling Stockholders have granted the Underwriters a 30-day option to purchase up to 315,000 additional shares of Common Stock solely to cover over-allotments, if any. If all such shares are purchased, the total Price to Public, Underwriting Discount, Proceeds to Company and Proceeds to Selling Stockholders will be $, $, $ and $, respectively. See "Underwriting."

The shares of Common Stock are offered by the several Underwriters subject to prior sale, receipt and acceptance by them and subject to the right of the Underwriters to reject any order in whole or in part and certain other conditions. It is expected that certificates for such shares will be available for delivery on or about , 1996, at the office of the agent of Hambrecht & Quist LLC in New York, New York.

Hambrecht & Quist Robertson, Stephens & Company

, 1996

[Examples of applications which embed Visigenic's database connectivity and distributed object connectivity products appear in color here] The Company intends to furnish its stockholders with annual reports containing financial statements audited by independent public accountants and with quarterly reports containing unaudited financial statements for each of the first three quarters of each fiscal year.

Visigenic, the Visigenic logo, BlackWidow, ODBC DriverSet, OpenChannel and ORBeline are trademarks of the Company. This Prospectus also includes trademarks of companies other than the Company.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITERS MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE COMMON STOCK AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE

OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON THE NASDAQ NATIONAL MARKET, THE OVER-THE- COUNTER MARKET, OR OTHERWISE. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

[Diagram of enterprise computing environment that includes multiple applications utilizing Visigenic's database connectivity and distributed object connectivity products running on the Internet and Intranets appears in color here]

Summary

The following summary is qualified in its entirety by the more detailed information and financial statements appearing elsewhere in this Prospectus. See "Risk Factors" for a discussion of certain factors to be considered by prospective investors.

The Company

Visigenic Software, Inc. ("Visigenic" or the "Company") is a leading provider of software tools for database and distributed object connectivity for the Internet, Intranet and enterprise computing environments. The Company's standards-based products facilitate the development, deployment and management of distributed applications by providing database-independent access to leading databases and the communications infrastructure for distributed object-oriented applications.

In today's complex computing environment, enterprises require flexible access to data and applications, regardless of whether the data and applications are located at the central office, a remote office or across the Internet. Enterprise computing environments are increasingly using multiple database management systems ("DBMSs"), operating systems, networks and hardware platforms and relying on object-oriented technologies to develop and deploy distributed applications for these heterogeneous environments. The rapid growth of the Internet and Intranets, both of which are heterogeneous distributed computing environments, is accelerating the need for tools to develop, deploy and manage distributed applications.

The Visigenic solution provides key components of the software infrastructure that enables developers and information technology ("IT") professionals to develop, deploy and manage distributed applications. The Company believes business applications increasingly will be comprised of objects, Java applets and databases that are distributed on networks and dynamically assembled into highly customized distributed solutions. The Company's products enable the enterprise to adapt its application architecture to meet changing business and computing requirements by simplifying the development and deployment of distributed database and object-oriented applications. Visigenic's products support existing and emerging industry standards, making the Company's solutions open, flexible and interoperable across multiple operating environments. The Company believes that its products are especially well suited for large distributed computing environments such as the Internet and Intranets.

The Company's strategy is to become the premier provider of software tools which enable developers and IT professionals to develop, deploy and manage distributed applications for Internet, Intranet and enterprise computing environments. Visigenic supports and contributes to the enhancement of open industry standards through active participation in several standards setting organizations. The Company intends to continue to develop strategic relationships with leading technology companies to promote the widespread acceptance and distribution of Visigenic products. Visigenic has established strategic relationships with Cisco, Hitachi, Microsoft, Netscape and Platinum technology. Additionally, the Company intends to leverage its products and expertise to exploit the emergence of the Internet and Intranets.

The Company markets and sells its software through its direct sales and telesales forces, independent software vendors ("ISVs"), value added resellers ("VARs"), international distributors and on-line Internet sales in North America, Europe and Asia. The Company's customers include ASCII Corporation, Cisco, Compuware, Borland, Hewlett-Packard, Hitachi, Merrill Lynch, MCI Telecommunications, Microsoft, Oracle, Platinum technology and Software AG.

The Company was incorporated in February 1993. The Company's principal executive offices are located at 951 Mariner's Island Boulevard, Suite 460, San Mateo, California, 94404. Its telephone number is (415) 286-1900. Its email address is info@visigenic.com and its World Wide Web site is located at http://www.visigenic.com. Information contained on the Company's Web site shall not be deemed to be a part of this Prospectus.

The Offering

Common Stock offered by the Company..... 1,700,000 shares Common Stock offered by the Selling Stockholders..... 400,000 shares Common Stock to be outstanding after the offering..... 12,102,525 shares (1) Use of proceeds..... General corporate purposes, including working capital and possible repayment of revolving credit facility Proposed Nasdaq National Market symbol..... VSGN

Summary Consolidated Financial Information (In Thousands, Except Per Share Data)

	FISCAL YEAR ENDED MARCH 31,			
	1994	1995	1996	
			ACTUAL	PRO FORMA (2)
CONSOLIDATED STATEMENTS OF OPERATIONS DATA:				
Revenue	--	$ 1,115	$ 5,575	$ 6,577
Gross profit	--	820	4,564	5,303
Loss from operations	(2,496)	(4,723)	(4,464)	(6,432)
Net loss	$(2,454)	$(4,629)	$(4,379)	$(6,347)
Pro forma net loss per share (3)	--	--	$ (.40)	$ (.58)

Pro forma weighted average common and equivalent shares (3).....	--	--	10,976	10,976

CONSOLIDATED BALANCE SHEET DATA:	MARCH 31, 1996	PRO FORMA (2)	PRO FORMA AS ADJUSTED (4)
Cash and cash equivalents.....	$2,399	$4,124	$19,184
Working capital.....	816	4,024	19,084
Total assets.....	4,820	9,525	24,585
Convertible notes payable.....	--	2,000	--
Stockholders' equity.....	2,220	4,571	21,631

(1) Excludes 1,251,660 shares of Common Stock issuable upon exercise of outstanding options at a weighted average exercise price of $1.08, as of May 31, 1996. See "Capitalization" and "Management--Stock Plans." (2) The pro forma financial data gives effect to the May 1996 acquisition of PostModern Computing Technologies Inc. as if it had occurred on April 1, 1995 for the consolidated statements of operations data, and on March 31, 1996 for the consolidated balance sheet data. The acquisition is being accounted for as a purchase and will result in the immediate write-off of approximately $12.0 million of in process product development in the quarter ending June 30, 1996. The pro forma statements of operations data does not give effect to this write-off. The pro forma balance sheet data gives effect to the write-off as of March 31, 1996. The pro forma financial data also reflects the Common Stock issued and cash paid in connection with the acquisition and the issuance of 444,444 shares of Series C Preferred Stock and convertible notes in the principal amount of $2.0 million in May and June 1996, part of the proceeds of which was used to fund a portion of the acquisition. See Note 9 of Notes to Consolidated Financial Statements of Visigenic and Pro Forma Condensed Combined Financial Statements. (3) See Note 2 of Notes to Consolidated Financial Statements of Visigenic for an explanation of the method used to determine the number of shares used to compute per share amounts. (4) Adjusted to reflect the sale of 1,700,000 shares of Common Stock offered by the Company hereby at an assumed public offering price of $10.00 per share and the application of the estimated net proceeds therefrom. Also adjusted to reflect the conversion upon the closing of this offering of all outstanding shares of Preferred Stock and the convertible notes into shares of Common Stock. See "Use of Proceeds."

Except as otherwise noted herein, information in this Prospectus assumes (i) no exercise of the Underwriters' over-allotment option, (ii) the amendment and restatement of the Company's Certificate of Incorporation prior to the effective date of this offering effecting a 1 for 2 reverse stock split, (iii) the conversion of outstanding convertible notes into an aggregate of 200,000 shares of Common Stock upon the consummation of this offering, and (iv) the conversion of all outstanding shares of Preferred Stock of the Company into an aggregate of 4,119,069 shares of Common Stock upon the consummation of this offering. See "Capitalization," "Description of Capital Stock" and "Underwriting."

Risk Factors

The following risk factors should be considered carefully in addition to the other information contained in this Prospectus before purchasing the Common Stock offered hereby. This Prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933

and Section 21E of the Securities Exchange Act of 1934. Actual results could differ materially from those projected in the forward-looking statements as a result of the risk factors set forth below and elsewhere in this Prospectus.

Limited Operating History; Recent Acquisition of Distributed Object Connectivity Business; History of Losses. The Company was incorporated in 1993 and commenced shipment of its initial products in November 1994. In May 1996, the Company acquired PostModern Computing Technologies Inc. ("PostModern"), a developer of distributed object connectivity software. PostModern was founded in 1991, commenced shipment of its initial products in 1992 and had very limited product sales prior to the acquisition. Accordingly, the Company has only a limited operating history, particularly with respect to its newly acquired distributed object connectivity business, upon which an evaluation of the Company and its future operating results can be based.

Since inception, the Company has incurred significant losses and negative cash flow. At March 31, 1996, the Company had cumulative operating losses of $11.5 million, with net losses of $2.5 million, $4.6 million, and $4.4 million for fiscal 1994, 1995 and 1996, respectively. A substantial portion of the accumulated deficit is due to the significant commitment of resources to the Company's product development and sales and marketing activities. The Company expects to continue to devote substantial resources in these areas and as a result will need to generate significant revenue if it is to achieve profitability. The Company currently anticipates that it will operate at a loss through at least the middle of 1997. The Company has experienced substantial growth in revenue in fiscal 1996. The Company expects that prior growth rates of the Company's software license revenue will not be sustainable in the future. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

The Company, which prior to the acquisition of PostModern did not provide distributed object connectivity software, expects that its revenue growth commencing in the current fiscal year will be dependent, in part, on sales of distributed object connectivity products. The Company's ability to develop a distributed object connectivity software business will depend upon several factors, including but not limited to, its ability to integrate the operations and personnel of PostModern into the Company, the ability of the Company's sales personnel and distribution channels to sell distributed object connectivity software and the commercial acceptance of the Company's distributed object connectivity software. Because the market for distributed object technology is new and emerging and customers' expertise about this technology is limited, the Company believes that customer support is critical to achieving sales of the Company's distributed object connectivity products. The Company currently has few dedicated support engineers capable of providing the required level of customer support with respect to its distributed object technology business. If the Company is unsuccessful at attracting additional support and engineering personnel, this is likely to have a material adverse affect on the Company's distributed object connectivity business. There can be no assurance, particularly in light of the recent acquisition of PostModern by the Company and the limited operating history of PostModern itself, that the Company's distributed object connectivity software business will be

successful. Any failure by the Company to develop a successful distributed object connectivity software business would have a material adverse effect on the Company's business, results of operations and financial condition.

The process of integrating PostModern into the Company may result in unforeseen operating difficulties and expenditures and may absorb significant management attention that would otherwise be available for ongoing development of the Company's business. Moreover, there can be no assurance that the anticipated benefits of this acquisition will be realized.

Fluctuations in Operating Results. The Company's revenue and results of operations have varied on a quarterly basis in the past and are expected to vary significantly in the future. Accordingly, the Company believes that period to period comparisons of its results of operations are not necessarily meaningful and should not be relied upon as indications of future performance. The Company's revenue and results of operations are difficult to forecast and could be adversely affected by many factors, including, among others, the size, timing and terms of individual license transactions; the relatively long sales and implementation cycles for the Company's products; the delay or deferral of customer implementations; changes in the Company's operating expenses; the ability of the Company to develop and market new products and control costs; market acceptance of new products; timing of introduction or enhancement of products by the Company or its competitors; the level of product and price competition; the ability of the Company to expand its direct sales and telesales forces, its indirect distribution channels and its customer support capabilities; activities of and acquisitions by competitors; changes in connectivity software, database technology and industry standards; changes in the mix of products and services sold; changes in the mix of channels through which products and services are sold; levels of international sales; personnel changes and difficulties in attracting and retaining qualified sales, marketing and technical personnel; changes in customers' budgeting cycles; foreign currency exchange rates; quality control of products sold; and general economic conditions. In particular, the ability of the Company to achieve revenue growth in the future will depend on its success in adding a substantial number of sales and sales support personnel in fiscal 1997. Competition for such personnel is intense and there can be no assurance the Company will be able to attract and retain these personnel.

Licensing of the Company's software products historically has accounted for the substantial majority of the Company's revenue, and the Company anticipates that this trend will continue for the foreseeable future. The Company's software products revenue is difficult to forecast for a number of reasons. The Company typically does not have a material backlog of unfilled orders, and revenue in any quarter is substantially dependent on contracts received in that quarter. A significant portion of the Company's revenue in prior periods has been derived from relatively large sales to a limited number of customers, and the Company currently anticipates that future quarters will continue to reflect this trend. In fiscal 1996, approximately 78% of the Company's revenue was derived from ten customers. Sales cycles for the Company's products typically range from six to twelve months, and the terms and conditions of individual license transactions, including prices and discounts, are often highly negotiated based on volumes and commitments and vary considerably from customer to customer. In addition, the Company has generally recognized a substantial portion of its revenue in the last month

of each quarter, with this revenue concentrated in the last weeks of the quarter. Accordingly, the cancellation or deferral of even a small number of purchases of the Company's products has in the past and could in the future have a material adverse effect on the Company's business, results of operations and financial condition in any particular quarter. Cancellations or deferrals of orders may be caused by any of a number of factors, including delays in new or enhanced product shipments. To the extent that significant sales occur earlier than expected, operating results for subsequent quarters may fail to keep pace or even decline. A significant portion of the Company's revenue has been and is expected in the future to continue to be based upon sales to third party vendors, who will incorporate the Company's products in their own products. This revenue depends upon the success of third parties, and as a result is difficult for the Company to predict and may be subject to extreme fluctuation.

The Company's expense levels are based, in part, on its expectations as to future revenue and to a large extent are fixed in the short term. The Company may be unable to adjust spending in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall of revenue in relation to the Company's expectations would have an almost immediate adverse effect on the Company's business, financial condition and results of operations. Further, the Company intends to continue to expand its development teams and its sales and marketing force. The timing of such expansion and the rate at which new development and sales and marketing personnel become productive could cause material fluctuations in quarterly results of operations.

As a result of the foregoing or other factors, it is likely that in some future period the Company's results of operations could fail to meet the expectations of public market analysts or investors, and the price of the Company's Common Stock would likely be materially adversely affected. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Product Concentration. Prior to the acquisition of PostModern in May 1996, the Company derived all of its revenue from the licensing of its database connectivity software products, particularly its Open Database Connectivity ("ODBC") standard driver products, and fees from related services. These products and services are expected to continue to account for a substantial majority of the Company's revenue for the foreseeable future. As a result, a reduction in demand or increase in competition for these products, or a decline in sales of such products, would have a material adverse effect on the Company's business, results of operations and financial condition. See "Business--Products."

Dependence on Emerging Markets and Evolving Standards; Acceptance of the Company's Products. The Company's future financial performance will depend on the growth in demand for standards-based database connectivity and distributed object connectivity software products. These markets are new and emerging, are rapidly evolving, are characterized by an increasing number of market entrants and will be subject to frequent and continuing changes in customers' preferences and technology. As is typical in new and evolving markets, demand and market acceptance for products are subject to a high level of uncertainty.

To date, substantially all of the Company's revenue is derived from the licensing of database connectivity products and related services. These products are based on the ODBC standard, which was developed to enable applications to access data from all ODBC-compliant data sources. While the

ODBC standard is supported by most of the major database and software vendors, it is a recent standard that has not yet gained widespread acceptance and that currently co-exists with proprietary database connectivity solutions from many of these same database vendors.

With the acquisition of PostModern in May 1996, the Company began to offer standards-based distributed object connectivity products. The Company's current distributed object connectivity products are based on several standards, including the Common Object Request Broker Architecture ("CORBA") and the Internet Inter-ORB Protocol ("IIOP"). These standards are intended to facilitate the management and communication of applications created in object- oriented programming languages such as C++ and Java. These standards are new, have not yet gained widespread acceptance and compete with proprietary solutions such as Microsoft's ActiveX and Distributed Component Object Model ("DCOM"). The distributed object connectivity software market is quite young and there are few proven products. Further, some of the Company's distributed object connectivity products are designed specifically for use in applications for the Internet and Intranets. Because critical issues concerning the Internet and Intranets (including security, reliability, cost, ease of use and access and quality of service) remain unresolved, the growth of applications targeted at the Internet and Intranets is uncertain and difficult to predict.

Because the markets for the Company's products are new and evolving, it is difficult to assess or predict with any assurance the size or growth rate, if any, of these markets. There can be no assurance that the markets for the Company's products will develop, or that the Company's products will be adopted. If the market fails to develop, develops more slowly than expected or attracts new competitors, or if the Company's products do not achieve market acceptance, the Company's business, results of operations and financial condition could be materially adversely affected. Because the Company's strategy is to develop standards-based products and the standards it has selected are relatively new, not widely accepted and compete with other emerging standards, to the extent that the Company's products comply with standards that are not commercially successful, this will have a material adverse affect on the Company's business, results of operations and financial condition. Competing or alternative technologies are being or are likely in the future to be promoted by current and potential competitors of the Company, some of which have well-established relationships with the current and potential customers of the Company and have extensive knowledge of the markets served by the Company, better name recognition and more extensive development, sales and marketing resources than the Company.

While the Company has licensed its products to numerous customers, most of these customers are currently developing applications that incorporate the Company's products, and only a very limited number of them have deployed or shipped such applications. To the extent these customers are unable to or otherwise do not deploy or ship applications that incorporate the Company's products, or if these applications are not successful, this will have a material adverse effect on the Company's business, results of operations and financial condition. See "--Intense Competition" and "Business--Industry Background."

Reliance on VARs and ISVs. A significant element of the Company's strategy is to embed its technology in products offered by the Company's VAR and ISV customers, such as Cisco, Hewlett-Packard, Microsoft, Oracle and Platinum technology. A relatively small number of VAR and ISV customers have accounted for a significant percentage of the Company's revenue. The Company intends to seek similar distribution arrangements with other VARs and ISVs and expects that these arrangements will account for a significant portion of the Company's revenue in future periods. To date, the terms and conditions, including prices and discounts, of the Company's agreements with its VAR and ISV customers have been highly negotiated and vary significantly between customers. Many of the markets for the VAR and ISV products in which the Company's technology are being embedded are new and evolving and, therefore, subject to the same risks faced by the Company in the markets for its own products. If the Company is unsuccessful in securing license agreements with additional VARs and ISVs on commercially reasonable terms or at all, or if the Company's VAR and ISV customers are unsuccessful in selling their products, this would have a material adverse impact on the Company's business, results of operations and financial condition. See "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Dependence on the Internet and Intranets. The Company believes that sales of its connectivity products, particularly its distributed object connectivity products, will depend in large part upon the adoption by businesses and end- users of the Internet and Intranets for commerce and communications. The Internet and Intranets are new and evolving, and there can be no assurance of their widespread adoption. Critical issues concerning the Internet and Intranets (including security, reliability, cost, ease of use and access and quality of service) remain unresolved at this time, inhibiting adoption by many enterprises and end-users. If the Internet and Intranets are not widely used by businesses and end users, this will have a material adverse affect on the Company's business, results of operations and financial condition.

Dependence on Java; Risks Associated with Encryption Technology. Certain of the Company's products are based on Java, an object-oriented programming language developed by JavaSoft, a subsidiary of Sun Microsystems. Java was developed primarily for Internet and Intranet applications. Java was only recently introduced and does not yet have sufficient history to establish its reliability, thereby inhibiting adoption of Java. To date, there have been only a very limited number of commercially significant Java-based products, and it is too early to determine whether Java will become a significant technology. Alternatives to Java have been announced by several companies, including Microsoft. To the extent that Java is not adopted or is adopted more slowly than anticipated, this could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company plans to use encryption technology in certain of its future products to provide the security required for the exchange of confidential information. Encryption technologies have been breached in the past. There can be no assurance that there will not be a compromise or breach of the security technology used by the Company. If any such compromise or breach were to occur, it could have a material adverse effect on the Company's business, results of operations and financial condition.

Need to Develop New Software Products and Enhancements. The markets for the Company's products are characterized by rapid technological developments, evolving industry standards, swift changes in customer requirements, computer operating environments and software applications, and frequent new product introductions and enhancements. As a result, the Company's success depends substantially upon its ability to anticipate changes and continue to enhance its existing products, develop and introduce in a timely manner new products incorporating technological advances, comply with emerging industry standards and meet increasing customer expectations. The Company's products may be rendered obsolete if the Company fails to anticipate or react to change. To the extent one or more of the Company's competitors introduce products that better address customer needs, the Company's business, results of operations and financial condition could be materially adversely affected. There can be no assurance that the Company will be successful in developing and marketing new products or enhancements to its existing products or new products on a timely basis or that any new or enhanced products will adequately address the changing needs of the marketplace. The Company has in the past incurred product development expenses and sales and marketing expenses in connection with product development activities that did not result in commercially introduced products. Some of the Company's products are based on technology from third parties and the Company therefore has limited control over whether and when these technologies are enhanced. For instance, the Visigenic ODBC Software Developers Kit (SDK) products are based upon ODBC software licensed from Microsoft. The failure or delay in enhancements of technology from third parties used in the Company's products could have a material adverse effect on the Company's ability to develop and enhance its own products. Also, negative reviews of the Company's new products or product versions in industry publications could have a material adverse effect on the Company's sales. The Company has in the past experienced delays in the development of new products and product versions. If the Company is unable to develop and introduce new products or enhancements to existing products in a timely manner in response to changing market conditions or customer requirements, the Company's business, operating results and financial condition would be materially and adversely affected.

The Company has in the past engaged and expects that it will continue in the future to engage in joint development projects with third parties. Currently, the Company is engaged in joint development with Hitachi of distributed object connectivity software targeted at transaction processing applications. Joint development creates several risks for the Company, including loss of control over the development of aspects of the jointly developed product and over the timing of product availability. There can be no assurance that joint development activities will result in products, or that any products developed will be commercially successful.

Dependence on Key Personnel; Need to Increase Technical, Sales and Marketing and Managerial Personnel. The Company's future performance depends to a significant extent upon the continued service of its key technical, sales and marketing and senior management personnel. The loss of the services of any of these individuals would have a material adverse effect on the Company. The Company's future success also depends on its continuing ability to attract, train and retain highly qualified technical, sales and marketing and managerial personnel. In particular, the Company currently has a very limited technical staff devoted to its distributed object connectivity business. An

increase in the technical staff will be required to rapidly develop the database connectivity and distributed object connectivity products currently being planned, while an increase in the sales and marketing staff will be required to expand both the Company's direct and indirect sales activities and achieve revenue growth. The Company intends to hire a significant number of additional technical and sales and marketing personnel in fiscal 1997 and beyond. Competition for such personnel is intense, and there can be no assurance that the Company can attract, assimilate or retain such personnel. Because of the complexity of database connectivity and distributed object connectivity software products, the Company has in the past experienced and expects to continue in the future to experience a time lag between the date technical and sales personnel are hired and the date such persons become fully productive. If the Company is unable to hire and train such personnel on a timely basis in the future, the Company's business, financial condition and results of operations could be materially adversely affected.

Management of Growth; Need to Increase Financial Personnel and Implement Policies. The Company's business has grown rapidly in recent periods, with revenue increasing from $1.1 million in fiscal 1995 to $5.6 million in fiscal 1996. In addition, the Company acquired PostModern in May 1996 as part of its strategy of adding distributed object connectivity products to its product line. The growth of the Company's business, the expansion of the Company's customer base and the recent acquisition and integration of PostModern have placed a significant strain on the Company's management, operations and financial systems, policies and procedures. The Company's recent expansion has also resulted in substantial growth in the number of its employees, the scope of its operating and financial systems and the geographic area of its operations, resulting in increased responsibility for management personnel. The Company's future results of operations will depend in part on the ability of its officers and other key employees to continue to implement its operational, customer support and financial control systems and to expand, train and manage its employee base. The Company has recently hired a new Chief Financial Officer, who is expected to commence working for the Company on a full-time basis in late July 1996. The Company's current financial systems, policies and procedures are limited. The Company is in the process of developing a more comprehensive set of written financial policies and procedures to supplement its limited current policies and procedures and still must hire additional accounting staff, including a controller, experienced in the software industry. There can be no assurance that the Company will be able to manage any future expansion of its business, if any, successfully, or that its management, personnel, procedures and systems will be adequate to support the Company's operations. Any such inabilities or inadequacies to do so would have a material adverse effect on the Company's business, financial condition or results of operations.

Potential Acquisitions. If appropriate opportunities present themselves, the Company intends to acquire businesses, products or technology that the Company believes are strategic, although the Company currently has no understandings, commitments or agreements with respect to any material acquisition and no material acquisition is currently being pursued. There can be no assurance that the Company will be able to successfully identify, negotiate or finance such acquisitions, or to integrate such acquisitions with its current business. The process of integrating an acquired business, product or technology into the Company may result in unforeseen operating difficulties and expenditures and may

absorb significant management attention that would otherwise be available for ongoing development of the Company's business. Moreover, there can be no assurance that the anticipated benefits of any acquisition will be realized. Acquisitions could result in potentially dilutive issuances of equity securities, the incurrence of debt and contingent liabilities and amortization expenses related to goodwill and other intangible assets, which could materially adversely affect the Company's business, results of operations and financial condition. Any such future growth and any acquisitions of other technologies, products or companies may require the Company to obtain additional equity or debt financing, which may not be available or may be dilutive.

Intense Competition. The Company's products are targeted at the emerging markets for standards-based database connectivity software and standards-based distributed object connectivity software. The markets for the Company's products are intensely competitive, subject to rapid change and significantly affected by new product introductions and other market activities of industry participants. The Company believes that the principal competitive factors in these markets are product quality, performance and price, vendor and product reputation, product architecture and quality of support.

In the standards-based database connectivity market, the Company competes principally against Intersolv. The Company's database connectivity products also indirectly compete against proprietary database connectivity solutions from database vendors. In the standards-based distributed object connectivity market, the Company competes principally against two private companies, Iona and Expersoft. The Company's distributed object connectivity products also compete against existing or proposed distributed object connectivity solutions from hardware vendors such as DEC, Hewlett-Packard, IBM and Sun. In addition, because there are relatively low barriers to entry in the software market and because the Company's products are based on publicly available standards, the Company expects to experience additional competition in the future from other established and emerging companies if the market for database connectivity and distributed object connectivity software continues to develop and expand. In particular, relational database vendors including Informix, Microsoft, Oracle and Sybase may offer standards-based database connectivity software to their customers, eliminating or reducing demand for the Company's products. Similarly, operating system vendors such as DEC, Hewlett-Packard, IBM, Microsoft and Sun may offer standards-based distributed object connectivity products bundled with their operating systems. For instance, Microsoft has announced plans to introduce DCOM, which would eliminate the need for CORBA- compliant ORBs, such as those offered by the Company, for Microsoft operating systems. Many of these current and potential competitors have well-established relationships with the current and potential customers of the Company, have extensive knowledge of the markets serviced by the Company, better name recognition and more extensive development, sales and marketing resources and are capable of offering single vendor solutions. As a result, these current and potential competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements, or to devote greater resources to the development, promotion and sale of their products, than the Company.

It is also possible that new competitors or alliances among competitors may emerge and rapidly acquire significant market share. The Company also expects that competition will increase as a result of software industry consolidations.

The Company expects that it will face increasing pricing pressures from its current competitors and new market entrants. Increased price competition may result in price reductions, reduced gross margins and loss of market share, any of which could materially adversely affect the Company's business, financial condition or results of operations. There can be no assurance that the Company will be able to compete successfully against current and future competitors or that competitive pressures will not materially and adversely affect its business, financial condition or results of operations. See "Business--Competition."

