

# SECURITIES AND EXCHANGE COMMISSION

## FORM S-3/A

Registration statement for specified transactions by certain issuers [amend]

Filing Date: **1999-03-26**  
SEC Accession No. **0000950123-99-002600**

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### FILER

#### **DENDRITE INTERNATIONAL INC**

CIK: **880321** | IRS No.: **222786386** | State of Incorporation: **NJ** | Fiscal Year End: **1231**  
Type: **S-3/A** | Act: **33** | File No.: **333-71337** | Film No.: **99574658**  
SIC: **7372** Prepackaged software

Mailing Address	Business Address
1200 MOUNT KEMBLE AVE MORRISTOWN NJ 07960-6797	1200 MOUNT KEMBLE AVE MORRISTOWN NJ 07960 2014251200

AS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION ON MARCH 26, 1999

REGISTRATION NO. 333-71337

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

AMENDMENT NO. 1

TO

FORM S-3  
REGISTRATION STATEMENT  
UNDER  
THE SECURITIES ACT OF 1933

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

<TABLE>  
<S>

NEW JERSEY  
(STATE OR OTHER JURISDICTION OF  
INCORPORATION OR ORGANIZATION)

<C>

22-2786386  
(I.R.S. EMPLOYER  
IDENTIFICATION NUMBER)

</TABLE>

1200 MT. KEMBLE AVENUE  
MORRISTOWN, NEW JERSEY 07960-6797  
(973) 425-1200  
(ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER, INCLUDING  
AREA CODE, OF REGISTRANT'S PRINCIPAL EXECUTIVE OFFICES)

CHRISTOPHER J. FRENCH

VICE PRESIDENT, GENERAL COUNSEL AND SECRETARY  
1200 MT. KEMBLE AVENUE  
MORRISTOWN, NEW JERSEY 07960  
(973) 425-1200  
(NAME, ADDRESS, INCLUDING ZIP CODE, AND TELEPHONE NUMBER,  
INCLUDING AREA CODE, OF AGENT FOR SERVICE)

COPIES TO:

<TABLE>  
<S>

ROBERT S. RISOLEO  
SULLIVAN & CROMWELL  
125 BROAD STREET  
NEW YORK, NEW YORK 10004  
(212) 558-4000

<C>

KEITH F. HIGGINS  
ROPES & GRAY  
ONE INTERNATIONAL PLACE  
BOSTON, MASSACHUSETTS 02110  
(617) 951-7000

</TABLE>

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

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box. [ ]

If any of the securities being registered on this Form are to be registered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box. [ ]

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. [ ]

If delivery of the prospectus is expected to be made pursuant to Rule 434, please check the following box. [ ]

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THE REGISTRANT HEREBY AMENDS THIS REGISTRATION STATEMENT ON SUCH DATE OR DATES AS MAY BE NECESSARY TO DELAY ITS EFFECTIVE DATE UNTIL THE REGISTRANT SHALL FILE A FURTHER AMENDMENT WHICH SPECIFICALLY STATES THAT THIS REGISTRATION STATEMENT SHALL THEREAFTER BECOME EFFECTIVE IN ACCORDANCE WITH SECTION 8(a) OF THE SECURITIES ACT OF 1933 OR UNTIL THIS REGISTRATION STATEMENT SHALL BECOME EFFECTIVE ON SUCH DATE AS THE SECURITIES AND EXCHANGE COMMISSION, ACTING PURSUANT TO SAID SECTION 8(a), MAY DETERMINE.  
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THE INFORMATION IN THIS PRELIMINARY PROSPECTUS IS NOT COMPLETE AND MAY BE CHANGED. THESE SECURITIES MAY NOT BE SOLD UNTIL THE REGISTRATION STATEMENT FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IS EFFECTIVE. THIS PRELIMINARY PROSPECTUS IS NOT AN OFFER TO SELL NOR DOES IT SEEK AN OFFER TO BUY THESE SECURITIES IN ANY JURISDICTION WHERE THE OFFER OR SALE IS NOT PERMITTED.

Subject to Completion. Dated March 26, 1999.

3,250,000 Shares  
[LOGO]

DENDRITE INTERNATIONAL, INC.

Common Stock  
-----

Dendrite International, Inc. is offering 2,750,000 of the shares to be sold in the offering. The selling stockholders identified in this prospectus are offering an additional 500,000 shares. Dendrite will not receive any of the proceeds from the sale of the shares being sold by the selling stockholders.

The common stock is quoted on the Nasdaq National Market under the symbol "DRTE". The last reported sale price of the common stock on March 23, 1999 was \$20.75 per share.

See "Risk Factors" beginning on page 5 to read about certain factors you should consider before buying shares of the common stock.

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NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER REGULATORY BODY HAS APPROVED OR DISAPPROVED OF THESE SECURITIES OR PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.  
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<TABLE>  
<CAPTION>

	Per Share	Total
	-----	-----
<S>	<C>	<C>
Initial public offering price.....	\$	\$
Underwriting discount.....	\$	\$
Proceeds, before expenses, to Dendrite.....	\$	\$
Proceeds, before expenses, to the selling stockholders.....	\$	\$

</TABLE>

The underwriters may, under certain circumstances, purchase up to an additional 487,500 shares from the selling stockholders at the initial public offering price less the underwriting discount.

The underwriters expect to deliver the shares against payment in New York, New York on \_\_\_\_\_, 1999.

GOLDMAN, SACHS & CO.

BEAR, STEARNS & CO. INC.

HAMBRECHT & QUIST

-----  
Prospectus dated \_\_\_\_\_, 1999.

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[DESCRIPTION OF GRAPHICS]

Dendrite(R), [logo](R), ForceAnalyzeRx(TM), ForceCompanion(TM), ForceMultiplieRx(TM), ForceOne(R), ForcePharma(TM), J6(TM), J Force(TM), NOMAD'S(TM), SalesPlus(TM), Series 4(TM), Series 5(TM) and Series 6(TM) are either trademarks or registered trademarks of Dendrite International, Inc. All other servicemarks, trademarks and trade names referred to in this prospectus are the property of their respective owners.

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PROSPECTUS SUMMARY

You should read the following summary together with the other information in this prospectus, including the more detailed information regarding our company and the common stock being sold in this offering and our consolidated financial statements and related notes. Unless otherwise indicated, we have adjusted all share and per share data in this prospectus to reflect a two-for-one stock split of the common stock. The stock split became effective on August 21, 1998.

DENDRITE INTERNATIONAL, INC.

We are a leading worldwide supplier of a comprehensive range of sales force software products and support services to the pharmaceutical industry. We also supply our solutions to manufacturers of consumer packaged goods, which are branded, non-durable goods used by individual consumers. Our sales force effectiveness solutions are designed to help our customers increase sales and improve the profitability of their operations by allowing them to:

- improve their use of sales, customer and market information; and
- manage, coordinate and control their sales activities more efficiently in complex selling environments.

Historically, we have focused our solutions on large sales forces within the prescription-only pharmaceutical industry. We believe that our extensive knowledge of the complex and unique selling processes in this industry and our demonstrated ability to meet our customers' business needs have made Dendrite the world's largest supplier of sales force effectiveness solutions to the prescription-only pharmaceutical industry, based on the number of licensed users.

Our pharmaceutical customers include:

Eli Lilly; Johnson & Johnson; Kissei; Parke-Davis; Pfizer; SmithKline Beecham; and Takeda. Our customers in the consumer packaged goods market include: Bacardi-Martini; Gillette; and Rayovac.

The software products we currently offer include:

- FORCEPHARMA. ForcePharma is our new sales force software product targeted at large, multinational pharmaceutical companies. ForcePharma is designed to increase sales force productivity by reducing the time and money our customers spend managing their sales forces and by increasing their ability to respond rapidly to market changes.

- SALESPLUS. SalesPlus is our sales force software product targeted at mid-range pharmaceutical companies that do not require all the features and flexibility of ForcePharma.
- FORCEONE. ForceOne is our sales force software product designed for manufacturers of consumer packaged goods.
- FORCEANALYZERX AND FORMULTIPLIERX. These software products allow users to analyze data, such as prescription trends, and produce reports based on the results of these analyses. These products also provide customers with timely information that they can use in developing sales strategies.

Most of our revenues come from a broad range of services that enable our customers to maximize the effectiveness of their Dendrite software products. These services include software implementation, technical and hardware support and sales force support. We typically provide these services under multi-year agreements. For the years ended December 31, 1996, 1997 and 1998, services represented approximately 87%, 90% and 89% of our total revenues.

Our business strategy is to use our leading software products and international operations to satisfy both the local and global needs of our customers. Key elements of this strategy are to:

- STRENGTHEN OUR EXISTING CUSTOMER RELATIONSHIPS. We have a substantial customer base among major multinational

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pharmaceutical companies. We constantly seek to expand our relationships with customers by increasing their use of our existing products and services, developing new products and services and broadening these relationships to include additional affiliates of our customers.

