

SECURITIES AND EXCHANGE COMMISSION

FORM 10-K

Annual report pursuant to section 13 and 15(d)

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FILER

SEER TECHNOLOGIES INC /DE

CIK: **945127** | IRS No.: **133556562** | State of Incorporation: **DE** | Fiscal Year End: **0930**
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SIC: **7371** Computer programming services

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended September 30, 1996.

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 0-26194

SEER TECHNOLOGIES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

13-3556562
(I.R.S. Employer
Identification No.)

8000 Regency Parkway, Cary, North Carolina 27511
(Address of principal executive offices, including Zip Code)

(919) 380-5000
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: NONE

Securities registered pursuant to Section 12(g) of the Act:
Common Stock, \$.01 par value

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

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

Aggregate market value of the voting stock held by non-affiliates of the Registrant as of December 12, 1996 was approximately \$21,316,926.00. There were 11,635,100 shares of Common Stock outstanding as of December 12, 1996.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 1997 Annual Meeting of Shareholders are incorporated by reference in Part III hereof.

Exhibit Index appears on Page E-1.

SEER TECHNOLOGIES, INC.
Annual Report on Form 10-K
For the Fiscal Year Ended September 30, 1996

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PART I

Item 1. Business.

GENERAL

Seer Technologies, Inc. ("Seer" or the "Company"), a software leader and pioneer in a \$2 billion market, which is expected to reach \$7 billion by 2001, enables Fortune 1000 companies to efficiently run their businesses and maintain a competitive edge by providing a suite of enabling software technology and services. This suite contains application development software, middleware and, in 1997, componentware, currently under development in Seer's labs. Companies use this to build new applications and integrate existing large-scale, mission-critical, distributed applications that can be simultaneously deployed across entire enterprises to thousands of end users around the world.

Seer has a blue chip customer base, including some of the largest companies in the world, such as Credit Suisse, Federated Department Stores, Den Danske Bank, Sikorsky Aircraft, and Wells Fargo Bank. These organizations face the need to develop highly reliable software systems processing as few as 10 transactions per day or in excess of 10 million transactions per day. The systems they develop need to be distributed to up to thousands of concurrent end users, who may be based on virtually any hardware platform, including the Internet and intranets, in multiple locations.

In addition, Seer's alliances with leading information technology companies like International Business Machines Corporation ("IBM"), Microsoft Corp., Hewlett-Packard Company, Tandem Computer, Inc., and AT&T Corp., allow access to the most important and timely platform information.

Seer's products have consistently achieved the highest accolades from its customers. That strength gives management a foundation on which to build a profitable and growing company. Under the direction of a new chief executive officer, Thomas A. Wilson, who joined the company in September 1996, the Company is implementing a plan to transition Seer from a technology-driven company to a market-driven company and to achieve improved results in 1997 and beyond. This transition is critical, because it will allow Seer to properly present and prove to the marketplace, for the first time, that it stands alone in the marketplace - because of its current suite of enabling technology, coupled with the future technology being developed and tested in Seer labs.

The Company was incorporated in March 1990 as a joint endeavor between IBM and CS First Boston Securities Corporation ("FBS"). Although IBM now holds less than a one percent equity interest in the Company, it remains an important strategic partner. In June and September 1994, the investment firm of Welsh,

Carson, Anderson and Stowe VI L.P. ("WCAS"), together with certain of its affiliates, acquired an approximately 83.9% equity interest in the Company. The Company completed its initial public offering of 3,093,397 shares of Common Stock in July 1995, and sold 2,094,143 shares of Series A Convertible Preferred Stock ("Preferred Stock") to WCAS and certain of its affiliates in August 1996. Each share of Preferred Stock may be converted at the holder's option into one share of Common Stock, subject to adjustment under certain circumstances. Holders of Preferred Stock are entitled to vote together with the holders of Common Stock on all matters to be voted on by the Company's stockholders. As of December 12, 1996, WCAS and its affiliates had the power to vote 66.4% of the outstanding voting stock of the Company.

Financial Information About Industry Segments

The Company operates in only one business segment. See the Company's consolidated financial statements at Item 14.

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PRODUCTS AND SERVICES

Seer*HPS

Seer*HPS (High Productivity System) is a scalable, flexible application development environment, which allows organizations to design, build and deploy robust network-centric applications. Specifically, Seer*HPS gives development organizations the ability to:

- . Create distributed computing applications among diverse servers;
- . Seamlessly integrate mainframe systems with distributed applications;
- . Easily build and deploy applications across multiple operating systems, databases, protocols and communication paradigms;
- . Choose development approaches;
- . Develop reusable application components;
- . Employ team-based development; and
- . Quickly utilize add-on templates, models and integration packages.

Business needs today dictate network-centric applications which can execute across multiple operating platforms including the Internet and intranet. In addition, these applications may need to routinely process high volumes of transactions per second and/or serve thousands or tens of thousands of concurrent end users. Seer*HPS is specifically architected to produce applications that meet these complex, mission-critical needs.

Seer*HPS accomplishes this with several key features, including a sophisticated workgroup repository and integrated middleware which, in turn, provide for:

- . Automated application partitioning: Automatically partition multi-tier, distributed computing applications to take full advantage of the appropriate processing power, data, and presentation resources on the most suitable platform.
- . Mainframe connectivity: Easily integrate a mainframe into a distributed application to take full advantage of the existing application resources, high volume transaction throughput, and ability to support thousands of concurrent end users inherent in mainframe systems.
- . Fault tolerant options: Integrated middleware provides data-dependent and alternative transaction routing and server replication which allows an application to remain active seven days a week, twenty-four hours a day.

In addition, complex network-centric systems often require a team approach to development. Seer*HPS addresses these critical needs by providing a multi-user development repository.

Repositories can be scaled to support all levels of development, from the department (5-20 developers) to the enterprise (20-100+ developers). The Seer*HPS development repository is specifically designed to support concurrent, team-based development with specialized project management and application development coordination features.

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Mainframe connectivity

Preserving and extending mainframe assets is a major concern for many organizations - legacy data, applications, and investments simply cannot be discarded. In addition, mainframes offer significant computing and data storage capabilities.

Seer*HPS is ideal for IT organizations needing a full life cycle, model-based development environment for the enterprise or a construction-oriented development product for the department. In both cases, Seer*HPS provides a robust development and deployment product suite for building large-scale, complex network-centric applications.

To expand or extend the life of these assets, Seer*HPS provides a complete integration solution for mainframe-based applications. Options include:

- . Mainframe development: Seer*HPS offers a Windows NT and OS2 workstation-based development environment and a mainframe development option.
- . Mainframe application extension: Alternatively, existing mainframe CICS applications can be integrated into distributed computing applications running on Windows NT or UNIX servers and Windows clients via Seer*HPS's integrated middleware.

Technology Independence

Seer*HPS incorporates sophisticated middleware and a complete development environment to provide developers an open, turn-key infrastructure for network-centric applications. Developers are shielded from the complexities associated with building applications for multiple operating platforms, databases, networking protocols, communication paradigms, and languages. Using Seer*HPS, IT organizations can easily build and deploy, and even re-deploy, applications for multiple platforms including the Internet and intranet from a single design.

Industry Standard Development Environment

Seer*HPS provides developers with the comfort of using the industry standard Windows NT platform or IBM's OS/2 platform. The workgroup repository may reside on either Windows NT, HP-UX, Solaris, or AIX, and can connect to an enterprise repository on MVS-based devices.

This allows IT organizations to "standardize" development on the platform of choice while leveraging corporate investments in existing systems and provides an open route to future network configurations.

Flexible Development Approach

There is no "silver bullet" approach for developing complex network applications today. Most IT organizations use varying methods based on the type of application to be delivered.

An enterprise will typically employ a rigorous method or model-driven approach, whereas a department needing to quickly deploy a smaller scale client/server application will use a construction or

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Rapid Application Development (RAD) approach. Seer*HPS supports both the model-driven and construction approaches for building network-centric applications.

When a model-driven approach is used, Seer*HPS developers can automatically generate network-centric applications based on their models. No manual transformations are required. Using a construction approach, developers actually prototype and test applications from the developer's workstation.

Additionally, Seer offers a complete methodology product and consulting service for those IT organizations that do not have a formal development method.

Team Based Development

The most robust application ever built is of little use if not delivered when needed. Seer*HPS can speed the development and deployment process through an integrated multi-user repository. Complex applications can be broken down into smaller components that can be developed by different members of a development team.

Reuse of these components enables future applications to be built faster, with a higher assurance of quality, and with improved and consistent "look and feel" through standardization. The Seer*HPS repository can support development teams from five to 100+ developers. True scalability from the department to the enterprise is provided.

Proven in Production

Seer has been bringing mission-critical computing power to application development for nearly a decade. Seer*HPS significantly expands upon the Company's proven record for delivering innovative network-centric development products.

Seer*HPS is designed in a modular way to allow the development environment to grow and change as the needs of the users change. Add-on enhancements include modules, templates, and integration packages. Additional developer seats, repositories, and execution server platforms may be easily and simply integrated.

NetEssential

Since 1990, Seer has provided client/server tools that have helped customers at leading companies build and deploy large-scale, complex distributed systems serving thousands of end users. NetEssential has been the middleware engine enabling the interoperability and management of these applications across multiple platforms.

NetEssential middleware is the operational and management "glue" that application developers use to integrate new, enhanced, and legacy applications without regard to the application environment. NetEssential sits between the network or operating system layer and the application layer. It enables developers of new applications to focus on solving business needs rather than understanding the intricacies of each combination of operating system, protocol, Relational Database Management Systems (RDBMS), and communication paradigms.

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NetEssential allows incorporation of legacy systems into new distributed computing systems, thereby extending the life of (and investment in) existing applications, enables applications to be ported from one platform to another quickly and easily, provides increased manageability of distributed applications across the enterprise, and gives IT management additional ways to build high availability into the applications. Most importantly, NetEssential is proven technology-already successfully in use around the world in some of the most demanding computing environments.

NetEssential 3.0, a standalone version of Seer's middleware that management plans to launch in fiscal 1997, represents the latest advances in middleware technology. Applications built using this technology are already in production successfully worldwide at a variety of challenging computing sites. These applications include the back office functions of a multi-national banking operation, the trading desk applications at one of the world's foremost securities company, decision support systems at major retail and manufacturing companies, and customer billing applications at a large telecommunications operation.

SALES AND MARKETING

Sales

The Company's direct sales staff has substantial knowledge of the Company's products, as well as general experience in the software industry. Seer's field sales force is headed by three General Managers, each of whom is assigned a different geographic responsibility - one for the Americas, one for Europe, Middle East and Africa ("EMEA") and one for the Asia Pacific region. Their respective operations are divided into new sales and existing customer partnerships. The Company's sales strategy emphasizes (i) decentralized, geographically-based management, (ii) direct and indirect sales channels, (iii) existing account management, (iv) compensation based on achievement of specific sales objectives and (v) the establishing of additional marketing partnerships. Revenue for each of the Americas, the EMEA and the Asia Pacific regions for fiscal 1996 were \$42.3 million, \$49.5 million and \$5.1 million, respectively. As a percentage of the Company's total revenue, the Americas, EMEA and the Asia Pacific regions for fiscal 1996 accounted for 43.7%, 51.1% and 5.3%, respectively.

The Company's products have historically been designed for use primarily in large-scale, complex computing environments. A customer's decision to use Seer*HPS involves a substantial financial commitment, including the license cost, consulting and deployment service costs and training expenses as well as a substantial commitment of personnel resources. Accordingly, a decision to purchase Seer products typically has been made by a customer's senior management. As a result, the sales cycle for Seer*HPS historically has been relatively lengthy, averaging nine to 12 months. The Company's sales process follows a "solution selling" methodology based on identifying and meeting the needs of a business.

The Company's sales strategy will continue to involve a complete evaluation of the customer's business followed by the identification and sale of products

that will meet the customer's immediate production requirements and provide it with flexibility to scale up or down in the future.

Marketing

Because the Seer solution operates across numerous hardware platforms, databases, application types and operating systems, a key component of the Company's marketing strategy is the establishment of strategic alliances with key vendors in the computer industry. Accordingly, the Company maintains strategic marketing alliances with systems vendors (including AT&T, Compaq, Hewlett-Packard, Intel and IBM), with database vendors (such as Informix, Oracle and Sybase) and with Microsoft, the leading vendor of desktop operating systems and productivity applications and a recent entrant into the client/server operating systems sub-market.

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These alliances provide for the joint marketing of the participants' products and enable the Company to:

- . Establish and maintain marketing relationships with strategic hardware and software vendors to ensure that joint opportunities deliver the most effective solutions to Seer and its customers; and
- . Obtain pre-release software, equipment loans and discounts for development, quality assurance, support, prototyping and other development activities that enable Seer to demonstrate and deliver more comprehensive solutions to its customers in a more timely fashion.

The Company's most important strategic alliance, both historically and at present, is with IBM, one of the Company's original stockholders. Transactions resulting from the Company's relationship with IBM accounted for approximately 65%, 70% and 65% of the Company's revenues for fiscal 1996, fiscal 1995 and fiscal 1994 respectively, and an even greater portion of the Company's international revenues for each of those periods. Seer's relationship with IBM exists on both a formal (in terms of a series of contractual relationships) and an informal basis.

For example, the Company has entered into a series of cross-industry marketing agreements with IBM pursuant to which IBM markets the Company's products on a non-exclusive basis in the United States, Canada, Puerto Rico and the Asia/Pacific region, excluding Japan. In Japan, IBM has a non-exclusive right to market and an exclusive right to distribute Seer products and services to the financial services industry until September 1997. In Europe, IBM acts as a non-exclusive marketer and distributor of the Company's products to IBM customers. Although IBM plays a significant role in introducing the Company to new customers in international markets, the Company's sales force is actively involved in virtually all sales of the Company's product and provides crucial support for the selling process.

The Company's marketing team consists of a Senior Vice President, Worldwide Marketing, who oversees a Director of Marketing Programs and a Product Management Director. A series of product managers responsible for different products and applications reports to the Product Management Director and addresses functionality and delivery programs.

TARGET MARKETS

In general, Seer's target market is the global Fortune 500 companies who need to construct large-scale, complex mission-critical client/server applications. This need is derived from a business situation and/or opportunity in which management has decided to build an application rather than purchase one. Typically, these decisions are driven by the need for companies to maintain or establish competitive differentiation within their respective marketplaces. Budgets for these projects typically fall in the millions of dollars.

From a systems environment standpoint, these companies have the need to deploy applications across multiple operating systems, databases and computing platforms. The mainframe plays a key role in their enterprise computing environments both from a legacy and new systems development standpoint. The application will be required to scale from hundreds of users to potentially thousands of end users. The application profile includes:

- . Complex business logic;
- . Transaction-based processing;
- . Distribution across multiple computing platforms; and
- . High performance and throughput.

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Seer addresses this market with two integrated solutions and plans to add a

third by the end of fiscal 1997. First, with its middleware product, NetEssential, Seer provides customers with a middleware infrastructure allowing distributed application components to be interoperated and managed in a heterogeneous systems environment without re-architecture of their existing or legacy applications.

Then, with the Company's completely integrated application development toolset, Seer*HPS, companies can build new repository-based, model-driven distributed applications that can be integrated with their existing and legacy applications leveraging NetEssential Middleware to link and manage distributed applications.

Finally, by the end of fiscal 1997, Seer plans to market its application assets to the finance industry. Seer's application asset library is currently made up of templates that support 20 major functional areas of global securities processing.

In addition, Seer has recently acquired the exclusive right to market the Cambridge Model. The Cambridge Model enables banks and financial institutions to manage their information, products, risk and customer service on a local or worldwide basis. It allows the rapid development of applications employing reusable objects and supports the migration of legacy systems and the establishment of data warehouses while supporting business process re-engineering. Seer provides the model and necessary services as standalone or packaged with Seer*HPS.

Together or offered separately, these three initiatives offer customers a comprehensive suite of products and seeks to address the lucrative distributed computing application market.

CUSTOMERS

Industries that are significantly represented in the Company's customer base include banking, insurance, retail, manufacturing, data processing, public utilities and transportation. A partial list of the Company's worldwide customers using Seer*HPS is set forth below.

Industry -----	Customer Name -----
Transportation	The Atchinson, Topeka and Santa Fe Railway Company
Manufacturing	Sikorsky Aircraft Corporation
Retail Sales	Federated Department Stores, Inc.
Finance/Banking	Banca Commerciale Italiana Credit Suisse (Schweizerische Kreditanstalt) Key Services Corporation Wells Fargo Bank
Government Data Processing	Datacentralen A/S

As indicated above, the Company's customers are leading companies in a broad range of industries that typically have a need for high-performance software applications. A significant number of the Company's customers deploy Seer*HPS to provide key strategic applications that enhance the competitiveness of their core business and allow them to bring new products to market more quickly. For example, key strategic applications for which Seer*HPS has been used by the following customers include:

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Key Services Corporation	This large American bank used Seer*HPS software to develop an automated Total Customer Service system. The system, which customer service representatives use 24 hours a day, seven days a week, handles up to 1,200 calls per hour and one million calls per month. Using Seer*HPS, Key Services is able to reduce response times and the time required for each call, increasing customer satisfaction while reducing costs.
Banca Commerciale Italiana	This large Italian bank is using Seer*HPS for its Scala 6 project to overhaul the bank's information systems. The focus of this project is to download the processing function from a central site to over 900 branches connected in real time, allowing branches to handle customer accounts and databases and improve customer service. One funds transfer application developed in Seer*HPS has been deployed to over 15,000 workstations.
Federated Department	This leading U.S. retailer selected Seer for its migration from a mainframe system containing 13 million megabytes of

Stores, Inc. data to a multi-tiered, distributed processing environment. The system this client is developing will give associates in 500 stores across the country immediate access to crucial business data, improving personal service and speeding product development.