Risk of Product Defects. Software products as complex as those offered by the Company frequently contain undetected errors or failures that may be detected at any point in the product's life cycle. The Company has in the past discovered software errors in certain of its new products and enhancements and has experienced delays in shipment of products during the period required to correct these errors. There can be no assurance that, despite testing by the Company and potential customers, errors will not occur, resulting in loss of or delay in market acceptance and sales, diversion of development resources, injury to the Company's reputation or increased service and warranty costs, any of which could have a material adverse effect on the Company's business, results of operations and financial condition. This risk is amplified for the Company because a significant portion of its future sales are expected to be derived from arrangements under which third parties embed the Company's products in their own products. Any significant errors in the Company's products, or in the products of VARs or ISVs which embed the Company's products, might discourage such third parties or other customers from utilizing the Company's products, which would have a material adverse effect on the Company's business, results of operations and financial condition. Although the Company generally attempts to limit by contract its exposure to incidental and consequential damages, and to cap the Company's liabilities to its proceeds under a contract, if a court failed to enforce the liability limiting provisions of the Company's contracts for any reason, or if liabilities arose which were not effectively limited, the Company's business, operating results and financial condition could be materially and adversely affected. See "Business--Research and Development."

Dependence on Company and Third Party Proprietary Technology. The Company's success is dependent in part upon its proprietary technology. While the Company relies on a combination of copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect its proprietary rights, the Company believes that factors such as the technical and creative skills of its personnel, new product developments, frequent product enhancements, name recognition and reliable products and product support are more essential to establishing and maintaining a technology leadership position, particularly because the Company is supplying standards- based products. The Company seeks to protect its software, published data, documentation and other written materials under trade secret and copyright laws, which afford only limited protection. The Company has granted

limited access to its source code to third parties under confidentiality obligations. Despite the Company's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of the Company's product or to obtain and use information that the Company regards as proprietary.

Policing unauthorized use of the Company's products is difficult, and while the Company is unable to determine the extent to which piracy of its software products exists, software piracy can be expected to be a persistent problem. In addition, the laws of some foreign countries do not protect the Company's proprietary rights to as great an extent as do the laws of the United States. There can be no assurance that the Company's means of protecting its proprietary rights will be adequate or that the Company's competitors will not independently develop similar technology. The Company distributes its products electronically through the Internet. Distributing the Company's products through the Internet makes the Company's software more susceptible than other software to unauthorized copying and use. The Company has historically allowed and currently intends to continue to allow, customers to electronically download its client and server software. If as a result of changing legal interpretations of liability for unauthorized use of the Company's software or otherwise, users were to become less sensitive to avoiding copyright infringement, the Company's business, operating results and financial condition could be materially adversely affected.

The Company is not aware that any of its products infringes the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim infringement by the Company with respect to current or future products. The Company expects that software developers will increasingly be subject to infringement claims as the number of products and competitors in the Company's industry segment grows and the functionality of products in different industry segments overlaps. Any such claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Company or at all, which could have a material adverse effect upon the Company's business, financial condition or results of operations.

In addition, the Company relies on certain software that it licenses from third parties, including software that is integrated with internally developed software and used in the Company's products to perform key functions. The Company licenses from Microsoft the base technology for the Visigenic ODBC SDK products and licenses from RSA Data Security, Inc. ("RSA") security technology it plans to use in several of its future products. Microsoft has the right to terminate its license with the Company at any time after delivery to the Company of the SDK for ODBC 3.0, which is expected to occur in the second half of 1996. The Company's license with RSA may only be terminated for breach. The Company has entered into a joint technology agreement with JavaSoft, a subsidiary of Sun Microsystems, that grants the Company the right to sublicense JavaSoft's Java database connectivity ("JDBC") test suites and ODBC bridge. There can be no assurances that such firms will remain in business, that they will continue to support their technology or that their technology will otherwise continue to be available to the Company on commercially reasonable terms. The loss of or inability to maintain any of these software licenses could result in delays or cancellations in product shipments

until equivalent software can be identified and licensed or developed and integrated with the Company's products. Any such delay or cancellation could materially adversely affect the Company's business, financial condition or results of operations. See "Business--Proprietary Rights."

International Sales. The Company's export sales accounted for 10% of the Company's total revenue in fiscal 1996. The Company had no material export sales in fiscal 1994 or 1995. The Company expects to increase its emphasis on export sales. Revenue derived from export sales may account for a growing percentage of the Company's revenue in future periods, although there can be no assurance that the Company will achieve significant penetration in any international market. The Company has only one international sales office in Paris, France. The Company believes that its continued growth will require expansion of its international operations and export sales. To successfully expand export sales, the Company must establish additional foreign sales offices, hire additional personnel and recruit additional international resellers. To the extent the Company is unable to do so in a timely manner, the Company's growth in export sales, if any, will be limited, and the Company's business, results of operations and financial condition could be materially adversely affected. The Company has granted exclusive distribution rights in Japan for the Japanese versions of its ODBC products to ASCII Corporation, a Japanese software distributor. The Company may not terminate these exclusive rights unless ASCII fails to meet certain minimum annual sales objectives commencing in fiscal year 1998 or otherwise breaches the agreement. There can be no assurance that ASCII will be successful selling the Company's products.

There are a number of risks inherent in the Company's international business activities, including unexpected changes in regulatory requirements, tariffs and other trade barriers, costs and risks of localizing and internationalizing products for foreign countries, longer accounts receivable payment cycles, potentially adverse tax consequences, repatriation of earnings and the burdens of complying with a wide variety of foreign laws. None of the Company's products are currently "double byte" products, which is required to localize these products in certain non-English character set markets such as Asia. The Company believes that it will be required to develop double byte versions of its products and engage in other internationalization and localization activities. There can be no assurance the Company will successfully complete these activities in a timely manner. All of the Company's sales are currently denominated in U.S. dollars and, therefore, increases in the value of the U.S. dollar relative to foreign currencies could make the Company's products less competitive in foreign markets. In addition, revenue of the Company earned in various countries where the Company does business may be subject to taxation by more than one jurisdiction, thereby adversely affecting the Company's earnings. There can be no assurance that such factors will not have an adverse effect on the revenue from the Company's future international sales and, consequently, the Company's financial condition or results of operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business--Sales and Marketing."

Concentration of Share Ownership and Voting Power; Anti-Takeover Provisions. Upon completion of this offering (assuming no exercise of the Underwriters' overallotment option), officers, directors and affiliates of the Company will beneficially own approximately 54.6% of the Company's outstanding Common Stock. As a result, these stockholders as a group will be able to control the management and

affairs of the Company and all matters requiring stockholder approval, including election of directors, any merger, consolidation or sale of all or substantially all of the Company's assets and any other significant corporate transactions. The concentration of ownership could have the effect of delaying or preventing a change in control of the Company, reducing the likelihood of any acquisition of the Company at a premium price. See "Principal and Selling Stockholders."

Upon the closing of this offering, the Company's Board of Directors has the authority to issue up 2,000,000 shares of Preferred Stock and to determine the price, rights, preferences and privileges of those shares without any further vote or action by the stockholders. The rights of the holders of Common Stock will be subject to, and may be adversely affected by, the rights of the holders of any Preferred Stock that may be issued in the future. The issuance of shares of Preferred Stock, while potentially providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of making it more difficult for a third party to acquire a majority of the outstanding voting stock of the Company. The Company has no present intention to issue shares of Preferred Stock. In addition, certain provisions of the Company's Certificate of Incorporation may have the effect of delaying or preventing a change of control of the Company, which could adversely affect the market price of the Company's Common Stock. These provisions provide, among other things, that the Board of Directors is divided into three classes to serve for staggered three-year terms, that a director may be removed from the Board of Directors only for cause and only upon the vote of at least 66 2/3% of the outstanding shares of the Company's capital stock, that stockholders may not take action by written consent and that the ability of stockholders to call special meetings of stockholders and to raise matters at meetings of stockholders is restricted. In addition, the Company is subject to the anti-takeover provisions of Section 203 of the Delaware General Corporation Law, which will prohibit the Company from engaging in a "business combination" with an "interested stockholder" for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. The application of Section 203 also could have the effect of delaying or preventing a change of control of the Company. See "Description of Capital Stock."

Broad Management Discretion over Use of Proceeds. The primary purposes of this offering are to increase the Company's equity capital, to create a public market for the Company's Common Stock and to facilitate future access by the Company to public capital markets. A significant portion of the anticipated net proceeds to the Company from this offering have not been designated for specific uses. Accordingly, management of the Company will have broad discretion with respect to the use of these funds. See "Use of Proceeds."

No Prior Market; Possible Volatility. Prior to this offering there has been no public market for the Common Stock of the Company. The initial public offering price will be determined by negotiations between the Company, the Selling Stockholders and the Representatives of the Underwriters. See "Underwriting" for a discussion of the factors to be considered in determining the initial public offering price. There can be no assurance that an active public market will develop or be sustained after this offering or that the market price of the Common Stock will not decline below the initial public offering price. Future announcements concerning the Company or its competitors, quarterly variations

in operating results, announcements of technological innovations, the introduction of new products or changes in product pricing policies by the Company or its competitors, proprietary rights or other litigation, changes in earnings estimates by market analysts or other factors could cause the market price of the Common Stock to fluctuate substantially. In addition, stock prices for many technology companies fluctuate widely for reasons which may be unrelated to operating results. These fluctuations, as well as general economic, market and political conditions such as recessions or military conflicts, may materially and adversely affect the market price of the Company's Common Stock. See "--Fluctuations in Operating Results."

Shares Eligible for Future Sale; Registration Rights. Sale of substantial amounts of Common Stock in the public market following this offering could have an adverse effect on the price of the Common Stock. Immediately upon the effectiveness of this offering, 2,100,000 shares will be freely tradeable. Commencing 180 days following this date of this offering, 8,383,081 additional shares will become freely tradeable upon the expiration of agreements not to sell such shares, subject to compliance with Rule 144. Hambrecht & Quist LLC may, in its sole discretion and at any time without notice, release all or any portion of the securities subject to such agreements. The remaining 2,019,444 shares held by existing stockholders become eligible for sale at various times over a period of less than two years, subject to the limitations of Rule 144. Immediately after this offering, the Company intends to register approximately 3,150,000 shares of the Company's Common Stock reserved for issuance under its stock option and purchase plans. See "Shares Eligible for Future Sale" As of the effective date of the Registration Statement, the holders of 6,789,050 shares of the Company's Common Stock will be entitled to certain piggyback registration rights with respect to such shares. If the Company were required to include in a Company initiated registration shares held by such holders pursuant to the exercise of their piggyback registration rights, such sale might have an adverse effect on the Company's ability to raise needed capital. See "Description of Capital Stock."

Immediate and Substantial Dilution to New Investors. The initial public offering price is substantially higher than the book value per outstanding share of Common Stock. Investors purchasing Common Stock in this offering will, therefore, incur immediate dilution of $8.19 in net tangible book value per share of Common Stock from the initial public offering price and may incur additional dilution upon the exercise of outstanding stock options. See "Dilution."

Use of Proceeds

The net proceeds to the Company from the sale of the 1,700,000 shares of Common Stock offered by the Company hereby are estimated to be approximately $15,060,000 (approximately $17,431,500 if the Underwriters' over-allotment option is exercised in full), assuming the shares offered hereby are sold at a public offering price of $10.00 per share. The principal purposes of the offering are to obtain additional working capital, establish a public market for the Company's Common Stock and facilitate future access to public markets. The Company will not receive any proceeds from the sale of Common Stock by the Selling Stockholders.

The Company expects the net proceeds to be used for general corporate purposes, including working capital and possible repayment of the Company's revolving credit facility. A portion of the proceeds may also be used to acquire or invest in complementary businesses or products or to obtain the right to use complementary technologies. While from time to time the Company evaluates potential acquisitions of such businesses, products or technologies, and anticipates continuing to make such evaluations, there are no present understandings, commitments or agreements with respect to any acquisition of other businesses, products or technologies. Pending such uses, the proceeds will be invested in interest-bearing securities.

Dividend Policy

The Company has never paid or declared any cash dividends. It is the present policy of the Company to retain earnings to finance the growth and development of the business and, therefore, the Company does not anticipate paying cash dividends on its Common Stock in the foreseeable future.

Capitalization

The following table sets forth (i) the actual capitalization of the Company at March 31, 1996, (ii) the pro forma capitalization of the Company at such date after giving effect of the issuance of Series C Preferred Stock and convertible notes in May and June 1996 to finance a portion of the acquisition of PostModern and the issuance of Common Stock in connection with the acquisition of PostModern, and (iii) pro forma as adjusted capitalization to reflect conversion upon the closing of this offering of all outstanding shares of Preferred Stock and convertible notes into shares of Common Stock, the sale of Common Stock offered by the Company hereby (assuming an initial public offering price of $10.00) and the application of the estimated net proceeds therefrom.

MARCH 31, 1996 (IN THOUSANDS) PRO FORMA ACTUAL PRO FORMA(1) AS ADJUSTED Convertible notes payable..... $ -- $ 2,000 $ -- STOCKHOLDERS' EQUITY(2): Preferred stock, $0.001 par value, 10,000,000 shares authorized, 3,674,625 shares issued and outstanding actual; 4,119,069 shares issued and outstanding pro forma; none issued and outstanding pro forma as adjusted..... 4 5 -- Common stock, $0.001 par value, 20,000,000 shares authorized, 2,835,905 shares issued and outstanding actual; 30,000,000 shares authorized, 5,935,726 shares issued and outstanding pro forma; 50,000,000 shares authorized, 11,954,795 shares issued and outstanding pro forma as adjusted..... 3 6 12 Additional paid in capital..... 13,675 28,056 45,115 Accumulated deficit..... (11,462) (23,496) (23,496) Stockholders' equity ..... 2,220 4,571 21,631 Total capitalization..... $ 2,220 $ 6,571 $ 21,631 (1) Gives effect to the May 1996 acquisition of PostModern and the issuance of 3,099,821 shares of Common Stock issued in connection with the acquisition as if it had occurred on March 31, 1996 and includes the immediate write- off of approximately $12.0 million of in process product development. Also gives effect to the sale of 444,444 shares of Series C Preferred Stock at $9.00 per share and the issuance of $2.0 million of convertible notes, part of the proceeds of which was used to fund a portion of the acquisition. See

Note 9 of Notes to Consolidated Financial Statements of Visigenic and Pro Forma Condensed Combined Financial Statements. (2) Excludes shares of Common Stock reserved for future issuance pursuant to the Company's stock plans. As of May 31, 1996, options to purchase 1,251,660 shares at a weighted average exercise price of $1.08 per share were outstanding. See Note 6 of Notes to Consolidated Financial Statements of Visigenic.

Dilution

The net tangible book value of the Company as of March 31, 1996 was $6,571,000 or $.77 per share of Common Stock. Net tangible book value per share represents the amount of total tangible assets of the Company reduced by the amount of its total liabilities and divided by the total number of shares of Common Stock outstanding (reflecting the issuance in May 1996 of 3,099,821 shares of Common Stock in connection with the acquisition of PostModern and 444,444 shares of Series C Preferred Stock and convertible notes in the aggregate principal amount of $2.0 million, and the conversion of all outstanding Preferred Stock and convertible notes into shares of Common Stock upon the closing of the offering made hereby). Without taking into account any other change in such net tangible book value after March 31, 1996, other than to give effect to the sale by the Company of 1,700,000 shares offered hereby at an assumed initial public offering price of $10.00 per share and receipt of the estimated net proceeds therefrom, the pro forma net tangible book value of the Company as of March 31, 1996 would have been approximately $21,631,000, or $1.81 per share. This represents an immediate increase in such net tangible book value of $1.04 per share to existing stockholders and an immediate dilution of $8.19 per share to new investors. The following table illustrates this per share dilution:

Assumed initial public offering price per share		$10.00
Net tangible book value per share as of March 31, 1996 before the offering	$ .77	
Increase per share attributable to new investors	1.04	
Pro forma net tangible book value per share after the offering		1.81
Dilution per share to new investors		$ 8.19

The following table summarizes, on a pro forma basis as of March 31, 1996, the differences between the existing stockholders and the new investors with respect to the number of shares of Common Stock purchased from the Company, the total consideration paid to the Company and the average price per share paid:

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
Existing stockholders(1)	10,254,795	85.8%	$30,067,000	63.9%	$ 2.93
New investors(1)	1,700,000	14.2%	17,000,000	36.1	$10.00
Total	11,954,795	100.0%	$47,067,000	100.0%	

(1) Sales by Selling Stockholders in this offering will reduce the number of shares held by existing stockholders to 9,854,795 or approximately 82.4% of the total number of shares of Common Stock outstanding after this offering (9,794,795 or 80.2% if the Underwriters' overallotment option is

exercised in full), and will increase the number of shares held by new investors to 2,100,000 or approximately 17.6 % of the total number of shares of Common Stock outstanding after the offering (2,415,000 or 19.8% if the Underwriters' overallotment option is exercised in full). See "Principal and Selling Stockholders."

The above computations reflect the issuance in May 1996 of 3,099,821 shares of Common Stock in connection with the acquisition of PostModern, 444,444 shares of Series C Preferred Stock or convertible notes in the aggregate principal amount of $2.0 million. The above computations also assume no exercise of options after March 31, 1996. As of March 31, 1996, there were outstanding options to purchase 753,250 shares of Common Stock at a weighted average exercise price of $.40 per share. To the extent outstanding options are exercised, there will be further dilution to new investors. See Note 6 of Notes to Financial Statements of Visigenic.

Selected Consolidated Financial Data

The following selected consolidated financial data at March 31, 1995 and 1996 and for the years ended March 31, 1994, 1995, and 1996 have been derived from the audited financial statements of the Company included elsewhere in this Prospectus. The consolidated balance sheet data at March 31, 1994 are derived from audited financial statements not included herein. The following selected pro forma combined financial data at March 31, 1996 and for the year ended March 31, 1996 has been derived from the unaudited pro forma condensed combined financial statements of the Company and PostModern included elsewhere in this Prospectus. The data set forth below is qualified by reference to, and should be read in conjunction with the financial statements and notes thereto and the discussion thereof included elsewhere in this Prospectus.

FISCAL YEAR ENDED MARCH 31, 1996 PRO FORMA 1994(1) 1995 ACTUAL COMBINED(3) (IN THOUSANDS, EXCEPT PER SHARE DATA)

CONSOLIDATED STATEMENTS OF OPERATIONS DATA:				
Revenue:				
Software products	$ --	$ 892	$ 4,479	$ 4,783
Service and other	--	223	1,096	1,794
Total revenue	--	1,115	5,575	6,577
Cost of revenue:				
Software products	--	36	284	328
Service and other	--	259	727	946
Total cost of revenue	--	295	1,011	1,274
Gross profit	--	820	4,564	5,303
Operating expenses:				
Product development	1,393	3,160	4,348	5,888
Sales and marketing	503	1,511	3,215	3,638
General and administrative	600	872	1,465	1,677
Amortization of excess of purchase price over net assets acquired	--	--	--	532
Total operating expenses	2,496	5,543	9,028	11,735
Loss from operations	(2,496)	(4,723)	(4,464)	(6,432)
Interest and other income, net	42	94	85	85
Net loss	$ (2,454)	$ (4,629)	$ (4,379)	$ (6,347)
Pro forma net loss per share				

(2).....	$ (.40)	$ (.58)
Pro forma weighted average common and common equivalent shares (2).....	10,976	10,976

MARCH 31, 1996 PRO FORMA 1994 1995 ACTUAL COMBINED(3) (IN THOUSANDS)

CONSOLIDATED BALANCE SHEET DATA:				
Cash and cash equivalents.....	$ 2,901	$ 553	$ 2,399	$ 4,124
Working capital.....	2,722	488	816	4,024
Total assets.....	3,346	1,829	4,820	9,525
Convertible notes.....	--	--	--	2,000
Stockholders' equity.....	3,132	1,117	2,220	4,571

(1) The statement of operations data for the year ended March 31, 1994 is presented for the period from inception (February 12, 1993) to March 31, 1994. See Note 1 of Notes to Consolidated Financial Statements of Visigenic. (2) See Note 2 of Notes to Consolidated Financial Statements of Visigenic for an explanation of the method used to determine the number of shares used to compute per share amounts. (3) The pro forma combined financial data gives effect to the May 1996 acquisition of PostModern as if it had occurred on April 1, 1995 for the consolidated statements of operations data, and on March 31, 1996 for the consolidated balance sheet data. The acquisition is being accounted for as a purchase and will result in the immediate write-off of approximately $12.0 million of in process product development in the quarter ending June 30, 1996. The combined pro forma statement of operations data does not give effect to this write-off. The pro forma balance sheet data gives effect to the write-off as of March 31, 1996. The combined pro forma financial data also reflects the Common Stock issued and cash paid in connection with the acquisition and the issuance of 444,444 shares of Series C Preferred Stock and convertible notes in the principal amount of $2.0 million in May and June 1996, part of the proceeds of which was used to fund a portion of the acquisition. See Note 9 of Notes to Consolidated Financial Statements of Visigenic and Pro Forma Condensed Combined Financial Statements.

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

This Prospectus contains forward-looking statements. Actual results could differ materially from those projected in the forward looking statements as a result of the risks described below and elsewhere in this Prospectus.

Overview

The Company commenced operations in February 1993 and was engaged principally in product and market research and product development until the launch of its initial products in November 1994. The Company shipped version 1.0 of the Visigenic ODBC Software Development Kit ("SDK") and the

Visigenic ODBC Drivers and DriverSet in November 1994, version 1.0 of its OpenChannel product in March 1996 and version 2.0 of its ODBC product line in June 1996. The Company first recognized material revenue in the fourth quarter of fiscal 1995.

The Company's revenue is derived from license fees from licensing its products, royalties from VARs, ISVs and distributors, and fees for services related to its products, including software maintenance, development contracts, consulting and training. License fees for the Company's products vary according to the specific products licensed. Terms and conditions of individual license transactions, including prices and discounts, are often highly negotiated based on volumes and commitments and vary considerably from customer to customer. Certain of the Company's license arrangements with VARs and ISVs provide for sublicense fees payable to the Company based on a percent of the VAR's or ISV's net revenue. Certain of the Company's license arrangements with VARs and ISVs provide for fixed fees for the right to make and distribute an unlimited number of copies of the Company's product for a specified period of time. Service revenue is primarily attributable to lower margin maintenance and other revenue, including training revenue and engineering development fees. Most of the Company's license revenue to date is attributable to non-recurring license fees for its ODBC products. The Company currently expects that license revenue from its database connectivity products will account for a substantial majority of its revenue for the remainder of fiscal 1997 and for the foreseeable future. Factors adversely affecting the pricing of or demand for its products could have a material adverse effect on the Company's business, operating results and financial condition.

The Company generally recognizes revenue from license and pre-paid royalty fees upon delivery of software products if there are no significant post- delivery obligations, if collection is probable and if the license agreement requires payment within 90 days. If significant post-delivery obligations exist or if a product is subject to customer acceptance, revenue is deferred until no significant obligations remain or acceptance has occurred. Royalty revenue (other than from pre-paid royalties) is recognized when it is reported by VARs, ISVs and distributors. Maintenance revenue from ongoing customer support and product upgrades is recognized ratably over the term of the applicable maintenance period, which is typically 12 months. Consulting and training revenue is generally recognized as services are performed over the term of the agreement. If maintenance revenue is included in a license agreement, such amounts are unbundled from the license fee at its fair market value. Revenue from engineering development work is generally recognized on a percentage of completion basis. If a transaction includes both license and service elements, license fee revenue is recognized upon shipment of the software, provided services do not include significant customization or modification of the base product and payment terms are not subject to acceptance criteria. In cases where license fee payments are contingent upon the acceptance of services, revenues from both the license and service elements are deferred until the acceptance criteria are met. See Note 2 of Notes to Consolidated Financial Statements of Visigenic.

The Company licenses its products to VARs and ISVs, who include the Company's products in their own products, and to end users, who deploy the Company's products in their own computing environments. A substantial portion of the Company's license revenue to date is attributable to licenses to VARs and ISVs. A relatively small number of VAR and ISV customers have accounted for a significant

percentage of the Company's license revenue. For fiscal 1996, licenses to the Company's ten largest customers accounted for approximately 78% of the Company's total revenue and licenses to one customer, Platinum technology, Inc., accounted for approximately 25% of the Company's total revenue. The Company expects that licenses to a limited number of VAR and ISV customers will continue to account for a large percentage of revenue for the foreseeable future.

The sales cycles associated with the license of the Company's products is often lengthy (typically ranging from six to twelve months) and is subject to a number of significant delays over which the Company has little or no control. In some cases, the license of the Company's software products is an enterprise-wide decision by prospective end user customers or a product strategy decision by VARs and ISVs. Generally, the Company must provide a significant amount of information to prospective customers regarding the use and benefits of the Company's products as part of its sales efforts. In addition, the implementation of some of the Company's products involves a significant commitment of resources by prospective customers and may require substantial reengineering of customers' computing environments. The cost to the customer of the Company's product is typically only a portion of the related hardware, software, development, training and integration costs of implementing a large scale system. Given these factors and the expected continued dependence on a limited number of customers for a substantial part of license revenue, the loss of a major customer or any reduction or delay in sales to or implementations by such customers could have a material adverse effect on the Company's business, operating results, and financial condition.

The Company markets its products in North America through its direct sales and telesales organizations and through VARs and ISVs. Throughout the rest of the world, the Company markets its products through distributors, VARs and ISVs. International revenue accounted for approximately 10% of total revenue in fiscal 1996. In February 1996, the Company opened a European sales office in France. The Company intends to increase its international sales force and focus on establishing additional international distributor, VAR and ISV relationships. The Company expects that international revenue will account for an increasing portion of total revenue in the future. As a result, failure to manage international sales appropriately could have a material adverse effect on the Company's business, operating results and financial condition.

With the exception of the third quarter of fiscal 1996, the Company's revenue has increased in each of the last five quarters. The Company's limited operating history, however, makes the prediction of future operating results difficult. The Company expects that prior growth rates of the Company's software license revenue will not be sustainable in the future. The Company's future operating results will depend on many factors, including the size, timing and terms and conditions of individual license transactions; the relatively long sales and implementation cycles for the Company's products; the delay or deferral of customer implementations; changes in the Company's operating expenses; the ability of the Company to develop and market new products and control costs; market acceptance of new products; timing of introduction or enhancement of products by the Company or its competitors; the level of product and price competition; the ability of the Company to expand its direct sales and telesales force, its indirect distribution channels and its customer support capabilities; activities of and acquisitions by competitors; changes in connectivity software, database technology and industry

standards; changes in the mix of products and services sold; changes in the mix of channels through which products and services are sold; levels of international sales; personnel changes and difficulties in attracting and retaining qualified sales, marketing and technical personnel; changes in customers' budgeting cycles; foreign currency exchange rates; quality control of products sold; and general economic conditions. The Company has not been profitable to date and the Company currently anticipates that it will operate at a loss through at least the middle of 1997. There can be no assurance that any of the Company's business or strategies will be successful or that the Company will be able to achieve or sustain profitability on a quarterly or annual basis.

The Company's sales generally reflect a relatively high amount of revenue per order. The loss or delay of individual orders, therefore, can have a significant impact on the revenue and quarterly results of the Company. Because the Company's operating expenses are relatively fixed, a delay in the recognition of revenue from a limited number of license transactions could cause significant variations in operating results from quarter to quarter and could result in significant losses. To the extent such expenses precede, or are not subsequently followed by, increased revenue, the Company's operating results would be materially adversely affected. As a result of these and other factors, revenue for any quarter is subject to significant variation, and the Company believes that period-to-period comparisons of its results of operations are not necessarily meaningful and should not be relied upon as indications of future performance. It is likely that in some future quarter the Company's operating results will be below the expectations of market analysts and investors. In such event, the price of the Company's Common Stock would likely be materially adversely affected.

The Company acquired PostModern effective May 31, 1996. The transaction was accounted for as a purchase. Except for certain combined condensed financial statements included elsewhere in this Prospectus and for the presentation of certain pro forma revenue amounts herein, PostModern's financial results prior to the effective date of the acquisition are not included in the Company's financial results presented herein. The future operating results of the former PostModern business will affect the Company's results of operations for the last month of the quarter ending June 30, 1996 and for all subsequent quarters. The Company's ability to successfully integrate the operations of PostModern will depend upon several factors, including but not limited to, successful integration of the products and operations of PostModern into the Company. See "Risk Factors -- Limited Operating History; Recent Acquisition of Distributed Object Connectivity Business; History of Losses."