- ENHANCE OUR GLOBAL LEADERSHIP. We intend to capitalize on the trend among companies to select one global provider of sales force software products and services, rather than multiple vendors. We believe that our product design and scope, our network of 13 offices worldwide and our experience in implementing these solutions in over 15 countries will allow us to capitalize on this trend.
- UTILIZE NEW TECHNOLOGIES TO IMPROVE OUR SALES FORCE SOFTWARE PRODUCTS. Our current software products take advantage of recent technological advancements, such as multi-tier architectures, relational database management systems, built-in configuration tools and application development software. We intend to continue to improve our software products by developing product enhancements as new technologies become available.

Our executive offices are located at 1200 Mt. Kemble Avenue, Morristown, N.J. 07960-6797. Our telephone number is (973) 425-1200.

#### THE OFFERING

The following information assumes that the underwriters do not exercise the option granted by the selling stockholders named in this prospectus to purchase additional shares in the offering.

<TABLE>	
<S>	<C>
Shares offered by Dendrite.....	2,750,000 shares
Shares offered by the selling stockholders.....	500,000 shares
Shares outstanding after the offering.....	25,706,497 shares
Nasdaq National Market symbol.....	"DRTE"
Use of Proceeds.....	For working capital and other general corporate purposes.
</TABLE>	

The number of shares outstanding after the offering is based on shares outstanding as of December 31, 1998 and excludes:

- 3,786,700 shares that may be issued upon exercise of outstanding options that have a weighted average exercise price of \$10.11 per share; and
- 268,127 shares reserved for future grants under our stock incentive and stock purchase plans.

See Note 6 of "Notes to Consolidated Financial Statements" for more information about our stock option and other stock-based plans.

SELECTED CONSOLIDATED FINANCIAL DATA

The consolidated selected financial data for each of the five fiscal years in the period ended December 31, 1998 are derived from our consolidated financial statements which have been audited and reported upon by Arthur Andersen LLP, independent public accountants. You should read the selected consolidated financial data below together with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the consolidated financial statements and related notes and other financial information included elsewhere in this prospectus and the documents incorporated by reference in this prospectus.

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,				
	1994	1995	1996	1997	1998
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
<S>	<C>	<C>	<C>	<C>	<C>
STATEMENT OF OPERATIONS DATA:					
Revenues:					
License fees.....	\$ 6,917	\$ 6,042	\$ 8,774	\$ 7,707	\$ 12,827
Services.....	32,509	48,080	57,472	70,739	99,691
	39,426	54,122	66,246	78,446	112,518
Costs of revenues:					
Cost of license fees.....	1,450	712	832	1,758	2,314
Cost of services.....	15,652	22,714	31,544	36,894	47,558
	17,102	23,426	32,376	38,652	49,872
Gross margin.....	22,324	30,696	33,870	39,794	62,646
Operating expenses:					
Selling, general and administrative.....	16,392	21,252	26,440	29,905	39,853
Research and development.....	1,703	2,274	6,834	2,676	3,687
Write-off of in-process research and development.....	--	--	2,640	--	1,230
	18,095	23,526	35,914	32,581	44,770
Operating income (loss).....	4,229	7,170	(2,044)	7,213	17,876
Interest income.....	37	544	1,167	529	1,090
Other expense.....	(361)	(33)	(391)	(201)	(317)

Income (loss) before income taxes.....	3,905	7,681	(1,268)	7,541	18,649
Income taxes.....	1,578	2,987	644	2,931	7,382
Net income (loss).....	\$ 2,327	\$ 4,694	\$ (1,912)	\$ 4,610	\$ 11,267
Net income (loss) per share:					
Basic.....	\$ 0.34	\$ 0.33	\$ (0.09)	\$ 0.21	\$ 0.50
Diluted.....	\$ 0.12	\$ 0.23	\$ (0.09)	\$ 0.20	\$ 0.46
Shares used in computing net income (loss) per share:					
Basic.....	6,810	14,202	22,112	22,262	22,580
Diluted.....	18,666	20,762	22,112	23,036	24,623

</TABLE>

<TABLE>  
<CAPTION>

	DECEMBER 31,				DECEMBER 31, 1998	
	1994	1995	1996	1997	ACTUAL	AS ADJUSTED
	(IN THOUSANDS)					
<S>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE SHEET DATA:						
Working capital.....	\$ 5,008	\$28,655	\$30,432	\$33,981	\$47,963	\$101,480
Total assets.....	20,480	45,267	49,215	53,019	74,815	128,332
Capital lease obligations, less current portion.....	33	--	--	--	355	355
Redeemable Series A convertible preferred stock.....	6,976	--	--	--	--	--
Stockholders' equity.....	1,695	32,310	35,176	38,173	56,670	110,187

</TABLE>

The balance sheet data, as adjusted, gives effect to our sale of 2,750,000 shares of common stock, at an assumed initial offering price of \$20.75 per share and after deducting the underwriting discount and estimated offering expenses that we will pay. See "Use of Proceeds" and "Capitalization".

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#### RISK FACTORS

##### OUR BUSINESS IS HEAVILY DEPENDENT ON THE PHARMACEUTICAL INDUSTRY

Most of our sales force software products and services, also referred to as sales force effectiveness or SFE solutions, are currently used in connection with the marketing and sale of prescription-only drugs. This market is undergoing a number of significant changes. These include:

- consolidations and mergers which may reduce the number of our existing and potential customers;
- reclassification of formerly prescription-only drugs to permit their over-the-counter sale;
- competitive pressures on our pharmaceutical customers resulting from the continuing shift to delivery of healthcare through managed care organizations; and
- changes in law, such as government mandated price reductions for prescription-only drugs, that affect the healthcare systems in the countries where our customers and potential customers are located.

We cannot assure you that we can respond effectively to any or all of these and other changes in the marketplace. Our failure to do so could have a material adverse effect on our business, operating results or financial condition. See "Business -- Industry Overview" for a discussion of the pharmaceutical industry sales environment.

#### OUR QUARTERLY RESULTS OF OPERATIONS MAY FLUCTUATE SIGNIFICANTLY AND MAY NOT MEET MARKET EXPECTATIONS

Our results of operations may vary from quarter to quarter due to lengthy sales and implementation cycles for our products, our fixed expenses in relation to our fluctuating revenues and variations in our customers' budget cycles, each of which is discussed below. As a result, you should not rely on quarter-to-quarter comparisons of our results of operations as an indication of future performance. It is possible that in some future period our results of operations may be below the expectations of the public market analysts and investors. If this happens, the price of our common stock may decline. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for detailed information on our quarterly operating results.

#### OUR LENGTHY SALES AND IMPLEMENTATION CYCLES MAKE IT DIFFICULT TO PREDICT OUR QUARTERLY REVENUES

The selection of a sales force software product often entails an extended decision-making process because of the strategic implications and substantial costs associated with a customer's license of the software. Given the importance of the decision, senior levels of management often are involved and, in some instances, the board of directors may be involved in this process. As a result, the decision-making process typically takes nine to twelve months, although in some cases it may take even longer. Accordingly, we cannot control or predict the timing of our execution of contracts with customers.

In addition, an implementation process of three to six months is customary before the software is rolled out to a customer's sales force. However, if a customer were to delay or extend its implementation process, our quarterly revenues may decline below expected levels and could adversely affect our results of operations.

#### OUR FIXED COSTS MAY LEAD TO FLUCTUATIONS IN OUR QUARTERLY OPERATING RESULTS IF REVENUES FALL BELOW EXPECTATIONS

We establish our expenditure levels for product development, sales and marketing and some of our other operating expenses based in large part on our expected future revenues and anticipated competitive conditions. In particular, we frequently add staff in advance of new business to permit adequate time for training. If the new business is subsequently delayed or canceled, we will have incurred expenses without the associated revenue. In addition, we may increase sales and marketing

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expenses if competitive pressures become greater than we currently anticipate. Since only a small portion of our expenses varies directly with our actual revenues, our operating results and profitability are likely to be adversely and disproportionately affected if our revenues fall below expectations.

#### OUR BUSINESS IS AFFECTED BY VARIATIONS IN OUR CUSTOMERS' BUDGET CYCLES

We have historically realized a greater percentage of our license fees and service revenues in the second half of the year than in the first half because, among other things, our customers typically spend more of their annual budget authorization for SFE solutions in the second half of the year. However, the relationship between the amounts spent in the first and second halves of a year



may vary from year to year and from customer to customer. In addition, changes in our customers' budget authorizations may reduce the amount of revenues we receive from the license of additional software or the provision of additional services. As a result, our operating results could be adversely affected.