Datacentralen A/S A centralized Danish government computer service bureau selected Seer software as a pivotal part of its move from its legacy mainframe environment to a three-tiered client/server architecture. Seer is helping Datacentralen develop advanced, platform-independent systems for the finance ministry and tax administration. A system currently in development for the central government wage system will manage wages for over 200,000 people monthly

The Company seeks to form "customer partnerships" whereby it works with a customer to design a computer system that will meet the customer's production requirements and long-term strategic needs. Seer has also formed customer advisory boards that meet with customers approximately twice a year to obtain feedback regarding the Company's products and services. In addition, the Company holds annual customer conferences to present new information and address customer concerns. It also receives a great deal of feedback through its consulting services regarding the effectiveness of the Company's products in meeting customer needs.

RESEARCH AND PRODUCT DEVELOPMENT

The Company believes that the timely development of new products and enhancements to existing products is essential to maintain its competitive position. Delays or difficulties associated with new products or product enhancements could have a material adverse effect on the Company's business, operating results and financial condition. The Company conducts research and development to enhance its existing products and to build new products, both complementary to the existing product line and in new functional areas.

COMPETITION

The market for client/server application development tools and related consulting services is intensely competitive and characterized by rapid changes in technology and evolving industry standards. To maintain or improve its position in this market, the Company must continue to enhance its current products and develop new products in a timely fashion. The Company believes that competition in the large-scale client/server applications tools market is based primarily on functionality, scalability and resulting application performance. The Company believes that Seer*HPS competes favorably in each of these areas.

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The Company's competition is different in each of its market areas. In the mainframe-based systems market, the Company's products compete directly with products such as Texas Instruments' Composer, Anteres Alliance Group's Object Star, and Arthur Andersen & Co.'s Foundation. In the middleware market, the principal competitive products for NetEssential are Peer Logic's Pipes, Open Environment Corporation's Entera, Precise Software's PRECISE, and TIBCO's Rendezvous. Several of the Company's competitors have longer operating histories; greater financial, technical, sales, marketing and other resources; greater name recognition; more extensive marketing, distribution and sales networks; and a larger, more established customer base.

EMPLOYEES

As of September 30, 1996, Seer had a total of 758 employees. Of these employees, 186 were engaged in software sales, marketing and technical support, 55 in administration, 161 in research and development and 356 in consulting and training. The Company's continued success is dependent on its ability to attract and retain qualified employees. To date the Company believes it has been successful in this endeavor. However, due to the intense competition for personnel in the software industry, there can be no assurance that the Company will be successful in the future. The Company's employees are not represented by a union or a collective bargaining agreement, and the Company considers its relations with its employees to be good.

Item 2. Properties.

The Company's principal executive offices are located in approximately 106,000 feet of leased space in Cary, North Carolina. As of September 30, 1996, the Company also leased 27 additional offices to provide consulting services to its clients and to facilitate the distribution of its products. In the United States, Seer's offices are located in New York, New York; Boston, Massachusetts; Washington, D.C.; Atlanta, Georgia; Chicago, Illinois; Dallas, Texas; and San Francisco, California. The Company also leases office space abroad in Canberra, Melbourne and Sydney, Australia; Sao Paulo, Brazil; Mexico City, Mexico;

Toronto, Canada; Copenhagen, Denmark; Gent, Belgium; London, England (2 offices); Paris, France; Frankfurt, Germany; Rome, Italy; Milan, Italy; Madrid, Spain; Nieuwegein, The Netherlands; Singapore; Hong Kong; Capetown, South Africa and Stockholm, Sweden. The Company also maintains an office in Limerick, Ireland on a set fee arrangement.

Item 3. Legal Proceedings.

From time to time, the Company is a party to routine litigation incidental to its business. As of the date of this Report, the Company was not engaged in any legal proceedings that are expected, individually or in the aggregate, to have a material adverse effect on the Company.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

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PART II

Item 5. Market for Registrant's Common Stock and Related Stockholder Matters.

The Common Stock of the Company is traded on the Nasdaq Stock Market under the symbol SEER. The Company has never declared or paid any cash dividends on its Common Stock. The Company anticipates that all of its earnings will be retained for the operation and expansion of the Company's business and does not anticipate paying any cash dividends in the foreseeable future. The Company's credit agreements contain certain restrictive covenants which, among other things, require the Company to maintain a minimum tangible net worth and restrict the Company's ability to pay dividends. The chart below sets forth the high and low stock prices for the quarters since the commencement of trading following the Company's initial public offering on June 30, 1995.

Quarter	Fiscal Year 1995		Fiscal Year 1996	
	High	Low	High	Low
1st	N/A	N/A	\$19.00	\$10.75
2nd	N/A	N/A	\$13.50	\$4.875
3rd	\$22.00	\$20.25	\$10.00	\$4.75
4th	\$22.00	\$13.00	\$ 8.00	\$5.00

The closing price of the Common Stock on September 30, 1996 was \$6.00 per share. As of December 12, 1996, the Company had 298 registered shareholders of record.

Item 6. Selected Financial Data.

The following selected financial data is derived from the consolidated financial statements of the Company. The data should be read in conjunction with the consolidated financial statements, related notes, and other financial information included herein.

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SELECTED CONSOLIDATED FINANCIAL DATA

<TABLE>

<S>

	Fiscal Year Ended				Nine	Fiscal
	Sept. 30,				Months Ended	Year Ended
	1996	1995	1994	1993	Sept. 30,	Dec. 31,
	<C>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data: (in thousands, except per share amounts)						
Total revenue	\$ 96,943	\$117,180	\$82,693	\$48,901	\$21,466	\$20,039
Gross profit	38,609	72,542	44,901	29,378	12,836	11,508
Income (loss) from operations	(45,112)	9,254	3,451	1,972	(1,717)	(278)
Net income (loss)	(31,582)	5,152	2,361	980	(2,501)	333
Pro forma net income per common share	(2.76)	0.45	0.21	0.09		
Pro forma weighted average common shares outstanding	11,445	11,507	10,986	10,919		

Balance Sheet Data:

Working capital	\$ 3,963	\$ 34,087	\$ 4,777	\$ 3,928	\$ 5,232	6,677
Total assets	78,804	76,444	37,363	25,049	15,318	14,705
Total Debt	14,379	-	2,700	-	-	-
Senior redeemable preferred stock	-	-	13,195	-	-	-
Series A preferred stock	12,302	-	-	20,875	17,844	16,000
Total stockholders' equity (capital deficiency)	30,053	48,438	(2,096)	(12,934)	(10,820)	(6,441)

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

General

The Company has three categories of revenue: software products, maintenance and services. Software products revenue is comprised primarily of fees from licensing the Company's proprietary software products and, to a much lesser extent, from product development contracts. Maintenance revenue is comprised of fees for maintaining, supporting and providing periodic upgrades of the Company's software products. Services revenue is composed primarily of fees for consulting and training services.

Consistent with the American Institute of Certified Public Accountants Statement of Position 91-1, "Software Revenue Recognition," the Company allocates a portion of the software license fee to initial period maintenance when the maintenance period is greater than three months. The remainder is recognized as license fee revenue upon delivery of the software product to, and acceptance by, the customer. Revenue from the initial period and subsequently priced maintenance agreements is recognized ratably over the term of the agreement. Consulting and training services revenue is recognized as the services are performed.

The Company's revenues vary from quarter to quarter, with the largest portion of revenue typically recognized in the last month of each fiscal quarter and the third and fourth quarters of each fiscal year. The Company believes that these patterns are partly attributable to the Company's sales commission policies, which compensate sales personnel for meeting or exceeding quarterly and annual quotas, and to the budgeting and purchasing cycles of customers. Furthermore, as the size of individual sales is large, a single account may have a significant impact on a quarter. In addition, the substantial commitment of executive time and financial resources historically required of a potential customer to make a decision to purchase the Company's products increases the risk of quarter-to-quarter fluctuations. The Company typically does not have a material backlog of unfilled software orders, and product revenue in any quarter is substantially dependent upon orders received in that quarter. In addition, the Company's services revenue may fluctuate from quarter to quarter due to the completion or commencement of significant assignments, the number of working days in a quarter and the utilization rate of services personnel. Because the Company's operating expenses are based on anticipated revenue levels and are relatively fixed over the short term, variation in the timing of recognition of specific anticipated revenue can cause significant variations in operating results from quarter to quarter. Fluctuations in operating results may result in volatility in the price of the Company's common stock.

In fiscal year 1997, management intends to implement certain changes in the Company's business practices. The focus of these efforts is to better align products to customer needs and to establish long-term "partnerships" between the Company and its customers. These changes are expected to lessen the impact on revenues of individual sales to a customer and reduce the variations in operating results from quarter to quarter.

This report contains forward-looking statements relating to such matters as anticipated financial performance, business prospects, technological developments, new products, research and development activities and similar matters. The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements. In order to comply with the terms of the safe harbor, the Company notes that a variety of factors could cause its actual results and experience to differ materially from the anticipated results or other expectations expressed in the Company's forward-looking statements. The Company's performance, development and results of operations may be affected by the risks presented by: (i) continued market acceptance of the Company's technology; (ii) fluctuations in quarterly operating results and volatility of the price of the Company's common stock; (iii) competition; (iv) the Company's reliance on its relationship with IBM; (v) customer concentration; (vi) the potential failure to meet product delivery dates; (vii) matters relating to international operations; and (viii) intellectual property and proprietary rights. Other risks are also presented. The Company's Registration Statement on

Results of Operations

The following table sets forth, for the years indicated, the Company's results of operations expressed as a percentage of revenue.

	For the Years Ended September 30,		
	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>
Revenue:			
Software products	29.7%	47.3%	45.7%
Maintenance	13.6%	9.5%	8.9%
Services	56.7%	43.2%	45.4%
	-----	-----	-----
Total	100.0%	100.0%	100.0%
Cost of revenue:			
Software products	1.6%	0.5%	0.4%
Maintenance products	8.6%	6.4%	5.1%
Services	50.0%	31.2%	40.2%
	-----	-----	-----
Total	60.2%	38.1%	45.7%
Gross profit	39.8%	61.9%	54.3%
Operating expenses:			
Sales and marketing	45.4%	33.6%	28.0%
Research and product development	17.3%	12.4%	14.2%
General and administrative	20.5%	8.0%	7.9%
Restructuring charges	3.1%	-	-
	-----	-----	-----
Total	86.3%	54.0%	50.1%
Other income (expense), net	(0.2)%	(0.4)%	(0.1)%
	-----	-----	-----
Income (loss) before taxes	(46.7)%	7.5%	4.1%
Income tax provision (benefit)	(14.1)%	3.1%	1.3%
	-----	-----	-----
Net income (loss)	(32.6)%	4.4%	2.8%
	=====	=====	=====

</TABLE>

The following table sets forth data for total revenue by geographic origin as a percentage of total revenue for the periods indicated:

	For the Years Ended September 30,		
	1996	1995	1994
	----	----	----
<S>	<C>	<C>	<C>
United States	31.3%	27.5%	37.0%
Mexico/Canada	6.0%	4.4%	2.4%
South America	6.4%	3.1%	3.3%
Europe	48.2%	57.4%	50.4%
Middle East/Africa	2.8%	3.3%	-
Asia Pacific	5.3%	4.3%	6.9%
	-----	-----	-----
	100.0%	100.0%	100.0%
	=====	=====	=====

</TABLE>

Year Ended September 30, 1996 Compared to the Year Ended September 30, 1995

Revenue. The Company's total revenue decreased 17% for fiscal year 1996 as compared to the previous year. The decrease was primarily attributable to a decrease in software products revenue, which was partially offset by increases in maintenance revenue and services revenue. Total revenue remained relatively constant in the Asia Pacific region and increased 3% in North and South America. In the Europe, Middle East, and Africa region, total revenue declined by 30%.

Software products. Software products revenue decreased 48% in fiscal year 1996 as compared to fiscal year 1995. While the Company was able to continue to build business with existing customers, the lack of direction and focus both internally and externally had a significant impact on the Company's ability to reach new customers, resulting in a decline in the sales of new software licenses. Software product sales to new customers as a percentage of total software products revenue declined from approximately 60% in fiscal year 1995 to 27% in fiscal year 1996.

Maintenance. Maintenance revenue increased 18% in fiscal year 1996 as compared to fiscal year 1995. Because substantially all of the Company's existing customers have historically renewed their maintenance contracts, the increase for fiscal year 1996 is primarily a result of new customers added during fiscal year 1995 and the first three quarters of fiscal year 1996. As a result of declining software sales during fiscal year 1996, maintenance revenue is not expected to increase significantly from fiscal year 1996 to fiscal year 1997.

Services. Services revenue for the fiscal year 1996 increased 9% as compared to the previous year. The increase in services revenue is due primarily to services related to license sales made in the third and fourth quarters of fiscal year 1995, as well as the expanded use of the Seer*HPS family of products by existing customers for more numerous and complex applications.

Gross Profit. Total gross profit for fiscal year 1996 decreased 47% from the previous year. Total gross margin decreased to 40% for fiscal year 1996 as compared to 62% in fiscal year 1995. These decreases are due primarily to the decrease in software revenue as a percentage of total revenue in fiscal year 1996.

Software gross margin decreased to 95% for fiscal year 1996 as compared to 99% for fiscal year 1995. The decline is a result of lower software revenue and higher software amortization during fiscal year 1996. The \$1.0 million increase in amortization resulted from costs associated with Seer*HPS 5.3, which began to be amortized when it became generally available in the first quarter of fiscal year 1996, and Seer*HPS for Windows NT (previously named Seer/7000), which began

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to be amortized when it became generally available in the fourth quarter of fiscal year 1996.

Maintenance gross margins increased to 37% for fiscal year 1996 as compared to 33% for fiscal year 1995. The improvement in maintenance gross margins for fiscal year 1996 was primarily due to an 18% increase in revenue from first year and renewal contracts, offset by an 11% increase in associated headcount and other expenses.

Services margins for fiscal year 1996 decreased to 12% as compared to 28% for fiscal year 1995. The decline in services margin is primarily a result of a 34% increase in the costs associated with headcount, outside contractors and other consulting obligations while services revenue increased by only 9% for fiscal year 1996.

Sales and Marketing Expense. Sales and marketing expense for fiscal year 1996 increased 12% as compared to the previous year. The increase is the result of the expansion of the Company's sales force worldwide prior to the restructuring discussed below, as well as an increase in certain commissions. Average sales and marketing headcount increased 10% during fiscal year 1996 as compared to fiscal year 1995. The 1996 amounts were also impacted by \$.9 million of marketing expenses recorded in conjunction with the sale of software to a large customer in Europe and an increase of \$.2 million in commissions paid to IBM for sales of the Company's software products in South America made by IBM.

Research and Product Development Expense. Research and product development expense increased 16% for fiscal year 1996 compared to fiscal year 1995. The increase is primarily a result of personnel additions to develop and test new products. Costs associated with headcount and outside contractors which were expensed increased 13% for the fiscal year 1996 from the fiscal year 1995. Capitalization of costs related to the development of Seer*HPS for Windows NT (previously named Seer/7000), partially offset the impact of personnel additions on the year's research and development expense in comparison to the prior year. Costs capitalized for software development increased approximately \$.7 million for fiscal year 1996.

General and Administrative Expense. General and administrative expenses for fiscal year 1996 were most significantly impacted by certain nonrecurring adjustments. In the fourth quarter of fiscal year 1996, the Company recorded allowances of \$10.1 million for certain accounts receivable whose collection is considered uncertain and for a specific product-related settlement. Excluding these nonrecurring charges, general and administrative expense increased only 4%

from fiscal year 1995 as a result of increased headcount in the first half of the fiscal year 1996 prior to the restructuring discussed below.

Restructuring Charges. During the third quarter of fiscal year 1996, the Company developed and implemented a reorganizational plan which included, among other things, a 9% staff reduction (75 employees) and the abandonment of certain leased facilities. The Company recorded a restructuring charge of \$3.0 million, which consisted of approximately \$1.4 million in personnel-related charges and approximately \$1.6 million of costs associated with carrying vacated leased space until the lease expiration date. To date, the Company has paid approximately \$1.4 million in cash related to the restructuring. The Company believes the accrued restructuring costs of \$1.6 million at September 30, 1996 represents its remaining cash obligations.

Management is developing a plan for an additional restructuring which will occur during the first quarter of fiscal year 1997.