Results of Operations

The Company first recognized material revenue in the fourth quarter of fiscal 1995 after the Company shipped version 1.0 of its ODBC product line. As a result, the Company believes that period-to-period comparisons of annual operating results are less meaningful than an analysis of recent quarterly results.

The following tables set forth statements of operations for each of the five quarters ended March 31, 1996, including such amounts expressed as a percentage of total revenue. This quarterly information is unaudited, but has been prepared on the same basis as the annual consolidated financial statements

and, in the opinion of the Company's management, reflects all adjustments (consisting only of normal recurring adjustments) necessary for a fair representation of the information for the periods presented. Such statements of operations should be read in conjunction with the Company's audited consolidated financial statements and notes thereto included elsewhere herein. Operating results for any quarter are not necessarily indicative of results for any future period.

	QUARTER ENDED				
	MAR. 31, 1995	JUNE 30, 1995	SEPT. 30, 1995	DEC. 31, 1995	MAR. 31, 1996
	(IN THOUSANDS)				
Revenue:					
Software products	$ 500	$ 544	$ 1,033	$ 840	$2,062
Service and other	155	367	268	253	208
Total revenue	655	911	1,301	1,093	2,270
Cost of revenue:					
Software products	34	43	62	107	72
Service and other	105	146	180	200	201
Total cost of revenue	139	189	242	307	273
Gross profit	516	722	1,059	786	1,997
Operating expenses:					
Product development	660	729	972	1,429	1,218
Sales and marketing	543	636	770	732	1,077
General and administrative	324	335	336	371	423
Total operating expenses	1,527	1,700	2,078	2,532	2,718
Loss from operations	(1,011)	(978)	(1,019)	(1,746)	(721)
Interest and other income, net	4	1	28	48	8
Net loss	$(1,007)	$ (977)	$ (991)	$(1,698)	$ (713)

As a Percentage of Total Revenue

Revenue:					
Software products	76.3%	59.7%	79.4%	76.9%	90.8%
Service and other	23.7	40.3	20.6	23.1	9.2
Total revenue	100.0	100.0	100.0	100.0	100.0
Cost of revenue:					
Software products	5.2	4.7	4.8	9.8	3.2
Service and other	16.0	16.0	13.8	18.3	8.8
Total cost of revenue	21.2	20.7	18.6	28.1	12.0
Gross profit	78.8	79.3	81.4	71.9	88.0
Operating expenses:					
Product development	100.8	80.1	74.7	130.7	53.7
Sales and marketing	82.9	69.8	59.2	67.0	47.4
General and administrative	49.4	36.8	25.8	33.9	18.6
Total operating expenses	233.1	186.7	159.7	231.6	119.7
Loss from operations	(154.3)	(107.4)	(78.3)	(159.7)	(31.7)
Interest and other income, net	0.6	0.2	2.1	4.3	0.3
Net loss	(153.7)%	(107.2)%	(76.2)%	(155.4)%	(31.4)%

Revenue

Software Products. Software products revenue increased by 402% from $892,000 in fiscal 1995 to $4.5 million in fiscal 1996. The Company had no software products revenue in fiscal 1994. The increase from fiscal 1995 to fiscal 1996 was primarily due to an increased volume of licensing of the Company's ODBC products, resulting from an increase in the number of products offered and the expansion of the Company's direct sales and telesales organizations. The decline in software products revenue in the third quarter of fiscal 1996 resulted primarily from the delay in completion of a large sale which closed in the fourth quarter.

Service and Other. Service and other revenue, including development fees and consulting and training revenue, increased by 391% from $223,000 in fiscal 1995 to $1.1 million in fiscal 1996. The Company had no service and other revenue in fiscal 1994. The increase from fiscal 1995 to fiscal 1996 was due to the greater licensing of products to customers under agreements with a maintenance component. Revenue attributable to engineering development fees has been declining, and the Company expects such fees to continue to decline as a percentage of total revenue.

Cost of Revenue

Software Products. Cost of software products revenue includes product packaging, documentation, production and shipping. Cost of software products revenue increased from $36,000 in fiscal 1995 to $284,000 in fiscal 1996. This increase resulted from an increased volume of licensing of the Company's products. The Company had no costs of software products revenue in fiscal 1994.

Service and Other. Cost of service and other revenue consists primarily of personnel and personnel related overhead allocation, facility and systems costs incurred in providing consulting, training, customer support and engineering development services. Cost of service and other revenue increased from $259,000 in fiscal 1995 to $727,000 in fiscal 1996. This increase reflects the effect of fixed costs resulting from the Company's investment during fiscal 1996 in a larger customer support organization in anticipation of entering into an increasing number of licenses with maintenance components. The Company had no costs of service and other revenue in fiscal 1994. The Company intends to continue investing resources in its customer support organization. The Company currently expects that costs of service and other revenue will increase in absolute dollar amount from the level for fiscal 1996.

Operating Expenses

Product Development. Product development expenses include expenses associated with the development of new products, enhancements of existing products and quality assurance activities, and consist primarily of employee salaries, personnel related overhead allocation, benefits, consulting costs, the cost of technology licensed from other software companies and the cost of software development tools. Product development expenses increased by 38% from $3.2 million in fiscal 1995 to $4.3 million in fiscal 1996 and by 127% from $1.4 million in fiscal 1994 to $3.2 million in fiscal 1995. The

increases in the dollar amount of product development expenses were primarily attributable to costs of additional personnel and full-time contractors in the Company's product development operations and, to a lesser extent, the licensing of existing technology from third parties which has or will be incorporated into the Company's products. The increase of product development expenses in the third quarter of fiscal 1996 was the result of increased consulting fees and licensing of third party technology which was expensed because it was used exclusively in the development process. A substantial portion of the product development costs in fiscal 1994 and in early fiscal 1995 consisted of expenses for the development of a product the Company later chose not to introduce commercially. There can be no assurance that the Company will not devote significant resources in the future to develop and market other products that the Company may choose not to introduce commercially. The Company anticipates that it will continue to devote substantial resources to product development, including acquiring or licensing technology from others, in order to introduce new products, enhance existing products or accelerate its time to market. The Company plans to hire a substantial number of product development personnel in fiscal 1997. The Company currently expects that product development expenses will increase in absolute dollar amount from the level for fiscal 1996.

In accordance with Statement of Financial Accounting Standards No. 86, the Company has charged all software development costs to product development expense as incurred because expenditures which were eligible for capitalization in prior periods were insignificant.

Sales and Marketing. Sales and marketing expenses consist primarily of salaries, commissions and bonuses earned by sales and marketing personnel, personnel related overhead allocation, field office rent and related expenses, travel and entertainment, and advertising and promotional expenses. Sales and marketing expenses increased by 113% from $1.5 million in fiscal 1995 to $3.2 million in fiscal 1996 and by 200% from $503,000 in fiscal 1994 to $1.5 million in fiscal 1995. The increases in sales and marketing expenditures reflect primarily the hiring of additional sales and marketing personnel, costs associated with expanded advertising and promotional activities, increased sales commissions and increased costs associated with field sales offices. A substantial portion of sales and marketing costs in fiscal 1994 consisted of expenses relating to a product the Company later chose not to introduce commercially. The Company plans to hire a substantial number of sales and sales support personnel in fiscal 1997. The Company expects that sales and marketing expenses will continue to increase in absolute dollar amount as the Company continues to expand its sales and marketing efforts domestically and internationally, establishes additional sales offices and increases advertising and promotional activities. The Company currently expects that sales and marketing expenses will increase in absolute dollar amount from the level for fiscal 1996.

General and Administrative. General and administrative expenses consist primarily of salaries and occupancy costs for administrative, executive and finance personnel and personnel related overhead allocation. These expenses increased by 68% from $872,000 in fiscal 1995 to $1.5 million in fiscal 1996 and by 45% from $600,000 in fiscal 1994 to $872,000 in fiscal 1995. The increases in the absolute dollar amounts of general and administrative expenses were primarily due to increased staffing and associated expenses necessary to manage and support the Company's increased scale of operations. The Company believes that the absolute dollar amount of its general and administrative

expenses will continue to increase as a result of the anticipated expansion of the Company's administrative staff to support growing operations and expenses associated with being a public company.

Interest and Other Income, Net

Interest and other income, net, is comprised primarily of interest income earned on the Company's cash and cash equivalents. Interest and other income, net, decreased by 10% from $94,000 in fiscal 1995 to $85,000 in fiscal 1996 and increased by 124% from $42,000 in fiscal 1994 to $94,000 in fiscal 1995. The variations reflect changing cash balances.

Provision for Income Taxes

As of March 31, 1996, the Company had federal and state net operating loss carryforwards of approximately $9.8 million and $2.0 million, respectively, which expire at various dates through 2011. In addition, as of March 31, 1996, the Company had general business credit carryforwards of approximately $372,000, which expire at various dates through 2011. Utilization of the net operating loss carryforwards and business credits may be subject to a substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code of 1986, as amended, and similar state provisions. See Note 8 of Notes to Consolidated Financial Statements of Visigenic.

Liquidity and Capital Resources

Since inception, the Company has financed its operations and met its capital expenditure requirements primarily from proceeds from the private sales of Preferred and Common Stock. Through March 31, 1996, the Company had raised $13.7 million from the sale of Preferred and Common Stock. At March 31, 1996, the Company's principal sources of liquidity included cash and cash equivalents of $2.4 million and a $1.0 million revolving line of credit agreement which expires on August 15, 1996. Advances under the agreement, which bear interest at the bank's prime lending rate plus 1.25%, are limited to 80% of eligible accounts receivable and are secured by substantially all of the assets and contractual rights of the Company. After the end of fiscal 1996, the Company borrowed approximately $525,000 under the line of credit, which bore interest at a rate of 9.5%, as of May 31, 1996. The line of credit agreement also contains certain financial restrictions and covenants. The Company is in compliance with these financial restrictions and covenants. See Note 3 of Notes to Consolidated Financial Statements of Visigenic.

On May 24, 1996, the Company sold 444,444 shares of its Series C Preferred Stock at a price of $9.00 per share to three investors, for aggregate proceeds of $4.0 million. Subject to certain conditions, the Company has the right to require these investors to purchase up to an additional $4.0 million in convertible notes at any time prior to October 31, 1996. Between May 28 and June 7, 1996, the Company issued $2.0 million principal amount of these convertible notes, bearing interest at the rate

of 8.25% per annum. Upon the closing of the Company's initial public offering, the principal amount of each note and all accrued interest will automatically convert into shares of the Company's Common Stock at the lesser of $13.00 per share or the offering price per share to the public. Upon the closing of the Company's initial public offering, the Series C Preferred Stock will automatically convert into shares of the Company's Common Stock. The Company used a portion of the proceeds from the sale of the Series C Preferred Stock and the convertible notes to pay amounts payable in connection with the closing of the acquisition of PostModern. See "--PostModern Acquisition" and Note 9 of Notes to Consolidated Financial Statements of Visigenic.

The Company's operating activities used cash of $2.2 million in fiscal 1994, $4.6 million in fiscal 1995 and $2.6 million in fiscal 1996. The increased use of cash in fiscal 1995 as compared with fiscal 1994 was primarily attributable to increased operating costs and increased accounts receivable reduced by an increase in accounts payable, accrued liabilities and deferred revenue. The decline in net cash used in operations in fiscal 1996 as compared with fiscal 1995 was primarily due to an increase in accounts payable, accrued liabilities and deferred revenue.

The Company used $477,000, $378,000 and $1.1 million of net cash during fiscal 1994, 1995 and 1996, respectively, for investing activities, due primarily to purchases of property and equipment. Financing activities provided $5.6 million, $2.6 million and $5.5 million of net cash during fiscal 1994, 1995 and 1996, respectively, due entirely to the issuance of Preferred and Common Stock.

Deferred revenue consists primarily of the unrecognized portion of revenue under maintenance and support contracts (which revenue is deferred and recognized ratably over the term of such contracts) and advance payment of software development fees and software license fees. Capital expenditures were primarily for computers, furniture and equipment. The Company expects that its capital expenditures will increase as the Company's employee base grows. As of March 31, 1996, the Company did not have any material commitments for capital expenditures.

The Company believes that the proceeds from the sale of the Common Stock offered hereby, together with its existing sources of liquidity and cash generated from operations, will satisfy the Company's projected working capital and other cash requirements for at least the next twelve months. Although operating activities may provide cash in certain periods, to the extent the Company experiences growth in the future, the Company anticipates that its operating and investing activities will use cash. Any such future growth and any acquisitions of other technologies, products or companies may require the Company to obtain additional equity or debt financing, which may not be available or may be dilutive.

Postmodern Acquisition

In May 1996, the Company completed the acquisition of PostModern, a supplier of software for the development of distributed applications in an object- oriented environment. In the acquisition, which was structured as a merger, the Company issued 3,099,821 shares of its Common Stock and paid a total of $2.3 million in exchange for all of PostModern's outstanding shares. The Company also

assumed PostModern's outstanding stock options and reserved 361,785 shares of the Company's Common Stock for issuance upon exercise of such options. The Company expects to incur acquisition-related costs of approximately $525,000, resulting in a total purchase price of approximately $13.1 million. In addition, the Company made cash payments, subject to one- year vesting and totaling $1.5 million, to certain PostModern employees. The acquisition of PostModern will be accounted for as a purchase in the quarter ending June 30, 1996. The Company expects to record an immediate write-off of approximately $12.0 million of in process product development in the quarter ending June 30, 1996. The remaining purchase price of approximately $1.1 million will be amortized over two years.

The following pro forma revenue information is unaudited and is based on the respective historical financial statements of the Company and PostModern. The Company's acquisition of PostModern was accounted for as a purchase, and the following pro forma data are presented for comparison purposes only. These data should be read in conjunction with the pro forma condensed combined financial statements and historical financial statements contained herein.

This revenue data has been prepared on the same basis as the annual consolidated financial statements and, in the opinion of the Company's management, reflects all adjustments necessary for a fair presentation of the information for the periods presented.

PRO FORMA COMBINED QUARTER ENDED PRO FORMA COMBINED FISCAL YEAR ENDED JUNE 30, SEPT. 30, DEC. 31, MARCH 31, MARCH 31, 1995 1995 1995 1996 1996

Pro Forma Revenue:					
Software products.....	$ 580	$1,179	$ 868	$2,156	$4,783
Service and other.....	422	605	394	373	1,794
	$1,002	$1,784	$1,262	$2,529	$6,577

The majority of PostModern's total revenues for the twelve month period ended March 31, 1996 consisted of service and other revenues, attributable to development, training and consulting fees.

Business

Overview

Visigenic Software, Inc. is a leading provider of software tools for database and distributed object connectivity for the Internet, Intranet and enterprise computing environments. The Company's standards-based products facilitate the development, deployment and management of distributed applications by providing database-independent access to leading databases and the communications infrastructure for distributed object-oriented applications. The Company markets and sells its software through its direct sales and telesales forces, independent software vendors ("ISVs"), value added resellers ("VARs"), international distributors and on-line Internet sales in North America, Europe, and Asia. The Company's customers include ASCII Corporation, Cisco, CompuWare, Borland, Hewlett Packard, Hitachi Ltd., Merrill Lynch, MCI Telecommunications, Microsoft, Oracle, Platinum technology and Software AG.

Industry Background

In an increasingly complex computing environment, today's enterprises require flexible access to data and applications, regardless of whether the data and applications are located at the central office, a remote office or across the Internet. This requirement is being driven by the following market trends:

. The increasing use of multiple database management systems ("DBMSs"), requiring DBMS-independent client/server database connectivity solutions.

. The increasing use of object-oriented technologies to provide distributed application solutions.

. The increasing use of Internet and Intranet technologies within mainstream commercial markets, which is increasing the demand for applications capable of operating in distributed computing environments.

Database Connectivity Client/server computing has given organizations the flexibility to develop and deploy applications on a wide variety of computer platforms and DBMSs. The computing infrastructure of the typical enterprise now consists of a heterogeneous mix of operating systems, databases, networks and hardware. One industry survey of Fortune 500 companies found that these companies use an average of six different DBMSs. For example, an enterprise may support the Windows 3.1, Windows NT, UNIX and MVS operating system platforms running Microsoft SQL Server, Oracle and IBM DB2 DBMSs. To manage this heterogeneous, cross-platform database environment, a common method of accessing, managing and analyzing data from multiple databases was needed. The Open Database Connectivity ("ODBC") standard was created to address this problem.

ODBC, originally developed by Microsoft, is an industry standard that is based on a specification defined by the SQL Access Group, a consortium of database, software and hardware vendors. ODBC provides a common data access application programming interface ("API") for developers building DBMS- independent applications. With ODBC, a single application can access multiple databases on multiple platforms, avoiding the need for developers to write versions of each application for each DBMS vendor's proprietary data access API. The ODBC API is supported by most major software vendors in their programming languages, application development tools and report writing tools, including Microsoft Visual Basic and Visual C++, Sybase PowerBuilder and the Oracle 2000 family, and Seagate Crystal Reports.

Although ODBC provides heterogeneous database connectivity, organizations seeking the benefits afforded by ODBC have encountered two limitations as they move to a more distributed computing environment. First, ODBC development tools and ODBC drivers originally were only available for Windows platforms. This limited the ability of enterprises to realize the multi-platform potential of ODBC and to deploy ODBC solutions in multi-platform computing environments such as Intranets and the Internet. Second, initial implementations of ODBC are client-centric and are suitable for departmental or limited enterprise deployments. These client-centric implementations require that an ODBC driver and database-specific network libraries for each DBMS to be accessed reside on each client system. For larger deployments, which may involve hundreds, or even thousands, of ODBC-enabled client systems accessing multiple DBMSs, maintaining and managing this client/server

infrastructure is expensive and difficult because each client system must be updated for each new version of the DBMS and the ODBC driver. The Company believes that organizations need a simplified, server-centric ODBC database access architecture for larger deployments, including Intranet and Internet computing environments.

Distributed Object Connectivity In today's rapidly evolving computing environments, enterprises require improved data access as well as improved software application architectures. Computing environments are becoming more distributed, with numerous client and server machines networked together within a single enterprise as well as across the Internet. The traditional method of building applications as monolithic programs is not suited for this distributed environment. Instead, applications must be more modular in nature, where the application is built as a set of modules that can be distributed over a number of client and server systems. Enterprises can improve computing performance by distributing application logic over these computing networks so that the appropriate application logic resides on the most appropriate system. For example, logic for the graphical user interface resides on a client machine while the business logic is located on one or more servers where the business application resides and the logic that manipulates the data in the DBMS is located on one or more servers where the data resides.

Object-oriented programming languages like C++ and Java have enabled software developers to develop and deploy distributed applications more easily. These languages are based on the concept of objects, reusable software components that contain both data and the related procedures that act upon them. Objects are modular in nature and can be arranged or reused in many different combinations to form new applications. This modular, self-contained characteristic makes objects ideal for distributed computing environments because applications can now be created by linking a series of objects that may be distributed over a number of different systems.

Significant challenges in distributed application development and deployment include communications and interoperability between objects that are distributed over a network. The Common Object Request Broker Architecture ("CORBA") specification, developed by the Object Management Group ("OMG"), a consortium of software and hardware vendors and corporate end users, was created to address these challenges. The CORBA specification defines an Object Request Broker ("ORB") that manages and monitors the interactions of distributed objects on a network. To enable interoperability among applications using ORBs, CORBA also specifies the Internet Inter-ORB Protocol ("IIOP"), which defines a standard distributed messaging protocol for communication between objects. CORBA-compliant objects are portable across programming languages, development environments, computer platforms and networks, which is an increasingly important attribute of applications in the heterogeneous computing environments of the Internet, Intranets and enterprises.

Before the CORBA specifications, many enterprises had not undertaken the development and deployment of distributed applications because of the lack of software development tools that provide a distributed object communication infrastructure. This meant that building enterprise-wide distributed applications entailed writing a new, proprietary communication infrastructure--a task that was difficult and time consuming for many enterprises. The introduction of CORBA-compliant ORBs

has freed enterprises from having to write their own communication infrastructure and allows enterprises to focus their development efforts on business logic. The Company believes that enterprises now need commercially available ORBs from third party vendors that provide this communications infrastructure.

The Internet and Intranets Increase the Need for Distributed Applications The Internet has quickly emerged as an important aspect of business computing. Internet-based business applications have expanded beyond electronic mail to a broad range of business applications and services, including electronic publishing, direct-to-customer transactions, product marketing, advertising and customer support. The widespread use of the Internet by enterprises has also resulted in the emergence of Intranets, internal information systems based upon the Internet infrastructure. Intranets use Internet protocols and applications to share information and services both within the enterprise and across the Internet. Intranets allow the enterprise to distribute data and applications across geographically dispersed facilities as well as enable customers, suppliers and other business partners to easily access enterprise data and applications.

The Internet and Intranets are large heterogeneous distributed computing environments, consisting of vast numbers of networked client and server systems and distributed databases. The rapid growth of the Internet and of Intranets is accelerating the importance of distributed applications that can access data wherever the data resides. The Company believes business applications increasingly will be comprised of objects, Java applets and databases that are distributed on networks and dynamically assembled into highly customized solutions. As a result, development and deployment tools for database access and distributed object connectivity solutions are increasingly key components of the software infrastructure required for Internet, Intranet and enterprise computing environments.

Visigenic Solution

The Visigenic solution provides key components of the software infrastructure that enable developers and IT professionals to develop, deploy and manage distributed applications. The Company provides software tools for database and distributed object connectivity for Internet, Intranet and enterprise computing environments. The Company's cross-platform database connectivity products, based on the ODBC API, are open, flexible and cost effective for developing, deploying and maintaining DBMS-independent applications. The Company's distributed object connectivity products, consisting of CORBA-compliant ORBs, provide a communication infrastructure and enable the development and deployment of reliable and flexible distributed applications.

The Company's solution provides the following benefits:

Application Architecture Flexibility. Visigenic's products are designed to enable developers and IT professionals to build applications for a variety of enterprise architectures. The database connectivity products provide application developers with the flexibility to implement the ODBC database connection on the client, the server or across the Internet. The distributed object connectivity products

allow developers to build applications that can be distributed over multiple client and server machines and can interoperate with other CORBA-compliant applications. This flexibility allows the enterprise to adapt its application architecture to meet changing business or computing requirements.

Simplification of Application Development. Visigenic's products simplify application development by reducing the time and expertise required to develop applications. The Company's database connectivity products allow developers to access multiple DBMSs by writing to a single API rather than multiple proprietary APIs. The Company's distributed object connectivity products provide the developer with the communications infrastructure required for distributed object applications, allowing the developer to focus on developing business objects and facilitating the reuse of these objects in multiple applications.

Simplification of Distributed Application Deployment. Visigenic's products simplify the deployment of distributed applications. Visigenic's OpenChannel product is based on a server-centric ODBC architecture that shifts the database connection software components from clients to servers, thereby simplifying deployment and centralizing administration. ORBeline' and BlackWidow's agent-based architecture reduces deployment and administration effort for distributed applications, by automatically launching objects, tracking their state and adapting to their changing resource requirements.

Support of Open Industry Standards. Visigenic's products for database and distributed object connectivity support existing and emerging industry standards, enabling developers and IT professionals to build solutions that are open, flexible and interoperable across multiple operating environments. Visigenic's products support key industry standards including: database connectivity standards such as ODBC and X/Open SQL Access and distributed object standards such as CORBA 2.0 and IIOP. The Company is currently developing products that support Java Database Connectivity ("JDBC") and other industry de facto standards such as RSA data encryption technology.

Technology Independence. Visigenic's products enable the development of solutions for the heterogeneous computing environments confronting the enterprise by supporting multiple operating systems, DBMSs, development languages and hardware platforms.

Manageability. Visigenic's products provide monitoring tools to provide control over the computing environment while reducing the time and resources spent on managing distributed applications. Visigenic's OpenChannel product provides a monitor that supplies information regarding client/server database connections and provides administrators the ability to adjust system configuration parameters. The Company's ORBeline and BlackWidow products provide monitoring capabilities for distributed object usage and location. These monitoring tools provide administrators with information needed to manage and administer distributed application environments.

Visigenic Strategy

The Company's strategy is to become the premier provider of software tools which enable developers and IT professionals to develop, deploy and manage distributed applications for Internet, Intranet and enterprise computing environments. The Company's strategy incorporates the following key elements:

Support and Enhance Open Industry Standards. The Company's products are based on existing and emerging industry standards for heterogeneous database connectivity and distributed object connectivity. The Company actively participates in standards setting organizations including X/OPEN and the Object Management Group. The Company intends to contribute to the expansion of existing standards and the development of future standards created by these and other standard setting organizations. For example, the Company was instrumental in accelerating ODBC's acceptance as a standard for heterogeneous database access by exclusively licensing certain ODBC enabling technology from Microsoft and providing the Visigenic ODBC SDK on Macintosh, OS/2 and many UNIX platforms. In addition, the Company has developed the first commercial implementation of IIOP, defined as part of the CORBA 2.0 specification, in its ORB products. The Company intends to promote acceptance of IIOP as the de facto standard for distributed object messaging for the Internet and Intranets.

Leverage Strategic Partners. The Company intends to continue to establish close relationships with leading technology companies through technology licensing, joint development, strategic investments, and distribution and marketing arrangements to promote the widespread acceptance and distribution of Visigenic products. Key partnerships include the following:

. Cisco is a strategic investor in the Company and has entered into a license agreement to bundle the Company's database connectivity products in Cisco's network management product line.

. Hitachi has entered into a joint-development agreement with the Company for the development of a transaction-enabled ORB based on the Visigenic ORBeline and BlackWidow products.

. JavaSoft, a division of Sun Microsystems, has entered into an agreement for JDBC technology that grants the Company the right to sub-license JavaSoft's JDBC test suites and its JDBC-to-ODBC bridge.

. Microsoft has entered into a series of agreements to bundle certain of the Company's ODBC products with certain Microsoft products and to exclusively license to the Company the ODBC SDK and test suites for non-Microsoft operating systems.

. Netscape is a strategic investor in the Company.

. Oracle has entered into a license agreement with the Company to bundle the Company's database connectivity products with a number of Oracle's Transparent Gateway products.

. Platinum technology is a strategic investor in the Company and has entered into an agreement to bundle both the Company's database connectivity and distributed object connectivity products with certain Platinum products.

Provide a Broad Suite of Products and Services. The Company offers a suite of software tools for database and distributed object connectivity, as well as support, consulting and training services. The Company intends to develop new products, enhance its current products and integrate its database connectivity software products with its distributed object connectivity products to address the requirements of the emerging Internet and Intranet distributed markets.

Maintain Technology Leadership. The Company is committed to maintaining its technological leadership through internal product development efforts and, if appropriate opportunities present themselves, through acquisitions of technologies, products and companies to address the specific requirements of distributed applications in the areas of database connectivity, distributed object connectivity and the monitoring of distributed environments. The Company has invested and will continue to invest in technology so that it can react and adapt to changing technological trends and market needs.

Exploit and Develop the Internet/Intranets Market Opportunity. The Company believes that the emergence of the Internet and Intranets will significantly increase the market for database and distributed object connectivity software. Visigenic intends to leverage its products and expertise in heterogeneous database connectivity and distributed object connectivity to exploit the market opportunity for distributed applications for the Internet and Intranets.

Expand Brand Name Awareness. Visigenic believes that the brand name awareness of the Company and its products will be an important element of its success. Visigenic is targeting its marketing efforts to establish and expand the recognition of the Company and its products through advertising, promotional activities, selected sales channels and strategic partners. The Company believes that establishing and expanding market awareness is particularly important given the emerging nature of the market in which it competes.