#### WE DEPEND ON A FEW MAJOR CUSTOMERS FOR A SIGNIFICANT PORTION OF OUR REVENUES

We derive a significant portion of our revenues from a limited number of customers (considering all affiliates of each customer as part of that customer). Approximately 56% of our total revenues in 1998 came from Pfizer, Johnson & Johnson and Parke-Davis. Approximately 59% of our total revenues in 1997 came from Pfizer, Johnson & Johnson and Rhone-Poulenc Rorer. Approximately 58% of our total revenues in 1996 came from Pfizer, Eli Lilly and Rhone-Poulenc Rorer. We believe that the costs to our customers of switching to a competitor's software product, or of taking significant system management functions in-house, are substantial. Nevertheless, some of our customers have switched, and in the future other customers may switch, to software products and/or services offered by our competitors. If any of our major customers were to make such a change, our business, operating results or financial condition would be materially and adversely affected.

#### WE MAY BE UNABLE TO SUCCESSFULLY INTRODUCE NEW PRODUCTS OR RESPOND TO TECHNOLOGICAL CHANGE

The market for sales force software products changes rapidly because of frequent improvements in computer hardware and software technology. Our future success will depend, in part, on our ability to:

- use available technologies and data sources to develop new products and services and to enhance our current products and services;
- introduce new solutions that keep pace with developments in our target markets; and
- address the changing and increasingly sophisticated needs of our customers.

We cannot assure you that we will successfully develop and market new products or product enhancements that respond to technological advances in the marketplace, or that we will do so in a timely fashion. We also cannot assure you that our products will adequately and competitively address the needs of the changing marketplace.

Competition for software products has been characterized by shortening product cycles. We may be materially and adversely affected by this trend if the product cycles for our products prove to be shorter than we anticipate. If that happens, our business, operating results or financial condition could be adversely affected.

To remain competitive, we also may have to spend more of our revenues on product research and development than we have in the past. As a result, our results of operations could be materially and adversely affected.

Further, our software products are technologically complex and may contain previously undetected errors or failures. Such errors have occurred in the past and we cannot assure you that, despite our testing, our new products will be free from errors. Errors that result in losses or delays could have a material adverse effect on our business, operating results or financial condition.

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#### WE ARE EXPOSED TO RISKS ASSOCIATED WITH THE YEAR 2000 -- YEAR 2000 READINESS DISCLOSURE

DEMAND FOR OUR SOFTWARE PRODUCTS AND SERVICES MAY DECLINE BEFORE AND AFTER THE

A substantial amount of demand for our software may come from customers in the process of replacing and upgrading software applications to accommodate the change in date to the Year 2000. This demand has contributed to our 1998 sales growth and we expect it to contribute to our 1999 sales growth. Once customers have completed these activities, we may experience a deceleration in revenue growth. In addition, the expense and time associated with remediation efforts by customers to address Year 2000 compliance problems for software products other than ours may cause our customers to delay the purchase of, or reduce the amount they spend on, our products and services, both before and after January 1, 2000. Such reductions could have a material adverse effect on our business, operating results or financial condition.

OUR YEAR 2000 REMEDIATION EFFORTS MAY NOT BE SUCCESSFUL

As part of our Year 2000 compliance plan, we have assessed the readiness of our internal computer software programs and operating systems. We believe our programs and systems will be substantially Year 2000 compliant by the end of the second quarter of 1999. However, if additional defects, including defects in hardware, are identified or if necessary modifications and conversions are not made, or are not completed in a timely manner, the Year 2000 problem could have a material adverse effect on our business, operating results or financial condition.

WE MAY INCUR MATERIAL EXPENSES IN CONNECTION WITH ANY CLAIM RELATING TO YEAR 2000 COMPLIANCE OF OUR OWN PRODUCTS OR THE PRODUCTS OF THIRD PARTIES

We believe most of the sales force software products that we currently offer to our customers, prior to any customization, are Year 2000 compliant. We cannot assure you, however, that our current products do not contain undetected errors or defects associated with Year 2000 date functionality that may result in material costs to us.

Some of our older products will not, and some may not, accurately process dates after December 31, 1999. To the extent any of these products are still in use in 1999, we will continue to attempt to migrate our customers to products that are Year 2000 compliant. We cannot assure you that this will occur. A failure to migrate any customer to a product that is Year 2000 compliant could adversely affect our business, operating results or financial condition. We may also experience increased expenses which we cannot recoup from current customers in addressing their migration to software that is Year 2000 compliant. We may also incur additional expenses associated with remediating software products of our current customers.

In addition, some of our customers may attempt to hold us responsible for Year 2000 compliance of hardware or software not supplied or created by us, but used in conjunction with one or more of our products. For example, our customers' computer hardware and software, with which our software must interface, may not properly handle date information after the Year 2000 without error or interruption.

See "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Year 2000 Readiness Disclosure" for detailed information on our state of readiness, potential risks and contingency plans regarding the Year 2000 issue.

INCREASED COMPETITION MAY RESULT IN PRICE REDUCTIONS AND DECREASED DEMAND FOR OUR PRODUCTS AND SERVICES

We believe there are approximately ten other companies that sell sales force software products and specifically target the pharmaceutical industry, including:

- four competitors that are actively selling sales force software products in more than one country; and

- three competitors that also offer sales force support services.

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We believe that most of our competitors offer sales force software products and/or services that do not address the variety of customer needs that our solutions address. However, these competing solutions may cost less than our solutions. We also face competition from many vendors that market and sell sales force automation and SFE solutions in the consumer packaged goods or CPG market. In addition, we also compete with various companies that provide support services similar to our services. We believe our ability to compete depends on many factors, some of which are beyond our control, including:

- the number and success of new market entrants supplying competing sales force products or support services;
- expansion of product lines by, or consolidation among, our existing competitors; and
- development and/or operation of in-house sales force software products or services by our customers and potential customers.

Some of our competitors and potential competitors are part of large corporate groups and have longer operating histories and significantly greater financial, sales, marketing, technology and other resources than we have. We cannot assure you that we will be able to compete successfully with these companies or that competition will not have a material adverse effect on our business, operating results or financial condition. See "Business -- Competition" for detailed information regarding the competitive environment in which we operate.

#### SOME OF OUR CUSTOMERS RELY ON OUR COMPETITORS FOR MARKET DATA

Current market data on the sales of prescription-only pharmaceutical products is an important element for the operation of our sales force software products in the prescription-only pharmaceutical industry. Our customers use this data to guide and organize their sales forces and marketing efforts. Some of the leading purveyors of this market information compete with us either directly or through affiliates or may compete with us in the future. If these purveyors of market information require pharmaceutical companies to use their sales force products and/or services, our business, operating results and financial condition may be materially and adversely affected.

#### OUR INTERNATIONAL OPERATIONS HAVE RISKS THAT OUR DOMESTIC OPERATIONS DO NOT

The sale of our products and services in foreign countries accounts for, and is expected in the future to account for, a material part of our revenues. These sales are subject to risks inherent in international business activities, including:

- any adverse change in the political or economic environments in these countries;
- economic instability;
- any adverse change in tax, tariff and trade or other regulations;
- the absence or significant lack of legal protection for intellectual property rights;

- exposure to exchange rate risk for service revenues which are denominated in currencies other than U.S. dollars; and
- difficulties in managing an organization spread over various jurisdictions.

OUR SUCCESS DEPENDS ON RETAINING OUR KEY SENIOR MANAGEMENT TEAM AND ON  
ATTRACTING AND RETAINING QUALIFIED PERSONNEL

Our future success depends, to a significant extent, upon the contributions of our executive officers and key sales, technical and customer service personnel. We maintain a \$3 million key man insurance policy on John E. Bailye, our President and Chief Executive Officer, the proceeds of which are payable to Dendrite. Our future success also depends on our continuing ability to attract and retain highly qualified technical and managerial personnel. Competition for such personnel is intense. We have at times experienced difficulties in recruiting qualified personnel and we may experience such difficulties in the future. Any such difficulties could adversely affect our business, operating results or financial condition. See

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"Management" for detailed information concerning our key personnel.

OUR INABILITY TO MANAGE OUR GROWTH COULD ADVERSELY AFFECT OUR BUSINESS

To manage our growth effectively, we must continue to strengthen our operational, financial and management information systems and expand, train and manage our work force. However, we may not be able to do so effectively or on a timely basis. Failure to do so could have a material adverse effect upon our business, operating results or financial condition.

OUR BUSINESS DEPENDS ON PROPRIETARY TECHNOLOGY THAT WE MAY NOT BE ABLE TO  
PROTECT COMPLETELY

We rely on a combination of trade secret, copyright and trademark laws, non-disclosure and other contractual agreements and technical measures to protect our proprietary technology. We cannot assure you that the steps we take will prevent misappropriation of this technology. Further, protective actions we have taken or will take in the future may not prevent competitors from developing products with features similar to our products. In addition, effective copyright and trade secret protection may be unavailable or limited in certain foreign countries. We have, on occasion, in response to a request by our customer, entered into agreements which require us to place our source code in escrow to secure our service and maintenance obligations.