Provision for Income Taxes. The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Income taxes decreased from an expense of \$3.7 million for fiscal year 1995 to a benefit of (\$13.7) million for fiscal year 1996. The

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effective income tax rate decreased from 41.5% for fiscal year 1995 to 30% for fiscal year 1996. The decrease in the effective rate of 11.5% is primarily attributed to lower foreign withholding taxes related to foreign software license agreements and utilization of foreign tax credits.

The Company has net deferred tax assets of \$17.6 million as of September 30, 1996, of which \$4.7 million consists of foreign tax credits, research and development tax credits, and alternative minimum tax credits. With respect to deferred tax assets related to net operating loss carryforwards, it is the opinion of management that it is more likely than not that the realization of these deferred tax assets will occur in the future based on current earnings forecasts, tax planning strategies, which include the potential sale of a line of business and/or product assets, and reversals of future book-tax timing differences.

With respect to foreign tax credits, research and development tax credits and alternative minimum tax credits, management believes, based on several factors, that the available objective evidence creates sufficient uncertainty regarding the potential realization of these deferred tax assets due to the fact that the net operating loss must be utilized before these credits. As a result, valuation allowances have been recorded for foreign tax credits, research and development tax credits, and alternative minimum tax credits. The factors which create sufficient uncertainty include the unpredictability of the geographic source of future software licenses, certain tax rules related to foreign source income and foreign tax credits, and the historical level of annual foreign withholding taxes. Management believes that, based on the available evidence, it is more likely than not that the Company will not realize the deferred tax assets related to foreign tax credits, research and development tax credits, and the alternative minimum tax credits. The Company will continue to assess the potential realization of these deferred tax assets based on actual and projected operating results.

Year Ended September 30, 1995 Compared to the Year Ended September 30, 1994

Revenue. The Company's total revenues increased 42% to \$117.2 million for fiscal year 1995 from \$82.7 million for the previous year.

Software products. Software products revenue for fiscal year 1995 increased by 47% to \$55.4 million as compared to \$37.8 million in the previous year. The increase occurred in the Europe, Middle East and Africa region where software product revenue increased by 113% during fiscal year 1995 as a result primarily of three purchases of the Company's Seer*HPS product which exceeded \$5 million each. The total software products revenue associated with these purchases was \$21.4 million. During fiscal year 1995 the Company expanded its selling and marketing efforts in those regions and has gained continued market acceptance of its products which allowed the Company to record sales to eighteen new customers totaling \$11.7 million in the North and South America region and six new customers totaling \$2.3 million in the Asia/Pacific region.

Maintenance. Maintenance revenue for fiscal year 1995 increased by 52% to \$11.1 million as compared to \$7.3 million in the previous year. Because substantially all of the Company's existing customers have historically renewed their maintenance contracts, the increase is a result primarily of the Company recording a full year of revenue for new customers added during fiscal year 1994. For fiscal year 1995, \$10.3 million of maintenance revenue was generated from customers that purchased software products prior to September 30, 1994.

Services. Services revenue for fiscal year 1995 increased 35% to \$50.6

million as compared to \$37.6 million in the previous year. The increase is primarily due to expanded use of the Seer*HPS product by existing customers for more numerous and complex applications. Approximately 85.4% of the Company's services revenue, or \$43.2 million, was generated from customers that purchased software prior to September 30, 1994.

Gross Profit. Total gross profit for fiscal year 1995 increased 62% to \$72.5 million as compared to \$44.9 million for the previous year. Total gross

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margin increased to 61.9% for fiscal year 1995 as compared to 54.3% in the previous year primarily as a result of improving margins in the services area. Software gross margin decreased to 99.0% for fiscal year 1995 as compared to 99.2% for the previous year as a result of higher amortization of capitalized software, which is the largest component of the cost of software, in fiscal year 1995. Maintenance gross margins decreased to 32.9% for fiscal year 1995 as compared to 42.3% in the previous year as a result primarily of pricing discounts provided to several customers on long term maintenance commitments. Additionally, the customer support staff was increased during the year to accommodate the Company's growth. Average headcount in the customer support department increased to 34 for fiscal year 1995 compared to 22 in the previous year. Services gross margin increased to 27.7% for fiscal year 1995 compared to 11.4% for the previous year as a result of better utilization of the existing consulting staff during fiscal year 1995. Average services headcount increased by 13% to 313 during fiscal year 1995 compared to 278 in the previous year.

Sales and Marketing Expense. Sales and marketing expenses for fiscal year 1995 increased 70% to \$39.4 million as compared to \$23.1 million for the previous year. Additionally, sales and marketing expense as a percent of revenue increased to 33.6% for fiscal year 1995 compared to 28.0% in the previous year. These increases are a result of the increased expansion of the Company's worldwide sales force, increased promotional spending and the establishment of a business development staff during fiscal year 1995 to develop strategic relationships and alternate distributions channels for the Company's product.

Research and Product Development Expense. Research and product development expenses for fiscal year 1995 increased 23% to \$14.5 million compared to \$11.8 million in the previous year. Research and product development costs relate primarily to development efforts related to Seer*HPS version 5.3 and continuing development of new products. Research and development expenses as a percent of revenue decreased to 12.4% for fiscal year 1995 compared to 14.2% in the previous year.

General and Administrative Expense. General and administrative expenses for fiscal year 1995 increased 43% to \$9.4 million compared to \$6.6 million in the previous year as a result primarily of personnel additions necessary to manage and support the Company's growth. General and administrative expenses as a percent of revenue increased to 8.0% for fiscal year 1995 compared to 7.9% in the previous year.

Provision for Income Taxes. Income tax expense fiscal year 1995 increased to \$3.7 million from \$1.0 million for fiscal year 1994. The effective income tax rate increased to 41.5% for fiscal year 1995 from 30.5% for fiscal year 1994. The increase in the effective rate of 11% is a result of increased profitability of the Company and changes in the valuation allowance for certain deferred tax assets. Also, the effective rate for fiscal year 1994 included a benefit from a previous net operating loss carryforward which was not applicable in computing the effective rate for fiscal year 1995.

Liquidity and Capital Resources

During fiscal year 1996, the Company's operating and capital requirements were financed primarily through cash received from its initial public offering during fiscal year 1995, borrowings under its credit facilities, and cash received from the issuance of convertible preferred stock.

Cash used in operations increased to \$36.2 million for fiscal year 1996 compared to \$12.2 million and \$.6 million for fiscal years 1995 and 1994, respectively. The increased use of cash in operations in fiscal year 1996 is a result of increases in operating expenses to support headcount growth in the first half of fiscal year 1996, as well as declining software product sales. See "Results of Operations" above. Cash flow from operations has also been unfavorably impacted by an increase in the time of collection for the Company's accounts receivable during fiscal year 1996, due partially to extended payment terms granted to certain software customers.

Cash used in investing activities decreased to \$4.4 million for fiscal year 1996 compared to \$5.2 million for fiscal year 1995 and \$4.3 million for fiscal year 1994. The 1996 decrease was primarily the result of a \$1.5 million decrease in capital expenditures during fiscal year 1996 as compared to fiscal year 1995,

while the 1995 increase was a result of an increase in capital expenditures during that year. Capital expenditures in fiscal year 1995 were primarily for purchases of computer equipment for software development and support associated with the Company's new product development. As of September 30, 1996, the Company did not have any material commitments for capital expenditures.

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Cash provided by financing activities during fiscal year 1996 of \$27.3 million resulted primarily from the Company's sale of Series A Convertible Preferred Stock (the "Preferred Stock") in August 1996, which provided \$12.3 million, net of associated costs. Net borrowings under the Company's lines of credit also increased to \$14.4 million for fiscal year 1996. Cash provided by financing activities during fiscal year 1995 of \$29.8 million resulted primarily from the Company's initial public offering of Common Stock, which provided \$49.4 million, net of associated costs. Proceeds of the offering were used to redeem the Senior Redeemable Preferred Stock and accrued dividends of \$15.6 million and \$15.1 million in borrowings under the Company's credit agreements. Cash provided by financing activities during fiscal year 1994 resulted from net borrowings under the Company's line of credit.

At September 30, 1996, the Company maintained two credit facilities (the "Revolving Facility" and the "Guaranteed Facility") which provide for combined borrowings of up to \$32.5 million for working capital purposes based on the Company's eligible accounts receivable, as defined in the loan agreements. The Revolving Facility allows for borrowings of up to \$20 million, bears interest at the London Interbank Offered Rate ("LIBOR") plus 3.0%, and is collateralized by the Company's accounts receivable and other assets. The Guaranteed Facility allows for borrowings of up to \$12.5 million and bears interest at LIBOR plus 1.25% or the higher of .5% plus the prime rate or the rate quoted by the Federal Reserve, depending on the type of advance, as defined in the loan agreement. The Guaranteed Facility is guaranteed by the Company's principal stockholder, Welsh, Carson, Anderson, & Stowe VI, L.P. ("WCAS"), pursuant to an agreement with the Company. Borrowings are made under the facilities based upon a ratio, defined in the loan agreements, which varies with the Company's tangible net worth. The facilities require the Company's compliance with various covenants, which among other things, require the Company to maintain a minimum tangible net worth and limit the amount of dividends and other payments by the Company. As of September 30, 1996, the Company had outstanding borrowings of \$10.6 million under the Revolving Facility and \$3.8 million under the Guaranteed Facility. The interest rates for the Revolving Facility and the Guaranteed Facility were 8.5% and 8.25%, respectively, at September 30, 1996. The facilities expire on September 30, 1997. The Company intends to renegotiate and extend the credit facilities; however, there can be no assurance that the credit facilities can be extended on acceptable terms.

Beginning in fiscal year 1995, the Company entered into foreign exchange forward contracts to hedge the exposures that arise from foreign exchange rate movements between dates that foreign currency denominated receivables are recorded and the date they are paid. The Company does not engage in foreign currency speculation. The Company has a line of credit of \$3.5 million available from the lender to enter foreign exchange contracts with the lender. The aggregate notional amount of foreign exchange contracts outstanding from the lender cannot exceed \$23.3 million. At September 30, 1996 the aggregate notional amount of foreign exchange contracts outstanding from the lender was \$22.7 million.

During August 1996, the Company sold 2,094,143 shares of Preferred Stock to WCAS and certain WCAS affiliates, resulting in gross proceeds to the Company of \$12.5 million. The net proceeds from the sale of the Preferred Stock, which totaled \$12.3 million, were used for general corporate purposes. The sale of the Preferred Stock was made in a private transaction exempt from the registration requirements of the federal securities laws.

Each share of Preferred Stock may be converted at any time at the option of the holder into shares of Common Stock at a conversion rate of one common share for each share of Preferred Stock, subject to adjustment upon the occurrence of certain events. The Preferred Stock is not entitled to receive dividends in any fixed amount but will receive dividends on an as converted basis in the event

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that a dividend is paid on the Common Stock. The Preferred Stock will rank senior in right of payment to the Common Stock. In the event of any liquidation, dissolution or winding up of the Company, holders of Preferred Stock will be entitled to receive a liquidation preference of \$5.969 per share before payment is made or assets are distributed to holders of the Common Stock. In addition, the holders of Preferred Stock are entitled to vote together with the holders of Common Stock on all matters to be voted on by the stockholders of the Company.

The Company is subject to certain restrictions while shares of Preferred

Stock remain outstanding, including restrictions on the Company's ability to declare dividends, purchase or redeem any outstanding shares of Common Stock, create or authorize the creation of additional classes of capital stock of the Company, increase the authorized amount of Preferred Stock, or create or authorize the creation of any securities convertible into shares of Preferred Stock or any other class of capital stock of the Company.

The Company believes that existing cash on hand and additional borrowings under its lines of credit will be sufficient to finance its operations and expected working capital and capital expenditure requirements for at least the next twelve months. Thereafter, the Company's liquidity will depend upon the results of future operations, as well as available sources of financing. There can be no assurance that the Company will be able to meet its loan covenants, achieve its operating plan or, if needed, obtain additional financing on acceptable terms, and the failure to do so may have an adverse impact on the Company's business and operations.

Recent Accounting Pronouncements

In March, 1995, the FASB issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS No. 121"), which is generally effective for fiscal years beginning after December 15, 1995. SFAS No. 121 is not anticipated to have a material effect on the financial position or results of operations of the Company.

In October, 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), which is generally effective for fiscal years beginning after December 15, 1995. SFAS No. 123 is not anticipated to have a material effect on the financial position or results of operations of the Company.

Item 8. Financial Statements and Supplementary Data.

The information required by this item appears beginning on page F-1 of this report. (See Items 14(a)(1) and (2).)

Item 9. Changes in and Disagreements on Accounting and Financial Disclosure.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information required by this item is incorporated by reference to information included under the captions "Election of Directors," "Executive Officers" and "Compliance with Section 16(a) of the Securities Exchange Act of 1934" in the Company's Proxy Statement for the 1997 Annual Meeting of Stockholders.

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Item 11. Executive Compensation.

The information required by this item is incorporated by reference to information included under the captions "Election of Directors - Director Compensation" and "- Compensation Committee Interlocks and Insider Participation," "Executive Compensation," "Compensation Committee Report on Executive Compensation" and "Stock Performance Graph" in the Company's Proxy Statement for the 1997 Annual Meeting of Stockholders.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information required by this item is incorporated by reference to information included under the caption "Beneficial Ownership of Common Stock" in the Company's Proxy Statement for the 1997 Annual Meeting of Stockholders.

Item 13. Certain Relationships and Related Transactions.

The information required by this item is incorporated by reference to information included under the caption "Election of Directors - Compensation Committee Interlocks and Insider Participation" in the Company's Proxy Statement for the 1997 Annual Meeting of Stockholders.

PART IV

Item 14. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

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

1. Financial Statements

The following financial statements of the Company and the related report of independent accountants thereon are set forth immediately following the Index of Financial Statements which appears on page F-1 of this report:

Report of Independent Accountants

Consolidated Balance Sheets at September 30, 1996 and 1995

Consolidated Statements of Operations for each of the three years in the period ended September 30, 1996

Consolidated Statements of Changes in Stockholders' Equity (Capital Deficiency) for each of the three years in the period ended September 30, 1996

Consolidated Statements of Cash Flows for each of the three years in the period ended September 30, 1996

Notes to Consolidated Financial Statements

2. Financial Statement Schedules:

All schedules for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and therefore have been omitted.

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3. (a) Exhibits:

The following exhibits are filed as part of this Report. Parenthetical references indicate incorporation by reference to documents previously filed by the Company with the Securities and Exchange Commission (Commission File No. 0 - 26194).

Exhibit Number	Description
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3.1	Certificate of Incorporation (Exhibit 3.1 to the Company's Registration Statement on Form S-1, No. 33-92050), as amended to include the Certificate of Designation of Series A Convertible Preferred Stock of the Company (Exhibit 4.4 to the Quarterly Report on Form 10-Q for the period ended June 30, 1996)
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3.2	Amended and Restated By-Laws of the Company (Exhibit 3.2 to the Company's Registration Statement on Form S-1, No. 33-92050)
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4.1	Specimen Common Stock certificate (Exhibit 4.1 to the Company's Registration Statement on Form S-1, No. 33-92050)
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4.2	See Exhibits 3.1 and 3.2 for the provisions of the Company's Certificate of Incorporation and Bylaws governing the rights of holders of securities of the Company
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4.3	Specimen Preferred Stock certificate (Exhibit 4.3 to the Quarterly Report on Form 10-Q for the period ended June 30, 1996)
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10.1	Software Agreement, dated March 7, 1990, among the Company, FBC, FBS and FBTI, with amendment thereto (Exhibit 10.1 to the Company's Registration Statement on Form S-1, No. 33-92050)
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10.2	Services Agreement, dated March 8, 1990, among the Company, FBPC and FBC (Exhibit 10.2 to the Company's Registration Statement on Form S-1, No. 33-92050)
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- 10.3 License Agreement, dated March 7, 1990, between the Company and IBM (Exhibit 10.3 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.4 Software Escrow Agreement, dated March 7, 1990, among the Company, IBM and Data Securities International, Inc. as Escrow Agent (Exhibit 10.4 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.5 Bill of Sale and Assumption Agreement, dated March 8, 1990, among the Company, FBC, FBTI, FBS and FBPC (Exhibit 10.5 to the Company's Registration Statement on Form S-1, No. 33-92050)

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- 10.6 Form of Employee's Non-Competition, Confidentiality and Invention Assignment Agreement (Exhibit 10.6 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.7 Form of Consultant's Non-Competition, Confidentiality and Invention Assignment (Exhibit 10.7 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.9 International Software Marketing Agreement, dated June 7, 1993, between the Company and IBM (Exhibit 10.9 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.10 Product Remarketing Supplement to International Software Marketing Agreement, dated June 10, 1993, between the Company and IBM (Asia and Pacific Rim) (Exhibit 10.10 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.11 Master Distribution Agreement, dated February 27, 1992, between the Company and IBM Japan Ltd., with amendments thereto (Exhibit 10.11 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.12 Seer Product License Agreement, dated February 27, 1992, between the Company and IBM Japan Ltd. (Exhibit 10.12 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.13 Master Distribution and License Agreement, dated April 6, 1992, between the Company and IBM Ireland Information Services Ltd. ("IISL") (Exhibit 10.13 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.14 Cooperative Solution Supplier Program, dated April 2, 1992, between the Company and IBM Canada Ltd., with amendment thereto. (Exhibit 10.14 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.15 Master Distribution and License Agreement, dated December 30, 1993, between the Company and IBM Australia Limited (Exhibit 10.15 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.16 Project Viking Funding Agreements, dated September 4, 1992, between the Company and IBM