Expand Distribution Channels Worldwide. To achieve broad distribution of its database and distributed object connectivity software, the Company believes it must continue to build multiple distribution channels worldwide. The Company is expanding its direct sales and telesales forces as well as broadening its indirect channels of distribution, including VARs, ISVs systems integrators ("SIs"), Internet sales and international distributors. The Company's international distribution strategy is to penetrate key international markets by seeking additional VARs, ISVs and regional distributors and by further developing its existing relationships with these customers.

Products

The Company provides software tools for database and distributed object connectivity for Internet, Intranet and enterprise computing environments. The Company's products provide key components of the software infrastructure that enable developers and IT professionals to develop, deploy and manage distributed applications.

The following table identifies the Company's current products:

PRODUCT NAMES	ORIGINAL RELEASE DATE	MOST RECENT RELEASE DATE	SUPPORTED PLATFORMS	US SUGGESTED LIST PRICE (1)

DATABASE CONNECTIVITY Visigenic ODBC 11/94 6/96 Windows 3.1 $95-$150/Driver Drivers Windows 95 $295-595/DriverSet and DriverSet Windows NT UNIX Macintosh OS/2 Visigenic ODBC SDK 11/94 6/96 UNIX $995/user Macintosh OS/2 Visigenic OpenChannel 3/96 3/96 Windows 95 $500-$700/user Windows NT

DISTRIBUTED OBJECT CONNECTIVITY				
Visigenic BlackWidow	4/96	4/96	Windows 95 Windows NT UNIX	$3,000-$5,000/ developer $150-$250/ runtime
Visigenic ORBeline	9/94	9/95	Windows 95 Windows NT UNIX	$3,000-$5,000/ developer $150-$250/runtime

(1) Actual price depends upon platform selected and quantity purchased, among other factors. The terms and conditions, including prices and discounts from list prices, of individual license transactions are often highly negotiated based on volumes and commitments and vary considerably from customer to customer.

Database Connectivity Products

The Visigenic software tools for database connectivity are based on the ODBC standard and enable data access independent of both the DBMS and platform. The ODBC products include the Visigenic ODBC Drivers and DriverSets and Visigenic ODBC Software Development Kits.

[Diagram of Visigenic ODBC Driver and DriverSet product architecture appears here.]

ODBC Drivers and DriverSets. The Visigenic ODBC Drivers and DriverSets provide cross-platform access to multiple SQL relational DBMSs--including CA- Ingres, IBM DB2, Informix, Microsoft SQL Server, Oracle and Sybase SQL Server (DBLib and CTLib)--from any ODBC-enabled application. The ODBC Driver and DriverSets are made up of two ODBC components: the Driver Manager and a set of database drivers. The Driver Manager loads the ODBC drivers that an ODBC- enabled application requests. The ODBC drivers provide the communication link between the ODBC-enabled application and a specific DBMS; the drivers process ODBC function calls from the application, translate them to DBMS-specific calls and return the results of those calls to the application. For example, to access an Oracle DBMS, an ODBC-enabled application, such as Microsoft Excel, would send SQL calls through an Oracle ODBC driver. Likewise, to access an Informix DBMS, Microsoft Excel would send the same SQL calls through an Informix ODBC driver. The Company sells ODBC drivers separately or as the ODBC DriverSet, which consists of the full set of ODBC drivers available for each platform. The Visigenic ODBC Drivers are available for Windows 3.1, Windows NT, Windows 95, ATT GIS, HP-UX, IBM AIX, SCO, Solaris, Sun OS, Macintosh and Power Macintosh and OS/2. The Company initially released Visigenic ODBC Drivers and DriverSets in November 1994.

ODBC SDKs. Visigenic ODBC Software Development Kits allow developers to develop vendor-independent database applications and ODBC drivers. Using the ODBC SDKs, developers write database-independent C and C++ applications that communicate simultaneously with multiple databases from different vendors. Each ODBC SDK comes with the Driver Manager, header files, programmer's reference and graphical utilities.

Visigenic has ported the Microsoft ODBC 2.x SDK to ATT GIS, IBM AIX, HP-UX, SCO, Solaris, Sun OS, Macintosh, Power Macintosh and OS/2. Visigenic currently has the exclusive right to license and port the Microsoft ODBC SDK versions 2.X and 3.0 for Windows to all non-Microsoft platforms and intends to do additional ports in the future. The Company released its first Visigenic ODBC SDK in November 1994.

OpenChannel Products. The Visigenic OpenChannel product line provides an architecture that simplifies database connectivity in large distributed application environments such as the Internet, Intranets and enterprise computing environments. The Company initially released its OpenChannel products in March 1996.

[Diagram of Visigenic OpenChannel product architecture appears here.]

OpenChannel's server-centric architecture shifts the administrative burden and processing load for ODBC-enabled applications by relocating ODBC drivers and network libraries away from each user's individual machine to a central server, allowing easier administration and control. A "thin" database-independent client driver connects to any database through the OpenChannel Server, where server-side ODBC drivers manage the actual database connections. Since database connections are centralized, OpenChannel can reduce the time and resources spent on deploying and managing database applications.

OpenChannel consists of the OpenChannel Client, Server and Manager. The OpenChannel Client replaces the ODBC drivers and database vendor's proprietary libraries on the client. The OpenChannel Server can be used to access any ODBC data source, either through a Visigenic ODBC Driver or other third party ODBC drivers. The OpenChannel Server has been designed to support large numbers of concurrent users through the use of a multi-threaded architecture, which provides for efficient resource utilization, enhanced throughput and shared resource integrity. The OpenChannel Manager is a monitoring tool that allows IT professionals to monitor all OpenChannel connections and adjust system configuration parameters from a single location.

OpenChannel can be deployed for use with existing ODBC applications without any changes to the client application. OpenChannel is optimized for large- scale ODBC traffic and runs over standard TCP/IP transports, enabling it to be used for database connectivity across the Internet. The Company is developing a version of OpenChannel that will support the JDBC API for Java applets and applications.

The OpenChannel Server is available for Windows NT, and OpenChannel Clients are available for Windows 3.1, Windows NT and Windows 95. The Company expects to begin shipping OpenChannel Servers and Clients for UNIX in the second half of 1996.

Distributed Object Connectivity Products

Visigenic develops and markets two Object Request Broker ("ORB") products: ORBeline 2.0 for C++ and BlackWidow 1.0 for Java. Visigenic's ORBs, which are based on the Common Object Request Broker Architecture ("CORBA") specification, provide an object-oriented solution for the development and deployment of distributed applications.

[Diagram of Visigenic ORBeline and Visigenic BlackWidow product architecture appears here.]

ORBeline. Visigenic ORBeline provides a communication framework that enables the development, deployment and management of complex, distributed C++ applications. ORBeline consists of two main components: a development component and a runtime component. The development component includes a code generator that converts object interfaces specified in CORBA's Interface Definition Language ("IDL") into C++. The developer adds application logic and the runtime code to the generated code to create a distributed application. The generated code is used by the objects' application logic to interact with the runtime component which manages the communication among the distributed objects.

ORBeline operates on SunOS, Solaris, Digital UNIX, HP-UX, IBM AIX, Windows NT and Windows 95 platforms. ORBeline was first released in September 1994 and the Company is currently shipping version 2.0.

BlackWidow. Visigenic BlackWidow is the industry's first client and server Java ORB. BlackWidow enables distributed computing on the Internet and Intranets. Like ORBeline, BlackWidow consists of a development component and a runtime component. The development component converts IDL interfaces into client-side and server-side Java code. The BlackWidow runtime is written entirely in Java and can run in any Java-enabled Web browser, such as Netscape Navigator 2.0. The BlackWidow environment allows Internet, Intranet and enterprise deployment. On the Internet, a user can load a client-side BlackWidow Java applet into any Java-enabled browser, execute the applet and establish IIOP connectivity with CORBA objects, whether the objects are written in Java or in another language such as C++ or Smalltalk.

The BlackWidow development environment is available on Windows NT, Windows 95 and Solaris. Distributed applications developed with BlackWidow can be deployed on any platform supporting the Java environment. BlackWidow was first released in April 1996.

ORBeline and BlackWidow Architecture. ORBeline and BlackWidow share a common architecture. Both products use IIOP as their internal communications protocol and do not rely on conversion of a proprietary protocol into IIOP in order to interoperate with other ORB implementations. IIOP is an emerging standard for distributed object messaging and is designed for applications distributed across the Internet and Intranets. Each of the Company's ORB products is multi-threaded, facilitating scalability and enhancing throughput. Applications developed using the Company's ORBs can support multiple concurrent threads to service both incoming and outgoing object requests simultaneously, permitting objects within an application to process a request without impacting the responsiveness of other objects within the application. The Company's ORB products have an agent-based architecture

and include one or more agents that communicate and monitor the location of the ORB objects on the network. This agent-based architecture is designed to adapt itself to changes in the objects and the network, such as a heavy system load or the failure of objects. The architecture minimizes the need for configuration files, making it easier to deploy and administer applications, and enables automatic fail-over capabilities, significantly reducing interruptions in any service provided as part of or implemented using the ORB.

Customers

The Company's customers include the following:

Financial Services Network Management/systems Management

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Global Trade Technologies
Merrill Lynch
Wells Fargo Bank

 TELECOMMUNICATIONS

Bell Northern Research
British Telecom-North America
DSC Communications
MCI Telecommunications
Bytex--A Division of Storage
  Technology
Cisco
Compuware
Embarcadero Technologies
Hewlett-Packard
Network General
Platinum technology
Software Professionals
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Independent Software Vendors and Value Added Resellers

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AimTech Corporation
Applix
AT&T Global Information Solutions
Borland
Hitachi
Information Builders
Informix Software
Investment Intelligence Systems
  Corporation
Microsoft
Oracle
Premenos
Research Systems
Software AG
Starware
UniSQL
Vmark
Wall Data
Wang
XVT Software
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In fiscal 1996, one customer accounted for approximately 25% of revenue and no other customer accounted for more than 10% of revenue. A relatively small number of VAR and ISV customers have accounted for a significant percentage of the Company's revenue, and the Company expects that such sales will continue to represent a significant portion of the Company's revenue in future periods. For fiscal 1996, the Company's ten largest customers accounted for approximately 78% of the Company's total revenue.

The Company's products can be used in many applications, including the following examples:

Oracle Corporation. Oracle Corporation, a leading supplier of information management software, wanted to provide their customers with access to competitors' DBMSs. Their customers are increasingly operating in heterogeneous environments and require a solution that allows them to develop applications that access multiple DBMSs. Oracle integrated Visigenic's ODBC technology in their Transparent Gateway, allowing them to support a single, standard DBMS- independent API versus supporting multiple proprietary APIs of their competitors. For the first time, Oracle provided their customers with direct gateway access, providing distributed database capabilities, from the Oracle7 database to Sybase, Informix, and CA-Ingres.

Platinum technology. Platinum technology, a provider of application development, business intelligence, database administration, data warehousing, and systems software solutions, was seeking a consistent database access solution for their Platinum Open Enterprise Management System ("POEMS") products. Platinum was supporting several proprietary database access methods. Platinum integrated Visigenic ODBC technology and Visigenic OpenChannel into the POEMS architecture, providing Platinum with a single database access architecture to support and providing their customers with database connectivity across multiple databases, operating systems and hardware platforms.

MCI. 800-number customers of MCI, a leading telecommunications provider, wanted more information regarding incoming calls from callers using the customers' 800 numbers. Using ORBeline, MCI developed an application to provide this information. The application collects information such as call origin and duration from telephone switches, assembles the information in data records, places the records in a database and delivers the information back to the customer. The information is updated continually and automatically, enabling MCI's 800-number customers to monitor usage of their lines in real time.

Sales and Marketing

The Company's objective is to achieve broad market penetration by targeting multiple channels of distribution, including direct sales and telesales, ISVs, VARs, SIs, international distributors and on-line Internet sales. The Company is actively seeking to increase its base of VARs, ISVs, SIs and international distributors.

Direct Sales/Telesales. The Company's direct sales and telesales forces focus on medium to large-sized VARs, ISVs and corporate IT opportunities. To date, the direct sales and telesales forces have been primarily targeting strategic VARs and ISVs to leverage their sales and marketing expertise as well as their position in the market. The Company has direct sales offices or personnel in San Mateo, California; Atlanta, Georgia; Boston, Massachusetts; Reston, Virginia and Paris, France. The Company's telesales organization, based in San Mateo, California, works jointly with the direct sales force to receive customer orders as well as proactively identify, contact and qualify customer leads.

Independent Software Vendors. The Company has relationships with a number of ISVs to leverage their sales and marketing channels through joint marketing programs and product bundling agreements.

Value Added Resellers and System Integrators. VARs and SIs customize, configure and install the Company's software products and bundle these products with their software solutions and services.

International Distributors. The Company believes that it is important to develop a strong international presence and intends to do business in markets outside of North America principally through distributors. International sales accounted for 10% percent of revenue in fiscal 1996. The Company is working with its distributors to develop end user, ISV, VAR and SI relationships in their respective territories. As of May 31, 1996, the Company had 12 international distributors, mostly in Europe and Asia.

Internet Sales. Certain of the Company's products can be evaluated and purchased electronically over the Internet. The Company believes that the Internet can be an effective way to market its products to potential customers.

The Company's marketing efforts are directed at building brand name awareness while also highlighting the value of the Company's database connectivity and distributed object connectivity products. The Company's marketing efforts include market research, product planning, creating collateral materials, managing press coverage and other public relations, identifying potential customers, advertising, attending tradeshows, speaking at industry conferences, direct mail campaigns and establishing and maintaining close relationships with recognized industry analysts. The Company also maintains a home page on the Internet that is a source of sales leads.

As of May 31, 1996, the Company's sales organization included 26 employees and its marketing organization included 6 employees. The Company intends to hire a significant number of additional sales and marketing personnel in fiscal 1997 and beyond. An increase in the sales and marketing staff will be required to expand both the Company's direct and indirect sales activities and achieve revenue growth. Competition for such personnel is intense, and there can be no assurance that the Company can attract, assimilate or retain such personnel. Because of the complexity of database connectivity and distributed object connectivity software products, the Company has in the past and expects to continue in the future to experience a time lag between the date sales personnel are hired and the date such persons become fully productive. If the Company is unable to hire and train such personnel on a timely basis in the future, the Company's business, financial condition and results of operations could be materially adversely affected.

Customer Service and Support

The Company believes that a high level of customer service and support is critical to the Company's success. The services provided by the Company include technical support, maintenance, training and consulting. These services are designed to increase customer satisfaction and provide feedback to the Company as to customers' demands and requirements.

Technical Support and Maintenance. The Company offers customer support through telephone, electronic mail and fax. Visigenic provides new software releases, maintenance releases and enhancements under annual support agreements with customers. Maintenance and customer support

license fees are not included in software license fees but are purchased separately for an annual fee.

Training and Consulting. The Company offers its customers education and training programs, as well as customized consulting services. Fees for training and consulting services are generally charged on a per diem basis, separately from the Company's software products.

Product Development

The Company believes its future success will depend in large part on its ability to expand the Visigenic product family by enhancing existing products, integrating database connectivity technology with distributed object connectivity technology and developing new products to meet a broad range of customer needs. The Company's product development organization is responsible for new product and technology development, product testing and user interface development. This organization is working to expand the availability of the Company's products on the leading hardware platforms, operating systems, DBMSs, programming languages and networking and communication protocols.

Since inception, the Company has made substantial investments in product development and related activities. The Company's products have been developed primarily by the Company's internal development staff and, in some instances, with the assistance of external consultants. Certain technologies have been acquired and integrated into Company's products through licensing arrangements. The Company expects that most of its new products will be developed internally. However, the Company will evaluate on an ongoing basis externally developed technologies and products for integration into its product lines.

The Company expects that development activities with respect to its database connectivity products will include development of ODBC SDKs, ODBC drivers and test suites compliant with the ODBC 3.0 specification as well as additional features for its OpenChannel products, including high performance scalability, message and queuing capabilities, a server-procedure architecture and Simple Network Management Protocol ("SNMP") agents and other management and monitoring tools. The Company intends to support the JDBC API through a JDBC- to-ODBC product that will allow Java programmers using the JDBC API to access heterogeneous data sources through the Company's ODBC drivers or OpenChannel products. Visigenic also expects to ship an OpenChannel Client implementation in Java in the second half of fiscal 1997.

The Company expects to enhance its ORBeline and BlackWidow products and expand its ORB product line. The Company is developing an object-oriented transaction processing system based on the Object Transaction Service ("OTS") specified by the OMG that enables mission-critical On-line Transaction Process ("OLTP") applications. This product is being jointly developed with Hitachi and is a combination of the Company's ORBeline product, the OTS interface implementations and OpenTP1, Hitachi's advanced transaction processing engine. The Company currently expects to release the product in the second half of fiscal 1997. The Company also plans to leverage its CORBA expertise to develop products that enable Microsoft's Active/X objects to interact with CORBA objects.

The Company also intends to leverage its database connectivity expertise to provide database connectivity capabilities for its ORB products. The Company's ORB products would then provide a more complete distributed object solution, addressing both the distributed object and data connectivity requirements of its customer base.

As of May 31, 1996, there were 41 employees on the Company's research and development staff. The Company's product development expenditures in fiscal 1995 and 1996 were $3.2 million and $4.3 million, respectively. The Company expects that it will continue to commit substantial resources to product development in the future.

The markets for the Company's products are characterized by rapid technological developments, evolving industry standards, swift changes in customer requirements, computer operating environments and software applications, and frequent new product introductions and enhancements. As a result, the Company's success depends substantially upon its ability to anticipate changes and continue to enhance its existing products, develop and introduce in a timely manner new products incorporating technological advances, comply with emerging industry standards and meet increasing customer expectations. If the Company is unable to develop and introduce new products or enhancements to existing products in a timely manner in response to changing market conditions or customer requirements, the Company's business, operating results and financial condition would be materially and adversely affected. See "Risk Factors--Need to Develop New Software Products and Enhancements."

Competition

The Company's products are targeted at the emerging markets for standards- based database connectivity software and standards-based distributed object connectivity software. The markets for the Company's products are intensely competitive, subject to rapid change and significantly affected by new product introductions and other market activities of industry participants. The Company believes that the principal competitive factors in these markets are product quality, performance and price, vendor and product reputation, product architecture and quality of support.

In the standards-based database connectivity market, the Company competes principally against Intersolv. The Company's database connectivity products also indirectly compete against proprietary database connectivity solutions from database vendors. In the standards-based distributed object connectivity market, the Company competes principally against two private companies, Iona and Expersoft. The Company's distributed object connectivity products also compete against existing or proposed distributed object connectivity solutions from hardware vendors such as DEC, Hewlett-Packard, IBM and Sun. In addition, because there are relatively low barriers to entry in the software market and because the Company's products are based on publicly available standards, the Company expects to experience additional competition in the future from other established and emerging companies if the market for database connectivity and distributed object connectivity software continues to develop and expand. In particular, relational database vendors including Informix, Microsoft, Oracle and Sybase may offer standards-based database connectivity software to their

customers, eliminating or reducing demand for the Company's products. Similarly, operating system vendors such as DEC, Hewlett-Packard, IBM, Microsoft and Sun may offer standards-based distributed object connectivity products bundled with their operating systems. For instance, Microsoft has announced plans to introduce DCOM, which would eliminate the need for CORBA- compliant ORBs, such as those offered by the Company, for Microsoft operating systems. Many of these current and potential competitors have well-established relationships with the current and potential customers of the Company, have extensive knowledge of the markets serviced by the Company, better name recognition and more extensive development, sales and marketing resources and are capable of offering single vendor solutions. As a result, these current and potential competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements, or to devote greater resources to the development, promotion and sale of their products, than can the Company. It is also possible that new competitors or alliances among competitors may emerge and rapidly acquire significant market share. The Company also expects that competition will increase as a result of software industry consolidations.

The Company expects that it will face increasing pricing pressures from its current competitors and new market entrants. Increased price competition may result in price reductions, reduced gross margins and loss of market share, any of which could materially adversely affect the Company's business, financial condition or results of operations. There can be no assurance that the Company will be able to compete successfully against current and future competitors or that competitive pressures will not materially and adversely affect its business, financial condition or results of operations. See "Risk Factors--Intense Competition."

Intellectual Property and Other Proprietary Rights

The Company's success is dependent in part upon its proprietary technology. While the Company relies on a combination of copyright and trademark laws, trade secrets, confidentiality procedures and contractual provisions to protect its proprietary rights, the Company believes that factors such as the technical and creative skills of its personnel, new product developments, frequent product enhancements, name recognition and reliable products and product support are more essential to establishing and maintaining a technology leadership position, particularly because the Company is supplying standards-based products. The Company seeks to protect its software, published data, documentation and other written materials under trade secret and copyright laws, which afford only limited protection. The Company has granted limited access to its source code to third parties under confidentiality obligations. Despite the Company's efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of the Company's product or to obtain and use information that the Company regards as proprietary.

Policing unauthorized use of the Company's products is difficult, and while the Company is unable to determine the extent to which piracy of its software products exists, software piracy can be expected to be a persistent problem. In addition, the laws of some foreign countries do not protect the Company's proprietary rights to as great an extent as do the laws of the United States. There can be no assurance

that the Company's means of protecting its proprietary rights will be adequate or that the Company's competitors will not independently develop similar technology. The Company distributes its products electronically through the Internet. Distributing the Company's products through the Internet makes the Company's software more susceptible than other software to unauthorized copying and use. The Company has historically allowed and currently intends to continue to allow customers to electronically download its client and server software. If as a result of changing legal interpretations of liability for unauthorized use of the Company's software or otherwise, users were to become less sensitive to avoiding copyright infringement, the Company's business, operating results and financial condition could be materially adversely affected.

The Company is not aware that any of its products infringes the proprietary rights of third parties. There can be no assurance, however, that third parties will not claim infringement by the Company with respect to current or future products. The Company expects that software developers will increasingly be subject to infringement claims as the number of products and competitors in the Company's industry segment grows and the functionality of products in different industry segments overlaps. Any such claims, with or without merit, could be time-consuming, result in costly litigation, cause product shipment delays or require the Company to enter into royalty or licensing agreements. Such royalty or licensing agreements, if required, may not be available on terms acceptable to the Company or at all, which could have a material adverse effect upon the Company's business, financial condition or results of operations.

In addition, the Company relies on certain software that it licenses from third parties, including software that is integrated with internally developed software and used in the Company's products to perform key functions. The Company licenses from Microsoft the base technology for the Visigenic ODBC SDK products and licenses from RSA security technology it plans to use in several of its future products. Microsoft has the right to terminate its license with the Company any time after delivery to the Company of the SDK for ODBC 3.0, which is expected to occur in the second half of 1996. The Company's license with RSA may only be terminated for breach. The Company has entered into a joint technology agreement with JavaSoft, a subsidiary of Sun MicroSystems, that grants the Company the right to sub-license JavaSoft's JDBC test suites and ODBC bridge. There can be no assurances that such firms will remain in business, that they will continue to support their technology or that their technology will otherwise continue to be available to the Company on commercially reasonable terms. The loss of or inability to maintain any of these software licenses could result in delays or cancellations in product shipments until equivalent software can be identified and licensed or developed and integrated with the Company's products. Any such delay or cancellation could materially adversely affect the Company's business, financial condition or results of operations. See "Risk Factors--Dependence on Company and Third Party Proprietary Technology."

Employees

As of May 31, 1996, the Company employed 90 full time personnel, including 41 in product development, 6 in technical support, 32 in sales and marketing and 11 in finance and administration.

Facilities

The Company's principal executive offices and research and development facilities are located in San Mateo, California and consist of approximately 25,000 square feet under leases that will expire between July 2000 and January 2001. The Company also leases approximately 5,000 square feet of additional office space used for research and development activities in Mountain View, California pursuant to a lease that expires in March 1998. The Company has sales offices in Atlanta, Boston and the Washington D.C. area and in Paris, France. The Company anticipates that it will require additional space in the near term and that such space will be available on reasonable terms.

Management

Directors and Executive Officers

The directors and executive officers of the Company as of the date of this Prospectus are as follows:

Name Age Position

Roger J. Sippl (1)..... 41 Chairman of the Board of Directors and Chief Executive Officer Mark D. Hanson..... 35 President and Chief Operating Officer Jens Christensen, Ph.D..... 33 Vice President, Chief Technical Officer and Director Glenn C. Myers..... 51 Vice President, Finance, Chief Financial Officer, Treasurer and Secretary Therese H. Langlais..... 37 Vice President, Marketing David T. Shewmake, Ph.D..... 44 Vice President, Technical Services Richard L. Gerould..... 43 Vice President, Corporate Development and General Counsel Robert Perreault..... 39 Vice President, Research and Development Cristina M. Morgan..... 43 Director Gill Cogan (2)..... 44 Director Michael Moritz..... 41 Director E. E. van Bronkhorst (2)..... 72 Director J. Sidney Webb (1)..... 76 Director Eric Young (1)..... 40 Director (1) Member of the Compensation Committee (2) Member of the Audit Committee Roger J. Sippl is the founder of the Company and has served as a Director and the Chief Executive Officer since February 1993. Mr. Sippl is a co-founder of The Vantive Corporation, a customer interaction applications software company ("Vantive") and has served as a director of Vantive since December 1990. Prior to his relationship with Vantive, Mr. Sippl founded Informix Software, a database software company ("Informix") in 1980 and served as that company's Chairman of the Board until 1992.

Mark D. Hanson has served as President and Chief Operating Officer of the Company since January 1995. Mr. Hanson served as Vice President of Worldwide Sales from June 1994 when he joined the Company until his appointment as President and Chief Operating Officer. From July 1992 to March 1994, Mr. Hanson was Vice President of Channel Sales of Sybase and Vice President, International Sales of Gain Technology ("Gain"), software company, before the acquisition of Gain by Sybase, a database software company. From January 1991 to June 1992, Mr. Hanson served as Vice President,

World Wide Sales and Support for Macromedia, a supplier of PC multimedia software and services. Prior to that time, Mr. Hanson was employed as Vice President at Informix from 1984 to January 1991, most recently as Vice President, Americas Sales.

Jens Christensen has served as Vice President, Chief Technical Officer and a Director of the Company since May 1996. From October 1991 to May 1996, Mr. Christensen served as President and Chief Executive Officer of PostModern Computing Technologies Inc., a software company he founded in 1991. From October 1990 to September 1991, Mr. Christensen was employed as a software engineer for Teknekron, a software company.

Glenn C. Myers has served as Vice President, Finance, Chief Financial Officer, Treasurer and Secretary of the Company since February 1993. From October 1985 to October 1992, Mr. Myers served as a Vice President, Development for Donahue Schriber, a real estate development company.

Therese H. Langlais has served as Vice President, Marketing, of the Company since November 1993. Ms. Langlais served as Director of Marketing from April 1993, when she joined the Company until her appointment as Vice President, Marketing. Prior to this, Ms. Langlais was employed for nine years at Informix, where she held various positions, the most recent being Director of Strategic Projects.

David T. Shewmake has served as Vice President, Technical Services of the Company since September, 1993. In April 1983, Dr. Shewmake co-founded Interactive Development Environments, a computer-aided-software engineering tools company, where he served as Vice President until September 1993.

Richard L. Gerould has served as Vice President, Corporate Development and General Counsel of the Company since December 1993. In November 1991, Mr. Gerould founded Configurex, Inc., a software tools company, where he served as President until March 1993. From April 1993 to November 1993, Mr. Gerould worked as an independent attorney primarily for Cadence Design Systems, Inc. From 1984 to 1990, Mr. Gerould was employed at Micro Focus, a COBOL software tools company, most recently as Vice President of Corporate Services and previously as Vice President, Marketing Operations.

Robert Perreault has served as Vice President, Research and Development of the Company since September 1995. From May 1994 to September 1995, Mr. Perreault served as Vice President of Client/Server Technology at Compuware Corporation, a software company. From September 1993 to May 1994, he served as Vice President of Database and Connectivity Products at Uniface Corporation, a software company which merged with Compuware Corporation in May 1994. In 1993, Mr. Perreault co-founded and served as President of Data Accessibility Solutions, Inc., a consulting company which merged with the Company in May 1996. Mr. Perreault co-founded and served as Vice President of U.S. Operations for RIAL, Inc., a consulting company, from September 1991 to August 1993.