Further, we believe that our products and trademarks do not infringe upon the proprietary rights of third parties. However, third parties may assert infringement claims against us in the future that may result in the imposition of damages or injunctive relief against us. In addition, any such claims may require us to enter into royalty arrangements. Any of these results could materially and adversely affect our business, operating results or financial condition.

WE HAVE LIMITED EXPERIENCE IN MARKETING TO THE CONSUMER PACKAGED GOODS MARKET

We market and sell SFE solutions to companies in the CPG market. The selling environment in this market has unique characteristics that differentiate it from the pharmaceutical market. In addition, we believe that the CPG market is composed of sub-markets, each of which may have unique characteristics. Accordingly, we cannot assure you that we will be able to replicate in this market the success we have achieved in the ethical pharmaceutical market.

NEW JERSEY LAW MAY DISCOURAGE AN ACQUISITION OF DENDRITE

Provisions of our Restated Certificate of Incorporation, our By-laws and New Jersey law may make it more difficult for a third party to acquire us. For example, the Board of Directors may, without the consent of the stockholders, issue preferred stock with rights senior to those of the common stock.

OUR COMMON STOCK MAY BE SUBJECT TO PRICE FLUCTUATIONS

The market price of our common stock may be significantly affected by the following factors:

- the announcement or the introduction of new products by us or our competitors;
- quarter-to-quarter variations in our operating results and changes in earnings estimates by analysts;
- market conditions in the technology, healthcare and other growth sectors; and
- general consolidation in the healthcare information industry which may result in the market perceiving us or other comparable companies as potential acquisition targets.

Further, the stock market has experienced on occasion extreme price and volume fluctuations. The market prices of the equity securities of many technology companies have been especially volatile and often have been unrelated to the operating performance of such companies. These broad market fluctuations may have a material

adverse effect on the market price of our common stock. See "Price Range of Common Stock".

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements that we believe are within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act") and Section 21-E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are intended to be covered by the safe harbors created thereby. For this purpose, any statements that are not statements of historical fact may be deemed to be forward-looking statements, including the statements under "Summary", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business" regarding our strategy, future operations, financial position and objectives of management. Those statements in this prospectus containing the words "believes", "anticipates", "plans", "expects" and similar expressions constitute forward-looking statements, although not all forward-looking statements contain such identifying words. These forward-looking statements are based on our current expectations, assumptions, estimates and projections about our company and the pharmaceutical and consumer packaged goods industries. All forward-looking statements involve risks and uncertainties, including those risks identified under "Risk Factors", many of which are beyond our control. Although we believe that the assumptions underlying our forward-looking statements are reasonable, any of the assumptions could be inaccurate and actual results may differ from those indicated by the forward-looking statements included in this prospectus, as more fully described under "Risk Factors". In light of the significant uncertainties inherent in the forward-looking statements included in this prospectus, you should not consider the inclusion of such information as a representation by us or anyone else that we will achieve our objectives and plans. Moreover, we assume no obligation to update these forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking statements.

USE OF PROCEEDS

We estimate that the net proceeds from our sale of 2,750,000 shares of common stock will be approximately \$53.5 million, at an assumed initial public offering price of \$20.75 per share and after deducting the underwriting discount and estimated offering expenses that we will pay. We will not receive any

proceeds from the sale of common stock by the selling stockholders. See "Selling Stockholders".

We intend to use the net proceeds of the offering for working capital and other general corporate purposes, which may include research and development, as well as possible acquisitions of businesses, products and technologies that are complementary to our business. Although we have from time to time evaluated possible acquisitions of business products and technologies, we currently have no agreements to make any acquisitions. Pending such uses, we will invest the net proceeds in United States government securities and other short-term, investment grade, interest bearing instruments, repurchase agreements or high grade corporate notes.

PRICE RANGE OF COMMON STOCK

Our common stock is quoted on the Nasdaq National Market under the symbol "DRTE". The following table sets forth for the periods indicated the high and low sale prices for our common stock as reported by the Nasdaq National Market.

<TABLE>  
<CAPTION>

	HIGH	LOW
	-----	-----
<S>	<C>	<C>
1997:		
First Quarter.....	\$ 5.69	\$ 3.38
Second Quarter.....	8.63	4.06
Third Quarter.....	10.75	7.31
Fourth Quarter.....	11.00	7.81
1998:		
First Quarter.....	\$ 15.38	\$ 9.44
Second Quarter.....	19.00	12.78
Third Quarter.....	27.88	15.50
Fourth Quarter.....	29.50	16.25
1999:		
First Quarter (through March 23, 1999).....	\$ 31.75	\$ 20.75

</TABLE>

-----

On March 23, 1999, the last reported sale price of our common stock as reported by the Nasdaq National Market was \$20.75 per share. As of March 23, 1999 there were approximately 95 holders of record of our common stock.

DIVIDEND POLICY

We have never paid any cash dividends on our capital stock and we do not intend to pay any cash dividends on our common stock in the foreseeable future. Our line of credit agreement with The Chase Manhattan Bank, N.A. requires us to maintain a minimum net worth measured quarterly which is equal to our net worth as of December 31, 1997 plus 50% of our net income earned after January 1, 1998 and plus 75% of the net proceeds to us of any stock offerings. This covenant effectively limits the amount of cash dividends we may pay. As of December 31, 1998, and assuming the completion of this offering, we had approximately \$83,944,000 available for the payment of dividends under this covenant. See Note 4 of "Notes to Consolidated Financial Statements" for a discussion of our line of credit agreement.

CAPITALIZATION

The following table sets forth Dendrite's capitalization as of December 31, 1998 on an actual basis and on an as adjusted basis to give effect to our receipt of the estimated net proceeds from our sale of 2,750,000 shares of common stock, at an assumed initial public offering price of \$20.75 per share and after deducting the underwriting discount and estimated offering expenses

that we will pay.

You should read this information together with our consolidated financial statements and related notes appearing elsewhere in this prospectus.

<TABLE>  
<CAPTION>

	DECEMBER 31, 1998	
	ACTUAL	AS ADJUSTED
	-----	-----
	(DOLLARS IN THOUSANDS)	
<S>	<C>	<C>
Capitalized lease obligation -- excluding current portion...	\$ 355	\$ 355
Stockholders' equity:		
Preferred Stock, no par value, 10,000,000 shares authorized; none issued and outstanding.....	--	--
Common Stock, no par value, 100,000,000 shares authorized; 23,357,497 shares issued and 22,956,497 shares outstanding, on an actual basis; 26,107,497 shares issued and 25,706,497 shares outstanding, on an adjusted basis.....	40,050	93,567
Retained earnings.....	20,535	20,535
Deferred compensation.....	(1,494)	(1,494)
Cumulative translation adjustment.....	(494)	(494)
Less treasury stock, at cost.....	(1,927)	(1,927)
	-----	-----
Total stockholders' equity.....	56,670	110,187
	-----	-----
Total capitalization.....	\$ 57,025	\$ 110,542
	=====	=====

</TABLE>

The numbers of issued and outstanding shares are based on shares issued and outstanding as of December 31, 1998 and exclude:

- 3,786,700 shares of common stock that may be issued upon exercise of outstanding stock options that have a weighted average exercise price of \$10.11 per share; and
- 268,127 shares reserved for further grants under our stock incentive and stock purchase plans.

For the period from January 1, 1999 through March 23, 1999, 514,250 shares of common stock were issued upon exercise of outstanding stock options, no shares were purchased, stock awards for 1,000 shares of common stock were granted and stock options for 137,000 shares of common stock were granted.

See Note 6 of "Notes to Consolidated Financial Statements" for more information about our stock option and other stock-based plans.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following discussion of the financial condition and results of operations of Dendrite together with the consolidated financial statements and the related notes included elsewhere in this prospectus.

OVERVIEW

We succeeded in 1991 to a business co-founded in 1986 by John E. Bailye, our current President and Chief Executive Officer. The business was established

to provide SFE solutions that would enable companies to manage, coordinate and control the activities of large sales forces in complex selling environments, primarily in the prescription-only pharmaceutical industry. Today, our solutions combine software products with a wide range of specialized support services. These services include software implementation, technical and hardware support and sales force support. We develop, implement and service sales force software products in the United States, Canada, Western Europe, Japan, Australia, New Zealand and Brazil through our own sales, support and technical personnel located in 13 offices worldwide.