- 10.17 License Agreement, dated March 21, 1995, between the Company and Seer Technologies Benelux B.V. (Exhibit 10.17 to the Company's Registration Statement on Form S-1, No. 33-92050)

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- 10.18 License Agreement, dated March 20, 1995, between the Company and Seer Technologies Ireland Limited (Exhibit 10.18 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.19 \$25,000,000 Credit Facility, dated February 24, 1994, between the Company and NationsBank, N.A. (Carolinas) (Exhibit 10.19 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.20 Lease Agreement, dated July 30, 1991, between the Company and Regency Park Corporation (Cary, NC), with Addenda thereto (Exhibit 10.21 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.22 Lease Agreement, dated December 25, 1992, between the Company and Capital & Counties (London, England) (Exhibit 10.22 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.23 Preferred Stock Purchase Agreement, dated March 7, 1990, among the Company, International Business Machines Corporation ("IBM"), First Boston Securities Corporation ("FBS"), The First Boston Corporation ("FBC"), First Boston Princeton Corp. ("FBPC "), and First Boston Technologies, Inc. ("FBTI"), with amendment thereto (Exhibit 10.25 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.24 Stockholders Agreement, dated March 7, 1990, among the Company, FBS and IBM, with amendment thereto (Exhibit 10.24 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.25 Significant Stockholders Agreement, dated March 8, 1990, among the Company, FBS, IBM and Eugene F. Bedell (Exhibit 10.25 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.26* Restricted Stock Purchase Plan of the Company (Exhibit 10.26 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.27* Form of Restricted Stock Purchase Agreement (Exhibit 10.27 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.28* Stock Restriction Agreement, dated March 8, 1990, among the Company, FBS, IBM and the management stockholders named therein, with amendment thereto (Exhibit 10.28 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.29* Form of Stock Option and Restricted Stock Purchase Plan of the Company (Exhibit 2.9 to the Company's Registration Statement on Form S-1, No. 33-92050)

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- 10.30* Form of Stock Option Plan for Non-Employee Directors of the Company (Exhibit 10.30 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.31* Form of Incentive Stock Option Agreement

- 10.32 Stock Purchase Agreement dated June 15, 1994 among the Company, Welsh, Carson, Anderson & Stowe VI, L.P., WCA Management Corporation, WCAS Information Partners, L.P., CS First Boston Securities Corporation, and International Business Machines Corporation (Exhibit 10.32 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.33 Securities Purchase and Exchange Agreement, dated September 30, 1994, among the Company, WCAS Capital Partners II, L.P., WCA Management Corporation, WCAS Information Partners, L.P., CS First Boston Securities Corporation, and International Business Machines Corporation (Exhibit 10.33 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.34 Software License Agreement between the Company and Banca Commerciale Italiana (Exhibit 10.34 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.35 Form of Indemnification Agreement (Exhibit 10.35 to the Company's Registration Statement on Form S-1, No. 33-92050).
- 10.36* First Amendment to Stock Option and Restricted Stock Purchase Plan (Exhibit 10.1 to the Company's Report on Form 10-Q for the Quarterly Period Ended June 30, 1995, No. 0-26194)
- 10.37 Lease for additional space at the Company's Cary, N.C. headquarters (Exhibit 10.37 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.38 Sublease of space at the Company's Cary, N.C. headquarters (Exhibit 10.38 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.39 Credit Agreement and related Promissory Note between Seer Technologies, Inc. and Nations-Bank, N.A. and related Guaranty between the Company and WCAS, all dated July 15, 1996 (Exhibit 10.39 to the Quarterly Report on Form 10-Q for the period ended June 30, 1996)
- 10.40 Second Consolidated Amendment Agreement dated July 19, 1996 between Seer Technologies, Inc. and Nations Bank (Exhibit 10.40 to the Quarterly Report on Form 10-Q for the period ended June 30, 1996)
- 10.41 Preferred Stock Purchase Agreement dated August 8, 1996, among the Company, WCAS and certain WCAS affiliates named therein (Exhibit 10.41 to the Quarterly Report on Form 10-Q for the period ended June 30, 1996).
- 10.42 Stock Agreement dated August 8, 1996, between the Company and WCAS (Exhibit 10.42 to the Quarterly Report on Form 10-Q for the period ended June 30, 1996).
- 10.43* Employment Agreement, dated August 8, 1996, between the Company and Thomas A. Wilson.
- 10.44 Third Consolidated Agreement dated August 20,

1996 between Seer Technologies, Inc. and Nations Bank

- 10.45* Employment Agreement, dated September 23, 1996, between the Company and Steven Dmiszewicki
- 11.1 Statement regarding Computation of Earnings Per Share
- 21.1 Subsidiaries
- 23.1 Consent of Coopers & Lybrand L.L.P.
- 27.1 Financial Data Schedule

* Management contract or compensatory plan or agreement.

(b) Reports on Form 8-K

The Company filed no Reports on Form 8-K during the period covered by this Report.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

SEER TECHNOLOGIES, INC.

By: /s/ Thomas A. Wilson

Thomas A. Wilson
President and Chief Executive Officer

Date: December 30, 1996

Pursuant to the requirements of the Securities Exchange Act of 1934, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Date: December 30, 1996 /s/ Robert A. Minicucci

Robert A. Minicucci
Chairman of the Board

Date: December 30, 1996 /s/ Thomas A. Wilson

Thomas A. Wilson
President and Chief Executive Officer
Director

Date: December 30, 1996 /s/ Steven Dmiszewicki

Steven Dmiszewicki
Senior Vice President and Chief Financial Officer

Date: December 30, 1996 /s/ Bruce K. Anderson

Bruce K. Anderson
Director

Date: December 30, 1996 /s/ Frank T. Cary

Frank T. Cary
Director

Date: December 30, 1996 /s/ Anthony J. deNicola

Anthony J. deNicola
Director

Date: December 30, 1996 /s/ George L. McTavish

George L. McTavish
Director

SEER TECHNOLOGIES, INC.

INDEX TO FINANCIAL STATEMENTS

September 30, 1996

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Stockholders of Seer
Technologies, Inc.

We have audited the accompanying consolidated balance sheets of Seer Technologies, Inc. as of September 30, 1996 and 1995, and the related consolidated statements of operations, changes in stockholders' equity (capital deficiency), and cash flows for each of the three years in the period ended September 30, 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 consolidated financial position of Seer Technologies, Inc. as of September 30, 1996 and 1995, and the consolidated results of its operations and its cash flows for each of the three years in the period ended September 30, 1996 in conformity with generally accepted accounting principles.

/s/ COOPERS & LYBRAND L.L.P.

Washington, D.C.
November 7, 1996

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SEER TECHNOLOGIES, INC.

CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share amounts)

<TABLE>
<CAPTION>

	September 30, 1996	September 30, 1995
	-----	-----
<S>	<C>	<C>
ASSETS		
Cash and cash equivalents	\$ 377	\$13,650
Trade accounts receivable, less allowance for doubtful accounts	42,938	42,949
Prepaid expenses and other current assets	4,116	4,071
Deferred income taxes	4,621	964
	-----	-----
Total current assets	52,052	61,634
Trade accounts receivable, net	3,803	5,004
Property and equipment, net	6,459	6,828
Capitalized software costs, net	3,057	2,425
Deferred income taxes, net of valuation allowance	12,971	51
Other assets	462	502
	-----	-----
TOTAL ASSETS	\$78,804	\$76,444
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Notes payable, due on demand	\$14,379	\$ -
Accounts payable	3,487	2,976
Accrued expenses:		
Compensation	3,920	5,553
Commissions	4,401	5,312
Other	8,463	4,179
Deferred revenue	10,853	7,134
Income taxes payable	2,586	2,393
	-----	-----
Total current liabilities	48,089	27,547
Deferred revenue	662	459
Commitments and contingencies (Notes 17 and 18)		
Stockholders' equity:		
Series A convertible preferred stock, \$0.01 par value, 2,094,143 and 0 shares authorized, issued and outstanding at September 30, 1996 and 1995, respectively; \$5.969 per share liquidation preference (aggregate liquidation value of \$12,500,000)	21	-
Common stock, \$0.01 par value, 20,000,000 shares authorized in 1996 and 1995, respectively; 11,612,107 and 11,351,948 shares issued and outstanding at September 30, 1996 and 1995, respectively	116	114
Additional paid-in capital - preferred stock	12,281	-
Additional paid-in capital - common stock	57,544	56,541
Cumulative translation adjustments	(505)	(395)
Accumulated deficit	(39,404)	(7,822)
	-----	-----
Total stockholders' equity	30,053	48,438
	-----	-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$78,804	\$76,444
	=====	=====

</TABLE>

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

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SEER TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share amounts)

<TABLE>
<CAPTION>

	For the Years Ended September 30,		
	1996	1995	1994
	-----	-----	-----
<S>	<C>	<C>	<C>

Revenue:			
Software products	\$28,795	\$ 55,419	\$37,815
Maintenance	13,182	11,142	7,312
Services	54,966	50,619	37,566
	-----	-----	-----
Total operating revenue	96,943	117,180	82,693
Cost of revenue:			
Software products	1,562	568	295
Maintenance	8,303	7,471	4,220
Services	48,469	36,599	33,277
	-----	-----	-----
Total cost of revenue	58,334	44,638	37,792
Gross profit	38,609	72,542	44,901
Operating expenses:			
Sales and marketing	44,054	39,405	23,127
Research and product development	16,789	14,523	11,765
General and administrative	19,878	9,360	6,558
Restructuring charges	3,000	-	-
	-----	-----	-----
Total operating expenses	83,721	63,288	41,450
Income (loss) from operations	(45,112)	9,254	3,451
Other income (expense):			
Interest income	648	254	32
Interest expense	(802)	(701)	(88)
	-----	-----	-----
Other expense, net	(154)	(447)	(56)
Income (loss) before provision for income taxes	(45,266)	8,807	3,395
Income tax provision (benefit)	(13,684)	3,655	1,034
	-----	-----	-----
Net income (loss)	\$ (31,582)	\$ 5,152	\$ 2,361
Primary earnings (loss) per common and common equivalent share	=====	=====	=====
	\$ (2.76)	\$ 0.45	\$ 0.21
	=====	=====	=====
Weighted average common and common equivalent shares outstanding	11,445	11,507	10,986
	=====	=====	=====

</TABLE>

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

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SEER TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CAPITAL DEFICIENCY)
(in thousands, except per share amounts)

<TABLE>

<CAPTION>

	Series A		Series B		Series C		Common Stock	
	Preferred Stock		Preferred Stock		Preferred Stock		Common Stock	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
	-----	-----	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at September 30, 1993		\$ -		\$ -		\$ -	1,473,158	\$ 15
Issuance of common shares								
Issuance of restricted stock grants							118,815	1
Corporation expense for restricted stock grants								
Accretion of Series A preferred stock to mandatory redemption account								
Recapitalization (Note 6)			2,384,615	24	98,816	1		
Cumulative translation adjustment								
Net income								
	-----	---	-----	---	-----	---	-----	---
Balance at September 30, 1994			2,384,615	24	98,816	1	1,591,973	16
Issuance of common shares							2,970,987	30
Repurchase of common shares							(2,486)	
Accretion of Senior redeemable preferred stock to mandatory redemption account								

Senior redeemable preferred stock dividends earned								
Conversion of Series B preferred stock to common shares			(2,384,615)	(24)	(98,816)	(1)	6,593,842	66
Conversion of Series C preferred stock to common shares							197,632	2
Cumulative translation adjustment								
Net income								
Balance at September 30, 1995							11,351,948	114
Issuance of convertible preferred shares	2,094,143	21						
Issuance of common shares							260,159	2
Cumulative translation adjustment								
Net loss								
Balance at September 30, 1996	2,094,143	\$21	-	\$ -	-	\$ -	11,612,107	\$116

</TABLE>

<TABLE>
<CAPTION>

	Additional Paid-in Capital Preferred	Additional Paid-in Capital Common	Cumulative Translation Adjustments	Accumulated Deficit	Unearned Compensation	Total Stockholders' Equity/ (Capital Deficiency)
<S>	<C>	<C>	<C>	<C>	<C>	<C>
Balance at September 30, 1993	\$ -	\$ -	\$ (112)	\$ (12,837)	\$ -	\$ (12,934)
Issuance of common shares		64				64
Issuance of restricted stock grants		752			(654)	99
Corporation expense for restricted stock grants					654	654
Accretion of Series A preferred stock to mandatory redemption amount		(816)		(2,498)		(3,314)
Recapitalization (Note 6)		10,969				10,994
Cumulative translation adjustment			(20)			(20)
Net income				2,361		2,361
Balance at September 30, 1994		10,969	(132)	(12,974)		(2,096)
Issuance of common shares		48,787				48,797
Repurchase of common shares		(22)				(22)
Accretion of Senior redeemable preferred stock to mandatory redemption account		(1,940)				(1,940)
Senior redeemable preferred stock dividends earned		(1,190)				(1,190)
Conversion of Series B preferred stock to common shares		(42)				(1)
Conversion of Series C preferred stock to common shares		(1)				1
Cumulative translation adjustment			(263)			(263)
Net income				5,152		5,152
Balance at September 30, 1995		56,541	(395)	(7,822)		48,438
Issuance of convertible preferred shares	12,281					12,302
Issuance of common shares		1,003				1,005
Cumulative translation adjustment			(110)			(110)
Net income				(31,582)		(31,582)
Balance at September 30, 1996	\$12,281	\$57,544	\$ (505)	\$ (39,404)	\$ -	\$ 30,053

</TABLE>

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

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SEER TECHNOLOGIES, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

<TABLE>
<CAPTION>

FOR THE YEARS ENDED

	SEPTEMBER 30,		
	1996	1995	1994
<S>	<C>	<C>	<C>
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)	\$ (31,582)	\$ 5,152	\$ 2,361
Adjustments to reconcile net income (loss) to net cash used in operating activities:			
Depreciation and amortization	4,475	2,740	2,212
Deferred income taxes	(16,577)	145	(1,160)
Provision for uncollectible accounts	10,158	773	-
Compensation expense for restricted stock grants	-	-	753
Changes in assets and liabilities:			
Trade accounts receivable	(9,043)	(23,771)	(10,229)
Prepaid expenses and other assets	28	(2,389)	(566)
Accounts payable and accrued expenses	2,444	5,635	5,212
Deferred revenue	3,922	(492)	772
Net cash used in operating activities	(36,175)	(12,207)	(645)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(2,768)	(4,239)	(3,186)
Capitalization of software development costs	(1,600)	(929)	(1,100)
Net cash used in investing activities	(4,368)	(5,168)	(4,286)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issuance of common shares	602	48,797	64
Issuance of preferred shares	12,500	-	-
Preferred stock issuance costs	(198)	-	-
Repurchase of common shares	-	(22)	-
Preferred stock dividend	-	(1,190)	-
Redemption of Senior Redeemable Preferred Stock	-	(15,135)	-
Net borrowings under lines of credit	14,379	(2,700)	2,700
Net cash provided by financing activities	27,283	29,750	2,764
Effect of exchange rate changes on cash	(13)	(3)	(20)
Net increase (decrease) in cash and cash equivalents	(13,273)	12,372	(2,187)
Cash and cash equivalents:			
Beginning of period	13,650	1,278	3,465
End of period	\$ 377	\$ 13,650	\$ 1,278
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Income taxes	\$ 1,596	\$ 1,549	\$ 2,161
Interest	\$ 846	\$ 701	\$ 88

</TABLE>

Noncash Financing Activities:

During 1996, the Company issued 75,000 shares of its common stock to Welsh, Carson, Anderson, & Stowe IV ("WCAS") in exchange for WCAS's guaranty of up to \$12,500 of the Company's line of credit. The market value of the capital stock on the date of issuance, approximately \$403, was capitalized and is being amortized over the life of the guaranty. Approximately \$67 of the guaranty-related cost was amortized during the fiscal year ended September 30, 1996.

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

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SEER TECHNOLOGIES, INC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(dollars in thousands, except share and per share data)

Note 1. Summary of Operations and Significant Accounting Policies

Operations

SEER Technologies, Inc. ("SEER" or the "Company") designs, develops, markets and supports software products and related services that enable its customers to create, distribute and manage large-scale mission-critical information processing applications that utilize client/server technologies. SEER's application development tools, related software products and consulting services reduce the time, cost and risk involved in developing, deploying and maintaining complex client/server applications and enable efficient integration of those applications with the customer's existing systems.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. All significant intercompany accounts and transactions are eliminated in consolidation.

Foreign Currency Translation

The assets and liabilities of foreign subsidiaries are translated to U.S. dollars at the current exchange rate as of the balance sheet date. The resulting translation adjustment is recorded as a separate component of stockholders' equity. Statement of operations items are translated at average rates of exchange during each reporting period. Transaction gains and losses are included in current operations. Realized and unrealized net losses (gains) for transactions denominated in foreign currencies were \$556, \$264, and (\$170), respectively, for the fiscal years ended September 30, 1996, 1995, and 1994.