Cristina M. Morgan has served as a Director of the Company since March 1993. Ms. Morgan is a Managing Director of Hambrecht & Quist LLC, an investment banking firm, where she has been employed since October 1982.

Gill Cogan has served as a Director of the Company since January 1994. Since October 1991, Mr. Cogan has been a partner at Weiss, Peck & Greer Venture Partners. Mr. Cogan serves as a director for Electronics for Imaging, Inc., Harmonic Lightwaves, Inc., Integrated Packaging Assembly Corp., Microlinear Corporation, Number Nine Visual Technology, and P-Com Inc.

Michael Moritz has served as a Director of the Company since March 1993. Mr. Moritz has been a partner at Sequoia Capital, a venture capital company, since 1986. Mr. Moritz serves as a director for Yahoo!, Flextronics International and Global Village Communications.

E. E. van Bronkhorst has served as a Director of the Company since March 1993. Since 1984, Mr. van Bronkhorst has been an independent financial consultant to various technology companies. From 1962 until 1984, Mr. van Bronkhorst served as Senior Vice President, Chief Financial Officer and Treasurer at Hewlett-Packard Company. Mr. van Bronkhorst is a director of California Water Service Co., Nellcor Puritan Bennett Inc. and Mid-Peninsula Bank.

J. Sidney Webb has served as a Director of the Company since March 1993. Since May 1984, Mr. Webb has served as Director and Chairman of the Board of The Titan Corporation, a consulting company. Mr. Webb also serves as a Director of Amdahl Corporation, EIP Microwave, Inc. and Plantronics, Inc. Mr. Webb previously was Vice Chairman and a Director of TRW.

Eric Young has served as a Director of the Company since July 1995. Mr. Young is a general partner of Canaan Capital Partners, a venture capital company, where he has been employed since October 1987. Mr. Young also serves as a director for Spectrian Corporation and Integrated Packaging Assembly Corporation.

The Company's Bylaws currently authorize eight directors, which number may be changed from time-to-time by the Board of Directors. All directors hold office until the next annual meeting of stockholders or until their successors are duly elected and qualified. The Amended and Restated Bylaws which will become effective upon consummation of this offering will provide that, beginning with the first annual meeting of stockholders following this offering, the Board of Directors will be divided into three classes, with each class serving staggered three-year terms. There are no family relationships among the directors or executive officers of the Company.

In April 1996, the Board of Directors established an Audit Committee and a Compensation Committee. The Audit Committee oversees actions taken by the Company's independent auditors, recommends the engagement of auditors and reviews the Company's internal audits. The Compensation Committee approves the compensation of executives of the Company and makes recommendations to the Board of Directors with respect to standards for setting compensation levels. The Compensation Committee also administers the Company's employee stock option and stock purchase plans. See "--Stock Plans."

Executive Compensation

The following summary compensation table sets forth the compensation paid by the Company during the fiscal year ended March 31, 1996 to the Company's Chief Executive Officer and the four other most highly compensated executive officers (collectively, the "Named Executive Officers") whose salary and bonus for services rendered in all capacities to the Company exceeded $100,000 during such fiscal year.

Summary Compensation Table for Fiscal 1996

		LONG TERM COMPENSATION
	ANNUAL COMPENSATION	AWARDS
NAME AND PRINCIPAL POSITION	SALARY (1)	NO. OF SECURITIES UNDERLYING OPTIONS

Roger J. Sippl ..... $ 90,001 -- Chief Executive Officer and Chairman of the Board Mark D. Hanson..... $140,000 62,500 President and Chief Operating Officer Therese H. Langlais..... $106,667 27,500 Vice President, Marketing David T. Shewmake..... $115,000 10,000 Vice President, Technical Services Richard L. Gerould..... $115,000 15,000 Vice President, Corporate Development and General Counsel (1) Amounts shown are on a full year basis and include cash and noncash compensation earned and received by executive officers.

The following table provides information concerning grants of options to purchase the Company's Common Stock made during the fiscal year ended March 31, 1996 to each of the Named Executive Officers:

Option Grants in Fiscal 1996

					POTENTIAL REALIZABLE VALUE AT ASSUMED ANNUAL RATES OF STOCK PRICE APPRECIATION FOR OPTION TERM(4)	
NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED(1)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL 1996(2)	EXERCISE PRICE PER SHARE(3)	EXPIRATION DATE	5%	10%
Roger J. Sippl.....	--	--	--	--	--	--
Mark D. Hanson.....	25,000	3.0%	$0.40	04/18/05	$ 6,289	$ 15,937
	12,500	1.5	$0.40	07/27/05	3,144	7,969
	12,500	1.5	$0.40	10/25/05	3,144	7,969
	12,500	1.5	$0.40	03/31/06	3,144	7,969
Therese H. Langlais.....	7,500	0.9	$0.40	04/18/05	1,887	4,781
	10,000	1.2	$0.40	07/27/05	2,516	6,375
	10,000	1.2	$0.40	03/15/06	2,516	6,375
David T. Shewmake.....	2,500	0.3	$0.40	04/18/05	629	1,594
	7,500	0.9	$0.40	03/15/06	1,887	4,781

Richard L. Gerould.....	5,000	0.6	$0.40	04/18/05	1,258	3,187
	10,000	1.2	$0.40	03/15/06	2,516	6,375

(1) Options granted in fiscal 1996 are immediately exercisable and generally vest over five years, with 10% of the option shares becoming fully vested six months from the initial vesting date and 1/60th of the remainder vesting each successive month, with full vesting occurring on the fifth anniversary of the initial vesting date. The Company has a repurchase right for shares not vested. Under the terms of the Company's 1995 Stock Option Plan (the "Option Plan"), the Board or a committee of the Board retains discretion, subject to Option Plan limits, to modify the terms of outstanding options and to reprice outstanding options. The options have a term of 10 years, subject to earlier termination in certain situations related to termination of employment. See "--Stock Plans" for a description of the material payment terms of the options. (2) Based on a total of 832,500 options granted to all employees and consultants during fiscal year 1996. (3) All options were granted at an exercise price equal to the fair market value of the Company's Common Stock as determined by the Board of Directors of the Company on the date of grant. The Company's Common Stock was not publicly traded at the time of the option grants to the officers. (4) Potential realizable values are net of exercise price, but before taxes associated with exercise. Amounts represent hypothetical gains that could be achieved for the respective options if exercised at the end of the option term. The assumed 5% and 10% rates of stock price appreciation are provided in accordance with rules of the Securities and Exchange Commission and do not represent the Company's estimate or projection of the future Common Stock price. Actual gains, if any, on stock option exercises are dependent on the future performance of the Common Stock, overall market conditions and the option holders' continued employment through the vesting period. This table does not take into account any appreciation in the price of the Common Stock from the date of grant to the present. Assuming the fair market value of the Common Stock at the date of grant is the initial public offering price of $10.00, the potential realizable value of these options (a) at a 5% assumed annual rate of stock price appreciation would be $397,224, $198,612, $198,612 and $198,612 for Mr. Hanson's options, $119,167, $158,889 and $158,889 for Ms. Langlais' options, $39,722 and $119,167 for Mr. Shewmake's options, and $79,445 and $158,889 for Mr. Gerould's options and (b) at 10% assumed annual rate of stock price appreciation would be $638,436, $319,218, $319,218 and $319,218 for Mr. Hanson's options, $191,531, $255,374 and $255,374 for Ms. Langlais' options, $63,844 and $191,531 for Mr. Shewmake's options, and $127,687 and $255,374 for Mr. Gerould's options.

Aggregate Option Exercises and Fiscal 1996 Year-end Values

The following table provides the specified information concerning unexercised options held as of March 31, 1996 by each of the Named Executive Officers:

Aggregated Option Exercises and Fiscal Year-end Values

	NUMBER OF SECURITIES UNDERLYING UNEXERCISED	VALUE OF UNEXERCISED IN-THE-MONEY

NAME	OPTIONS AT 3/31/96(1) VESTED	OPTIONS AT 3/31/96(1) UNVESTED	OPTIONS AT 3/31/96(2) VESTED	OPTIONS AT 3/31/96(2) UNVESTED
Roger J. Sippl.....	--	--	--	--
Mark D. Hanson.....	7,500	55,000	--	--
Therese H. Langlais.....	4,750	22,750	--	--
David T. Shewmake.....	583	9,417	--	--
Richard L. Gerould.....	1,167	13,833	--	--

(1) These options are immediately exercisable in full at the date of grant, but shares purchased on exercise of unvested options are subject to a repurchase right in favor of the Company which lapses ratably over five years and entitles the Company to repurchase unvested shares at their original issuance price. (2) Calculated on the basis of the fair market value of the underlying securities as of March 31, 1996 of $0.40 per share, as determined by the Company's Board of Directors, minus the aggregate exercise price.

No options to purchase the Company's Common Stock were exercised during the fiscal year ended March 31, 1996 by the Named Executive Officers. No compensation intended to serve as incentive for performance to occur over a period longer than one fiscal year was paid pursuant to a long-term incentive plan during the last fiscal year to any Named Executive Officer. The Company does not have any defined benefit or actuarial plan under which benefits are determined primarily by final compensation (or average final compensation) and years of service with any of the Named Executive Officers.

Stock Plans

1995 Stock Option Plan. The 1995 Stock Option Plan of the Company (the "Option Plan") provides for the grant of stock options to employees (including officers), directors and consultants of the Company and its subsidiaries. Options may be incentive stock options within the meaning of Section 422 of the Internal Revenue Code of 1986, as amended (the "Code") or nonstatutory stock options, although incentive stock options may be granted only to employees. All options granted under the Option Plan must be granted by April 18, 2005.

The Option Plan is administered by the Board of Directors or a committee thereof. Subject to the provisions of the Option Plan, the Board or committee has the authority to select the persons to whom options are granted and determine the terms of each option, including (i) the number of shares of Common Stock covered by the option, (ii) when the option becomes exercisable, (iii) the option exercise price, which, in the case of incentive stock options, must be at least 100% of the fair market value of a share of Common Stock as of the date of grant, and, in the case of nonstatutory stock options must be at least 85% of the fair market value of a share of Common Stock as of the date of grant, and (iv) the duration of the option (which, in the case of incentive stock options, may not exceed ten years). Generally, options granted under the Option Plan are immediately exercisable but remain subject to repurchase by the Company until vested under a schedule established by the Board or committee. The Company's repurchase right will terminate upon certain changes in control of the Company unless the outstanding options are assumed or replaced by the acquiring corporation or if, following certain changes in control of the Company, the option holder is terminated without cause or resigns following

"constructive termination" as defined in the Option Plan. All incentive stock options are non-transferable other than by will or the laws of descent and distribution. With the Company's consent, nonstatutory stock options may be transferred to an optionee's immediate family, a trust for their benefit or a partnership in which only the optionee and immediate family members are partners.

Of the 2,000,000 shares of Common Stock reserved for issuance under the Option Plan as of May 31, 1996, a total of 189,301 shares had been issued upon the exercise of options, of which 105,067 remain subject to repurchase, options for the purchase of a total of 1,251,660 shares at a weighted average exercise price of $1.08 per share were outstanding and 559,039 shares were available for future option grants. On June 17, 1996, the Board of Directors increased by 500,000 the number of shares issuable under the Option Plan, subject to stockholder approval.

1996 Outside Directors Stock Option Plan. In June 1996, the Board of Directors, subject to stockholder approval, adopted the 1996 Outside Directors Stock Option Plan (the "Directors Plan") and reserved a total of 200,000 shares of Common Stock for issuance thereunder. The Directors Plan provides for the grant of nonstatutory stock options to nonemployee directors of the Company. The Directors Plan is designed to work automatically without administration; however, to the extent administration is necessary, it will be performed by the Board of Directors. The Directors Plan provides that each future nonemployee director of the Company will be granted an option to purchase 15,000 shares of Common Stock on the date on which the optionee first becomes a nonemployee director of the Company and each current nonemployee director will be granted an option to purchase 15,000 shares of Common Stock on the date following the first annual meeting of the stockholders of the Company after this offering (the "Initial Grant"). Thereafter, on each anniversary of a nonemployee director's Initial Grant, the director will be granted an additional option to purchase 5,000 shares of Common Stock (an "Annual Grant"). Subject to an optionee's continuous service with the Company, approximately 1/8th of an Initial Grant will become exercisable six months after the date of grant and 1/48th of the Initial Grant will become exercisable monthly thereafter. Each Annual Grant will become exercisable in twelve monthly installments beginning in the 37th month after the date of grant, subject to the optionee's continuous service. The exercise price per share of all options granted under the Directors Plan will equal the fair market value of a share of Common Stock on the date of grant. Options granted under the Directors Plan have a term of ten years. In the event of certain changes in control of the Company, options outstanding under the Directors Plan will become immediately exercisable and vested in full. With the Company's consent, the options may be transferred to an optionee's immediate family, a trust for their benefit or a partnership in which only the optionee and immediate family members are partners.

1996 Employee Stock Purchase Plan. In June 1996, the Board of Directors, subject to stockholder approval, adopted the 1996 Employee Stock Purchase Plan (the "Purchase Plan") and reserved a total of 450,000 shares of Common Stock for issuance thereunder, none of which have been issued as of the effective date of this offering. The Purchase Plan, which is intended to qualify under Section 423 of the Code, is administered by the Board of Directors or by a committee thereof. Employees (including officers and employee directors) of the Company or any subsidiary designated by the Board for participation in the Purchase Plan are eligible to participate in the Purchase Plan if they are

customarily employed for more than 20 hours per week and more than five months per year, and do not own 5% or more of the Company's Common Stock. The Purchase Plan will be implemented by sequential six-month offerings, the first of which will commence on the effective date of this offering. The initial offering period will terminate on January 31, 1997. Thereafter, offering periods will begin on February 1 and August 1 of each year. The Board may change the dates or duration of one or more offerings, but no offering may exceed 27 months. The Purchase Plan permits eligible employees to purchase Common Stock through payroll deductions at a price no less than 85% of the lower of the fair market value of the Company's Common Stock on the first day or the last day of each six-month offering period. Participants generally may not purchase more than 1,500 shares in a six-month offering or stock having a value (measured at the beginning of the offering) greater than $25,000 in any calendar year. In the event of certain changes in control of the Company, the Board may accelerate the purchase of shares under the Purchase Plan unless the acquiring corporation assumes or replaces the purchase rights outstanding under the Purchase Plan.

Executive Performance Incentive Plan. Under the Company's Executive Performance Incentive Plan (the "Incentive Plan"), the Compensation Committee of the Board of Directors (the "Committee") may award performance units to designated executives that will vest and become payable if one or more preestablished performance goals are attained during a specified performance period and the participant remains an employee. Performance goals may be either absolute or relative (in comparison to a standard determined by the Committee) measures of revenue, operating income, net income, earnings per share, or departmental expenses. Performance units are dollar-denominated in an amount specified by the Committee at the time of initial award and become payable at a time determined by the Committee following its certification of the attainment of the performance goals. Participants may elect to receive payment of vested performance units either in cash or in shares of the Company's Common Stock having a fair market value on the date of payment equal to the dollar value of the vested performance units. Immediately prior to certain changes in control of the Company, Incentive Plan participants will be paid the value of their performance units for the current performance period that would have vested had the performance goals been attained at the target level, prorated, however, for the portion of the performance period elapsed prior to the change in control.

Compensation of Directors

Directors of the Company do not receive cash for services provided as a director. Directors are reimbursed for all travel and related expenses incurred in connection with attending board and committee meetings. Upon adoption of the Directors Plan, directors who are not employees of the Company will receive yearly grants of options to purchase Common Stock. The Directors Plan will become effective upon consummation of this offering. See "--Stock Plans--1996 Outside Directors Stock Option Plan."

Compensation Committee Interlocks and Insider Participation in Compensation Decisions

The Compensation Committee was formed in April 1996, and is composed of Roger Sippl, J. Sidney Webb and Eric Young. No interlocking relationship exists between any member of the Company's Compensation Committee and any member of any other company's board of directors or compensation committee. During the fiscal year completed March 31, 1996, the Board of Directors of the Company, of which Roger J. Sippl, Chief Executive Officer of the Company, was and is a member, fulfilled all functions of the Compensation Committee with regard to compensation of executive officers of the Company.

Limitation of Liability and Indemnification

Pursuant to the provisions of the Delaware General Corporation Law, the Company has adopted provisions in its Certificate of Incorporation, as amended, which provide that directors of the Company shall not be personally liable for monetary damages to the Company or its stockholders for a breach of fiduciary duty as a director, except for liability as a result of (i) a breach of the director's duty of loyalty to the Company or its stockholders; (ii) acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law; (iii) an act related to the unlawful stock repurchase or payment of a dividend under Section 174 of Delaware General Corporation Law; and (iv) transactions from which the director derived an improper personal benefit. Such limitation of liability does not affect the availability of equitable remedies such as injunctive relief or rescission.

The Company's Certificate of Incorporation, as amended, also authorizes the Company to indemnify its officers, directors and other agents, by bylaws, agreements or otherwise, to the full extent permitted under Delaware law. The Company intends to enter into separate indemnification agreements with its directors and officers which may, in some cases, be broader than the specific indemnification provisions contained in the Delaware General Corporation Law. The indemnification agreements may require the Company, among other things, to indemnify such officers and directors against certain liabilities that may arise by reason of their status or service as directors or officers (other than liabilities arising from willful misconduct of a culpable nature), to advance their expenses incurred as a result of any proceeding against them as to which they could be indemnified, and to obtain directors' and officers' insurance if available on reasonable terms. The Company believes that the provisions and agreements are necessary to attract and retain qualified directors and officers.

The Company's Amended and Restated Bylaws provide that the Company shall indemnify its directors and officers and may indemnify its employees to the fullest extent permitted by law. The Company believes that indemnification under its Amended and Restated Bylaws covers at least negligence and gross negligence on the part of the indemnified party.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Company pursuant to the foregoing provisions, or otherwise, the Company has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable.

At present, there is no pending litigation or proceeding involving a director, officer, employee or agent of the Company where indemnification will be required or permitted. The Company is not aware of any threatened litigation or proceeding which may result in a claim for such indemnification.

Employment Contracts

In connection with the merger of PostModern with and into the Company in May 1996, the Company entered into Non-Compete and Non-Solicitation Agreements (the "Non-Compete Agreements") with each of Jens Christensen, Neguine Navab, Prasad Mokkapati, and certain other employees of PostModern. The Non-Compete Agreements provide that for a period of three years, these former employees of PostModern will not accept employment from a competitor of the Company or solicit employees of the Company to leave their employment with the Company.

Certain Transactions

Since February 12, 1993 (the date of the Company's inception), there has not been, nor is there currently proposed, any transaction or series of similar transactions to which the Company was or is to be a party in which the amount involved exceeds $60,000 and in which any director, executive officer or holder of more than 5% of any class of voting securities of the Company or members of such person's immediate family had or will have a direct or indirect material interest other than the transactions described below.

On March 3, 1993, the Company issued for cash 2,000,000 shares of Common Stock at a price of $0.08 per share to Roger J. Sippl, the Company's founder, Chairman of the Board and Chief Executive Officer.

On March 31, 1993, the Company sold 803,000 shares of Series A Preferred Stock at a price of $2.40 per share. The following executive officers, directors, beneficial holders of more than 5% of a class of the Company's capital stock and immediate family members of such persons purchased Series A Preferred Stock:

SHARES OF SERIES A PURCHASER(1) PREFERRED STOCK

Cristina M. Morgan (2)	10,000
J. Sidney Webb (2)	20,000
Mark D. Hanson (3)	5,000
Therese H. Langlais (3)	15,000
Glenn C. Myers (3)	27,500
Elizabeth G. Salmon (4)	197,500
Entities affiliated with Sequoia Capital (4)(5)	250,000

(1) See notes to table of beneficial ownership in "Principal and Selling Stockholders" for information relating to the beneficial ownership of such shares.

(2) Director of the Company.

(3) Executive officer of the Company.

(4) A beneficial holder of more than 5% of a class of the Company's capital stock.

(5) Includes 227,500 shares held by Sequoia Capital VI, 12,500 shares held by Sequoia Technology Partners VI and 10,000 shares held by Sequoia XXIII.

Upon the consummation of this offering, all outstanding shares of Series A Preferred Stock will convert into shares of Common Stock on a one-for-one basis.

In June 1993, the Company issued 12,500 shares of Common Stock at a price of $0.20 per share to each of Cristina M. Morgan, J. Sidney Webb, and E. E. van Bronkhorst, outside directors of the Company.

Between December 17, 1993 and January 14, 1994, the Company sold an aggregate of 871,625 shares of Series B Preferred Stock at a price of $4.00 per share. Between April 29, 1994 and August 2, 1994, the Company sold an aggregate of 625,000 shares of Series B Preferred Stock at a price of $4.00 per share. Between May 26, 1995 and August 3, 1995, the Company sold an aggregate of 1,375,000 shares of Series B Preferred Stock at a price of $4.00 per share. The following executive officers, directors, beneficial holders of more than 5% of a class of the Company's capital stock and immediate family members of such persons purchased Series B Preferred Stock:

SHARES OF SERIES B PURCHASER (1) PREFERRED STOCK

Roger J. Sippl (2)(3)(4)	261,250
J. Sidney Webb (2)	37,500
Cristina M. Morgan (2)	2,500
Mark D. Hanson (3)	2,500
Glenn C. Myers (3)	46,250
Therese H. Langlais (3)	3,750
Richard L. Gerould (3)	12,625
Elizabeth G. Salmon (4)	216,500
Entities Affiliated with Sequoia Capital (4)(5)	490,500
Entities Affiliated with Weiss, Peck & Greer Venture Partners (4)(6)	592,500
Entities Affiliated with Canaan Capital Partners (4)(7)	550,000

(1) See notes to table of beneficial ownership in "Principal and Selling Stockholders" for information relating to the beneficial ownership of such shares.

(2) Director of the Company.

(3) Executive officer of the Company.

(4) A beneficial holder of more than 5% of a class of the Company's capital stock.

(5) Includes 446,355 shares held by Sequoia Capital VI, 24,525 shares held by Sequoia Technology Partners VI, 8,820 shares held by Sequoia XXIII and 10,800 shares held by Sequoia XXIV.

(6) Includes 49,888 shares held by Weiss, Peck & Greer Venture Associates II (Overseas), Ltd., 227,638 shares held by Weiss, Peck & Greer Venture Associates II, L.P. and 314,973 shares held by WPG Enterprise Fund.

(7) Includes 446,500 shares held by Canaan Capital Offshore Limited Partnership C.V., 53,500 shares held by Canaan Capital Limited Partnership and 50,000 shares held by Quai Limited.

Upon the consummation of this offering, all outstanding shares of Series B Preferred Stock will convert into shares of Common Stock on a one-for-one basis.

On May 24, 1996, the Company sold an aggregate of 444,444 shares of Series C Preferred Stock at a price of $9.00 per share, and shortly thereafter issued convertible notes in the aggregate of $2.0 million. Cisco purchased 222,222 of these shares, and a note for $1.0 million. Upon the consummation of this offering, all outstanding shares of Series C Preferred Stock will convert into shares of Common Stock on a one-for-one basis, and the amount borrowed by the Company pursuant to the convertible notes will convert into shares of the Company's Common Stock at a conversion price equal to the lesser of (i) $13.00 per share or (ii) the offering price per share to the public in the offering.

In connection with the merger of PostModern Computing Technologies Inc. ("PostModern") with and into the Company in May 1996, the Company issued an aggregate of 3,099,821 shares of its Common Stock to the former shareholders of PostModern, including 844,486 shares to Jens Christensen, 851,235 shares to Neguine Navab, 844,486 shares to Prasad Mokkapati and 426,507 shares to Suresh Challa, and options to purchase an aggregate of 361,785 shares of its Common Stock at exercise prices ranging from $0.24 to $0.60 to the former holders of options to purchase Common Stock of PostModern, including options to purchase 67,494 shares of the Company's Common Stock issued to Neguine Navab. Also in connection with the merger, the Company paid, subject to vesting, an aggregate of $1,500,000 to certain former employees of PostModern, including $400,000 to each of Messrs. Christensen and Mokkapati and $400,000 to Ms. Navab, and $2,307,152 to certain former shareholders of PostModern, including $750,655 to each of Messrs. Christensen and Mokkapati, $183,000 to Mr. Challa, and $696,659 to Ms. Navab. Upon the closing of the merger, Hambrecht & Quist LLC, of which Cristina M. Morgan, a Director of the Company, is a Managing Director, received shares of PostModern common stock for financial advisory services rendered to PostModern in connection with the Company's acquisition of PostModern, which shares were immediately converted into 84,374 shares of the Company's Common Stock. The consideration issued by the Company in the merger was determined through negotiations between the managements of the Company and PostModern.

In connection with the merger of Data Accessibility Solutions, Inc. ("Data Accessibility") with and into the Company in May 1996, the Company issued an aggregate of 12,500 shares of its Common Stock to the former shareholders of Data Accessibility, including 6,250 shares to Robert Perreault, the Company's Vice President, Research and Development.

Mr. Sippl, the Company's founder and the Chief Executive Officer and Chairman of the Board of Directors of the Company, formed Java Development Corp.("JDC") in February 1996, in order to pursue technology research and development projects of interest to him. Mr. Sippl is the sole owner,

director and officer of JDC. In June 1996, the Company acquired certain technology and other assets being developed by JDC that the Company expects it may use in a future product or products. The Company paid Mr. Sippl $40,000 to acquire these assets. JDC's cost of development of the technology, consisting chiefly of salaries of JDC employees and fees paid to consultants, exceeded the price paid by the Company. In connection with the asset sale, five employees of JDC became employees of Visigenic. The Company may purchase technology or technology rights from JDC in the future.

The Company has entered into non-compete agreements with certain employees who joined the Company in connection with the PostModern merger. See "Management--Employment Contracts." The Company intends to enter into indemnification agreements with each of its directors and executive officers. Such agreements will require the Company to indemnify such individuals to the fullest extent permitted by Delaware law.

Principal and Selling Stockholders

The following table sets forth certain information regarding the beneficial ownership of the Company's Common Stock as of May 31, 1996, and as adjusted to reflect the sale of the shares offered hereby, assuming no exercise of the Underwriters' over-allotment option, (i) by each person who is known by the Company to own beneficially more than 5% of the Company's Common Stock, (ii) by each of the Named Executive Officers and by each of the Company's directors, (iii) by all current executive officers and directors as a group, and (iv) by each Selling Stockholder. Except pursuant to applicable community property laws or as indicated in the footnotes to this table, each stockholder identified in the table possesses sole voting and investment power with respect to all shares of Common Stock shown as beneficially owned by such stockholder.