We generate revenues from two sources: fees from support services and license fees. Service revenues, which account for a substantial majority of our revenues, consist of fees from a wide variety of contracted services which we make available to our customers, generally under multi-year contracts. We generate implementation fees from services provided to configure and implement the sales force software products for our customers. We receive technical and hardware support fees for services related to, among other things, the operation of our customers' server computers, maintenance of our customers' databases, asset control and maintenance for our customers' remote hardware and ongoing technical support. Technical and hardware support fees also include fees for software maintenance services such as software defect resolution, performance enhancements and, in some cases, product upgrades. We charge fees for these maintenance services based on a percentage of applicable license fees, plus any customization fees. We receive sales force support fees for organizing and managing support of our customers' sales force, including training, telephone support and data analysis services. Ongoing support fees are generally negotiated at the commencement of a contract. However, it is our experience that our larger customers increase the amount of services they purchase from us over time. Fees for these additional services are typically based on the labor and materials used to provide the applicable service.

We charge our customers license fees to use our proprietary computer software. Customers generally pay one-time perpetual license fees based upon the number of users, the territory covered and the number of modules, or features, in the particular software licensed by the customer.

Historically, we have generally recognized license fees as revenue using the percentage of completion method over a period of time that begins with execution of the license agreement and ends with the completion of initial customization and installation, if any. However, we believe that with some of our newer sales force software products, such as, ForcePharma and SalesPlus, our customers will not require customization and therefore we may be able to recognize license fees from these products upon delivery.

We recognize additional license fees when customers agree to license additional functions or enhancements, acquire an upgraded version of Dendrite's software and/or when the maximum permitted number of users or initial geographic coverage is exceeded. All license fees, domestic and export, are included under the heading "License Fees -- United States" in Note 10 of "Notes to Consolidated Financial Statements".

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The United States, the United Kingdom and France are our main markets. We generated approximately 52% of our total revenues outside the United States during the year ended December 31, 1996; approximately 42% during the year ended December 31, 1997; and approximately 27% during the year ended December 31, 1998. This decrease in the percentage of revenues generated outside the United States during 1998 was principally due to very strong revenue growth in our pharmaceutical and CPG businesses in the United States.

We bill services provided by our foreign branches and subsidiaries in local currency. License fees for our products are generally billed in U.S. dollars regardless of where they originate. Foreign license fees are shown as United States export revenues in Note 10 of "Notes to Consolidated Financial Statements". Operating results generated in local currencies are translated into U.S. dollars at the average exchange rate in effect for the reporting period.

Our operating profits by geographic segments are shown in Note 10 of "Notes



to Consolidated Financial Statements". Our geographic operating profits are affected primarily by our use of technical and support personnel to support service revenues, costs associated with opening new or expanding existing facilities and our ability to increase service revenues faster than the growth in selling, general and administrative expenses.

RESULTS OF OPERATIONS

<TABLE>

<S> <C>

The following table sets forth our results of operations expressed as a percentage of total revenues for the periods indicated:

</TABLE>

<TABLE>

<CAPTION>

	YEAR ENDED		
	DECEMBER 31,		
	1996	1997	1998
	----	----	----
<S>	<C>	<C>	<C>
Revenues:			
License fees.....	13%	10%	11%
Services.....	87	90	89
	---	---	---
	100	100	100
Costs of Revenues:			
Cost of license fees.....	1	2	2
Cost of services.....	48	47	42
	---	---	---
	49	49	44
	---	---	---
Gross Margin.....	51	51	56
Operating Expenses:			
Selling, general and administrative.....	40	38	36
Research and development.....	10	4	3
Write-off in-process research and development.....	4	--	1
	---	---	---
	54	42	40
	---	---	---
Operating income (loss).....	(3)	9	16
Other income.....	1	1	1
	---	---	---
Income (loss) before income taxes.....	(2)	10	17
Income taxes.....	1	4	7
	---	---	---
Net Income (loss).....	(3)%	6%	10%
	===	===	===

</TABLE>

Certain reclassifications have been made to prior year amounts to conform with current year presentations. During the second quarter of 1998, we determined that costs associated with certain activities that were previously classified as research and development expense should be classified as cost of services as these expenditures relate to client specific activities. For consistency of presentation, all prior periods have been reclassified.

YEARS ENDED DECEMBER 31, 1997 AND 1998

REVENUES. Total revenues increased \$34,072,000 or 43% from \$78,446,000 in 1997 to \$112,518,000 in 1998.

License fee revenues increased 66% from \$7,707,000 in 1997 to \$12,827,000 in 1998. This increase was primarily attributable to the recognition of revenue related to license fees from several significant contracts in the pharmaceutical division, sales to new customers in our consumer business division and increased sales of third party software.

Service revenues increased 41% from \$70,739,000 in 1997 to \$99,691,000 in 1998. This increase was primarily the result of an increase in our installed base of sales force software products at both new and existing customers, the commencement of major product rollouts, as well as the provision of additional services to our existing customers.

**COST OF REVENUES.** Cost of revenues increased \$11,220,000 or 29% from 38,652,000 in 1997 to \$49,872,000 in 1998.

Cost of license fees increased 32% from \$1,758,000 in 1997 to \$2,314,000 in 1998. Cost of license fees for 1998 represents the

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amortization of capitalized software development costs of \$1,392,000 and third party vendor license fees of \$922,000. Cost of license fees for 1997 represents the amortization of capitalized software development costs of \$1,100,000 and third party vendor license fees of \$658,000. The increase in the amortization of capitalized software development costs in 1998 was due to the increase in gross capitalized software development costs in 1998 as compared to 1997. The increase in third party vendor license fees in 1998 was attributable to the increase in third party software sales in 1998.

Cost of services increased 29% from \$36,894,000 in 1997 to \$47,558,000 in 1998. This increase was primarily due to an increase in staff required to support greater client activity including the use of higher cost consultants and contractors. As a percentage of service revenues, however, cost of services decreased from 52% of service revenues in 1997 to 48% in 1998. This decrease was primarily the result of increased operational efficiencies in 1998 as well as unusually high costs in the first quarter of 1997 associated with the carry-over effect of expenses initially incurred in the fourth quarter of 1996 as discussed under "Years Ended December 31, 1996 and 1997 -- Cost of Revenues".

**SELLING, GENERAL AND ADMINISTRATIVE (SG&A) EXPENSES.** SG&A expenses increased 33% from \$29,905,000 in 1997 to \$39,853,000 in 1998. This increase was primarily attributable to increased staff required for sales and support operations. As a percentage of revenue, SG&A expenses decreased from 38% in 1997 to 36% in 1998, due to leveraging the fixed cost elements in general and administrative expenses over a higher revenue base.

**RESEARCH AND DEVELOPMENT EXPENSES.** Research and development expenses increased 38% from \$2,676,000 in 1997 to \$3,687,000 in 1998. As a percentage of revenues, research and development expenses remained relatively constant. The increase in research and development expenses during the most recent period was primarily attributable to increased spending on development of our CPG products, the continued development of ForceMultiplieRx and the development of our next generation pharmaceutical sales force software product, ForcePharma. With respect to future research and development expenses, subject to market conditions, we currently anticipate that such expenses will be approximately 4% to 6% of revenues. See the heading under "Risk Factors" entitled "Our quarterly results of operations may fluctuate significantly and may not meet market expectations" and the heading under "Risk Factors" entitled "We may be unable to successfully introduce new products or respond to technological change".

**WRITE-OFF OF IN-PROCESS RESEARCH AND DEVELOPMENT COSTS.** We incurred a one-time charge of \$1,230,000 to record the write-off of in-process research and development costs resulting from the acquisition of Associated Business Computing N.V., a Belgian company, and an affiliated company (collectively, "ABC"). This amount represents the estimated fair values, based on an independent appraisal, related to in-process research and development projects which had not yet reached technological feasibility.

**PROVISION FOR INCOME TAXES.** The effective tax rate, excluding the impact

of the write-off of in-process research and development which is not tax deductible, was reduced to 37% during 1998 as opposed to 39% during 1997. This decrease was due primarily to the implementation of tax minimization strategies throughout the world.

ACQUISITION OF ABC. On July 24, 1998, we acquired 100% of the capital stock of ABC for a combination of cash and stock equivalent to approximately \$4,013,000 and transaction costs of \$150,000. The acquisition has been accounted for using the purchase method of accounting, whereby the purchase price is allocated to the assets and liabilities of ABC based on their respective fair market values at the acquisition date. The excess of the purchase price over the fair value of the net assets acquired was assigned to

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identifiable intangibles. We assigned \$1,230,000 to in-process research and development and such amount was written off in the accompanying statement of operations. We also recorded \$850,000 as capitalized software and \$2,226,000 as goodwill. ABC's results of operations have been included in our Consolidated Financial Statements from the date of acquisition.

YEARS ENDED DECEMBER 31, 1996 AND 1997

REVENUES. Total revenues increased \$12,200,000 or 18% from \$66,246,000 in 1996 to \$78,446,000 in 1997.