Revenue Recognition

Revenue from the non-exclusive licensing of existing software products is recognized when the software is accepted and delivered or installed by the customer in accordance with the terms of the contract and only if no significant vendor obligations remain and collection of the resulting receivables is deemed probable. For license agreements where maintenance is bundled with the software license for a time period greater than three months, an appropriate portion of the license fees is deferred and amortized over the initial maintenance period.

Revenue from recurring maintenance contracts is recognized ratably over the maintenance contract period, which is typically twelve months. Maintenance revenue which is not yet earned is included in deferred revenue.

Revenue from consulting and training services is recognized as services are performed.

Proceeds from product development contracts are recorded as deferred revenue when collected and the revenue is recognized as the development work is performed.

The Company typically does not grant to its customers a contractual right to return software products. Accordingly, no provision for estimated returns is recorded at the time of sale. When approved by management, however, the Company will accept returns of certain software products and will provide an allowance for those specific transactions.

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Cost of Revenue

The primary components of the Company's cost of revenue for its software products are packaging and distribution costs and software amortization. The primary components of the Company's cost of revenue for maintenance are payments under various distribution and marketing agreements with IBM and customer support. A portion of the costs related to customer support are deferred and recognized as the service is provided. The primary component of the Company's cost of revenue for services is compensation expense. Consulting and training services revenue and the cost of such revenue includes reimbursable client-related expenses.

Cash and Cash Equivalents

Cash and cash equivalents includes all cash balances and highly liquid investments with a maturity of three months or less from the date of purchase. For these instruments, the carrying amount is a reasonable estimate of fair value. The Company places substantially all cash and cash equivalents with various financial institutions in both the United States and several foreign countries. At times, such cash and cash equivalents may be in excess of FDIC insurance limits.

Property and Equipment

Property and equipment is stated at cost and depreciated using the straight-line method over the estimated useful lives of the related assets as follows:

Leasehold improvements	The lesser of the lease term or estimated useful life
Furniture and fixtures	3 to 5 years
Office equipment	3 years
Computer equipment	4 years

Expenditures for repairs and maintenance are charged to expense as incurred. The cost and related accumulated depreciation of property and equipment are removed from the accounts upon retirement or other disposition and any resulting gain or loss is reflected in operations.

Software Costs

The Company capitalizes certain software costs after technological feasibility of the product has been established. The establishment of technological feasibility and the ongoing assessment of recoverability of capitalized software development costs requires considerable judgment by management with respect to certain external factors, including, but not limited to, technological feasibility, anticipated future gross revenue, estimated economic life and changes in software and hardware technologies.

All capitalized software costs are amortized over related sales on a product-by-product basis at the greater of the amount computed using (a) the ratio of current gross revenues for a product to the total of current and anticipated future gross revenues or (b) the straight-line method over the remaining estimated economic life of the product. Generally, an original estimated economic life of three years is assigned to capitalized software costs, once the product is available for general release to customers. Costs incurred prior to the establishment of technological feasibility are charged to research and development expense.

Research and Product Development

Research and product development costs are expensed as incurred.

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Forward Exchange Contracts

The Company conducts its business in various foreign currencies. As a result, it is subject to the transaction exposures that arise from foreign exchange rate movements between the dates that foreign currency transactions are recorded and the date they are consummated. The Company enters into foreign exchange forward contracts to hedge the effect of fluctuating foreign currencies on its results of operations (see Note 12). Gains and losses associated with exchange rate fluctuations on forward contracts are recorded currently as income or loss as they offset corresponding gains and losses on the foreign currency denominated assets or liabilities being hedged. The gains and losses are computed by multiplying the foreign currency amounts of the forward contracts by the difference between the spot rate at the balance sheet date and the spot rate at the date of inception of the forward contracts. The costs of the forward contracts are recorded as expense over the lives of the contracts.

Income Taxes

The provision for income taxes includes United States federal, state and foreign income taxes, each currently payable and deferred, as determined in accordance with the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes". This statement requires that all deferred tax asset and liability balances be determined by application to temporary differences of the tax rate expected to be in effect when taxes will become payable or receivable. Temporary differences are differences between the tax basis of assets and liabilities and their reported amounts in the financial statements that will result in taxable or deductible amounts in future years. The Company's temporary differences consist primarily of accelerated depreciation, deferred revenue and capitalized software costs.

Earnings Per Share

Primary earnings per share is based on the weighted average number of common shares and common share equivalents outstanding during the period. The Series B and Series C convertible preferred shares issued that were automatically converted upon the effective date of the public offering have been included as a common share equivalent for the years ended September 30, 1995 and 1994. Stock options issued to employees during the twelve months immediately preceding the initial filing date of the public offering have been included in the calculation for the years ended September 30, 1995 and 1994 as if they were outstanding for 1995 and 1994, using the treasury stock method. The pro forma per share data for 1995 and 1994 is presented giving effect to the number of shares whose proceeds

would be necessary to pay the redemption value and accrued dividends on the Senior Redeemable Preferred Stock on the effective date of the public offering. All common stock equivalents are excluded from the primary earnings per share calculation for the fiscal year ended September 30, 1996 since their inclusion would be antidilutive. Presentation of fully diluted earnings per share is not required for fiscal years 1996, 1995, or 1994.

Accounting Estimates

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 amounts of revenues and expenses during the reporting period. Actual amounts could differ from these estimates.

Reclassifications

Certain prior year amounts in the accompanying financial statements have been reclassified to conform to the 1996 presentation. Such reclassifications had no effect on previously reported net income or stockholders' equity.

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Note 2. Property and Equipment

Property and equipment consists of the following at September 30:

	1996	1995
	-----	-----
Computer equipment	\$ 12,137	\$ 10,302
Leasehold improvements	2,112	1,857
Office equipment	1,257	1,014
Furniture and fixtures	2,529	2,108
	-----	-----
	18,035	15,281
Less accumulated depreciation and amortization	(11,576)	(8,453)
	-----	-----
	\$ 6,459	\$ 6,828
	=====	=====

Depreciation expense was \$3,137, \$2,419, and \$2,003 for the fiscal years ended September 30, 1996, 1995, and 1994, respectively.

Note 3. Capitalized Software Costs

For the fiscal years ended September 30, 1996, 1995 and 1994, the Company capitalized \$1,600, \$929, and \$1,100, respectively, of internal costs related to developing software for sale. During the fiscal years ended September 30, 1996, 1995 and 1994, the Company recognized \$968, \$309, and \$195, respectively, of expense related to the amortization of these costs, which is recorded in cost of revenues, software products, in the Consolidated Statements of Operations. Accumulated amortization of capitalized software costs is \$1,591, \$623, and \$314 at September 30, 1996, 1995 and 1994, respectively.

Note 4. Accounts Receivable

Trade accounts receivable consists of the following at September 30:

	1996	1995
	-----	-----
Current trade accounts receivable	\$ 52,693	\$ 43,599
Less: Allowance for doubtful accounts	(9,351)	(650)
Unamortized discount	(404)	
	-----	-----
	\$ 42,938	\$ 42,949
	=====	=====
Noncurrent trade accounts receivable	\$ 4,185	\$ 5,590
Less: Unamortized discount	(382)	(586)
	-----	-----
	\$ 3,803	\$ 5,004
	=====	=====

All noncurrent receivables were unbilled at September 30, 1996. Approximately \$4,830 of current trade receivables were unbilled at September 30, 1996. There

were no unbilled accounts receivable at September 30, 1995.

Discounts on receivables with payment terms in excess of one year were calculated based on an imputed interest rate of 10% and 7.4% for fiscal years ended September 30, 1996 and 1995, respectively.

The provision for uncollectible amounts was \$10,158 and \$773 for the years ended September 30, 1996 and 1995, respectively. Write-offs of accounts receivable were \$1,457 and \$123 for the years ended September 30, 1996 and 1995, respectively. There were no write-offs or provisions for uncollectible amounts during the year ended September 30, 1994.

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Note 5. Credit Facilities

At September 30, 1996, the Company maintained two credit facilities (the "Revolving Facility" and the "Guaranteed Facility") which provide for combined borrowings of up to \$32,500 for working capital purposes based on the Company's eligible accounts receivable, as defined in the loan agreements. The Revolving Facility allows for borrowings of up to \$20,000, bears interest at the London Interbank Offered Rate ("LIBOR") plus 3.0%, and is collateralized by the Company's accounts receivable and other assets. The Guaranteed Facility allows for borrowings of up to \$12,500 and bears interest at LIBOR plus 1.25% or the higher of .5% plus the prime rate or the rate quoted by the Federal Reserve, depending on the type of advance, as defined in the loan agreement. The Guaranteed Facility is guaranteed by the Company's principal stockholder, Welsh, Carson, Anderson, & Stowe VI, L.P. ("WCAS"), pursuant to an agreement with the Company (the "Guaranty Agreement"). Borrowings are made under the facilities based upon a ratio, defined in the loan agreements, which varies with the Company's tangible net worth. The facilities require the Company's compliance with various covenants, which among other things, require the Company to maintain a minimum tangible net worth and limit the amount of dividends and other payments by the Company. As of September 30, 1996, the Company had outstanding borrowings of \$10,579 under the Revolving Facility and \$3,800 under the Guaranteed Facility. The interest rates for the Revolving Facility and the Guaranteed Facility were 8.5% and 8.25%, respectively, at September 30, 1996. The facilities expire on September 30, 1997. It is the Company's intention to renegotiate and extend the credit facilities; however, there can be no assurance that the credit facilities can be extended on acceptable terms.

In connection with the Guaranty Agreement, the Company issued 75,000 shares of its common stock to WCAS. The market value of the capital stock on the date of issuance, approximately \$403, was capitalized and is being amortized over the life of the guaranty. Approximately \$67 of the guaranty-related cost was amortized during the fiscal year ended September 30, 1996.

Additionally, the Company has a line of credit of \$3,500 available from the lender to enter foreign exchange contracts with the lender. The aggregate notional amount of foreign exchange contracts outstanding from the lender cannot exceed \$23,333. At September 30, 1996 the aggregate notional amount of foreign exchange contracts outstanding from the lender was \$22,651.

The Company believes that existing cash on hand and additional borrowings under its lines of credit will be sufficient to finance its operations and expected working capital and capital expenditure requirements for at least the next twelve months. Thereafter, the Company's liquidity will depend upon the results of future operations, as well as available sources of financing. There can be no assurance that the Company will be able to meet its loan covenants, achieve its operating plan or, if needed, obtain additional financing on acceptable terms, and the failure to do so may have an adverse impact on the Company's business and operations.

Note 6. Recapitalization and Initial Public Offering

During 1994, the Company effected a plan of recapitalization ("the Recapitalization") which was completed in two phases.

The first phase was completed in July 1994 when a group of investors ("the Investment Group") purchased 80% (2,728,292 shares) of the Company's outstanding Series A mandatorily redeemable cumulative convertible preferred stock ("Series A Preferred Stock") from International Business Machines Corporation ("IBM") and CS First Boston Securities Corporation ("FBS"). In addition, the Investment Group purchased 91,491 shares of common stock from selling stockholders.

The second phase was completed on September 30, 1994 in a series of transactions which resulted in the issuance of newly authorized classes of preferred stock and the retirement of the Series A Preferred Stock, among other things. The second phase transactions were as follows:

- . The Investment Group purchased 572,892 additional shares of Series A

Preferred Stock from IBM and FBS.

- . The Company purchased 346,182 shares of common stock from selling stockholders and retired these shares.

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- . The Investment Group exchanged 916,569 shares of Series A Preferred Stock and 91,491 shares of common stock for 151,350 shares of newly issued Senior Redeemable Preferred Stock and 446,189 shares of common stock.
- . The Investment Group exchanged its 2,384,615 remaining shares of Series A Preferred Stock for newly issued Series B Preferred Stock.
- . IBM and FBS exchanged their remaining shares of Series A Preferred Stock (98,816 shares) for newly issued Series C Preferred Stock. In conjunction with the Recapitalization, the Series A Preferred Stock was retired and canceled. No further shares of Series A Preferred Stock are authorized for issuance.

In July 1995, the Company completed its initial public offering of 3,093,397 shares of common stock (the "Common Stock"), of which 2,953,487 shares were sold by the Company and 139,910 shares were sold by selling stockholders. The Company received net proceeds from the initial public offering of \$49,441. A series of transactions occurred in conjunction with the initial public offering:

- . Issuance of 6,593,842 shares of Common Stock upon the automatic conversion and retirement of all outstanding Series B Convertible Preferred Stock (2.76516 common shares for each Series B share).
- . Issuance of 197,632 shares of Common Stock upon the automatic conversion and retirement of all outstanding Series C Convertible Preferred Stock (2 common shares for each Series C share).
- . Payment of the accrued Senior Redeemable Preferred Stock Dividend of \$417; and accretion and redemption of the Senior Redeemable Preferred Stock at a cost of \$15,135.
- . Repayment of \$15,103, representing all principal and accrued interest outstanding under the Company's revolving credit facility agreement with a commercial bank.

Note 7. Convertible Preferred Stock

During August 1996, the Company sold 2,094,143 shares of its newly authorized Series A Convertible Preferred Stock (the "Preferred Stock") to WCAS and certain WCAS affiliates, resulting in gross proceeds to the Company of \$12,500. The net proceeds from the sale of the Preferred Stock were used for general corporate purposes. Approximately \$198 of expenses were incurred in connection with the stock issuance and have been recorded in the Consolidated Statement of Stockholders' Equity (Capital Deficiency) as an offset to the Preferred Stock proceeds. The sale of the Preferred Stock was made in a private transaction exempt from the registration requirements of the federal securities laws.

Each share of Preferred Stock may be converted at any time at the option of the holder into shares of Common Stock at a conversion rate of one common share for each share of Preferred Stock, subject to adjustment upon the occurrence of certain events. The Preferred Stock is not entitled to receive dividends in any fixed amount but will receive dividends on an as converted basis in the event that a dividend is paid on the Common Stock. The Preferred Stock will rank senior in right of payment to the Common Stock. In the event of any liquidation, dissolution or winding up of the Company, holders of Preferred Stock will be entitled to receive a liquidation preference of \$5.969 per share before payment is made or assets are distributed to holders of the Common Stock. In addition, the holders of Preferred Stock are entitled to vote together with the holders of Common Stock on all matters to be voted on by the stockholders of the Company.

The Company is subject to certain restrictions while shares of Preferred Stock remain outstanding, including restrictions on the Company's ability to declare dividends, purchase or redeem any outstanding shares of its Common Stock, create or authorize the creation of additional classes of capital stock of the Company, increase the authorized amount of Preferred Stock, create or authorize the creation of any securities convertible into shares of Preferred Stock or any other class of capital stock of the Company.

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Note 8. Stock Option and Restricted Stock Purchase Plans

Prior to September 30, 1994, the Company had a restricted stock purchase plan

for employees under which the sale of 1,700,000 shares of its common stock had been authorized. Certain employees of the Company purchased common stock at its fair value on the date of grant. Fair value was determined by the Company's management and Board of Directors. The shares were restricted as to the right of sale and other disposition until certain vesting requirements were met over a period of four years (certain shares were subject to acceleration based on achievement of certain performance objectives) from the date of grant issuance. In conjunction with the Recapitalization (Note 6), all shares of common stock issued under this plan were fully vested. This restricted stock purchase plan was terminated at September 30, 1994.

In connection with the Recapitalization, the Company adopted the Stock Option and Restricted Stock Purchase Plan pursuant to which certain employees and officers of the Company have been or will be granted stock options to acquire up to a maximum of 2,400,000 shares of the Company's common stock. Prior to October 1, 1996, options granted under this plan vested based on performance in part at the end of each fiscal year from 1995 to 1998, as defined in the plan. Effective October 1, 1996, the vesting provisions were amended so that the options vest in one-third increments on October 1 each subsequent fiscal year.

During the fiscal year ended September 30, 1995, the Company adopted the Stock Option Plan for Non-Employee Directors, pursuant to which non-employee directors can acquire up to 200,000 shares of the Company's common stock, with a maximum of 10,000 options available per non-employee director. The options vest in one-third increments on each of the first through third anniversaries of the grant date.

At September 30, 1995, exercise prices for all options issued pursuant to these plans ranged from \$3.25 to \$18.00 per share. During the fiscal year ended September 30, 1996, the Company exchanged all options with exercise prices of \$7.50 or more per share for options with an exercise price of \$6.38 per share. Subsequent to this exchange, stock options were issued with an exercise price of \$18 per share.

Activity related to these plans for the fiscal years ending September 30, 1996 and 1995 is as follows:

	1996	1995
	-----	-----
Outstanding at beginning of year	2,147,650	-
Granted	735,450	2,219,000
Exercised	(185,159)	-
Forfeited	(581,696)	(71,350)
	-----	-----
Outstanding at end of year	2,116,245	2,147,650
	=====	=====

As defined in the plan documents, 184,348 shares were vested or exercisable at September 30, 1996. Exercise prices of the outstanding options at September 30, 1996 range from \$3.25 to \$18 per share.