	SHARES BENEFICIALLY OWNED BEFORE THE OFFERING(1)			SHARES BENEFICIALLY OWNED AFTER THE OFFERING(1)	
			SHARES BEING		
BENEFICIAL OWNER	NUMBER	PERCENT	OFFERED	NUMBER	PERCENT

NAMED OFFICERS AND DIRECTORS Roger J. Sippl (2)..... 2,468,750 23.7% -- 2,468,750 20.4% Mark D. Hanson (3)..... 275,000 2.6 -- 275,000 2.3 Jens Christensen (4)... 1,695,720 16.2 85,976 1,530,120 12.6 Therese H. Langlais (5)..... 96,250 * -- 96,250 * David T. Shewmake (6).. 45,000 * -- 45,000 * Richard L. Gerould (7)..... 90,125 * -- 90,125 * Michael Moritz (8)..... 740,500 7.1 -- 740,500 6.1 Cristina M. Morgan (9)..... 109,374 1.0 -- 109,374 * Gill Cogan (10)..... 592,500 5.7 -- 592,500 4.9 E. E. van Bronkhorst (11)..... 12,500 * -- 12,500 * J. Sidney Webb (11).... 70,000 * -- 70,000 * Eric Young (12)..... 550,000 5.3 -- 550,000 4.5 All executive officers and directors as a group (14 persons) (13)..... 6,882,219 65.9 165,600 6,716,619 54.6 5% STOCKHOLDERS Elizabeth G. Salmon (14)..... 2,468,750 23.7 -- 2,468,750 20.4 c/o 951 Mariner's Island Blvd. Suite 460 San Mateo, California 94404 Neguine Navab (15).... 1,695,720 16.2 79,624 1,530,120 12.6 c/o 951 Mariner's Island Blvd. Suite 460 San Mateo, California 94404 Prasad Mokkapati (16).. 844,485 8.2 75,000 769,485 6.4 c/o 951 Mariner's Island Blvd. Suite 460 San Mateo, California 94404

Funds affiliated with.. 740,500 7.1 -- 740,500 6.1 Sequoia Capital (17) 3000 Sand Hill Road Menlo Park, California 94025 Funds affiliated with.. 592,500 5.7 -- 592,500 4.9 Weiss, Peck & Greer Venture Partners (18) 555 California Street San Francisco, California 94104

	SHARES BENEFICIALLY OWNED BEFORE THE OFFERING(1)		SHARES BEING	SHARES BENEFICIALLY OWNED AFTER THE OFFERING(1)(2)	
BENEFICIAL OWNER	NUMBER	PERCENT	OFFERED	NUMBER	PERCENT

Funds affiliated with... 550,000 5.3 -- 550,000 4.5 Canaan Capital Partners (19) 2884 Sand Hill Road Menlo Park, California 94025

OTHER SELLING STOCKHOLDERS					
Justin Broughton.....	6,000	*	6,000	--	*
Suresh Challa (20).....	426,507	4.1	80,000	346,507	2.9
John D. Fleischhauer....	1,000	*	1,000	--	*
Richard J. Foley.....	15,000	*	1,500	13,500	*
Tommy Hawkins.....	67,500	*	17,500	50,000	*
Lynn Hoefflinger (21)...	15,500	*	1,000	14,500	*
Miles Kurland.....	2,000	*	500	1,500	*
Lion Investments Limited.....	100,000	*	50,000	50,000	*
Scott D. Putney.....	3,100	*	1,100	2,000	*
Clifford S. Robbins.....	1,875	*	500	1,375	*
Omar Shamseldin.....	300	*	300	--	*

* Represents less than 1%. (1) Based on 10,402,525 shares of Common Stock outstanding prior to the offering. A person is deemed to be the beneficial owner of securities that can be acquired by such person within 60 days upon the exercise of options. Calculations of percentages of beneficial ownership assume the exercise by only the respective named stockholder of all options for the purchase of Common Stock held by such stockholder which are exercisable within 60 days of May 31, 1996. (2) Includes 393,750 shares held by Elizabeth G. Salmon, Mr. Sippl's spouse, as separate property and 20,000 shares held by Nelson D. Salmon and Elizabeth G. Salmon, Trustees of the Nelson D. Salmon Trust dated October 14, 1994. Mr. Sippl disclaims beneficial ownership of all such shares. (3) Includes 113,833 shares subject to a right of repurchase in favor of the Company which lapses over time. Includes 30,000 shares issuable upon exercise of options. (4) Includes 783,740 shares held by Neguine Navab, Mr. Christensen's spouse, and 67,494 shares issuable upon exercise of options held by Ms. Navab. Mr. Christensen acquired his shares in the Company in connection with the Company's acquisition of PostModern. See footnote 15 below. See "Certain Transactions." (5) Includes 3,750 shares held by Ms. Langlais, as Co-Trustee of the Halloran 1990 Living Trust dated March 12, 1990. Includes 19,020 shares subject to a right of repurchase in favor of the Company which lapses over time, and 27,500 shares issuable upon exercise of options. (6) Includes 15,983 shares subject to a right of repurchase in favor of the Company which lapses over time. Includes 10,000 shares issuable upon exercise of options. (7) Includes 31,666 shares subject to a right of repurchase in favor of the Company which lapses over time. (8) Includes all shares held by entities affiliated with Sequoia Capital. See footnote 17 below. Mr. Moritz, as a general partner of Sequoia Capital, may be deemed to beneficially own shares, but Mr. Moritz disclaims beneficial ownership of all such shares except to the extent of his proportional interest therein. (9) Includes 4,778 shares subject to a right of repurchase in favor of the Company which lapses over time. Includes 84,374 shares issued to Hambrecht & Quist LLC ("H&Q")

for financial advisory services rendered to PostModern in connection with the Company's acquisition of PostModern. Ms. Morgan is a Managing Director of H&Q. Ms. Morgan disclaims beneficial ownership of all such shares. (10) Includes all shares held by entities affiliated with Weiss, Peck & Greer Venture Partners. See footnote 18 below. Mr. Cogan, as a general partner of Weiss, Peck & Greer Venture Partners, may be deemed to beneficially own shares, but Mr. Cogan disclaims beneficial ownership of all such shares except to the extent of his proportional interest therein.

(11) Includes 4,778 shares subject to a right of repurchase in favor of the Company which lapses over time. (12) Includes all shares held by entities affiliated with Canaan Capital Partners. See footnote 19 below. Mr. Young, as a general partner of Canaan Capital Partners, may be deemed to beneficially own shares, but Mr. Young disclaims beneficial ownership of all such shares except to the extent of his proportional interest therein. (13) See footnotes 2 through 12, footnote 15, and footnotes 17 through 19. Includes 16,250 shares held by Robert Perreault, 46,500 shares held by Glenn C. Myers, 67,500 shares held by Glenn C. Myers, Trustee U/D/T dated January 20, 1986 and 6,250 shares held by Malinda Howard, Mr. Myers' spouse. Also includes 194,836 shares subject to a right of repurchase in favor of the Company which lapses over time, and 207,494 shares issuable upon exercise of options. Of the 165,600 shares to be sold by the executive officers and directors of the Company, Mr. Christensen intends to sell 85,976 shares and Ms. Navab intends to sell 79,624 shares. (14) Includes 2,055,000 shares held by Roger J. Sippl, Ms. Salmon's spouse, and 20,000 shares held by Nelson D. Salmon and Elizabeth G. Salmon, Trustees of the Nelson D. Salmon Trust dated October 14, 1994. (15) Includes 67,494 shares issuable upon exercise of options. Also includes 844,486 shares held by Mr. Christensen, Ms. Navab's spouse. Ms. Navab is Director of Object Technologies for the Company. Ms. Navab acquired her shares and options in the Company in connection with the Company's acquisition of PostModern. See "Certain Transactions." (16) Mr. Mokkapati is Senior Architect for Distributed Objects for the Company. Mr. Mokkapati acquired his shares in connection with the Company's acquisition of PostModern. See "Certain Transactions." (17) Represents 673,855 shares held by Sequoia Capital VI, 37,025 shares held by Sequoia Technology Partners VI, 18,820 shares held by Sequoia XXIII and 10,800 shares held by Sequoia XXIV. Michael Moritz, a Director of the Company, is a general partner of Sequoia Capital. See footnote 8 above. (18) Represents 49,888 shares held by Weiss, Peck & Greer Venture Associates II (Overseas), Ltd., 227,638 shares held by Weiss, Peck & Greer Venture Associates II, L.P. and 314,973 shares held by WPG Enterprise Fund. Gill Cogan, a Director of the Company, is a general partner of Weiss, Peck & Greer Venture Partners. See footnote 10 above. (19) Represents 446,500 shares held by Canaan Capital Offshore Limited Partnership C.V., 53,500 shares held by Canaan Capital Limited Partnership and 50,000 shares held by Quai Limited. Eric Young, a Director of the Company, is a general partner of Canaan Capital Partners. See footnote 12 above. (20) Includes 25,590 shares issuable upon exercise of options. Mr. Challa is Director of Business Development for the Company. Mr. Challa acquired his shares and options in the Company in connection with the Company's acquisition of PostModern. See "Certain Transactions." (21) Includes 8,258 shares subject to a right of repurchase in favor of the Company which lapses over time. Includes 2,500 shares issuable upon exercise of options.

Description of Capital Stock

Upon consummation of this offering, the authorized capital stock of the Company will consist of 50,000,000 shares of Common Stock and 2,000,000 shares of Preferred Stock, par value $0.001 per share. Each outstanding share of Preferred Stock will be automatically converted into one share of Common Stock upon the closing of the offering being made hereby. Upon such conversion, such Preferred Stock will be canceled, retired and eliminated from the shares that the Company is authorized to issue. The following summary of certain provisions of the Common Stock and the preferred stock of the Company does not purport to be complete and is subject to, and qualified in its entirety by, the Certificate of Incorporation and By-Laws of the Company that are included as exhibits to the Registration Statement of which this Prospectus forms a part and by the provisions of applicable law.

Common Stock

As of May 31, 1996, there were approximately 10,402,525 shares of Common Stock outstanding held of record by 147 stockholders, as adjusted to reflect the conversion of the outstanding shares of Preferred Stock and convertible promissory notes upon the closing of the offering. The holders of Common Stock are entitled to one vote for each share held of record on all matters submitted to a vote of the holders of Common Stock. Subject to preferences applicable to any outstanding preferred stock, holders of Common Stock are entitled to receive ratably such dividends as may be declared by the Board of Directors out of funds legally available therefor. In the event of a liquidation, dissolution or winding up of the Company, the holders of Common Stock are entitled to share ratably in all assets remaining after payment of liabilities and the liquidation preference of any preferred stock. Holders of Common Stock have no preemptive or subscription rights, and there are no redemption or conversion rights with respect to such shares. All outstanding shares of Common Stock are fully paid and non-assessable, and the shares of Common Stock to be issued upon completion of the offering will be fully paid and non-assessable.

Preferred Stock

The Board of Directors has the authority, without action by the stockholders, to designate and issue preferred stock in one or more series and to designate the dividend rate, voting rights and other rights, preferences and restrictions of each series any or all of which may be greater than the rights of the Common Stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock upon the rights of holders of the Common Stock until the Board of Directors determines the specific rights of the holders of such preferred stock. However, the effects might include, among other things, restricting dividends on the Common Stock, diluting the voting power of the Common Stock, impairing the liquidation rights of the Common Stock and delaying or preventing a change in control of the Company without further action by the stockholders. The Company has no present plans to issue any shares of preferred stock.

Registration Rights

Following the sale of the shares of Common Stock offered hereby, the holders of approximately 6,789,050 shares: issuable upon conversion of the outstanding shares of Preferred Stock and outstanding convertible notes; held by the founder and certain early employees of the Company; and held by former PostModern shareholders, and their transferees, will have certain rights to register those shares under the Securities Act of 1933, as amended. These rights are provided under the terms of an agreement among the Company and the holders of such shares. If the Company registers any of its Common Stock either for its own account or for the account of other security holders, the holders of such shares are entitled to include their shares of Common Stock in the registration, subject to the ability of the underwriters to limit the number of shares included in the offering. All fees, costs and expenses of such registrations (other than underwriting discounts and commissions) will be borne by the Company.

Delaware Law and Certain Charter and Bylaw Provisions

The Company is subject to Section 203 of the Delaware General Corporation Law ("Section 203"), which, subject to certain exceptions, prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three (3) years following the date that such stockholder became an interested stockholder, unless: (i) prior to such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder; (ii) upon consummation of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding for purposes of determining the number of shares outstanding those shares owned (x) by persons who are directors and also officers and (y) by employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or (iii) on or subsequent to such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines business combination to include: (i) any merger or consolidation involving the corporation and the interested stockholder; (ii) any sale, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder; (iii) subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; (iv) any transaction involving the corporation that has the effect of increasing the proportionate share of the stock of any class or series of the corporation beneficially owned by the interested stockholder; or (v) the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through

the corporation. In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by such entity or person.

The Company's Amended and Restated Certificate of Incorporation, which will become effective upon consummation of this offering, will require that any action required or permitted to be taken by stockholders of the Company must be effected at a duly called annual or special meeting of the stockholders and may not be effected by a consent in writing. In addition, special meetings of the stockholders of the Company may be called only by the Board of Directors or a committee of the Board. The Amended and Restated Bylaws which will become effective upon consummation of this offering will provide that, beginning with the first annual meeting of stockholders following this offering, the Board of Directors will be divided into three classes, with each class serving staggered three-year terms. These provisions may have the effect of deferring hostile takeovers or delaying changes in control or management of the Company.

Transfer Agent and Registrar

The Transfer Agent and Registrar for the Common Stock is The First National Bank of Boston.

Shares Eligible for Future Sale

Prior to this offering, there has been no public market for the Common Stock. Future sales of substantial amounts of Common Stock in the public market could adversely affect the market price of the Common Stock.

Upon completion of this offering, the Company will have outstanding an aggregate of 12,102,525 shares of Common Stock, assuming (i) the issuance of 2,100,000 shares of Common Stock offered hereby, (ii) no exercise of the Underwriters' over-allotment option and (iii) no exercise of options to purchase Common Stock after May 31, 1996. Of these shares, the 2,100,000 shares sold in the offering will be freely tradeable without restriction or further registration under the Securities Act of 1933, as amended (the "Securities Act"), except for any shares purchased by "affiliates" of the Company as that term is defined in Rule 144 under the Securities Act (whose sales would be subject to certain limitations and restrictions described below).

The remaining 10,402,525 shares of Common Stock held by existing stockholders were issued and sold by the Company in reliance on exemptions from the registration requirements of the Securities Act. All such outstanding shares will be subject to the "lock-up" agreements described below on the date of this Prospectus. Upon expiration of lock-up agreements 180 days after the date of this Prospectus, 8,383,081 shares will become eligible for sale, subject in most cases to the limitations of Rule 144. The remaining 2,019,444 shares held by existing stockholders will become eligible for sale at various times

over a period of less than two years and could be sold earlier if the holders exercise registration rights. In addition, holders of stock options could exercise these options and sell certain of the shares issued upon exercise as described below.

As of May 31, 1996, there were a total of 1,251,660 shares of Common Stock subject to outstanding options under the Option Plan, all of which were exercisable. However, these shares are subject to lock-up agreements. All options held by officers and directors of the Company are subject to a 180 day lock-up agreement described below, and all other options are subject to a 180 day lock-up agreement with the Company.

In general, under Rule 144 as currently in effect, a person (or persons whose shares are aggregated) who has beneficially owned shares for at least two years (including the holding period of any prior owner except an affiliate) is entitled to sell in "broker's transactions" or to market makers, within any three-month period commencing 90 days after the date of this prospectus, a number of shares that does not exceed the greater of (i) one percent of the number of shares of Common Stock then outstanding (approximately 121,025 shares immediately after this offering) or (ii) generally, the average weekly trading volume in the Common Stock during the four calendar weeks preceding the required filing of a Form 144 with respect to such sale. Sales under Rule 144 are generally subject to the availability of current public information about the Company. Under Rule 144(k), a person who is deemed not to have been an affiliate of the Company at any time during the 90 days preceding a sale, and who has beneficially owned the shares proposed to be sold for a least three years, is entitled to sell such shares without having to comply with the manner of sale, public information, volume limitation or notice filing provisions of Rule 144. Under Rule 701 under the Securities Act, persons who purchase shares upon exercise of options granted prior to the effective date of this offering are entitled to sell such shares 90 days after the effective date of this offering in reliance on Rule 144, without having to comply with the holding period and notice filing requirements of Rule 144 and, in the case of non-affiliates, without having to comply with the public information, volume limitation or notice filing provisions of Rule 144.

The Company intends to file a registration statement under the Securities Act 180 days after the effective date of the offering to register shares of Common Stock reserved for issuance under the Option Plan and the Directors Plan, thus permitting the resale of such shares by non-affiliates and by affiliates, subject to Rule 144 volume limitations applicable thereto, in the public market without restriction under the Securities Act. Such registration statements will become effective immediately upon filing.

As of May 31, 1996, the holders of approximately 6,789,050 shares are entitled to certain registration rights with respect to such shares. If such registration rights are exercised, the shares can be sold without any holding period or sales volume limitation. If such holders, by exercising their registration rights, cause a large number of shares to be registered and sold in the public market, such sales could have an adverse effect on the market price for the Company's Common Stock. If the Company were

required to include in a Company initiated registration the shares held by such holders pursuant to the exercise of their registration rights, such sales might have an adverse effect on the Company's ability to raise needed capital. See "Description of Capital Stock--Registration Rights."

All existing stockholders of the Company have agreed that they will not, subject to certain limited exceptions, directly or indirectly, offer, sell or otherwise dispose of any shares of Common Stock or any securities convertible into or exchangeable or exercisable for any such shares for a period of 180 days after the effective date of the offering without the prior written consent of the Company, and in most cases, Hambrecht & Quist LLC.

Underwriting

Subject to the terms and conditions of the Underwriting Agreement, the Underwriters named below, through their representatives, Hambrecht & Quist LLC and Robertson, Stephens & Company LLC (collectively, the "Representatives"), have severally agreed to purchase from the Company and the Selling Stockholders the following respective numbers of shares of Common Stock:

Number of Name Shares

Hambrecht & Quist LLC..... Robertson, Stephens & Company LLC..... Total..... 2,100,000 The Underwriting Agreement provides that the obligations of the Underwriters are subject to certain conditions precedent, including the absence of any material adverse change in the Company's business and the receipt of certain certificates, opinions and letters from the Company and its counsel and independent auditors. The nature of the Underwriters' obligation is such that they are committed to purchase all shares of Common Stock offered hereby if any of such shares are purchased.

The Underwriters propose to offer the shares of Common Stock directly to the public at the initial public offering price set forth on the cover page of this Prospectus and to certain dealers at such price less a concession not in excess of $ per share. The Underwriters may allow and such dealers may reallow a concession not in excess of $ per share to certain other dealers. After the initial public offering of the shares, the offering price and other selling terms may be changed by the Representatives.

The Company and the Selling Stockholders have granted to the Underwriters an option, exercisable no later than 30 days after the date of this Prospectus, to purchase up to 255,000 and 60,000, respectively, additional shares of Common Stock at the initial public offering price, less the underwriting discount, set forth on the cover page of this Prospectus. To the extent that the Underwriters exercise this option, each of the Underwriters will have a firm commitment to purchase approximately the same percentage thereof which the number of shares of Common Stock to be purchased by it shown in the above table bears to the total number of shares of Common Stock offered hereby. The Company and the Selling

Stockholders will be obligated, pursuant to the option, to sell shares to the Underwriters to the extent the option is exercised. The Underwriters may exercise such option only to cover-allotments made in connection with the sale of shares of Common Stock offered hereby.

The offering of the shares is made for delivery when, as and if accepted by the Underwriters and subject to prior sale and to withdrawal, cancellation or modification of the offering without notice. The Underwriters reserve the right to reject an order for the purchase of shares in whole or in part.

The Company and the Selling Stockholders have agreed to indemnify the Underwriters against certain liabilities, including liabilities under the Securities Act, and to contribute to payments the Underwriters may be required to make in respect thereof.

The Selling Stockholders and the other stockholders of the Company, including the executive officers and directors, who will own in the aggregate 10,402,525 shares of Common Stock after this offering, have agreed that they will not, without the prior written consent of Hambrecht & Quist LLC, offer, sell or otherwise dispose of any shares of Common Stock, options or warrants to acquire shares of Common Stock or securities exercisable for or convertible into shares of Common Stock owned by them during the 180-day period following the effective date of the Registration Statement for this offering. The Company has agreed that it will not, without the prior written consent of Hambrecht & Quist LLC, offer, sell or otherwise dispose of any shares of Common Stock, options or warrants to acquire shares of Common Stock or securities exchangeable for or convertible into shares of Common Stock during the 180-day period following the effective date of the Registration Statement for this offering, except that the Company may grant additional options under its stock plans and issue securities under, or pursuant to the exercise of options granted under, its stock plans. See "Shares Eligible for Future Sale."

The Representatives currently anticipate that up to 105,000 shares of Common stock may be sold at the initial public offering price to directors (or their affiliated entities) and employees of the Company who have expressed an interest in purchasing such shares of Common Stock in the offering. The number of shares available for sale to the general public will be reduced to the extent such persons purchase such shares. Any such shares not so purchased will be offered by the Representatives to the general public on the same basis as other shares offered hereby.

The Representatives have informed the Company that the Underwriters do not intend to confirm sales of Common Stock offered hereby to any accounts over which they have discretionary authority.

Prior to this offering, there has been no public market for the Common Stock. The initial public offering price of the Common Stock was determined by negotiation among the Company, the representatives of the Selling Stockholders and the Representatives. Among the factors considered in determining the initial public offering price were prevailing market and economic conditions revenues and earnings of the Company, market valuations of other companies engaged in activities similar to the Company, estimates of the business potential and prospects of the Company, the present state of the Company's business operations, the Company's management and other factors deemed relevant.

Legal Matters

The validity of the securities offered hereby and general corporate legal matters will be passed upon for the Company by Gray Cary Ware & Freidenrich, A Professional Corporation ("GCWF"), Palo Alto, California. As of May 31, 1996, certain members and investment partnerships of GCWF beneficially owned an aggregate of 37,000 shares of the Company's Common Stock. Certain legal matters in connection with this offering will be passed upon for the Underwriters by Fenwick & West LLP. Fenwick & West LLP owns an aggregate of 18,979 shares of the Company's Common Stock.

Experts

The consolidated financial statements of Visigenic Software, Inc. and PostModern Computing Technologies Inc. included in this Prospectus and elsewhere in the Registration Statement to the extent and for the periods indicated in their reports have been audited by Arthur Andersen LLP, independent public accountants, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

Additional Information

The Company has filed with the Securities and Exchange Commission (the "Commission"), Washington, D.C. 20549, a Registration Statement on Form S-1 under the Securities Act, with respect to the Common Stock offered hereby. This Prospectus which constitutes a part of the Registration Statement does not contain all of the information set forth in the Registration Statement and the exhibits and schedules thereto. For further information with respect to the Company and such Common Stock, reference is made to the Registration Statement and the exhibits and schedules thereto. Statements contained in this Prospectus as to the contents of any contract or any other document referred to are not necessarily complete. In each instance, reference is made to the copy of such contract or document filed as an exhibit to the Registration Statement, and each such statement is qualified in all respects by such reference. Copies of the Registration Statement, including exhibits and schedule thereto, may be inspected without charge at the Commission's principal office in Washington, D.C., or obtained at prescribed rates from the Public Reference Section of the Commission at 450 Fifth Street, N.W., Washington, D.C. 20549, and at the Commission's regional offices located at 7 World Trade Center, Suite 1300, New York, New York 10048 and at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661.

Visigenic Software, Inc.

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Report of Independent Public Accountants

To Visigenic Software, Inc.:

We have audited the accompanying consolidated balance sheets of Visigenic Software, Inc. (a Delaware corporation) and subsidiary as of March 31, 1995 and 1996 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended March 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 financial statements referred to above present fairly, in all material respects, the financial position of Visigenic Software, Inc. and subsidiary as of March 31, 1995 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended March 31, 1996 in conformity with generally accepted accounting principles.

Arthur Andersen Llp

San Jose, California June 17, 1996

Visigenic Software, Inc.

Consolidated Balance Sheets

(In Thousands, Except Share and Per Share Amounts)

	MARCH 31,		MARCH 31, 1996 STOCKHOLDERS' EQUITY PRO FORMA (NOTE 5)
	1995	1996	
ASSETS CURRENT ASSETS: Cash and cash equivalents.....	$ 553	$ 2,399	Accounts receivable, net of allowance of $60 in 1996..... 472 760 Prepaid expenses and other current assets..... 175 257 Total current assets..... 1,200 3,416 PROPERTY AND EQUIPMENT, net..... 607 1,349 OTHER ASSETS, net..... 22 55 $ 1,829 $ 4,820 LIABILITIES AND STOCKHOLDERS' EQUITY CURRENT LIABILITIES: Accounts payable..... $ 201 $ 811 Accrued liabilities- Payroll and related benefits..... 86 347 Other..... 122 301 Deferred revenue..... 303 1,141 Total current liabilities..... 712 2,600 COMMITMENTS (Note 4) STOCKHOLDERS' EQUITY: Convertible preferred stock, $.001 par value, aggregate liquidating preference of $13,414 Authorized--10,000,000 shares Outstanding--Series A, 803,000 shares in 1995 and 1996; Series B, 1,496,625 shares in 1995 and 2,871,625 shares in 1996; no shares outstanding pro forma..... 3 4 $ -- Common stock, $.001 par value, Authorized--20,000,000 shares Outstanding--2,782,877 shares in 1995 and 2,835,905 shares in 1996; 6,510,530 shares outstanding pro forma..... 3 3 7 Additional paid-in capital..... 8,194 13,675 13,675 Accumulated deficit..... (7,083) (11,462) (11,462) Total stockholders' equity..... 1,117 2,220 $ 2,220 $ 1,829 $ 4,820 The accompanying notes are an integral part of these balance sheets.	

Visigenic Software, Inc.

Consolidated Statements of Operations

(In Thousands, Except Per Share Amounts)

Years Ended March 31, 1994 1995 1996

REVENUE:			
Software products	$ --	$ 892	$ 4,479
Service and other	--	223	1,096
Total revenue	--	1,115	5,575
COST OF REVENUE:			
Software products	--	36	284
Service and other	--	259	727
Total cost of revenue	--	295	1,011
GROSS PROFIT	--	820	4,564
OPERATING EXPENSES:			
Product development	1,393	3,160	4,348
Sales and marketing	503	1,511	3,215
General and administrative	600	872	1,465
Total operating expenses	2,496	5,543	9,028
Loss from operations	(2,496)	(4,723)	(4,464)
INTEREST AND OTHER INCOME, net	42	94	85
NET LOSS	$(2,454)	$(4,629)	$(4,379)
PRO FORMA NET LOSS PER SHARE			$ (.40)
PRO FORMA WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES			10,976

The accompanying notes are an integral part of these financial statements.

Visigenic Software, Inc.

Consolidated Statements of Stockholders' Equity

(Dollars in Thousands)

	CONVERTIBLE PREFERRED STOCK		COMMON STOCK		ADDITIONAL PAID-IN	ACCUMULATED	TOTAL STOCKHOLDERS'
	SHARES	AMOUNT	SHARES	AMOUNT	CAPITAL	DEFICIT	EQUITY
Issuance of common stock to founder in February 1993	--	$ --	2,000,000	$ 2	$ 158	$ --	$ 160
Issuance of common stock	--	--	427,019	--	81	--	81
Issuance of Series A convertible preferred stock	803,000	1	--	--	1,898	--	1,899
Issuance of Series B convertible preferred stock	871,625	1	--	--	3,445	--	3,446
Net loss	--	--	--	--	--	(2,454)	(2,454)
BALANCE, MARCH 31, 1994	1,674,625	2	2,427,019	2	5,582	(2,454)	3,132
Issuance of common stock	--	--					

459,575 1 183 -- 184 Repurchase of common stock..... -- -- (103,717) -- (35) -- (35) Issuance of Series B convertible preferred stock..... 625,000 1 -- -- 2,464 -- 2,465 Net loss..... -- -- -- -- -- (4,629) (4,629) BALANCE, MARCH 31, 1995..... 2,299,625 3 2,782,877 3 8,194 (7,083) 1,117 Issuance of Series B convertible preferred stock..... 1,375,000 1 -- -- 5,459 -- 5,460 Exercise of stock options..... -- -- 54,068 -- 22 -- 22 Repurchase of common stock, net of issuances..... -- -- (1,040) -- -- -- -- Net loss..... -- -- -- -- -- (4,379) (4,379) BALANCE, MARCH 31, 1996..... 3,674,625 $ 4 2,835,905 $ 3 $13,675 $(11,462) $ 2,220 The accompanying notes are an integral part of these financial statements.

Visigenic Software, Inc.