License fee revenues decreased 12% from \$8,774,000 in 1996 to \$7,707,000 in 1997. This decrease was primarily attributable to the recognition of revenue related to license fees for a major European client during 1996, partially offset by the inclusion of \$796,000 in revenue associated with the resale of third party software during 1997 versus \$112,000 in revenue associated with the resale of third party software during 1996.

Service revenues increased 23% from \$57,472,000 in 1996 to \$70,739,000 in 1997. This increase was primarily the result of an increase in our installed base of sales force software products with new and existing customers and the provision of additional services to our existing customers, largely in the U.S., where the service revenue increase was \$11,585,000 or 39%.

COST OF REVENUES. Cost of revenues increased 19% from \$32,376,000 in 1996 to \$38,652,000 in 1997.

Cost of license fees increased 111% from \$832,000 in 1996 to \$1,758,000 in 1997. In 1997, the cost of license fees represents the amortization of capitalized costs of \$1,100,000 and third party vendor license fees of \$658,000. In 1996, the cost of license fees represents the amortization of capitalized costs of \$739,000 and third party vendor license fees of \$93,000.

Cost of services increased 17% from \$31,544,000 in 1996 to \$36,894,000 in 1997, primarily due to an increase in the number of service representatives and technical staff from the prior year. The increase was necessary to support the increased client activity during the year. As a percentage of service revenues, cost of services decreased from 55% of service revenues in 1996 to 52% of service revenues in 1997. This decrease was due to certain events which occurred in 1996, including:

- multiple customer delayed implementations for which we had hired personnel for training, customer service and technical support;
- costs associated with retaining a significant number of independent contractors to complete client deliverables;
- delayed customer license purchase and upgrade decisions; and
- increased research and development spending.

As a result of these factors, we incurred a net loss of \$3.3 million in the fourth quarter of 1996.

SELLING, GENERAL AND ADMINISTRATIVE (SG&A) EXPENSES. SG&A expenses increased 13% from \$26,440,000 in 1996 to \$29,905,000 in 1997. As a percentage of revenue, SG&A expenses decreased from 40% in 1996 to 38% in 1997. This decrease was attributable to the fixed nature of certain SG&A costs, such as rent and corporate salaries, as revenues increase.

RESEARCH AND DEVELOPMENT. Research and development expenses decreased 61% from \$6,834,000 in 1996 to \$2,676,000 in 1997. As a percentage of revenues, research and development expenses decreased from 10% for the year ended December 31, 1996 to 4% for the year ended December 31, 1997. The decrease in research and development expenses in 1997 was consistent with our intentions, as peak development efforts associated with several new software products decreased as these software products neared completion.

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PROVISION FOR INCOME TAXES. The effective tax rate was reduced to 39% for the year ended December 31, 1997 as compared to 47% for the year ended December 31, 1996, excluding the impact of the write-off of in-process research and development which is not tax deductible. The reduction was due to the higher base of net income relative to the amount of non-deductible expenses in the year ended December 31, 1997 as compared to the year ended December 31, 1996.

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QUARTERLY RESULTS OF OPERATIONS

The following table sets forth certain unaudited consolidated statement of operations data expressed in U.S. dollars for our eight most recently ended fiscal quarters. This data has been derived from our unaudited consolidated financial statements and, in the opinion of management, includes all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation in accordance with generally accepted accounting principles. Our results of operations for a particular quarter are not necessarily indicative of our results of operations for any future period. Our quarterly results have varied considerably in the past and are likely to vary from quarter to quarter in the future. See the heading under "Risk Factor" entitled "Our quarterly results of operations may fluctuate significantly and may not meet market expectations".

<TABLE>  
<CAPTION>

	QUARTERS ENDED							
	MARCH 31 1997	JUNE 30 1997	SEPT. 30 1997	DEC. 31 1997	MARCH 31 1998	JUNE 30 1998	SEPT. 30 1998	DEC. 31 1998
	(IN THOUSANDS, EXCEPT PER SHARE DATA)							
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Statement of Operations Data:								
Revenues:								
License fees.....	\$ 1,094	\$ 1,725	\$ 2,370	\$ 2,518	\$ 2,971	\$ 4,299	\$ 1,116	\$ 4,442
Services.....	15,548	16,342	17,998	20,851	19,656	24,028	29,352	26,653
	16,642	18,067	20,368	23,369	22,627	28,327	30,468	31,095
Costs of Revenues:								
Cost of license fees.....	273	392	729	365	361	1,024	379	550
Cost of services.....	9,795	8,333	8,795	9,971	9,894	12,402	13,645	11,616
	10,068	8,725	9,524	10,336	10,255	13,426	14,024	12,166
Gross margin.....	6,574	9,342	10,844	13,033	12,372	14,901	16,444	18,929
Operating Expenses:								
Selling, general, and administrative.....	6,373	7,636	7,678	8,217	8,459	9,962	10,280	11,153
Research and development.....	683	653	606	734	899	870	847	1,069

Write-off of in-process research and development.....	--	--	--	--	--	--	1,230	--
	7,056	8,289	8,284	8,951	9,358	10,832	12,357	12,222
Operating income (loss).....	(482)	1,053	2,560	4,082	3,014	4,069	4,087	6,707
Interest income.....	128	131	100	169	196	214	280	399
Other income (expense).....	(57)	(95)	(21)	(27)	(321)	(45)	117	(68)
Income (loss) before income taxes (benefit).....	(411)	1,089	2,639	4,224	2,889	4,238	4,484	7,038
Income taxes (benefit).....	(145)	442	1,047	1,587	1,127	1,581	2,043	2,631
Net income (loss).....	\$ (266)	\$ 647	\$ 1,592	\$ 2,637	\$ 1,762	\$ 2,657	\$ 2,441	\$ 4,407
Net income (loss) per share:								
Basic.....	\$ (0.01)	\$ 0.03	\$ 0.07	\$ 0.12	\$ 0.08	\$ 0.12	\$ 0.11	\$ 0.19
Diluted.....	\$ (0.01)	\$ 0.03	\$ 0.07	\$ 0.11	\$ 0.07	\$ 0.11	\$ 0.10	\$ 0.18
Shares used in computing net income (loss) per share:								
Basic.....	22,450	22,142	22,201	22,252	22,324	22,418	22,705	22,883
Diluted.....	22,450	22,736	23,226	23,316	23,900	24,302	24,818	25,107

</TABLE>

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#### LIQUIDITY AND CAPITAL RESOURCES

We have historically financed our operations primarily through cash generated by operations. Net cash provided by operating activities was \$24,206,000 for the year ended December 31, 1998, compared to cash provided by operating activities of \$3,318,000 for the year ended December 31, 1997. This increase was due primarily to higher net income, as well as more efficient accounts receivable and liability management during the year ended December 31, 1998, compared to the year ended December 31, 1997.

Cash used in investing activities was \$12,565,000 in the year ended December 31, 1998, compared to cash obtained from investing activities of \$3,301,000 in the year ended December 31, 1997. This increase was due primarily to the increase in short-term investments as well as the purchase of ABC in the year ended December 31, 1998.

On January 16, 1997, Dendrite's Board of Directors approved a stock buy-back program initially limited to \$3,000,000, which, subject to further Board review and approval, could be increased to a maximum of \$10,000,000, but not greater than 9% of Dendrite's outstanding shares of common stock. During the twelve month period ending December 31, 1997, Dendrite repurchased 401,000 shares of common stock for a value of \$1,927,000. Dendrite did not repurchase any shares of common stock during the period ending December 31, 1998.

We obtained \$3,610,000 of cash from financing activities in the year ended December 31, 1998, compared to the use of \$1,331,000 in cash from financing activities in the year ended December 31, 1997. The change in our cash provided from financing activities was due to an increase in the issuance of common stock, primarily from the exercise of employee stock options during the year ended December 31, 1998 and open-market purchases of our common stock during the year ended December 31, 1997.

We recently entered into a \$15,000,000 revolving line of credit agreement with The Chase Manhattan Bank, N.A. The agreement is available to finance working capital needs and possible future acquisitions. The \$15,000,000 line of credit agreement requires us to maintain a minimum consolidated net worth, among

other covenants, measured quarterly, which is equal to our net worth as of December 31, 1997 plus 50% of our net income earned after January 1, 1998 and plus 75% of the net proceeds to us of any stock offering. This covenant effectively limits the amount of cash dividends we may pay. At December 31, 1998, there were no borrowings outstanding under the agreement.

Our working capital was approximately \$33,981,000 at December 31, 1997 and \$47,963,000 at December 31, 1998. We have no significant capital spending or purchasing commitments other than normal purchase commitments and commitments under facility and capital leases.