Note 9. Related Party Transactions

Prior to the Recapitalization discussed in Note 6, IBM and FBS were majority shareholders of the Company.

The Company had purchases of \$357 from IBM for the year ended September 30, 1994. The Company provided products and related services to IBM, which acted as distributor of the Company's product (see Note 10 for further discussion), amounting to approximately \$53,306 of the Company's revenues for the year ended September 30, 1994.

The Company was paid \$2,369 for services provided to FBS for the year ended September 30, 1994.

Effective with the Recapitalization, IBM and FBS held only a nominal equity interest in the Company. Accordingly, effective October 1, 1994, transactions with these parties are no longer considered related party transactions. Effective with the Initial Public Offering in June, 1995, FBS sold its interest in the Company.

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Note 10. Significant Customers and Concentration of Credit Risk

No one customer accounted for more than 10% of operating revenue for the fiscal year ended September 30, 1996. During the fiscal years ended September 30, 1995 and 1994 there were sales to one major customer that exceeded 10% of operating revenue. Revenues from this customer, Banca Commerciale Italiana, were \$20,457 and \$8,831 or 17% and 11% of revenues for the years ended September 30, 1995 and 1994, respectively.

The Company has entered into several marketing and distribution agreements with IBM throughout the world. Transactions resulting from these agreements are as follows for the fiscal years ended September 30:

	1996	1995	1994
Expenses incurred	\$ 4,907	\$ 4,375	\$ 3,470
Revenues generated	\$ 62,835	\$ 81,862	\$ 53,306
Percentage of revenues	65%	70%	65%
Percentage of outstanding receivables	70%	70%	60%

As of September 30, 1996 and 1995, the Company had outstanding trade accounts receivable primarily from 128 and 103 customers, respectively. It is the policy of the Company to closely monitor all accounts receivable and to record a provision for uncollectible accounts when the uncollectible amounts are estimable. Generally, no collateral is required.

Note 11. Foreign and Domestic Operations and Export Sales

The following table presents a summary of operations by geographic region for the fiscal years ended September 30:

Revenue

	1996	1995	1994
United Kingdom	\$ 28,512	\$ 20,970	\$ 12,515
Ireland	8,207	11,013	-
The Netherlands	3,056	6,223	661
Italy	5,805	3,847	2,583
Other	20,414	12,146	4,532
Total	65,994	54,199	20,291
Intercompany eliminations	(54,735)	(38,009)	(20,291)
Total foreign revenue	11,259	16,190	-
Domestic revenue	85,684	100,990	82,693
Total revenue	\$ 96,943	\$ 117,180	\$ 82,693

Operating income (loss)

	1996	1995	1994
United Kingdom	\$ 1,388	\$1,238	\$ 554
Ireland	253	345	-
The Netherlands	230	428	-
Italy	442	277	192
Other	289	316	352
Total foreign operating income	2,602	2,604	1,098
Domestic operating income (loss)	(47,868)	6,203	2,297
Total operating income (loss)	\$ (45,266)	\$8,807	\$3,395

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Identifiable Assets

	1996	1995	1994
United Kingdom	\$ 5,894	\$ 4,696	\$ 2,276
Ireland	1,453	694	-
The Netherlands	1,181	705	241
Italy	2,211	1,004	703
Other	4,557	3,008	678
Total	15,296	10,107	3,898
Intercompany eliminations	(376)	(3,009)	(1,736)
Total foreign identifiable assets	14,920	7,098	2,162
Domestic assets	63,884	69,346	35,201

The Company's foreign operations are reimbursed by the Company for their costs plus an appropriate mark-up for profit. Operating income consists of revenues less operating expenses and net interest and does not include income taxes.

Export sales for the fiscal years ended September 30, 1996, 1995, and 1994 were \$55,382, \$84,965, and \$52,095, respectively.

Note 12. Foreign Currencies and Forward Exchange Contracts

At September 30, 1996, the Company had approximately \$789 and \$30,843 U.S. dollar equivalent cash and trade receivable balances, respectively, denominated in foreign currencies. At September 30, 1995, the Company had approximately \$566 and \$24,462 U.S. dollar equivalent cash and trade receivable balances, respectively, denominated in foreign currencies.

The more significant trade accounts receivable denominated in foreign currencies as a percentage of total trade accounts receivable were as follows:

	1996	1995
	----	----
Pound Sterling	17.3%	16.9%
Dutch Guilder	0.4%	8.6%
Danish Krona	1.2%	8.5%
Norwegian Krone	1.0%	5.0%
Deutsche Mark	9.5%	3.0%
Italian Lira	20.7%	2.0%

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The Company hedges the transaction exposures that arise from foreign exchange rate movements between dates that foreign currency transactions are recorded and the date they are consummated through foreign exchange forward contracts with a U.S. commercial bank. The Company does not engage in foreign currency speculation. The forward contracts are generally 60 to 90 day forward window contracts having maturities of less than one year. The table below summarizes, by currency, the contractual amounts of the Company's forward contracts for the years ended September 30:

<TABLE>
<CAPTION>

1996	As of September 30, 1996				
	Original Contracts	Contract Drawdowns	Contract Balance	Fair Value	Unrealized Gain/(Loss)
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Australian Dollars	\$ 3,116	\$ (2,743)	\$ 373	\$ 375	\$ (2)
Pound Sterling	14,777	(8,693)	6,084	6,275	(191)
Danish Krona	5,515	(5,287)	228	226	2
Deutsche Mark	7,511	(2,937)	4,574	4,475	99
Dutch Guilder	3,952	(3,952)	-	-	-
Italian Lira	14,803	(4,453)	10,350	10,461	(111)
Norwegian Krone	3,872	(3,594)	278	277	1
Other	2,804	(2,040)	764	771	(7)
	-----	-----	-----	-----	-----
Total	\$56,350	\$ (33,699)	\$22,651	\$22,860	\$ (209)
	=====	=====	=====	=====	=====

</TABLE>

<TABLE>
<CAPTION>

1995	As of September 30, 1996				
	Original Contracts	Contract Drawdowns	Contract Balance	Fair Value	Unrealized Gain/(Loss)
	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>
Dutch Guilder	\$ 2,842	\$ -	\$2,842	\$2,835	\$ 7
Norwegian Krone	2,078	-	2,078	2,020	58
Pound Sterling	1,849	(150)	1,699	1,663	36
Singapore Dollar	1,111	-	1,111	1,099	12

Other	2,598	(411)	2,187	2,155	32
	-----	-----	-----	-----	-----
Total	\$10,478	\$(561)	\$9,917	\$9,772	\$145
	=====	=====	=====	=====	=====

</TABLE>

Unrealized gains and losses on forward contracts reflect changes in exchange rates and are recorded directly in income, as they offset corresponding unrealized gains and losses on the foreign currency denominated assets being hedged (see Note 1). Forward contract liabilities related to unrealized losses are recorded as other accrued expenses in the Consolidated Balance Sheet.

The Company is exposed to exchange related losses on forward contracts should a transaction with a related forward exchange contract not be consummated by the forward contract expiration date. In such instances, the Company extends or repurchases the contract at the then prevailing market rates. Realized losses on the extension or repurchase of contracts totaled \$88 for the fiscal year ended September 30, 1996.

Note 13. Restructuring Charges

During the third quarter of the fiscal year ended September 30, 1996, the Company developed and implemented a reorganizational plan which included, among other things, a 9% staff reduction (75 employees) and the abandonment of certain leased facilities. The Company recorded a restructuring charge of \$3,000, which consisted of approximately \$1,400 in personnel-related charges and approximately \$1,600 of costs associated with carrying vacated space until the lease expiration date. To date, the Company has paid approximately \$1,430 in cash related to the restructuring. The Company believes the accrued restructuring costs of \$1,570 at September 30, 1996 represents its remaining cash obligations.

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Note 14. Income Taxes

The provision for income taxes consists of the following for the years ended September 30:

	1996	1995	1994
	-----	-----	-----
Federal - current	\$ -	\$ 240	\$ 9
State and local - current	-	568	175
	-----	-----	-----
Foreign taxes and withholdings	-	808	184
	2,501	2,702	2,010
	-----	-----	-----
Current taxes	2,501	3,510	2,194
	-----	-----	-----
Federal - deferred	(12,832)	105	(986)
State and local - deferred	(3,353)	40	(174)
	-----	-----	-----
Deferred taxes	(16,185)	145	(1,160)
	-----	-----	-----
Total income tax expense	\$(13,684)	\$ 3,655	\$ 1,034
	=====	=====	=====

Seer Technologies, Inc. and its U.S. subsidiary file a consolidated Federal income tax return. Foreign subsidiaries file income tax returns in their respective countries. Foreign tax credit carryforwards of approximately \$2,268 exist at September 30, 1996. These carryforwards expire from 1997 to 1999 if not utilized. Federal alternative minimum tax credit carryforwards of \$184, which have no expiration period, also exist at September 30, 1996.

Income before provision for income taxes as shown in the Consolidated Statements of Operations consists of the following for the years ended September 30:

	1996	1995	1994
	-----	-----	-----
Domestic	\$ (47,868)	\$ 6,203	\$ 2,297
Foreign	2,602	2,604	1,098
	-----	-----	-----
	\$(45,266)	\$ 8,807	\$ 3,395
	=====	=====	=====

A reconciliation of expected income tax at the statutory Federal rate with the actual income tax expense (benefit) is as follows for the fiscal years ended September 30:

	1996	1995	1994
	-----	-----	-----
Expected income tax expense (benefit)			
at statutory rate (34%)	\$ (15,391)	\$ 2,995	\$ 1,154
Increase (decrease) in income tax expense resulting from:			
Federal minimum tax	-	127	9
Non Deductible Expenses	197	238	-
State income taxes	(2,915)	374	1
Effect of foreign operations including withholding taxes	2,505	1,104	587
Benefit of net operating loss carryforward	-	-	(68)
Other	(92)	45	(40)
Change in valuation allowance for deferred tax asset	2,012	(1,228)	(609)
	-----	-----	-----
	\$ (13,684)	\$ 3,655	\$ 1,034
	=====	=====	=====

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The components of net deferred tax assets are as follows for the years ended September 30:

<TABLE>
<CAPTION>

	1996	1995
	-----	-----
<S>	<C>	<C>
Current assets:		
Deferred revenue	\$ 119	\$ 314
Accrued Liabilities	1,142	97
Unrealized Foreign Exchange Loss	87	102
Bad Debt Expense	3,559	252
Other	(286)	199
	-----	-----
Net current deferred tax asset	4,621	964
Noncurrent assets:		
Depreciation	324	429
Deferred revenue	459	562
Foreign tax credits	2,268	760
Minimum tax credits	184	180
Research and development tax credit	2,282	-
Net operating loss carryforward	13,851	-
	-----	-----
Net noncurrent deferred tax asset	19,368	1,931
Valuation Allowance	(5,234)	(940)
Noncurrent liabilities:		
Capitalized software costs	(1,163)	(940)
	-----	-----
Net deferred tax asset	\$17,592	\$1,015
	=====	=====

</TABLE>

Due to the uncertainty related to the realization of the benefits of tax credit carryforwards in future tax returns, the Company has placed a valuation allowance against a portion of the otherwise recognizable net deferred tax asset at September 30, 1996. Also, a valuation allowance of \$500 was placed against the net operating loss carryforward due to a favorable state tax ruling in effect.

Net deferred tax assets as of September 30, 1996 are \$17,592. It is the opinion of management that it is more likely than not that the realization of these deferred tax assets will occur in the future based on current earnings forecasts, tax planning strategies, which include the potential sale of a line of business and/or product assets, and reversals of future book-tax timing differences.

Note 15. Employee Benefit Plan

The Company has a 401(k) plan for all employees and may make matching contributions to the plan in such amounts as determined by the Board of Directors. For the years ended September 30, 1996, 1995 and 1994, the Board of Directors did not authorize any contributions to the 401(k) plan.

The Company also has employee benefit plans for each of its foreign subsidiaries, as mandated by each country's laws and regulations. Expense recognized under these plans for the periods ended September 30, 1996, 1995, and 1994 was \$629, \$400, and \$161, respectively.

Note 16. Recent Accounting Pronouncements

In October, 1995, the FASB issued SFAS No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123"), which is generally effective for fiscal years beginning after December 15, 1995. SFAS No. 123 is not anticipated to have a material effect on the financial position or results of operations of the Company.

In March, 1995, the FASB issued SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of" ("SFAS No. 121"), which is generally effective for fiscal years beginning after December 15, 1995. SFAS No. 121 is not anticipated to have a material effect on the financial position or results of operations of the Company.

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Note 17. Lease Commitments

The Company leases certain facilities and equipment under various operating leases. Future minimum lease commitments on operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of September 30, 1996 are as follows:

1997	\$	4,357
1998		3,445
1999		1,398

	\$	9,200
		=====

Rent expense for the fiscal years ended September 30, 1996, 1995 and 1994 was \$3,370, \$2,524, and \$1,657, respectively.

Note 18. Contingencies

Various lawsuits and claims have been brought against the Company in the normal course of business. Management is of the opinion that the liability, if any, resulting from these claims would not have a material effect on the financial position or results of operations of the Company.

Note 19. Selected Quarterly Financial Data (Unaudited)

(In thousands, except per share data)	(Unaudited)			
	First Quarter -----	Second Quarter -----	Third Quarter -----	Fourth Quarter -----
1996:				
Net revenues	\$21,774	\$26,191	\$28,056	\$ 20,922
Gross profit	9,962	10,945	13,269	4,433
Net loss	(5,421)	(4,929)	(5,160)	(16,072)
Net loss per share	\$ (0.48)	\$ (0.43)	\$ (0.45)	\$ (2.08)
1995:				
Net revenues	\$26,499	\$26,694	\$30,506	\$33,481
Gross profit	15,981	14,898	18,426	23,237
Net income	855	669	1,279	2,349
Net income per share	\$ 0.08	\$ 0.06	\$ 0.12	\$ 0.18

Loss per share amounts for the first and second quarters of fiscal 1996 differ from amounts previously reported in the Company's Quarterly Reports on Form 10-Q due to an adjustment of the weighted average number of shares used to compute primary earnings per share.

During the fourth quarter of fiscal year 1996, the Company recorded allowances of \$10,147 to provide for certain accounts receivable whose collection is considered uncertain and for a specific product-related settlement. These amounts are included in general and administrative expenses in the Consolidated Statement of Operations.

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<TABLE>
<CAPTION>

EXHIBIT INDEX

Exhibit Number	Description	Sequential Page No.
<S>	<C>	<C>
3.1	Certificate of Incorporation (Exhibit 3.1 to the Company's Registration Statement on Form S-1, No. 33-92050), as amended to include the Certificate of Designation of Series A Convertible Preferred Stock of the Company (Exhibit 4.4 to the Quarterly Report on Form 10-Q for the period ended June 30, 1996)	
3.2	Amended and Restated By-Laws of the Company (Exhibit 3.2 to the Company's Registration Statement on Form S-1, No. 33-92050)	
4.1	Specimen Common Stock certificate (Exhibit 4.1 to the Company's Registration Statement on Form S-1, No. 33-92050)	
4.2	See Exhibits 3.1 and 3.2 for the provisions of the Company's Certificate of Incorporation and Bylaws governing the rights of holders of securities of the Company	
4.3	Specimen Preferred Stock certificate (Exhibit 4.3 to the Quarterly Report on Form 10-Q for the period ended June 30, 1996)	
10.1	Software Agreement, dated March 7, 1990, among the Company, FBC, FBS and FBTI, with amendment thereto (Exhibit 10.1 to the Company's Registration Statement on Form S-1, No. 33-92050)	
10.2	Services Agreement, dated March 8, 1990, among the Company, FBPC and FBC (Exhibit 10.2 to the Company's Registration Statement on Form S-1, No. 33-92050)	
10.3	License Agreement, dated March 7, 1990, between the Company and IBM (Exhibit 10.3 to the Company's Registration Statement on Form S-1, No. 33-92050)	
10.4	Software Escrow Agreement, dated March 7, 1990, among the Company, IBM and Data Securities International, Inc. as Escrow Agent (Exhibit 10.4 to the Company's Registration Statement on Form S-1, No. 33-92050)	
10.5	Bill of Sale and Assumption Agreement, dated March 8, 1990, among the Company, FBC, FBTI, FBS and FBPC (Exhibit 10.5 to the Company's Registration Statement on Form S-1, No. 33-92050)	
10.6	Form of Employee's Non-Competition, Confidentiality and Invention Assignment Agreement (Exhibit 10.6 to the Company's Registration Statement on Form S-1, No. 33-92050)	
10.7	Form of Consultant's Non-Competition, Confidentiality and Invention Assignment (Exhibit 10.7 to the Company's Registration Statement on Form S-1, No. 33-92050)	
10.8	Employment Agreement, dated March 8, 1990, between the Company and Eugene F. Bedell (Exhibit 10.8 to the Company's Registration Statement on Form S-1, No. 33-92050)	
10.9	International Software Marketing Agreement, dated June 7, 1993, between the Company and IBM (Exhibit 10.9 to the Company's Registration Statement on Form S-1, No. 33-92050)	