Consolidated Statements of Cash Flows

(In Thousands)

Years Ended March 31, 1994 1995 1996

CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(2,454)	$(4,629)	$(4,379)
Adjustments to reconcile net loss to net cash used in operating activities--			
Depreciation and amortization	67	158	310
Provision for allowance for doubtful accounts	--	--	60
Changes in net assets and liabilities--			
Increase in accounts receivable	--	(472)	(348)
Increase in prepaid expenses and other current assets	(35)	(139)	(82)
Increase in accounts payable	148	53	610
Increase in accrued liabilities	66	142	440
Increase in deferred revenue	--	303	838
Net cash used in operating activities	(2,208)	(4,584)	(2,551)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(457)	(373)	(1,052)
Organization costs and other assets	(20)	(5)	(33)
Net cash used in investing activities	(477)	(378)	(1,085)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from issuance of preferred stock	5,345	2,465	5,460
Net proceeds from issuance of common stock	241	149	22
Net cash provided by financing activities	5,586	2,614	5,482
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,901	(2,348)	1,846
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	--	2,901	553
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 2,901	$ 553	$ 2,399

The accompanying notes are an integral part of these financial statements.

Visigenic Software, Inc.

Notes to Consolidated Financial Statements

March 31, 1996

1. Organization and Operations of the Company:

Visigenic Software, Inc. (the "Company") was incorporated on February 12, 1993. The Company operates in a single industry segment and is involved in the design, development and marketing of database connectivity software products. Through March 31, 1995 the Company's principal efforts were focused on raising capital, developing its products and applications, establishing marketing and sales channels and recruiting key personnel. During fiscal 1996, the Company emerged from the development stage, however, the Company continues to be subject to the risks associated with companies in a comparable stage of development.

Although the Company was incorporated on February 12, 1993, its activities during the first two months involved limited cash expenditures and consisted only of recruiting of key personnel and raising capital. Accordingly, the accompanying consolidated statements of operations, stockholders' equity and cash flows for the year ended March 31, 1994 are presented for the period from inception (February 12, 1993) to March 31, 1994.

2. Summary of Significant Accounting Policies:

Principles of Consolidation and Functional Currency The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary after elimination of intercompany transactions and balances. The functional currency of the Company's foreign subsidiary is the U.S. dollar. Foreign exchange gains and losses resulting from the remeasurement of the financial statements for the subsidiary, which are not material, are included in other income in the accompanying consolidated statements of operations.

Use of Estimates in Preparation of Financial Statements The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported results of operations during the reporting period. Actual results could differ from those estimates.

Cash Equivalents and Short-Term Investments The Company considers all highly liquid investments with an original maturity of three months or less from the date of purchase to be cash equivalents. The Company's short-term investments are accounted for pursuant to the provisions of Statement of

Financial Accounting Standards (SFAS) No. 115, "Accounting for Certain Investments in Debt and Equity Securities." As of March 31, 1995 and 1996, the Company's cash and cash equivalents were deposited in checking and money market accounts, U.S. Government Treasury Bills and certificates of deposits.

Software Development Costs In accordance with SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased, or Otherwise Marketed," the Company capitalizes eligible computer software development costs upon the establishment of technological feasibility, which it has defined as completion of a working model. For the years ended March 31, 1994, 1995 and 1996, the amount of costs eligible for capitalization, after consideration of factors such as realizable value, were not material and, accordingly, all software development costs have been charged to product development expense in the accompanying consolidated statements of operations.

Visigenic Software, Inc.

Notes to Consolidated Financial Statements--(continued)

Property and Equipment Property and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets (or over the lease term if it is shorter for leasehold improvements), which range from three to five years. Property and equipment consists of the following (in thousands):

March 31, 1995 1996

Computer equipment	$ 453	$ 1,126
Furniture and fixtures	125	320
Purchased software	239	401
Leasehold improvements	12	34
	829	1,881
Less--Accumulated depreciation and amortization	(222)	(532)
Property and equipment, net	$ 607	$ 1,349

Revenue Recognition and Deferred Revenue The Company's revenue is derived from fixed license fees from licensing its products, royalties from VARs, ISVs and distributors, and fees for services related to its products, including software maintenance, development contracts and consulting and training. Certain of the Company's license arrangements with VARs and ISVs provide for sublicense fees payable to the Company based on a percent of the VARs or ISVs net revenue. Other license arrangements provide for fixed license fees for the right to make and distribute an unlimited number of copies of the Company's product for a specified period of time. Ongoing sublicense fee revenue, other than from guaranteed sublicense fees, is recognized when it is reported by the VAR, ISV or distributor. Service revenue is primarily attributable to lower margin maintenance and other revenue, including training revenue and engineering development fees.

The Company generally recognizes revenue from fixed license and guaranteed sublicense fees upon delivery of software products if there are no significant post-delivery obligations, if collection is probable and if the license agreement requires payment within 90 days. If significant post-delivery obligations exist or if a product is subject to customer acceptance, revenue is deferred until no significant obligations remain or acceptance has occurred.

Maintenance revenue from ongoing customer support and product upgrades is recognized ratably over the term of the applicable maintenance period, which is typically 12 months. If maintenance is included in a license agreement, such amounts are unbundled from the license fee at its fair market value. Consulting and training revenue is generally recognized as services are performed over the term of the agreement. Revenue from engineering development work is generally recognized on a percentage of completion basis. If a transaction includes both license and service elements, license fee revenue is recognized upon shipment of the software, provided services do not include significant customization or modification of the base product and payment terms are not subject to acceptance criteria. In cases where license fee payments are contingent upon the acceptance of services, revenues from both the license and service elements are deferred until the acceptance criteria are met.

Deferred revenue consists primarily of the unrecognized portion of revenue under maintenance and support contracts (which revenue is deferred and recognized ratably over the term of such contract) and advance payment of software development fees and license fees.

Significant Customers A relatively small number of customers have accounted for a significant percentage of the Company's total revenue. The following three customers accounted for more than 10% of total revenue:

YEAR ENDED MARCH 31, 1995 1996

Customer A	55%	-- %
Customer B	20%	-- %
Customer C	-- %	25%

Export Sales

The Company markets its products in North America and in foreign countries (primarily Europe and Japan) through its sales personnel, VARs, ISVs and distributors. For fiscal 1996, export sales, which consist of domestic sales to customers in foreign countries, were 10% of total revenue. For fiscal 1995, export sales were less than 10% of total revenue.

Concentration of Credit Risk Financial instruments which potentially subject the Company to a concentration of credit risk consist principally of accounts receivable. As of March 31, 1996, approximately 75% of accounts receivable were concentrated with ten customers. The Company

generally does not require collateral on accounts receivable as the majority of the Company's customers are large, well established companies. The Company provides reserves for credit losses, which to date have been insignificant.

New Accounting Standard In October 1995, the Financial Accounting Standards Board issued SFAS No. 123, "Accounting for Stock-Based Compensation," which will be effective for the Company's 1997 fiscal year. SFAS No. 123 allows companies which have stock-based compensation arrangements with employees to adopt a new fair-value basis of accounting for stock options and other equity instruments or to continue to apply the existing accounting rules under Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," but with additional financial statement disclosure. The Company expects to continue to account for stock-based compensation arrangements under APB Opinion No. 25 and, therefore, does not expect SFAS No. 123 to have a material impact on its financial position, results of operations and cash flows.

Pro Forma Net Loss per Share Pro forma net loss per share is computed using the pro forma weighted average number of common and common equivalent shares outstanding during the period. Common equivalent shares consist of convertible preferred stock (using the if converted method) and stock options (using the treasury stock method). Common stock options are excluded from the computation if their effect is antidilutive. Convertible preferred stock outstanding during the period is included (using the if converted method) in the computation of common equivalent shares even though the effect is antidilutive. Also, pursuant to the Securities and Exchange Commission Staff Accounting Bulletins and staff policy, such computations include all common and common equivalent shares issued within the 12 months preceding the filing date of this registration statement as if they were outstanding for all periods presented. Historical net loss per share amounts have not been presented since such amounts are not deemed meaningful due to the significant change in the Company's capital structure that will occur in connection with the proposed offering.

Visigenic Software, Inc.

Notes to Consolidated Financial Statements--(continued)

3. Line of Credit:

The Company has a $1.0 million revolving line of credit agreement (the "Agreement") with a bank, which expires on August 15, 1996. Advances under the Agreement bear interest at the bank's prime lending rate plus 1.25% (9.5% at March 31, 1996), are limited to 80% of eligible accounts receivable and are secured by substantially all of the assets and contractual rights of the Company. The Agreement also contains certain financial restrictions and covenants. As of March 31, 1996, the

Company was in compliance with the financial restrictions and covenants, and there were no borrowings outstanding. Subsequent to March 31, 1996, the Company borrowed approximately $525,000 under the Agreement.

4. Commitments:

The Company leases its facilities under operating lease agreements expiring through January 2001. Rent expense for all operating leases totaled approximately $131,000, $192,000 and $304,000 for the years ended March 31, 1994, 1995 and 1996, respectively. Minimum future lease payments under all noncancellable operating leases as of March 31, 1996 were as follows (in thousands):

Year Ending March 31,

1997	$ 434
1998	559
1999	571
2000	582
2001	277
	$2,423

5. Convertible Preferred Stock:

Subsequent to March 31, 1996, the Company's Board of Directors approved a one-for-two reverse split of its common and preferred stock. All common and preferred share and per share amounts in the accompanying consolidated financial statements have been adjusted retroactively to give effect to this reverse stock split.

In conjunction with the proposed initial public offering of the Company's common stock, all outstanding shares of Series A and B convertible preferred stock will automatically convert into common stock upon closing of the offering. The pro forma effects of this conversion, which do not reflect the securities issued subsequent to year end (see Note 9), have been reflected in the accompanying consolidated balance sheet as of March 31, 1996.

The Company's certificate of incorporation, as amended in May 1996, authorizes the issuance of up to 10,000,000 shares of convertible preferred stock of which the Company has designated 1,606,000 shares as Series A preferred stock, 6,000,000 shares as Series B preferred stock and 1,000,000 shares as Series C preferred stock. No shares of Series C preferred stock were issued as of March 31, 1996 (see Note 9). The rights and preferences of the Series A, B and C preferred stock are as follows:

Dividends

The holders of Series A, B and C preferred stock are entitled to receive dividends when and as declared by the Board of Directors. No cash dividends can be paid on common stock or preferred stock unless, at the same time, a dividend is paid with respect to all outstanding shares of preferred stock in an amount

for each such share equal to the aggregate amount of such dividends payable on that number of shares of common stock into which each such share of preferred stock could then be converted.

Visigenic Software, Inc.

Notes to Consolidated Financial Statements--(continued)

Liquidation Preference In the event of any liquidation, dissolution or winding up of the Company, holders of Series A, B and C preferred stock are entitled to receive, in preference to holders of common stock, the amount of $2.40, $4.00 and $9.00 per share, respectively. Such amounts will be adjusted for any stock split, combination, distribution or dividend. After payment of the above amounts, holders of common stock are entitled to receive the amount of $2.40 per share, adjusted for any stock split, combination, distribution or dividend. After payment of the above amounts, holders of Series A preferred stock and common stock are entitled to receive the amount of $1.60 per share for each share of such stock, adjusted for any stock split, combination, distribution or dividend. Any remaining assets would then be distributed ratably among stockholders in proportion to their aggregate preferential amounts.

Voting Rights

The holders of preferred stock are entitled to the number of votes equal to the number of shares of common stock into which such preferred stock is convertible.

Conversion

Each share of preferred stock is convertible into one share of common stock, at the option of the holder thereof, at any time after the date of issuance. The conversion rate is subject to adjustment for dilution, including, but not limited to, stock splits, stock dividends and stock combinations. In addition, each share of Series A, B and C preferred stock will automatically convert into common stock at the then conversion rate upon the written consent of holders of a majority of all outstanding series A, B and C preferred stock or upon the closing of an underwritten public offering of the Company's common stock at an aggregate offering price of not less than $10,000,000 and at an offering price per share of at least $4.00 per share, of at least $6.67 per share and of at least $12.00 per share, for Series A, B and C preferred stock, respectively. Holders of Series C preferred stock have agreed to reduce the automatic conversion price of the Series C preferred stock if necessary to cause such stock to convert automatically into shares of common stock upon the completion of the Company's initial public offering.

6. Common Stock:

Subsequent to March 31, 1996, the Company's Board of Directors approved a one-for-two reverse split of its common and preferred stock. All common and preferred share and per share amounts in the accompanying consolidated financial statements have been adjusted retroactively to give effect to this reverse stock split.

Prior to July 1993, the Company issued 232,575 shares of common stock to certain employees and directors of the Company that are subject to certain repurchase rights. These rights of repurchase lapse over a five-year period. As of March 31, 1996, 64,228 shares of common stock are subject to repurchase by the Company at prices ranging from $0.08 to $0.20 per share.

Stock Purchase Plans

In April 1993 and August 1994, the Company adopted Stock Purchase Plans (the "Plans") and authorized the issuance of 952,500 shares thereunder to employees and consultants. Stock purchased under these Plans generally vests ratably over a five-year period. Unvested shares may be repurchased by the Company at the original issuance price in the event of termination.

As of March 31, 1996, 526,287 shares were issued and outstanding under these Plans at prices ranging from $.20 to $.40 per share, which was the fair market value of the stock, as determined by the Board of Directors, on the date of grant, of which 289,522 were subject to repurchase. As of March 31, 1996, no further shares were available for issuance under the Plans.

Stock Option Plan

In fiscal 1996, the Company established the 1995 Stock Option Plan (the "1995 Plan") and reserved 2,000,000 shares of common stock for issuance. Under the 1995 Plan, the Board of Directors may grant incentive and nonqualified stock options to employees, consultants and directors of the Company. The exercise price per share for an incentive stock option cannot be less than the fair market value, as determined by the Board of Directors, on the date of grant. The exercise price per share for nonqualified stock options cannot be less than 85% of the fair market value, as determined by the Board of Directors, on the date of grant. Options generally expire ten years after the date of grant and vest over a period of five years. Option activity under the 1995 Plan was as follows:

	OPTIONS AVAILABLE	OPTIONS OUTSTANDING SHARES	OPTIONS OUTSTANDING PRICE
Authorized	2,000,000	--	--
Granted	(820,250)	820,250	$.40
Exercised	--	(54,068)	$.40

Canceled	12,932	(12,932)	$.40
Balance at March 31, 1996	1,192,682	753,250	$.40

At March 31, 1996, options outstanding for the purchase of 75,358 shares were vested under the 1995 Plan at an exercise price of $0.40 per share. Subsequent to March 31, 1996, the Company increased the number of shares of common stock available for issuance under the 1995 Plan to 2,500,000 shares.

Common Stock Reserved for Future Issuance As of March 31, 1996, the Company has reserved the following shares of common stock for future issuance:

Conversion of Series A preferred stock..... 803,000 Conversion of Series B preferred stock..... 2,871,625 Stock Option Plan..... 1,945,932 5,620,557

7. Employee Benefit Plan:

In June 1995, the Company adopted the Visigenic Software, Inc. 401(k) Plan (the "401(k) Plan"), as allowed under Section 401(k) of the Internal Revenue Code, which provides for tax deferred salary deductions for eligible employees of the Company. Employees who are 21 years of age or older are eligible to participate immediately upon the date of hire and may make voluntary contributions of their compensation to the 401(k) Plan. The 401(k) Plan does not provide for Company contributions and the Company is the administrator.

8. Income Taxes:

The Company accounts for income taxes pursuant to SFAS No. 109, "Accounting for Income Taxes." SFAS No. 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns based upon enacted tax laws and rates applicable to the periods in which taxes become payable. A valuation allowance has been recorded for the entire deferred tax asset as a result of uncertainties regarding realization of the asset including the limited operating history of the Company, the lack of profitability to date and the uncertainty over future operating profitability. Components of the net deferred tax asset are as follows (in thousands):

March 31, 1995 1996

Net operating loss carryforwards	$1,894	$3,398
Cumulative book to tax differences	750	994
General business credit carryforwards	311	372
	2,955	4,764

```
Valuation allowance..................................... (2,955) (4,764)
    Net deferred tax asset.............................. $  --   $  --
```

As of March 31, 1996, the Company had Federal and state net operating loss carryforwards of approximately $9.8 million and $2.0 million, respectively, which expire at various dates through 2011. In addition, as of March 31, 1996, the Company had general business credit carryforwards of approximately $372,000 which expire at various dates through 2011.

Under current tax law, net operating loss and credit carryforwards available in any given year may be limited upon the occurrence of certain events, including significant changes in ownership interests.

9. Subsequent Events:

Acquisition of PostModern Computing Technologies Inc.

In May 1996, the Company completed the acquisition of PostModern, a supplier of software for the development of distributed applications in an object- oriented environment. In the acquisition, which was structured as a merger, the Company issued 3,099,821 shares of its Common Stock, valued at $3.00 per share based on an independent appraisal of the Company's stock, and paid a total of $2.3 million in exchange for all of PostModern's outstanding shares. The Company expects to incur acquisition-related costs of approximately $525,000, resulting in a total purchase price of approximately $13.1 million. In addition, the Company made cash payments, subject to one-year vesting and totaling $1.5 million, to certain PostModern employees. The acquisition of PostModern will be accounted for as a purchase in the quarter ending June 30, 1996.

In connection with the purchase price allocation, the Company received an appraisal of the intangible assets which indicates that approximately $12.0 million of the acquired intangible assets consist of in process product development. Because there can be no assurance that the Company will be able to successfully complete the development and integration of the PostModern products or that the acquired technology has any alternative future use, the acquired in process product development will be charged to expense by Visigenic in its quarter ending June 30, 1996.

As a result of the purchase price allocation, the excess of the purchase price over net assets acquired is $1.1 million, which is being amortized on a straight-line basis over a period of two years. Management believes that the unamortized balance is recoverable through future operating results.

In connection with the acquisition, the Company also assumed PostModern's outstanding stock options and reserved 361,785 shares of the Company's common stock for issuance upon exercise of such option at an exercise price of $0.24 to $0.60 per share under similar vesting terms.

Issuance of Series C Convertible Preferred Stock and Convertible Notes On May 24, 1996, the Company sold 444,444 shares of its Series C Preferred Stock at a price of $9.00 per share to three investors, for aggregate proceeds of $4.0 million. Subject to certain conditions, the Company has the right to require these investors to purchase up to an additional $4.0 million in convertible notes at any time prior to October 31, 1996. Between May 28 and June 7, 1996, the Company issued convertible notes, bearing interest at the rate of 8.25% per annum, for $2.0 million of the available $4.0 million. Upon the closing of the Company's initial public offering, the principal amount of each Note and all accrued interest will automatically convert into shares of the Company's common stock at the lesser of $13.00 per share or the offering price per share to the public, and the Series C preferred stock will automatically convert into shares of the Company's common stock. The Company used a portion of the proceeds from the sale of the Series C preferred stock and the convertible notes to pay amounts payable in connection with the closing of the acquisition of PostModern.

1996 Employee Stock Purchase Plan The Company's 1996 Employee Stock Purchase Plan (the "Purchase Plan") was adopted by the Company's Board of Directors in June 1996, subject to approval by the stockholders. A total of 450,000 shares of common stock has been reserved for issuance under the Purchase Plan. The Purchase Plan permits eligible employees to purchase common stock at 85% of the lower of the fair market value of the Company's common stock on the first day or the last day of each six-month offering period.

1996 Outside Directors Stock Option Plan The Company's 1996 Outside Directors Stock Option Plan (the "Directors Plan") was adopted by the Company's Board of Directors in June 1996, subject to approval by the stockholders. A total of 200,000 shares of common stock has been reserved for issuance under the Directors Plan. The Directors Plan provides for the initial grant of nonstatutory stock options to purchase 15,000 shares of common stock on the first annual meeting following the initial public offering of the Company's common stock or the date on which the optionee first becomes a nonemployee director of the Company and an additional option to purchase 5,000 shares of common stock on the next anniversary to existing and future nonemployee directors of the Company. The exercise price per share of all options granted under the Directors Plan will equal the fair market value of a share of the Company's common stock on the date of grant of the option.

Report of Independent Public Accountants

To PostModern Computing Technologies Inc.:

We have audited the accompanying balance sheets of PostModern Computing Technologies Inc. (a California corporation) as of March 31, 1995 and 1996 and the related statements of operations, shareholders' equity and cash flows for each of the three years in the period ended March 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 financial statements referred to above present fairly, in all material respects, the financial position of PostModern Computing Technologies Inc. as of March 31, 1995 and 1996, and the results of its operations and its cash flows for each of the three years in the period ended March 31, 1996 in conformity with generally accepted accounting principles.

Arthur Andersen Llp

San Jose, California May 31, 1996

Postmodern Computing Technologies Inc.

Balance Sheets

March 31, 1995 1996

ASSETS		
CURRENT ASSETS:		
Cash	$ 38,342	$ 56,860
Accounts receivable	138,383	303,604
Prepaid expenses	6,200	33,714
Total current assets	182,925	394,178
PROPERTY AND EQUIPMENT:		
Computer equipment	53,719	85,596
Furniture and fixtures	5,295	27,626
	59,014	113,222
Less--Accumulated depreciation	(29,479)	(47,680)
Net property and equipment	29,535	65,542
OTHER ASSETS	6,457	14,051
	$218,917	$473,771
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Note payable to shareholders	$ 22,500	$ --
Accounts payable	13,035	109,488
Accrued payroll and related benefits	95,541	55,312
Deferred revenue	19,321	189,252
Total current liabilities	150,397	354,052
COMMITMENTS (Note 3)		
SHAREHOLDERS' EQUITY:		
Convertible preferred stock, no par value	--	--
Authorized--5,000,000 shares		
Outstanding--none		

Common stock, no par value		
Authorized--20,000,000 shares		
Outstanding--6,600,000 and 6,920,000 shares in 1995 and 1996, respectively	18,775	50,775
Note receivable from shareholder	--	(32,000)
Retained earnings	49,745	100,944
Total shareholders' equity	68,520	119,719
	$218,917	$473,771

The accompanying notes are an integral part of these balance sheets.

Postmodern Computing Technologies Inc.

Statements of Operations

Year Ended March 31, 1994 1995 1996

REVENUE:			
Software products	$324,874	$ 253,056	$ 304,161
Consulting, maintenance and other	319,349	250,758	697,702
Total revenue	644,223	503,814	1,001,863
COST OF REVENUE:			
Software products	9,459	31,746	43,340
Consulting, maintenance and other	74,613	140,622	219,228
Total cost of revenue	84,072	172,368	262,568
GROSS PROFIT	560,151	331,446	739,295
OPERATING EXPENSES:			
Research and development	116,840	150,428	223,297
Sales and marketing	87,681	183,264	240,383
General and administrative	83,104	176,672	211,766
Total operating expenses	287,625	510,364	675,446
Income (loss) before provision for income taxes	272,526	(178,918)	63,849
PROVISION FOR INCOME TAXES	--	--	5,000
NET INCOME (LOSS)	$272,526	$(178,918)	$ 58,849

The accompanying notes are an integral part of these financial statements.

Postmodern Computing Technologies Inc.

Statements of Shareholders' Equity

	COMMON STOCK		NOTES	RETAINED	
	SHARES	AMOUNT	RECEIVABLE	EARNINGS	TOTAL
BALANCE, MARCH 31, 1993	10,000,000	$35,775	$ --	$ (3,863)	$ 31,912
Declaration and payment of dividend	--	--	--	(40,000)	(40,000)
Net income	--	--	--	272,526	272,526
BALANCE, MARCH 31, 1994	10,000,000	35,775	--	228,663	264,438
Issuance of common stock	500,000	25,000	--	--	25,000

Repurchase of common stock	(3,900,000)	(42,000)	--	--	(42,000)
Net loss	--	--	--	(178,918)	(178,918)
BALANCE, MARCH 31, 1995	6,600,000	18,775	--	49,745	68,520
Declaration and payment of dividend	--	--	--	(7,650)	(7,650)
Issuance of common stock	320,000	32,000	(32,000)	--	--
Net income	--	--	--	58,849	58,849
BALANCE, MARCH 31, 1996	6,920,000	$50,775	$(32,000)	$100,944	$119,719

The accompanying notes are an integral part of these financial statements.

Postmodern Computing Technologies Inc.

Statements of Cash Flows

Year Ended March 31, 1994 1995 1996

CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	$272,526	$(178,918)	$ 58,849
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities--			
Depreciation and amortization	7,680	11,572	18,201
Changes in net assets and liabilities--			
Decrease (increase) in accounts receivable	(139,206)	37,532	(165,221)
Increase in prepaid expenses	--	(6,200)	(27,514)
Increase (decrease) in accounts payable	7,053	(2,715)	96,453
Increase (decrease) in accrued liabilities	(6,000)	87,041	(40,229)
Increase in deferred revenue	8,344	10,977	169,931
Net cash provided by (used in) operating activities	150,397	(40,711)	110,470
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(13,850)	(20,995)	(54,208)
Other assets	(2,567)	(2,703)	(7,594)
Net cash used in investing activities	(16,417)	(23,698)	(61,802)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from issuance of common stock	--	25,000	--
Repurchase of common stock	--	(42,000)	--
Payment of cash dividends to shareholders	(40,000)	--	(7,650)
Borrowings from (repayments to) shareholders	--	22,500	(22,500)
Net cash provided by (used in) financing activities	(40,000)	5,500	(30,150)
NET INCREASE (DECREASE) IN CASH	93,980	(58,909)	18,518
CASH, BEGINNING OF PERIOD	3,271	97,251	38,342
CASH, END OF PERIOD	$ 97,251	$ 38,342	$ 56,860

The accompanying notes are an integral part of these financial statements.

Postmodern Computing Technologies Inc.

Notes to Financial Statements

March 31, 1996

1. the Company:

PostModern Computing Technologies Inc. (the "Company") was incorporated in October 1991 in California. The Company, which is closely held, operates in a single industry segment and is involved in the design, marketing and support of a family of software products enabling the development and deployment of distributed applications in an object-oriented environment.

In May 1996, the Company was acquired by Visigenic Software, Inc. ("Visigenic"), a Delaware corporation, according to the terms of an agreement which provides that the Company be merged with and into Visigenic (the "Acquisition"). In connection with the Acquisition, Visigenic issued 3,099,821 shares of its common stock and paid cash consideration of approximately $2.3 million in exchange for all of the outstanding shares of common stock of the Company and assumed all issued and outstanding options to purchase common stock of the Company. In addition, at the closing of the Acquisition, Visigenic made cash payments to certain employees of the Company totaling $1.5 million, subject to one-year vesting. The Acquisition was structured as a tax- free exchange according to Section 368(a)(II)(E) of the Internal Revenue Code.

2. Summary of Significant Accounting Policies:

Revenue Recognition

The Company generates revenue from licensing the rights to use its software products, sales of post-contract support, development contracts, consulting services and training services performed for customers who license its products.

Revenue from software license agreements is recognized upon shipment of the software if there are no significant post-delivery obligations and collection is probable. If an acceptance period is required, revenue is recognized upon the earlier of customer acceptance or the expiration of the acceptance period. Revenue from post-contract support services is recognized ratably over the term of the support period. Consulting revenue is primarily related to development and customization services performed on a time and material basis under separate service and consulting arrangements. Revenue from development contracts and training services is recognized as the services are performed over the term of the agreement. In cases where license fee payments are contingent upon the acceptance of services, revenue from both the license and the service elements is deferred until the acceptance criteria are met.

Significant Customers For fiscal 1994, 1995 and 1996, the combined revenue from five customers accounted collectively for 96%, 88% and 83% of total revenue, respectively. The following customers accounted for more than 10% of total revenue:

YEAR ENDED MARCH 31, 1994 1995 1996

Customer A	74%	-- %	-- %
Customer B	-- %	44%	29%
Customer C	-- %	18%	-- %
Customer D	-- %	11%	10%
Customer E	-- %	-- %	25%
Customer F	-- %	-- %	12%

Export Revenue

Export revenue for fiscal 1996, which consisted of sales to a customer in Japan, was 12% of total revenue. Export revenue was less than 10% of total revenue for fiscal 1994 and 1995.

Concentration of Credit Risk Financial instruments which potentially subject the Company to a concentration of credit risk consist principally of accounts receivable. As of March 31, 1996, approximately 72% of accounts receivable were concentrated with five customers. The Company believes that its credit and collection procedures are adequate to monitor and evaluate risk among its customer base. For fiscal 1994, 1995 and 1996 credit losses have been insignificant.