We regularly evaluate opportunities to acquire products or businesses complementary to our operations. Such acquisition opportunities, if they arise, and are successfully completed, may involve the use of cash or equity instruments. We currently have no agreements to make any acquisitions.

#### YEAR 2000 READINESS DISCLOSURE

The efficient operation of our business is dependent in part on our internal computer software and operating systems (collectively, our "Internal Programs and Systems"). Since 1997, as part of our Year 2000 compliance plan, we have been evaluating our Internal Programs and Systems to identify potential Year 2000 compliance problems. We have tested our Internal Programs and Systems to verify Year 2000 compliance. As a result of the testing, we have determined that some of our Internal Programs and Systems are not Year 2000 compliant. We have begun and will continue to modify or replace some of our Internal Programs and Systems to make them Year 2000 compliant. We are also communicating with our suppliers and others to coordinate Year 2000 conversion and are requesting assurances from all software vendors from which we may purchase or license software that such software will

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correctly process all date information at all times.

To date, we have spent approximately \$178,000 to evaluate, test and remediate, if necessary, our Internal Programs and Systems for Year 2000 compliance problems and we expect to spend up to an additional \$50,000 through the end of second quarter of 1999. We will fund these costs with cash from our operations. To date, we have not spent any material amount on evaluating the Year 2000 compliance status of our sales force software products licensed to customers. Although we do not anticipate any future material expenditures, our customers may require us to incur additional expenses associated with remediating their software products. We expect that the expenses and capital expenditures associated with achieving Year 2000 compliance will not have a material adverse effect on our business, results of operations or financial condition.

We believe that we will be able to achieve Year 2000 compliance through a combination of modification of some existing Internal Programs and Systems and the replacement of other Internal Programs and Systems with new programs and systems that are already Year 2000 compliant. We expect to have our Year 2000 compliance program substantially completed by the end of the second quarter of 1999. However, we cannot assure you that these efforts will be successful or completed in a timely manner.

We believe most of our sales force software products that we currently offer to customers are Year 2000 compliant. We define "Year 2000 compliant" to mean that the applicable Dendrite product is capable of recognizing and processing date data beyond the Year 2000 as belonging to the correct century, so long as all products (for example, hardware, firmware, and software including interfacing programs, operating systems, and database engines) used with the software are Year 2000 compliant and properly exchange date data with our products.

Some of our older products will not, and some may not, accurately process dates beyond December 31, 1999. To the extent any of these products are still in use in 1999, we will continue to attempt to migrate our customers to products which are Year 2000 compliant. We cannot assure you that this will occur. A

failure to migrate any such customer to a product which is Year 2000 compliant could adversely affect our business, operating results or financial condition. We may also experience increased expenses which we cannot recoup from current customers in addressing their migration to software that is Year 2000 compliant. We have strongly encouraged each customer to have its product tested by us for Year 2000 compliance.

Because of our relatively advanced state of readiness, we have not yet formulated a reasonably likely worst case scenario. During the second quarter of 1999, as we assess our state of readiness for January 1, 2000, we expect to formulate this scenario and to prepare a contingency plan, if warranted. For a discussion of the risks associated with the Year 2000, please see the heading under "Risk Factors" entitled "We are exposed to risks associated with the Year 2000 -- Year 2000 readiness disclosure".

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## BUSINESS

### DENDRITE INTERNATIONAL, INC.

We are a leading worldwide supplier of a comprehensive range of sales force software products and support services to the pharmaceutical industry. We also supply our solutions to manufacturers of consumer packaged goods. Our sales force effectiveness solutions are designed to help our customers increase sales and improve the profitability of their operations by allowing them to:

- improve their use of sales, customer and market information; and
- manage, coordinate and control their sales activities more efficiently in complex selling environments.

Historically, we have focused our solutions on large sales forces within the prescription-only pharmaceutical industry. We believe that our extensive knowledge of the complex and unique selling processes in this industry and our demonstrated ability to meet our customers' business needs have made Dendrite the world's largest supplier of sales force effectiveness solutions to the prescription-only pharmaceutical industry, based on the number of licensed users.

Our pharmaceutical customers include: Eli Lilly; Johnson & Johnson; Kissei; Parke-Davis; Pfizer; SmithKline Beecham; and Takeda. Our customers in the consumer packaged goods market include: Barcardi-Martini; Gillette; and Rayovac.

Most of our revenues come from a broad range of services that enable our customers to maximize the effectiveness of their Dendrite software products. These services include software implementation, technical and hardware support and sales force support. We typically provide these services under multi-year agreements. For the years ended December 31, 1996, 1997 and 1998, services represented approximately 87%, 90% and 89% of our total revenues.

## INDUSTRY OVERVIEW

### PHARMACEUTICAL INDUSTRY SALES ENVIRONMENT

Pharmaceutical companies have traditionally marketed prescription-only pharmaceutical products to physicians rather than to patients. A pharmaceutical sales representative typically calls on physicians within a designated geographic territory. However, due in part to the specialized knowledge required to explain the attributes of each product, each sales representative handles only a limited number of pharmaceutical products. This specialization has led to a marketing process in which large sales forces, often organized as multiple divisions of one company, handle different products in overlapping territories. As a result, individual physicians may be called upon by representatives from different sales forces within the same company, resulting in a need for careful coordination of these sales force activities. Sales forces can range in size

from as few as 50 representatives in smaller European countries to several thousand in the United States. Effective sales and marketing also requires coordination of diverse home office functions, such as distribution of product literature, sales call follow-up activities and organization of educational programs for physicians.

The complexity of managing sales forces also has been increased by a number of changes in the pharmaceutical market. These include:

- the efforts to control increases in the cost of healthcare;
- the expansion of sales and marketing activities by pharmaceutical companies to non-physician participants, such as governmental or private healthcare organizations, insurance companies and other third party payers; and
- the reclassification of formerly prescription-only drugs to permit over-the-counter or OTC availability.

While these changes have not reduced the need to market to individual physicians, they

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have introduced new levels and magnitudes of complexity to the sales and marketing process. In order to make informed sales management decisions, pharmaceutical companies require accurate, well organized and coordinated information drawn from diverse data sources.

#### CPG INDUSTRY SALES ENVIRONMENT

CPG companies sell through multiple retail channels, including:

- retail outlets;
- food services;
- travel and hospitality;
- cosmetic services;
- route sales and delivery;
- mail order; and
- on-line shopping.

To market their products, CPG manufacturers use a variety of promotional initiatives such as coupon offers, local, regional and national advertisements and in-store creative displays and special shelf tags. In addition, CPG manufacturers study the traffic patterns of consumers and the placement of their products within a retail outlet in order to assess the effect of these initiatives. This assessment process requires consistent and thorough evaluation by both the retailer and the manufacturer.

We generally market our products to several vertical markets within the CPG industry, such as confectionaries, beverages, tobacco, cosmetics, health and beauty aids and OTC drugs. Our CPG products are targeted at manufacturers whose sales representatives call on retail outlets. These products enable sales representatives to manage all aspects of their call reporting obligations, including the collection of pricing, promotions and product placement information. In addition, our sales force software products can integrate sales information from multiple data sources. By using our sales force software products, CPG manufacturers can measure the effect of their promotional activities and can effectively plan and execute sales strategies in ways that bring them significant competitive benefits.



## THE EVOLUTION OF ADVANCED SFE SOLUTIONS

Sales and marketing expenses are often among the highest operating costs for companies competing in complex selling environments, particularly for pharmaceutical companies. Historically, sales organizations in the pharmaceutical and CPG industries relied on written reports and paper filing systems as the primary tools for dealing with sales force management. The need for effective management and control of sales activities led to efforts to automate sales force deployment and management. With advances in portable computer equipment, automation became a viable option to improve the efficiency of sales and marketing activities. Pharmaceutical companies were among the early adopters of these automated products because of the complexity of the pharmaceutical sales process, the need to integrate disparate data streams, and the large size and widespread organization of their sales forces.

Sales force automation, or SFA, products using portable computers and software were developed to keep field sales records up-to-date, and allowed sales representatives to record and report their calling activities as a first step in coordinating sales and marketing efforts. These software products, however, offered limited capability for interaction and coordination among field representatives or with sales management, and generally failed to meet the needs of industries with complex sales and marketing requirements.

Pharmaceutical companies and other organizations operating in complex selling environments sought software products that could provide greater capacity for such interaction and coordination and that could also assist management in organizing and presenting sales-related data. For example, these entities needed tools to help sales representatives identify their most urgent or valuable prospects, and to enable them to adjust their selling patterns to address the opportunities and needs of their sales territories in progressively shorter time periods. This need led to an evolution of SFA software products to the more interconnected

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sales force software products and support services.