</TABLE>

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10.10	Product Remarketing Supplement to International Software Marketing Agreement, dated June 10, 1993, between the Company and IBM (Asia and Pacific Rim) (Exhibit 10.10 to the Company's Registration Statement on Form S-1, No. 33-92050)	
10.11	Master Distribution Agreement, dated February 27, 1992, between the Company and IBM Japan Ltd., with amendments thereto (Exhibit 10.11 to the Company's Registration Statement on Form S-1, No. 33-92050)	
10.12	Seer Product License Agreement, dated February 27, 1992, between the Company and IBM Japan Ltd. (Exhibit 10.12 to the Company's Registration Statement on Form S-1, No. 33-92050)	

- 10.13 Master Distribution and License Agreement, dated April 6, 1992, between the Company and IBM Ireland Information Services Ltd. ("IISL") (Exhibit 10.13 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.14 Cooperative Solution Supplier Program, dated April 2, 1992, between the Company and IBM Canada Ltd., with amendment thereto. (Exhibit 10.14 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.15 Master Distribution and License Agreement, dated December 30, 1993, between the Company and IBM Australia Limited (Exhibit 10.15 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.16 Project Viking Funding Agreements, dated September 4, 1992, between the Company and IBM (Exhibit 10.16 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.17 License Agreement, dated March 21, 1995, between the Company and Seer Technologies Benelux B.V. (Exhibit 10.17 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.18 License Agreement, dated March 20, 1995, between the Company and Seer Technologies Ireland Limited (Exhibit 10.18 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.19 \$25,000,000 Credit Facility, dated February 24, 1994, between the Company and NationsBank, N.A. (Carolinas) (Exhibit 10.19 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.20 Lease Agreement, dated July 30, 1991, between the Company and Regency Park Corporation (Cary, NC), with Addenda thereto (Exhibit 10.21 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.22 Lease Agreement, dated December 25, 1992, between the Company and Capital & Counties (London, England) (Exhibit 10.22 to the Company's Registration Statement on Form S-1, No. 33-92050)

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- 10.23 Preferred Stock Purchase Agreement, dated March 7, 1990, among the Company, International Business Machines Corporation ("IBM"), First Boston Securities Corporation ("FBS"), The First Boston Corporation ("FBC"), First Boston Princeton Corp. ("FBPC"), and First Boston Technologies, Inc. ("FBTI"), with amendment thereto (Exhibit 10.25 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.24 Stockholders Agreement, dated March 7, 1990, among the Company, FBS and IBM, with amendment thereto (Exhibit 10.24 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.25 Significant Stockholders Agreement, dated March 8, 1990, among the Company, FBS, IBM and Eugene F. Bedell (Exhibit 10.25 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.26* Restricted Stock Purchase Plan of the Company (Exhibit 10.26 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.27* Form of Restricted Stock Purchase Agreement (Exhibit 10.27 to the Company's Registration Statement on Form S-1, No. 33-92050)

- 10.28* Stock Restriction Agreement, dated March 8, 1990, among the Company, FBS, IBM and the management stockholders named therein, with amendment thereto (Exhibit 10.28 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.29* Form of Stock Option and Restricted Stock Purchase Plan of the Company (Exhibit 2.9 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.30* Form of Stock Option Plan for Non-Employee Directors of the Company (Exhibit 10.30 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.31* Form of Incentive Stock Option Agreement (Exhibit 10.31 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.32 Stock Purchase Agreement dated June 15, 1994 among the Company, Welsh, Carson, Anderson & Stowe VI, L.P., WCA Management Corporation, WCAS Information Partners, L.P., CS First Boston Securities Corporation, and International Business Machines Corporation (Exhibit 10.32 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.33 Securities Purchase and Exchange Agreement, dated September 30, 1994, among the Company, WCAS Capital Partners II, L.P., WCA Management Corporation, WCAS Information Partners, L.P., CS First Boston Securities Corporation, and International Business Machines Corporation (Exhibit 10.34 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.34 Software License Agreement between the Company and Banca Commerciale Italiana (Exhibit 10.34 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.35 Form of Indemnification Agreement (Exhibit 10.35 to the Company's Registration Statement on Form S-1, No. 33-92050)

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<TABLE>
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- 10.36* First Amendment to Stock Option and Restricted Stock Purchase Plan (Exhibit 10.1 to the Company's Report on Form 10-Q for the Quarterly Period Ended June 30, 1995, No. 0-26194)
- 10.37 Lease for additional space at the Company's Cary, N.C. headquarters (Exhibit 10.2 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.38 Sublease of space at the Company's Cary, N.C. headquarters (Exhibit 10.3 to the Company's Registration Statement on Form S-1, No. 33-92050)
- 10.39 Credit Agreement and related Promissory Note between Seer Technologies, Inc. and NationsBank, N.A. and related Guaranty between the Company and WCAS, all dated July 15, 1996 (Exhibit 10.39 to the Quarterly Report on Form 10-Q for the period ended June 30, 1996)
- 10.40 Second Consolidated Amendment Agreement dated July 19, 1996 between Seer Technologies, Inc. and NationsBank (Exhibit 10.40 to the Quarterly Report on Form 10-Q for the period ended June 30, 1996)
- 10.41 Preferred Stock Purchase Agreement dated August 8, 1996, among the Company, WCAS and certain WCAS affiliates named

therein (Exhibit 10.41 to the Quarterly Report on Form 10-Q for the period ended June 30, 1996)

10.42	Stock Agreement dated August 8, 1996, between the Company and WCAS (Exhibit 10.42 to the Quarterly Report on Form 10-Q for the period ended June 30, 1996)	
10.43*	Employment Agreement, dated August 8, 1996, between the Company and Thomas A. Wilson	E-5
10.44	Third Consolidated Amendment Agreement dated August 20, 1996 between Seer Technologies, Inc. and NationsBank	E-7
10.45*	Employment Agreement, dated September 23, 1996, between the Company and Steven Dmiszewicki	E-18
11.1	Statement Regarding Computation of Earnings per share	E-21
21.1	Subsidiaries	E-22
23.1	Consent of Coopers & Lybrand L.L.P. to incorporation of report of independent auditors in this Report into the Company's Registration Statement on Forms S-8, Nos. 33-97856 and 33-97858	E-25
27.1	Financial Data Schedule	

</TABLE>

* Management contract or compensatory plan or agreement

EXHIBIT 10.43

WELSH, CARSON, ANDERSON & STOWE
320 PARK AVENUE
SUITE 2500
NEW YORK, NEW YORK 10022-6815

TELEPHONE NO.
(212) 893-9500

FACSIMILE NO.
(212) 893-9575

August 8, 1996

Mr. Thomas A. Wilson
President & Chief Executive Officer
LineWorks, Inc.
2040 Fortune Drive
San Jose, CA 95131

Dear Tom:

On behalf of the Board of Directors of Seer Technologies, Inc., this letter will confirm the terms of your appointment.

Position: President and Chief Executive Officer; member of the Board of Directors

Effective Date: The week of August 12, 1996

Salary: \$280,000 per annum. The Company is on a September 30 fiscal year. Review in one year by the Compensation Committee of the Board. You will be entitled to twelve months of salary in the event of termination.

Incentive
Compensation: 50% to 100% of salary to be paid at the end of the fiscal year. For the fiscal year ending September 30, 1997 the minimum bonus will be \$140,000. After the first full fiscal year the bonus will be determined by the

Compensation Committee which will evaluate the achievement of the annual operating plan to determine the annual bonus.

Equity: -300,000 stock options priced as of the market closing price as of the date of acceptance. (Today's price \$5.50).
-100,000 stock options with an exercise price of \$18.00 per share (the IPO price).

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The above options will vest over four years, 25% per year. In the first year 25% will vest as long as employment continues through the end of the fiscal year, September 30, 1997. Thereafter vesting will occur based upon the achievement of the annual operating plan. Make up provisions for a missed year will be included.

In the event of a change of control prior to September 30, 1997 a minimum of 50% of the above options will vest.

Moving

Expenses: Up to \$125,000 allowance will be provided to reimburse you for any expenses associated with your move to the Cary, North Carolina area. The Company will provide you with a loan to be used as the equity payment for the purchase of a home in the Cary, North Carolina area. This loan will be repaid with the proceeds you receive from selling your California home.

This letter cannot possible do an adequate job of explaining how enthusiastic the entire Board is about your agreeing to lead Seer. We believe that the situation is a superb matching of your impressive skills and the many opportunities and challenges facing the Company. We look forward to working with you to build a Company that will create significant shareholder value by becoming a fast-growing industry leader.

Sincerely,

/s/ Robert A. Minicucci

Robert A. Minicucci
Chairman
Board of Directors
Seer Technologies, Inc.

RAM/bg

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NORTH CAROLINA

WAKE COUNTY

THIRD CONSOLIDATED AMENDMENT AGREEMENT

THIS THIRD CONSOLIDATED AMENDMENT AGREEMENT (the "Amendment Agreement"), made and entered into as of this 20th day of August, 1996, by and between SEER TECHNOLOGIES, INC., a Delaware corporation (the "Borrower"); and NATIONSBANK, N.A. (formerly known as NationsBank N.A. (Carolinas)), a national banking association with its principal office located in the city of Charlotte, North Carolina (the "Bank"):

W I T N E S S E T H:

WHEREAS, the Borrower and the Bank have heretofore entered into a Loan Agreement dated February 24, 1995 (the "Loan Agreement"), pursuant to which the Bank agreed to establish for the Borrower a line of credit (the "Revolving Credit") up to an aggregate principal amount at one time outstanding not in excess of TWENTY-FIVE MILLION AND NO/100 DOLLARS (\$25,000,000.00), which Revolving Credit is evidenced by the Borrower's Promissory Note dated February 24, 1995 (the "Note"); and

WHEREAS, the Revolving Credit is secured by a valid, perfected, first priority lien with respect to all accounts receivable owned by the Borrower pursuant to the terms of the Security Agreement dated February 24, 1995 (the "Security Agreement"); and

WHEREAS, the Borrower and the Bank agreed to extend the maturity date of the Revolving Credit to March 15, 1997, and to make certain other modifications to the Loan Agreement and the Note, all as set forth in that certain First Consolidated Amendment Agreement dated February 22, 1996 between the Bank and the Borrower (the "First Amendment"); and

WHEREAS, due to certain covenant violations under the Loan Agreement (as amended by the First Amendment), the Bank and the Borrower agreed to further amendments to the Loan Agreement as set forth in that certain Second Consolidated Amendment Agreement dated July 19, 1996 (the "Second Amendment"); and

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WHEREAS, pursuant to the Second Amendment, the maturity date of the Revolving Credit was changed to December 31, 1996 and the Borrower agreed to

grant the Bank additional security for the Revolving Credit pursuant to the terms of that certain Intellectual Property Security Agreement between the Borrower and the Bank dated July 19, 1996 (the "IP Security Agreement"); and

WHEREAS, the Borrower and the Bank entered into a Credit Agreement dated July 15, 1996 (the "Credit Agreement"), pursuant to which the Bank agreed to establish for the Borrower a credit facility (the "Guaranteed Facility") up to an aggregate principal amount at one time outstanding not to exceed TWELVE MILLION FIVE HUNDRED THOUSAND DOLLARS (\$12,500,000), which Guaranteed Facility is evidenced by the Borrower's Promissory Note dated July 15, 1996 (the "Guaranteed Note"); and

WHEREAS, the obligations of the Borrower under the Credit Agreement and the Guaranteed Note are guaranteed by Welsh, Carson, Anderson & Stowe VI, L.P., a Delaware limited partnership (the "Guarantor") pursuant to that certain Guaranty Agreement dated July 15, 1996 (the "Guaranty"); and

WHEREAS, the Borrower has proposed to sell convertible preferred stock of the Borrower to the Guarantor for a purchase price of Twelve Million Five Hundred Thousand Dollars (\$12,500,000), the proceeds of which sale the Borrower proposes to use to reduce the outstanding borrowings under the Revolving Credit (the "Preferred Stock Transaction"); and

WHEREAS, the Borrower has requested and the Bank has agreed to extend the maturity date of the Revolving Credit to September 30, 1997, and to make certain other modifications to the Loan Agreement upon the successful completion of the Preferred Stock Transaction;

NOW, THEREFORE in consideration of the mutual covenants, promises and conditions hereinafter set forth, it is hereby agreed as follows:

1. The term "Loan Agreement," as used herein and in the Loan Agreement, the Note and all other loan documents executed in connection with the Revolving Credit (collectively referred to herein as the "Loan Documents") shall have the same meaning as the Loan Agreement dated February 24, 1995 as amended by the First Amendment and the Second Amendment, except as hereby amended and modified. Unless the context otherwise requires, all terms used herein without definition shall have the definitions provided therefor in the Loan Agreement.

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2. Subject to the conditions set forth in Paragraphs 5 and 6 hereof, the Loan Agreement shall be and hereby is amended, effective as of the effective date hereof, as follows:

(a) Paragraph 3(i) of the Loan Agreement is hereby amended by deleting Paragraph 3(i) (the Current Ratio covenant) in its entirety.

(b) The first sentence of Paragraph 3(j) of the Loan Agreement is

hereby amended by deleting said sentence in its entirety and substituting in lieu thereof the following:

"The Borrower will maintain Borrower's Tangible Net Worth in an amount not less than \$28,000,000 as at the last day of each fiscal quarter of the Borrower; provided, however, that the Borrower shall be permitted to reduce the Tangible Net Worth requirement by an amount up to \$10,000,000 in accounts receivable writedowns, deferred tax writedowns and Bank approved restructuring charges."

(c) Paragraph 4(i) of the Loan Agreement is hereby amended by deleting Paragraph 4(i) (the Liabilities to Net Worth covenant) in its entirety.

(d) Paragraph 10(b) of the Loan Agreement is hereby amended by deleting said Paragraph 10(b) in its entirety and substituting in lieu thereof the following:

"b) Unutilized Line of Credit Fee. The Borrower agrees to pay to the Bank a commitment fee for the period from the closing of the Loan to the maturity date of the Note at the rate per annum equal to three-eighths percent (3/8%) of the Unutilized Revolving Credit Commitment (as defined herein), payable in arrears (i) on the last business day of each fiscal quarter, beginning with the last business day of the fiscal quarter ending March 31, 1996, and (ii) on the maturity date of the Note. For purposes of this Loan Agreement, the term "Unutilized Revolving Credit Commitment" shall mean, on the date of calculation thereof, the difference between (i) \$20,000,000 and (ii) the average daily principal amount outstanding under the Note during the immediately preceding fiscal quarter."

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(e) Paragraph 10(c) of the Loan Agreement is hereby amended by deleting said Paragraph 10(c) in its entirety and substituting in lieu thereof the following:

"c) Borrowing Base Agreement. Bank agrees, upon the terms and conditions set forth herein, to make Revolving Credit Advances to the Borrower during the term of this Loan Agreement up to an aggregate amount not exceeding \$20,000,000; provided, however, Bank will not be required and shall have no obligation to make any Revolving Credit Advances (i) so long as a Default or an Event of Default has occurred and is continuing; (ii) if, immediately after giving effect to each advance, the balance due under the Loan exceeds the Borrowing Base; or (iii) if, immediately after giving effect to each advance, the balance due under the Loan exceeds \$20,000,000. For purposes of this Loan Agreement:

1) "Revolving Credit Advance" shall mean an amount paid by Bank to the Borrower pursuant to this Loan Agreement and evidenced by the Note.

2) "Borrowing Base" shall mean an amount equal to the sum of (i) eighty percent (80%) of Eligible Domestic Accounts, and (ii) sixty percent (60%) of Eligible Foreign Accounts, as determined pursuant to the Borrowing Base Certificate.

3) "Accounts" means accounts, accounts receivables, chattel paper, instruments and documents, whether now owned or hereafter acquired by the Borrower.

4) "Borrowing Base Certificate" means a certificate in the form attached hereto and marked as Schedule 1.

5) "Eligible Domestic Accounts" means those Accounts which have been in existence for not more than ninety (90) days from the date of the unpaid invoice as issued by the Borrower as determined pursuant to the Borrowing Base Certificate; provided there shall be excluded from Accounts the following: intercompany or interaffiliate Accounts; foreign Accounts (i.e., Accounts with an Account Debtor located outside the U.S. or Canada); general provisions for credit memos; and Accounts which relate to consigned Inventory.

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6) "Eligible Foreign Accounts" means those Accounts which have been in existence for not more than ninety (90) days from the date of the original invoice as issued by the Borrower as determined pursuant to the Borrowing Base Certificate; provided there shall be excluded from Accounts the following: Accounts with Account Debtors that, to the Bank's satisfaction, are not of investment grade or equivalent; intercompany or interaffiliate Accounts; domestic Accounts (i.e., Accounts with an Account Debtor located in the U.S. or Canada); general provisions for credit memos; and Accounts which relate to consigned Inventory.