Software Development Costs The Company capitalizes eligible software development costs upon the establishment of technological feasibility, which the Company has defined as completion of a working model. For fiscal 1994, 1995 and 1996, costs which were eligible for capitalization, after consideration of factors such as realizable value, were insignificant and, thus, the Company has charged all software development costs to research and development expense in the accompanying statements of operations.

Property and Equipment Property and equipment are stated at cost. Depreciation is computed using the double declining balance method over the estimated useful lives of the assets of five to seven years.

Use of Estimates in Preparation of Financial Statements The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported results of operations during the reporting period. Actual results could differ from those estimates.

3. Commitments:

The Company leases its office space under a non-cancelable operating lease which expires on March 31, 1998. Rent expense for all operating leases was approximately $23,000, $38,000 and $38,000 for fiscal 1994, 1995 and 1996, respectively. Future minimum lease payments under all non-cancelable operating leases are as follows:

Year Ending March 31,

1997..... $126,000 1998..... 129,000 $255,000

4. Line of Credit:

In December 1995, the Company entered into a line of credit agreement (the "Agreement") with a bank which allows for borrowings of up to $125,000 and expires in December 1996. Advances under the Agreement, which are secured by substantially all of the Company's assets and contractual rights of the Company, bear interest at the bank's prime lending rate plus 1.0% (9.25% at March 31, 1996). As of March 31, 1996, there were no borrowings outstanding under the Agreement.

Postmodern Computing Technologies Inc.

Notes to Financial Statements--(continued)

5. Stock Option Plan:

In November 1995, the Company established the 1995 Stock Option Plan (the "Plan") and reserved 1,980,000 shares of common stock for issuance thereunder. Under the Plan, the Board of Directors may grant incentive stock options to employees and directors at the fair market value of the shares, as determined by the Board of Directors, on the date of grant. The exercise price per share for nonqualified stock options cannot be less than 85% of fair market value of the shares, as determined by the Board of Directors, on the date of grant. Options generally expire ten years after the date of grant and vest over a period of four years. Activity under the Plan is summarized as follows:

OPTIONS AVAILABLE OPTIONS PRICE FOR ISSUANCE OUTSTANDING PER SHARE

Authorized for issuance.....	1,980,000	--	--
Granted.....	(1,644,500)	1,644,500	$0.10--$0.25
Balance, March 31, 1996.....	335,500	1,644,500	$0.10--$0.25

As of March 31, 1996, options to purchase 826,250 shares of common stock at prices ranging from $0.10 to $0.25 were fully vested and exercisable. In connection with the Acquisition, Visigenic assumed all outstanding options of the Company.

6. Income Taxes:

Through December 31, 1995, the Company was an S corporation. Effective January 1, 1996, the Company changed to C corporation status. Federal and state income tax regulations require that the income or loss of an S corporation be included in the tax returns of the individual shareholders. Accordingly, no provision for taxes is made in the accompanying financial statements for fiscal 1994, 1995 and for the period from April 1, 1995 to December 31, 1995.

The Company accounts for income taxes pursuant to SFAS No. 109, "Accounting for Income Taxes." SFAS No. 109 provides for an asset and liability approach to accounting for income taxes under which deferred income taxes are provided based upon enacted tax laws and rates applicable to the periods in which taxes become payable. The provision for income taxes for the year ended March 31, 1996 was as follows:

Current provision: Federal..... $5,000 State..... 1,000 6,000 Deferred benefit: Federal..... (1,000) State..... -- (1,000) Total provision for income taxes..... $5,000 As of March 31, 1996, the components of the net deferred income tax asset of approximately $1,000 consisted of differences in book versus tax depreciation and nondeductible reserves and accruals.

Visgenic Software, Inc. and Postmodern Computing Technologies Inc.

PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS (UNAUDITED) In May 1996, Visigenic Software, Inc. (the "Company" or "Visigenic") completed the acquisition of PostModern Computing Technologies Inc., a California corporation ("PostModern"). PostModern is a supplier of software for the development of distributed applications in an object-oriented environment. The acquisition of PostModern has been accounted for as a purchase.

In addition, in May and June 1996, the Company entered into a private placement with three companies, whereby the Company issued 444,444 shares of Series C preferred stock at $9.00 per share for aggregate proceeds of $4.0 million and issued an additional $2.0 million in convertible notes to the same companies. A significant portion of the proceeds from this financing was used to finance the acquisition of PostModern. Accordingly, the proceeds from this financing have been included as part of the pro forma adjustments in the accompanying pro forma condensed combined balance sheet.

The accompanying pro forma condensed combined balance sheet as of March 31, 1996 and the pro forma condensed combined statement of operations for the year ended March 31, 1996 are based upon the audited financial statements of the Company and PostModern as of March 31, 1996. Accordingly, the accompanying pro forma condensed combined balance sheet assumes that the acquisition of PostModern took place on March 31, 1996 and combines the companies' respective balance sheets as of March 31, 1996. The accompanying pro forma condensed combined statement of operations for the fiscal year ended March 31, 1996 assumes that the acquisition took place as of the beginning of fiscal 1996, and combines Visigenic's and PostModern's statements of operations for the fiscal year ended March 31, 1996. The pro forma condensed combined statement of operations for the fiscal year ended March 31, 1996 does not include the effect of any nonrecurring charges directly attributable to the acquisition.

The purchase price allocation reflected in the accompanying pro forma condensed combined financial statements has been prepared on an estimated basis. The effects resulting from any differences in the final allocation of the purchase price are not expected to have a material effect on the Company's financial statements.

The accompanying pro forma condensed combined financial statements should be read in conjunction with the historical financial statements and related notes thereto for both Visigenic and PostModern, which are included in this prospectus.

Visigenic Software, Inc. and Postmodern Computing Technologies Inc.

Pro Forma Condensed Combined Balance Sheet (In Thousands)

Assets

	MARCH 31, 1996		PRO FORMA ADJUSTMENTS		
	HISTORICAL VISIGENIC	HISTORICAL POSTMODERN	DEBIT	CREDIT	PRO FORMA COMBINED
CURRENT ASSETS:					
Cash and cash equivalents	$ 2,399	$ 57	$ 6,000(a)	$ 4,332(b)	$ 4,124
Accounts receivable	760	303	--	--	1,063
Prepaid expenses and other current assets	257	34	1,500(b)	--	1,791
Total current assets	3,416	394			6,978
PROPERTY AND EQUIPMENT, net	1,349	66			1,415
OTHER ASSETS:					

In process product development	--	--	12,034(b)	12,034(c)	--
Excess of purchase price over net assets acquired	--	--	1,063(b)	--	1,063
Other	55	14	--	--	69
	$ 4,820	$474			$ 9,525

Liabilities and Stockholders' Equity

CURRENT LIABILITIES:					
Accounts payable	$ 811	$110	--	--	$ 921
Accrued liabilities--					
Payroll and related benefits	347	55	--	--	402
Other	301	--	--	--	301
Deferred revenue	1,141	189	--	--	1,330
Total current liabilities	2,600	354			2,954
CONVERTIBLE NOTES	--	--	--	2,000(a)	2,000
STOCKHOLDERS' EQUITY:					
Convertible preferred stock	4	--	--	1(a)	5
Common stock	3	51	51(b)	3(b)	6
Note receivable from shareholder	--	(32)	--	32(b)	--
Additional paid-in capital	13,675	--	--	10,382(b)	28,056
			--	3,999(a)	
Retained earnings (accumulated deficit)	(11,462)	101	101(b)	--	(23,496)
			12,034(c)	--	
Total stockholders' equity	2,220	120			4,571
	$ 4,820	$474			$ 9,525

The accompanying notes are an integral part of this statement.

Visigenic Software, Inc. and Postmodern Computing Technologies Inc.

PRO FORMA CONDENSED COMBINED STATEMENTS OF OPERATIONS (IN THOUSANDS, EXCEPT PER SHARE AMOUNTS) YEAR ENDED MARCH 31, 1996 HISTORICAL HISTORICAL PRO FORMA PRO FORMA VISIGENIC POSTMODERN ADJUSTMENTS COMBINED

REVENUE:				
Software products	$ 4,479	$ 304	$ --	$ 4,783
Service and other	1,096	698	--	1,794
Total revenue	5,575	1,002		6,577
COST OF REVENUE:				
Software products	284	44	--	328
Service and other	727	219	--	946
Total cost of revenue	1,011	263		1,274
GROSS PROFIT	4,564	739		5,303
OPERATING EXPENSES:				
Product development	4,348	223	1,317(d)	5,888

Sales and marketing.....	3,215	240	183(d)	3,638
General and administrative.....	1,465	212	--	1,677
Amortization of excess of purchase price over net assets acquired.....	--	--	532(d)	532
Total operating expenses.....	9,028	675		11,735
Operating income (loss).....	(4,464)	64	--	(6,432)
INTEREST AND OTHER INCOME, net...	85	--	--	85
INCOME (LOSS) BEFORE PROVISION FOR INCOME TAXES.....	(4,379)	64	--	(6,347)
PROVISION FOR INCOME TAXES.....	--	5	5(e)	--
NET INCOME (LOSS).....	$(4,379)	$ 59		$(6,347)
NET LOSS PER SHARE.....	$ (.40)			$ (.58)
PRO FORMA WEIGHTED AVERAGE COMMON AND COMMON EQUIVALENT SHARES....	10,976			10,976(f)

The accompanying notes are an integral part of this statement.

Visigenic Software, Inc. and Postmodern Computing Technologies Inc.

Notes to Pro Forma Condensed Combined Financial Statements (Unaudited)

Note 1. Pro Forma Adjustments

Certain pro forma adjustments have been made to the accompanying pro forma condensed combined balance sheets and statements of operations as described below:

(a) Reflects the issuance of 444,444 shares of Series C preferred stock at $9.00 per share and the issuance of $2.0 million of convertible notes.

(b) Reflects the purchase of PostModern in exchange for 3,099,821 shares of Visigenic's common stock and a cash payment of approximately $2.3 million for the outstanding shares of PostModern common stock. In addition, the Company made cash payments totaling $1.5 million to certain PostModern employees, which is to be earned over the 12 month period following the acquisition, and expects to incur acquisition related costs of approximately $525,000 resulting in a total purchase price of approximately $13.1 million.

(c) Reflects the write-off of intangible assets consisting of in process product development of approximately $12.0 million. The effect of this charge has not been reflected in the accompanying pro forma statement of operations as it is a non-recurring charge. See Note 2 below for discussion of the purchase price allocation.

(d) Reflects the amortization of the excess of the purchase price over net assets acquired of $1.1 million, which will be amortized on a straight line basis over its estimated life of two years, and $1.5 million of cash payments made to certain PostModern employees.

(e) Reflects the elimination of the PostModern tax provision for fiscal 1996 due to the pro forma 1996 net loss.

(f) Pro forma weighted average common and common equivalent shares for fiscal 1996 do not include common stock equivalents as inclusion of these shares would be anti-dilutive. The stand alone Visigenic and pro forma combined weighted average common and common equivalent shares are identical as the Visigenic shares issued to PostModern shareholders are included in the stand alone Visigenic weighted average share calculation pursuant to the Securities and Exchange Commission Staff Accounting Bulletin No. 83.

Note 2. Purchase Price Allocation

In connection with the acquisition, the Company exchanged 3,099,821 shares of its common stock valued at $3.00 per share based on an independent appraisal of the Company's stock and paid cash consideration of $2.3 million in exchange for all of the outstanding shares of common stock of PostModern. In addition to the forgoing, at the closing of the acquisition, the Company made cash payments to certain PostModern employees totaling $1.5 million. In the event that such employees leave the Company within the 12 months following the date of acquisition, the employees must refund back to the Company a pro rata portion of the payment for the months they are no longer employees.

In connection with the purchase price allocation, the Company received an appraisal of the intangible assets which indicates that approximately $12.0 million of the acquired intangible assets consist of in process product development. Because there can be no assurance that the Company will be able to successfully complete the development and integration of the PostModern products or that the acquired technology has any alternative future use, the acquired in process product development will be charged to expense by Visigenic in its quarter ending June 30, 1996.

As a result of the purchase price allocation, the excess of the purchase price over net assets acquired is $1.1 million, which is being amortized on a straight-line basis over a period of two years. Management believes that the unamortized balance is recoverable through future operating results.

Note 3. Preferred Stock and Convertible Notes

On May 24, 1996, the Company entered into a private placement with three companies, whereby the Company issued 444,444 shares of Series C preferred stock at $9.00 per share and issued an additional $2.0 million in convertible notes bearing interest at 8.25% per annum. The proceeds from such financing were used to finance the acquisition of PostModern.

Upon the closing of the Company's initial public offering, the Series C preferred stock will automatically convert into an equal number of shares of the Company's common stock, subject to adjustment in certain events. Upon the closing of the Company's initial public offering, the principal amount of the notes and all accrued interest will automatically convert into shares of the Company's common stock at the lesser of $13.00 per share or the offering price per share to the public.

[Example of Visigenic products being used on the Internet appears in color here] NO DEALER, SALESPERSON OR OTHER PERSON HAS BEEN AUTHORIZED TO GIVE ANY IN- FORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS PROSPECTUS AND, IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORIZED BY THE COMPANY, ANY SELLING STOCK- HOLDER OR THE UNDERWRITERS. THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR A SOLICITATION OF AN OFFER TO BUY, TO ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR SOLICITATION WOULD BE UNLAWFUL OR TO ANY PERSON TO WHOM IT IS UNLAWFUL. NEITHER THE DELIVERY OF THIS PROSPECTUS NOR ANY OFFER OR SALE MADE HEREUNDER SHALL, UNDER ANY CIRCUMSTANCES, CREATE ANY IMPLICATION THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF THE COMPANY SINCE THE DATE HEREOF OR THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF.

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Certain Transactions..... 49 Principal and Selling Stockholders..... 52 Description of Capital Stock..... 55 Shares Eligible for Future Sale..... 57 Underwriting..... 59
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Additional Information..... 60 Index to Financial Statements..... F-1 UNTIL , 1996 (25 DAYS AFTER THE DATE OF THIS PROSPECTUS), ALL DEALERS EF- FECTING TRANSACTIONS IN THE COMMON STOCK, WHETHER OR NOT PARTICIPATING IN THIS DISTRIBUTION, MAY BE REQUIRED TO DELIVER A PROSPECTUS. THIS IS IN ADDITION TO THE OBLIGATIONS OF DEALERS TO DELIVER A PROSPECTUS WHEN ACTING AS UNDERWRITERS AND WITH RESPECT TO THEIR UNSOLD ALLOTMENTS OR SUBSCRIPTIONS.

2,100,000 Shares

[Logo of Visigenic Software, Inc.]

Common Stock

Prospectus

Hambrecht & Quist

Robertson, Stephens & Company

, 1996

Part Ii

Information Not Required in Prospectus

Item 13. Other Expenses of Issuance and Distribution.

The following table sets forth all expenses, other than the underwriting discounts and commissions, payable by the Company in connection with the sale of the Common Stock being registered. Pursuant to the Registration Rights Agreement dated March 31, 1993, as supplemented on May 10, 1996, the Company is paying all of the expenses incurred on behalf of the Selling Stockholders (other than underwriting discounts and commissions). All amounts shown are estimates except for the registration fee and the NASD filing fee.

Amount to Be Paid

Registration fee	$ 9,160
NASD filing fee	3,157
Nasdaq National Market fee	*
Blue sky qualification fees and expenses	10,000
Printing and engraving expenses	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees	*
Fee for Custodian for Selling Stockholders	*

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Miscellaneous.....................................................     *
    Total..................................................... $750,000
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* To be supplied by amendment.

Item 14. Indemnification of Officers and Directors.

Section 145 of the Delaware General Corporation Law permits indemnification of officers, directors, and other corporate agents under certain circumstances and subject to certain limitations. The Company's Certificate of Incorporation, as amended, and Bylaws provide that the Company shall indemnify its directors, officers, employees and agents to the full extent permitted by Delaware General Corporation Law, including in circumstances in which indemnification is otherwise discretionary under Delaware law. In addition, the Company intends to enter into separate indemnification agreements with its directors, officers and certain employees which would require the Company, among other things, to indemnify them against certain liabilities which may arise by reason of their status or service (other than liabilities arising from willful misconduct of a culpable nature) and to maintain directors' and officers' liability insurance, if available on reasonable terms.

These indemnification provisions and the indemnification agreement to be entered into between the Company and its officers and directors may be sufficiently broad to permit indemnification of the Company's officers and directors for liabilities (including reimbursement of expenses incurred) arising under the Securities Act.

The Underwriting Agreement filed as Exhibit 1.1 to this Registration Statement provides for indemnification by the Underwriters of the Company and its officers and directors for certain liabilities arising under the Securities Act, or otherwise.

Item 15. Recent Sales of Unregistered Securities.

Since February 12, 1993, the date of its incorporation, the Company has sold and issued the following unregistered securities (as adjusted where appropriate for the proposed reverse stock split whereby each two outstanding shares of Common Stock will be converted into one share of Common Stock):

(a) On March 3, 1993, the Company issued 2,000,000 shares of its Common Stock to Roger Sippl at $0.08 per share, for an aggregate purchase price of $160,000.

(b) On March 31, 1993, the Company issued 803,000 shares of its Series A Preferred Stock to 55 stockholders at $2.40 per share, for an aggregate of $1,927,200.

(c) In June 1993, the Company issued 37,500 shares of its Common Stock to 3 stockholders at $0.20 per share, for an aggregate purchase of $7,500.

(d) From December 1993 through January 1994, the Company issued 871,625 shares of its Series B Preferred Stock to 40 stockholders at $4.00 per share, for an aggregate of $3,486,500.

(e) From April 1994 through August 1994, the Company issued 625,000 shares of its Series B Preferred Stock to 29 stockholders at $4.00 per share, for an aggregate of $2,500,000.

(f) From May 1995 through August 1995, the Company issued 1,375,000 shares of its Series B Preferred Stock to 29 stockholders at $4.00 per share, for an aggregate of $5,500,000.

(g) In April 1996, the Company entered into an Agreement and Plan of Reorganization with PostModern Computing Technologies Inc. ("PostModern") pursuant to which the Company issued 3,099,821 shares of its Common Stock, and options to purchase 361,783 shares of its Common Stock to the seven former shareholders and optionholders of PostModern.

(h) In May 1996, the Company entered into an Agreement and Plan of Reorganization with Data Accessibility Solutions, Inc. ("DASI") pursuant to which the Company issued 12,500 shares of its Common Stock to the two former shareholders of DASI.

(i) In May 1996, the Company issued 444,444 shares of its Series C Preferred Stock to three stockholders at $9.00 per share, for an aggregate of $3,999,996.

(j) Between February 12, 1993 and May 31, 1996, the Company sold an aggregate of 933,637 shares of its Common Stock to 47 stockholders for an aggregate of $589,464.

There were no underwriters employed in connection with any of the transactions set forth in Item 15.

For additional information concerning these equity investment transactions, reference is made to the information contained under the caption "Certain Transactions" in the form of Prospectus included herein.

The issuances described in Items 15(a) through 15(f) and Item 15(i) were deemed to be exempt from registration under the Securities Act in reliance on Section 4(2) of the Securities Act as transactions by an issuer not involving a public offering. In addition, certain issuances described in Items 15(g) and Item 15(h) were deemed to be exempt from registration under the Securities Act in reliance on Section 3(a)(10) of the Securities Act. Certain issuances described in Item 15(j) were deemed exempt from registration under the Securities Act in reliance on Section 4(2) or Rule 701 promulgated thereunder as transactions pursuant to compensatory benefit plans and contracts relating to compensation. The recipients of securities in each such transaction represented their intention to acquire the securities for investment only and not with a view to or for sale in connection with any distribution thereof and appropriate legends were affixed to the share certificates and other instruments issued in such transactions. All recipients either received adequate information about the Company or had access, through employment or other relationships, to such information.

Item 16. Exhibits and Financial Statement Schedules.

(a) Exhibits.

Exhibit Number Description of Document

1.1	Form of Underwriting Agreement.
2.1	Agreement and Plan of Reorganization between the Company and PostModern Computing Technologies Inc., dated April 28, 1996.
3.1A*	Certificate of Incorporation, as amended.
3.1B*	Form of Restated Certificate of Incorporation to be filed after the effectiveness of the offering.
3.2A	Amended and Restated Bylaws.
3.2B*	Proposed form of Bylaws to be adopted before the effective date of this Registration Statement.
4.1*	Specimen Common Stock Certificate of the Company.
4.2	Registration Rights Agreement between the Company and certain investors dated March 31, 1993.
4.3	Supplemental Registration Rights Agreement between the Company and certain investors dated May 10, 1996.
5.1*	Opinion of Gray Cary Ware & Freidenrich, A Professional Corporation.
10.1*	Form of Indemnification Agreement for directors and officers.
10.2	1995 Stock Option Plan and forms of agreements thereunder.
10.3*	1996 Employee Stock Purchase Plan.
10.4*	1996 Outside Directors Stock Option Plan.
10.5	Non-Compete and Non-Solicitation Agreement between the Company and Jens Christensen dated April 28, 1996.
10.6	Non-Compete and Non-Solicitation Agreement between the Company and Neguine Navab dated April 28, 1996.
10.7	Non-Compete and Non-Solicitation Agreement between the Company and Prasad Mokkapatti dated April 28, 1996.
10.8	Convertible Note and Series C Preferred Stock Purchase Agreement by and among the Company, Cisco Systems, Inc., Netscape Communications Corporation and Platinum technology dated May 24, 1996.
10.9	Form of Convertible Promissory Note.
10.10*	Source Code License Agreement, as amended, between the Company and Microsoft Corporation ("Microsoft") dated June 20, 1995.
10.11*	Source Code License Agreement between the Company and Microsoft dated February 10, 1995.
10.12*	Lease Agreement, as amended, between the Company and San Mateo Office Limited, dated March 7, 1993.
11.1	Statement regarding computation of per share loss.
23.1	Consent of Independent Auditors (see page II-7).
23.2	Consent of Counsel (included in Exhibit 5.1).
24.1	Power of Attorney (see page II-5).
27.0*	Financial Data Schedule (available in EDGAR format only).

* To be filed by amendment.

(b) Financial Statement Schedules.

All schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

Item 17. Undertakings

The undersigned Registrant hereby undertakes to provide to the Underwriters at the closing specified in the Underwriting Agreement certificates in such denominations and registered in such names as required by the Underwriters to permit prompt delivery to each purchaser.

Insofar as indemnification by the Registrant for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the Registrant pursuant to the provisions referenced in Item 14 of this Registration Statement or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Securities Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer, or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered hereunder, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of Prospectus filed as part of this Registration Statement in reliance upon Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this Registration Statement as of the time it was declared effective; and (2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of Prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at the time shall be deemed to be the initial bona fide offering thereof.

Signatures

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT OF 1933, THE REGISTRANT HAS DULY CAUSED THIS REGISTRATION STATEMENT TO BE SIGNED ON ITS BEHALF BY THE UNDERSIGNED, THEREUNTO DULY AUTHORIZED, IN THE CITY OF SAN MATEO, COUNTY OF SAN MATEO, STATE OF CALIFORNIA, ON THE 19TH DAY OF JUNE 1996.

Visigenic Software, Inc.

/s/ Roger J. Sippl By: _____ ROGER J. SIPPL CHIEF EXECUTIVE OFFICER AND DIRECTOR (PRINCIPAL EXECUTIVE OFFICER)

Power of Attorney

KNOW ALL PERSONS BY THESE PRESENTS, THAT EACH PERSON WHOSE SIGNATURE APPEARS BELOW HEREBY CONSTITUTES AND APPOINTS ROGER J. SIPPL AND MARK HANSON, AND EACH OF THEM ACTING INDIVIDUALLY, AS HIS ATTORNEY-IN-FACT, EACH WITH FULL POWER OF SUBSTITUTION, FOR HIM IN ANY AND ALL CAPACITIES, TO SIGN

ANY AND ALL AMENDMENTS TO THIS REGISTRATION STATEMENT, AND TO FILE THE SAME, WITH EXHIBITS THERETO AND OTHER DOCUMENTS IN CONNECTION THEREWITH, WITH THE SECURITIES AND EXCHANGE COMMISSION, HEREBY RATIFYING AND CONFIRMING OUR SIGNATURES AS THEY MAY BE SIGNED BY OUR SAID ATTORNEY TO ANY AND ALL AMENDMENTS TO SAID REGISTRATION STATEMENT.

PURSUANT TO THE REQUIREMENTS OF THE SECURITIES ACT, THIS REGISTRATION STATEMENT HAS BEEN SIGNED BY THE FOLLOWING PERSONS IN THE CAPACITIES AND ON THE DATES INDICATED:

Signature Title Date

/s/ Roger J. Sippl - ---------- ROGER J. SIPPL	Chief Executive Officer and Director (Principal Executive Officer)	June 19, 1996
/s/ Glenn C. Myers - ---------- GLENN C. MYERS	Vice President-- Finance (Principal Financial and Accounting Officer)	June 19, 1996

/s/ Gill Cogan Director June 19, 1996 GILL COGAN /s/ Cristina Morgan Director June 19, 1996 CRISTINA MORGAN

Signature Title Date

/s/ Michael Moritz Director June 19, 1996 MICHAEL MORITZ /s/ E. E. van Bronkhorst Director June 19, 1996 E. E. VAN BRONKHORST /s/ J. Sidney Webb Director June 19, 1996 J. SIDNEY WEBB /s/ Eric Young Director June 19, 1996 ERIC YOUNG /s/ Jens Christensen Director June 19, 1996 JENS CHRISTENSEN

Exhibit 23.1

Consent of Independent Accountants

As independent public accountants, we hereby consent to the use of our reports and to all references to our Firm included in or made a part of this registration statement.

Arthur Andersen Llp

San Jose, California June 17, 1996

Exhibit Index

EXHIBIT NUMBER	SEQUENTIALLY NUMBERED PAGE

1.1 Form of Underwriting Agreement. 2.1 Agreement and Plan of Reorganization between the Company and PostModern Computing Technologies Inc., dated April 28, 1996. 3.1A* Certificate of Incorporation, as amended. 3.1B* Form of Restated Certificate of Incorporation to be filed after the effectiveness of the offering. 3.2A Amended and Restated Bylaws. 3.2B* Proposed form of Bylaws to be adopted before the effective date of this Registration Statement. 4.1* Specimen Common Stock Certificate of the Company. 4.2 Registration Rights Agreement between the Company and certain investors dated March 31, 1993. 4.3 Supplemental Registration Rights Agreement between the Company and certain investors dated May 10, 1996. 5.1* Opinion of Gray Cary Ware & Freidenrich, A Professional Corporation. 10.1* Form of Indemnification Agreement for directors and officers. 10.2 1995 Stock Option Plan and forms of agreements thereunder. 10.3* 1996 Employee Stock Purchase Plan. 10.4* 1996 Outside Directors Stock Option Plan. 10.5 Non-Compete and Non-Solicitation Agreement between the Company and Jens Christensen dated April 28, 1996. 10.6 Non-Compete and Non-Solicitation Agreement between the Company and Neguine Navab dated April 28, 1996. 10.7 Non-Compete and Non-Solicitation Agreement between the Company and Prasad Mokkapatti dated April 28, 1996. 10.8 Convertible Note and Series C Preferred Stock Purchase Agreement by and among the Company, Cisco Systems, Inc., Netscape Communications Corporation and Platinum technology dated May 24, 1996. 10.9 Form of Convertible Promissory Note. 10.10* Source Code License Agreement, as amended, between the Company and Microsoft Corporation ("Microsoft") dated June 20, 1995. 10.11* Source Code License Agreement between the Company and Microsoft dated February 10, 1995. 10.12* Lease Agreement, as amended, between the Company and San Mateo Office Limited, dated March 7, 1993. 11.1 Statement regarding computation of per share loss. 23.1 Consent of Independent Auditors (see page II-7). 23.2 Consent of Counsel (included in Exhibit 5.1). 24.1 Power of Attorney (see page II-5). 27.0* Financial Data Schedule (available in EDGAR format only).

* To be filed by amendment. </TEXT>