7) If at any time the Borrower's outstanding indebtedness to the Bank pursuant to the Note (the "Outstanding Indebtedness") exceeds the Borrowing Base, Borrower shall immediately make a payment equal to the difference between (i) the Outstanding Indebtedness and (ii) the Borrowing Base. If at any time the Outstanding Indebtedness exceeds \$20,000,000, Borrower shall immediately make a payment equal to the difference between (i) the Outstanding Indebtedness and (ii) \$20,000,000. Borrower shall provide Bank a Borrowing Base Certificate in a form satisfactory

to the Bank on the twentieth (20th) day of each month and at such other times as Bank may request. Borrower shall submit to Bank upon request, but not less frequently than monthly, a report identifying all Accounts by Account Debtor, and reflecting the aging thereof and containing sufficient information for Bank to calculate the amount of Eligible Domestic Accounts and Eligible Foreign Accounts. The Borrower shall submit to Bank upon request such other reports and information as the Bank shall reasonably request.

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8) During the term of this Loan Agreement, the Borrower may use the Loan by borrowing, paying or prepaying such principal amount, and re-borrowing all in accordance with the terms of this Loan Agreement.

9) The Bank's Commercial Credit Services shall monitor the Revolving Credit Advances and Borrowing Base, and shall conduct, prepare and complete such audits of the Borrower's operations as the Bank deems appropriate. The Borrower shall cooperate fully with the Bank's Commercial Credit Services in the monitoring and audit procedures. The Borrower shall provide the Bank's Commercial Credit Services with such additional schedules, reports and information as Bank may reasonably request. The additional schedules, reports and information shall be in form reasonably satisfactory to the Bank's Commercial Credit Services. Notwithstanding any provision of this Loan Agreement to the contrary, the advance rates set forth in Paragraph 10(c)(2) above may be adjusted by the Bank in its sole discretion, upon 15 days' written notice to the Borrower, taking into account all fluctuations of the value of the Accounts in light of the Bank's experience and sound lending practices; provided, that in the event such an adjustment results in an obligation on the part of the Borrower to repay a portion of any Outstanding Indebtedness pursuant to Paragraph 10(c)(7) above, such repayment shall be due and payable within thirty (30) days of such adjustment.

(f) Schedule 1 to the Loan Agreement is hereby amended by deleting said Schedule 1 in its entirety and substituting in lieu thereof Schedule 1 attached hereto and incorporated herein by reference.

(g) Paragraph 5 of the Loan Agreement is hereby amended to provide that, as additional security for the Loan, the Borrower grants a security interest in all fixed assets owned by the Borrower.

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(h) Paragraph 4(a) is hereby amended by deleting the first sentence of said Paragraph 4(a) and substituting in lieu thereof the following.

"(a) Except in favor of Bank, incur any additional indebtedness for borrowed money, any additional contingent liability, or transfer any of Borrower's assets, whether now owned or hereafter acquired, except in the ordinary course of Borrower's business."

Except as amended hereby, the remaining sentences of Paragraph 4(a) shall continue and remain unaffected.

(i) Paragraph 10(d) of the Loan Agreement is hereby amended by deleting said Paragraph 10(d) in its entirety and substituting in lieu thereof the following:

"d) Commitment Letter. The terms and conditions of the Commitment Letter from the Bank to the Borrower dated July 19, 1996, are incorporated herein by reference, but in the event of a conflict or discrepancy between the terms of this Loan Agreement and the Commitment Letter, the terms of this Loan Agreement shall control."

3. Subject to the conditions set forth in Paragraphs 5 and 6 hereof, the Revolving Credit Note shall be and hereby is amended, effective as of the date hereof, as follows:

(a) The Promissory Note is hereby amended by deleting the sum "\$25,000,000" in each and every place it occurs and substituting in lieu thereof the sum "\$20,000,000" in each such place.

(b) The payment schedule set forth in the Promissory Note is hereby amended by deleting said payment schedule in its entirety and substituting in lieu thereof the following:

"Principal shall be paid in full in a single payment on September 30, 1997. Interest thereon shall be paid monthly commencing on March 31, 1996, and continuing on the last day of each successive month thereafter, with a final payment of all unpaid interest at the stated maturity of this Note."

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4. By the execution and delivery hereof, the Borrower hereby represents and warrants to the Bank that as of the date hereof the Loan Agreement has been reexamined and:

(a) The representations and warranties made by the Borrower in Paragraph 1 of the Loan Agreement are true on and as of the date hereof;

(b) There has been no material change in the condition, financial or otherwise, of the Borrower since the date of the most recent financial reports of the Borrower received by the Bank, other than changes in the ordinary course of business, none of which has been a materially adverse change or other than ordinary operating losses consistent with past performance;

(c) No authorization, approval or consent of any regulatory body is necessary or required in connection with the lawful execution, delivery and performance of this Amendment Agreement which has not been obtained; and

(d) The execution, delivery and performance of this Amendment Agreement will not conflict with or result in the breach of any of the provisions of or cause a default under, the articles of incorporation or bylaws of the Borrower, or any applicable law, rule or regulation, or any judgment, order, writ, injunction, decree of any court, administrative agency or other instrumentality to which the Borrower is subject and will not result in the creation or imposition of any security interest, lien, charge or encumbrance on any of the assets of the Borrower except for the liens created by the Security Agreement, the IP Security Agreement and as contemplated in Section 5(d) below.

5. The effectiveness of this Amendment Agreement shall be subject to the fulfillment of the following conditions precedent:

(a) The Borrower shall have delivered to the Bank a Borrower's Affidavit to the effect that each of the Loan Documents has been reexamined on behalf of the Borrower by the signatory thereto and that as of the date of delivery of said certificate that, to the best of his knowledge, no event has occurred and no condition exists which constitutes, or with the giving of notice or lapse of time or both, would constitute, an event of default under the Loan Agreement or any of the other Loan Documents.

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(b) The Bank shall have received two (2) counterparts of this Amendment Agreement duly executed by all signatories thereto.

(c) The Bank shall have received certified copies of resolutions of the Board of Directors of the Borrower authorizing the execution and delivery of, and the performance under, this Amendment Agreement and the other Loan Documents.

(d) The Bank shall have received a duly executed Security Agreement, UCC-1 Financing Statements and such other instruments as the Bank may request to create and perfect a valid security interest in the Borrower's fixed assets.

(e) The Bank shall have received an opinion of counsel reasonably

satisfactory to the Bank addressing corporate existence, authority, execution and enforceability of this Amendment Agreement.

(f) The Borrower shall have consummated the Preferred Stock Transaction and the proceeds thereof shall have been paid to the Bank and applied to the outstanding balance of the Note.

6. All instruments and documents incident to the consummation of the transactions contemplated hereby shall be satisfactory in form and substance to the Bank and its counsel; the Bank shall have received copies of all additional agreements, instruments and documents which it may reasonably request in connection therewith, such documents, when appropriate, to be certified by appropriate governmental authorities; and all proceedings of the Borrower relating to the matters provided for herein, including the Preferred Stock Transaction, shall be satisfactory to the Bank and its counsel.

7. This Amendment Agreement sets forth the entire understanding and agreement of the parties hereto in relation to the subject matter hereof and supersedes any prior negotiations and agreements among the parties relative to such subject matter. No promise, condition, representation or warranty, express or implied, not herein set forth shall bind any party hereto and none of them has relied on any such promise, condition, representation or warranty. Each of the parties hereto acknowledges that, except as in this Amendment Agreement otherwise expressly stated, no representations, warranties or commitments, express or implied, have been made by any other party to the other. None of the terms or conditions of this Amendment Agreement may be changed, modified, waived or canceled orally or otherwise, except by writing, signed by the party to be

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charged therewith, specifying such change, modification, waiver or cancellations of such terms or conditions, or of any proceeding or succeeding breach thereof, unless expressly so stated. In the event of a conflict between the terms of the Loan Documents and the terms of this Amendment Agreement, the terms of the Loan Documents shall be construed in a manner consistent with the amendments and modifications set forth in this Amendment Agreement.

8. Except as specifically amended, modified or supplemented, the Loan Agreement, the Note, the Security Agreement and all of the other Loan Documents are hereby confirmed and ratified in all respects and shall remain in full force and effect according to their respective terms. In the event of a conflict between the terms of the Loan Documents and the terms of this Amendment Agreement, the terms of the Loan Documents shall be construed in a manner consistent with the amendments and modifications set forth in this Amendment Agreement.

9. All costs, fees and expenses incurred by the Borrower and the Bank in connection with this Amendment Agreement and the satisfaction of all conditions precedent hereunder whether incurred in connection with the preparation and

execution hereof or in connection with the parties' performance hereunder, shall be paid by the Borrower, including without limitation, such reasonable attorney's fees as Bank's counsel may charge and Bank's audit and ongoing monitoring fees.

10. The parties hereto agree and acknowledge that the provisions of this Amendment Agreement constitute amendments to, and not a novation of, the indebtedness evidenced by the Revolving Credit Note.

11. This Amendment Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original against any party whose signature appears thereon, and all of which shall together constitute one and the same instrument.

IN WITNESS WHEREOF, the Borrower and the Bank have caused this Amendment Agreement to be duly executed under seal by their duly authorized representatives, all as of the day and year first above written.

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SEER TECHNOLOGIES, INC., a
Delaware Corporation

By: /s/ Mark J. Baric

Executive Vice President

ATTEST:

/s/ Dennis McKinnie

Secretary

[CORPORATE SEAL]

NATIONSBANK, N.A., a National
Banking Association

By: /s/ Jeffrey Lee

Senior Vice President

ATTEST:

/s/ Holliday Shaw

Assistant Secretary

[CORPORATE SEAL]

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EXHIBIT 10.45

September 23, 1996

Mr. Steven Dmiszewicki
8605 Bell Grove Way
Raleigh, North Carolina 27615

Dear Steve:

This supersedes the letter sent to you on September 20, 1996.

I am delighted to extend our offer for you to rejoin Seer Technologies, Inc. The details of your offer are:

Position: Senior Vice President & Chief Financial Officer; member of the Executive Committee

Reporting to: President & Chief Executive Officer, Tom Wilson

Location: Cary, North Carolina

Compensation

You will be paid on the 15th and 30th of the month at a rate of \$6,666.66 per pay period (\$160,000 annualized).

In addition, you will be eligible to participate in a discretionary bonus program based upon the company's performance and attainment of your individual goals. Your bonus potential is anticipated to be between 25-50% of base. For the fiscal year ending September 30, 1997, your minimum bonus will be \$40,000.00, so long as you are an employee in good standing on the date bonuses are paid, typically on December 15th.

In the event of your termination other than for cause during your first twenty-four months with Seer, your base salary will be continued for twelve months, or until you are employed full-time, whichever is sooner.

Offer of Employment

Steve Dmiszewicki

23 Sept 96

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Benefits

As a full-time employee, you will be eligible for life, health and dental insurance (including family coverage, if you opt for it) effective your first day of work. Disability insurance becomes available after 90 days.

Vacation & Holiday

As a Vice President, you are entitled to four weeks of paid vacation, prorated in the first year until December 31. In addition, Seer observes eight standard holidays and provides for two "floating" personal choice holidays.

Stock

Subject to the approval of the Board of Directors, you will receive options to purchase (a) 100,000 shares of Seer Technologies, Inc. stock upon commencing employment with the company and, (b) an additional 50,000 options on October 1, 1997, so long as you are a full-time employee in good standing on that date.

Sign-On Bonus

Upon starting your employment with us, you will receive a bonus of \$100,000. This amount must be repaid to Seer if you resign from the company before January 1, 1998.

Requirements Prior to Your Start

As part of your employment offer, Seer requires that you sign certain non-competition and assignment of invention agreements, copies of which are enclosed, before you begin work. In compliance with the Immigration Reform Act 1986, you must show proof of your eligibility for employment in the United States on your first day of work.

It is a fundamental policy of Seer that it does not hire employees or consultants in order to obtain access to trade secrets or proprietary information of any of their former employers. By accepting this job offer, you represent that (I) you will not violate the terms of any non-competition, non--disclosure and non-solicitation agreements to which you may be bound by any prior employer and (ii) you will not use any files or materials in connection

with your employment with Seer that are trade secrets of or proprietary information to another firm.

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Offer of Employment

Steve Dmiszewicki

23 Sept 96

Page 3 of 3

Statement on Employment at Will

I am delighted that you have expressed an interest in returning to Seer Technologies. However, your employment with Seer is terminable at any time by you or us and this letter does not guarantee employment or constitute an employment agreement or contract for a year or for any other specified term.

I look forward to receiving your signed acceptance of our offer along with one signed copy of the "Employee Non-Competition Agreement."

Sincerely,

Seer Technologies, Incorporated

/s/ Irene Y. Wong

Worldwide Director, Human Resources

Accepted: _____

Start Date: _____

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EXHIBIT 11.1

SEER TECHNOLOGIES, INC.

STATEMENT REGARDING COMPUTATION OF EARNINGS PER SHARE
(in thousands, except per share amounts)<TABLE>
<CAPTION>

	For the Year Ended September 30,		
	1996	(Pro Forma) 1995	(Pro Forma) 1994
<S>	<C>	<C>	<C>
PRIMARY EARNINGS PER SHARE:			
Average common shares outstanding (excluding convertible shares)	11,445	3,989	1,555
Common shares from conversion of Series B Convertible Preferred Stock	-	4,946 (1)	6,594
Common shares from conversion of Series C Convertible Preferred Stock	-	148 (1)	198
Shares issued for redemption of Senior Preferred Stock	-	648 (2)	864 (2)
Common stock equivalents	- (4)	1,776 (3)	1,775 (3)
Total common and common equivalent shares outstanding	11,445	11,507	10,986
Net Income (loss)	\$ (31,582)	\$ 5,152	\$ 2,361
Per share amount	\$ (2.76)	\$ 0.45	\$ 0.21

FULLY DILUTED EARNINGS PER SHARE (5)

(1) Series B and C Convertible Preferred Stock were outstanding for three of four quarters in 1995:

Series B shares of 6,594 X 75% = 4,946 shares
Series C shares of 198 X 75% = 148 shares

<S>	<C>	<C>
(2) Dividend - Senior Redeemable Preferred Stock	417	417
Principal - Senior Redeemable Preferred Stock	15,135	15,135
Total redemption value	15,552	15,552
Dividend by IPO price per share	18.00	18.00
Number of equivalent shares of common stock	864	864
Adjustment - outstanding for three of four quarters in fiscal 1995	0.75	
Number of equivalent shares of common stock	648	

</TABLE>

(3) Common stock equivalents presented assume a market price of \$18.00 (the IPO price) and are calculated using the treasury stock method.

(4) Common stock equivalents are not included since their effect on the earnings

per share calculation is antidilutive.

- (5) Presentation of fully diluted earnings per share is not required for any of the periods presented.

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EXHIBIT 21.1

SEER TECHNOLOGIES, INC.
List of Subsidiaries

DOMESTIC COMPANIES

Parent Company:

Seer Technologies, Inc.

Date of Incorporation:03/06/90
State of Incorporation:Delaware

Subsidiary:

Seer Technologies (Worldwide Holdings) Limited

Date of Incorporation:02/26/92
State of Incorporation:Delaware

FOREIGN SUBSIDIARIES

Argentina:

Seer Technologies de Argentine S.A.

Date of Incorporation:09/11/96

Australia:

Seer Technologies Australia Pty Limited

Date of Registration:08/09/93

Barbados:

Seer Technologies FSC, Inc.

Date of Registration:12/27/95

Benelux:

Seer Technologies Benelux B.V.

Date of Registration:09/25/92

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Brazil:

Seer Technologies do Brazil Ltda.

Date of Registration:12/09/93

Canada:

Seer Technologies Canada, Inc.

Domestic Province: Ontario

Date of Registration:05/18/94

Denmark:

Seer Technologies Denmark ApS

Date of Registration:04/01/94

France:

Seer Technologies France S.A.R.L.

Date of Registration:06/09/95

Germany:

Seer Technologies Europe (Deutschland) GmbH

Date of Registration:11/19/92

Hong Kong:

Seer Technologies Hong Kong Limited

Date of Registration:12/14/94

Ireland:

Seer Technologies Ireland Limited

Date of Registration:03/11/95

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Italy:

Seer Technologies Italia S.r.l.

Date of Registration:08/07/92

Mexico:

Seer Technologies de Mexico S.A. de C.V.

Date of Registration:11/08/95

Sweden:

Seer Technologies Nordic AB

Date of Registration:07/09/92

Singapore:

Seer Technologies Singapore Pty Limited

Date of Registration:02/11/95

South Africa:

Seer Technologies, Inc.

Date of Registration:06/18/96

Spain:

Seer Technologies Espana S.L.

Date of Registration:07/22/93

United Kingdom:

Seer Technologies (U.K.) Limited

Date of Registration:01/07/92

EXHIBIT 23.1

CONSENT OF INDEPENDENT ACCOUNTANTS

We consent to the incorporation by reference in the registration statement of Seer Technologies, Inc. on Forms S-8 (File Nos. 33-97856 and 33-97858) of our reports dated November 7, 1996, on our audits of the consolidated financial statements of Seer Technologies, Inc., as of September 30, 1996, and for the years ended September 30, 1996, 1995 and 1994, which reports are included in this Annual Report on Form 10-K.

/s/COOPERS & LYBRAND L.L.P.

Washington, D.C.
December 30, 1996

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AND CONSOLIDATED STATEMENT OF INCOME FILED AS PART OF THE ANNUAL REPORT ON FORM 10-K AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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