Sales force software products use territory-based data to allow increased interaction between sales force managers and other corporate management information systems. However, early sales force software products could not dynamically handle the new and often voluminous data necessary to make decisions in today's complex selling environments. Specifically, these sales force software products did not have sufficient functionality to permit management to reset priorities and to redeploy sales representatives in response to rapidly changing market conditions.

We believe that sales force software products must evolve into comprehensive information systems that are increasingly integral to the overall management of the business. In addition, sales force software products must be able to measure the effect of, and interface with, all other promotional tools used by a customer to target physicians. As the complexity of these systems increases, so does the need for specially trained personnel to operate, refine and enhance them.

## THE DENDRITE SOLUTION

We develop and market a comprehensive range of sales force software products and support services. These solutions enable our customers, among other things, to:

- realign sales territories;

- reallocate sales personnel on a customer or formulary basis; and
- redeploy sales and marketing resources more rapidly and more precisely.

Our software products integrate and process large volumes of time-sensitive sales-related data for use in developing sales strategies. Our current sales force software product offerings allow customers to select many different combinations of features for different types of sales forces. Our current product offerings typically do not require customization in order to be implemented. In some circumstances, they are configured to address data, market and other specific customer requirements.

We also offer a broad range of support services that enable our customers to maximize the effectiveness of their Dendrite software products. These services include software implementation, technical and hardware support and sales force support. We provide these services worldwide through our 13 offices in the United States, Europe, the Pacific Rim and Latin America. We dedicate groups of service personnel to assist our customers in designing, implementing and maintaining the system and to provide continuous system support.

#### THE DENDRITE STRATEGY

Our business strategy is to use our leading software products and international operations to satisfy both the local and global needs of our customers. Key elements of this strategy are to:

- STRENGTHEN OUR EXISTING CUSTOMER RELATIONSHIPS. We have a substantial customer base among major multinational pharmaceutical companies. We constantly seek to expand our relationships with customers by increasing their use of our existing products and services, developing new products and services and broadening these relationships to include additional affiliates of our customers.
- ENHANCE OUR GLOBAL LEADERSHIP. We intend to capitalize on the trend among companies to select one global provider of sales force software products and support services, rather than multiple vendors. We believe that our product design and scope, our network of 13 offices worldwide and our extensive experience in implementing these solutions in over 15 countries will allow us to capitalize on this trend.
- UTILIZE NEW TECHNOLOGIES TO IMPROVE OUR SALES FORCE SOFTWARE PRODUCTS. Our current software products take advantage of recent technological advancements, such as multi-tier architectures, relational database management systems, built-in configuration tools and application development software. We intend to

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continue to improve our software products by developing product enhancements as new technologies become available.

#### PRODUCTS AND SERVICES

##### PHARMACEUTICAL SALES FORCE SOFTWARE PRODUCTS

We currently offer our pharmaceutical customers three primary software products: ForcePharma; SalesPlus; and J Force. We also offer our pharmaceutical customers an additional Windows CE(TM)-based software product, known as ForceCompanion.

FORCEPHARMA. We recently introduced ForcePharma, our new sales force software product targeted at large multinational pharmaceutical customers, and, to date, have entered into licensing agreements with four customers. ForcePharma can be configured to support sales representatives and managers at all levels within a sales organization.

The table below describes the principal functions available for the ForcePharma product:

#### FORCEPHARMA CLIENT FUNCTIONALITY

##### CUSTOMER MANAGEMENT

Provides an accurate, up-to-date picture of customer and business opportunities. Allows quick and accurate completion of call reports.

##### CUSTOMER TARGETING

Allows end user to generate lists using specific database queries easily adapted to the user's needs. Allows sales activity to be concentrated on the most important customers.

##### PLANNER

Allows end user to plan and record activity and optimize scheduling and coordination of promotional activities.

##### SAMPLE MANAGEMENT

Allows end user to track inventory and perform adjustments, including transfers and returns.

##### MEETINGS

Allows planning, recording and management of group selling events, such as dinner meetings, speaker programs, symposia, etc.

##### SYNCHRONIZATION MANAGER

Allows end user to synchronize multiple databases in one communications session.

#### FORCEPHARMA SYSTEM CONFIGURATOR AND BACK OFFICE ADMINISTRATOR

##### SYSTEM CONFIGURATOR

Creates interfaces, permits modifications for existing end users and allows the end user to select the language to be used.

##### BACK OFFICE ADMINISTRATOR

Permits definition of business rules and allows administration of sales force composition and pre-configured drop down boxes.

The ForcePharma product can be configured to address a customer's specific business requirements, including the creation of new data structures. New functions, which integrate fully with the existing configuration, can be added over time, therefore allowing the customer to acquire a system that is capable of evolving as the customer's business requirements change. A typical major pharmaceutical customer will select a configuration depending on the structure of the customer's sales force, the geographic region involved and the type of pharmaceutical sales data available. Each function is offered with specific continuing support services.

ForcePharma software product offers an enhanced user-friendly graphical interface through a Microsoft(R) Windows environment and uses object-oriented programming technology to enhance the modular properties of this product. This product also contains features capable of analyzing both territory-based and prescriber-level prescription sales data. This data permits priority targeting of physicians and others who influence the pharmaceutical prescription process.

The majority of our installed base consists of Series 6 and, to a lesser extent, Series 5 and Series 4 software products, the predecessor products to ForcePharma. ForcePharma offers greater functionality than these predecessor products. Customers licensed to use Series 6 and Series 5 products accounted for approximately 92% of the sales representatives licensed to use our pharmaceutical sales force software products as of December 31, 1997 and 91% as of December 31, 1998.

We are presently marketing to all of our customers a migration path that will enable them to upgrade to the ForcePharma product. There can be no assurance that any such migration will occur. The primary considerations for customers determining whether to upgrade include the enhanced ability of ForcePharma to address their evolving business needs and the significant cost of making the transition to a competitor's product.

Our Series 4 product is a DOS-based product. Customers licensed to use Series 4 accounted for approximately 8% of the sales representatives licensed to use our pharmaceutical sales force software products as of December 31, 1997 and 6% as of December 31, 1998. We have in the past supported users of our Series 4 products. However, we now consider this product mature and have advised our customers that we will not support it in the future.

We price our pharmaceutical sales force software products based on the geographic area in which a customer uses our software products, the software configuration and the total number of users. We also charge additional one-time fees to install the software and annual fees for continuing services.

SALESPLUS. In July 1998, we acquired ABC, a Belgian-based developer and provider of a software product known as SalesPlus, which is marketed to mid-range European pharmaceutical companies. We are currently marketing this software product for license under the SalesPlus name to our pharmaceutical customers in Europe and, through a new strategic business unit, SalesPlus Americas, in the United States. Dendrite configures SalesPlus prior to sale, which saves our customers the time and costs associated with configuration. This product is offered to those prescription-only pharmaceutical customers whose business needs do not require all of the features of the ForcePharma product. Like ForcePharma, this product supports all levels within a sales organization.

J FORCE. We are now also offering for license in Japan a new SFE product called J Force, which we developed specifically for the Japanese market. This product contains functionality similar to that of ForcePharma, but has graphical user interface and local market requirements that reflect the unique characteristics of the Japanese prescription-only pharmaceutical market.

FORCECOMPANION. We also offer ForceCompanion, a Windows CE(TM)-based palmtop solution for remote use by pharmaceutical company sales representatives. This software product furnishes a sales representative with physician profiles, an appointment diary and signature capture for pharmaceutical sample management.

#### CPG INDUSTRY PRODUCTS

FORCEONE. In May 1996, we acquired SRCI S.A. ("SRCI"), France's largest provider of custom-designed sales force software products for the CPG market. SRCI's core product, NOMAD'S, was translated into English and we began to market the product in the United States and Canadian markets under the name ForceOne in the fourth quarter of 1996. ForceOne contains most of the same basic features as

our ForcePharma product, as well as features specifically created for the CPG industry. ForceOne can be configured to support field sales representatives, their managers and key account managers. The structure of our license, implementation and ongoing service fees for our CPG customers is generally similar to that of our pharmaceutical customers.

#### ANALYTICAL TOOLS

We currently offer certain analytical software and reporting tools under the ForceMultiplieRx and ForceAnalyzeRx product names, which may be used either with our sales force software products or on a stand-alone basis. These software products allow users to analyze data, such as prescription trends, and produce reports based on the results of these analyses. These products also provide customers with timely information that they can use in developing sales strategies. The custom applications that we design with these products address a wide variety of client business needs, including sales, market research, clinical trials, new product launch analyses and sales reporting.

The back-end database for ForceMultiplieRx is populated with real time third party prescription data. This data may be integrated with both internal and external data sources to provide a customer with timely market information, including physician prescribing patterns and their responsiveness to customer sales and marketing efforts.

#### SERVICES

Our customers often enter into agreements covering software implementation, technical and hardware support and sales force support services. Virtually all customers sign a software maintenance agreement that covers, among other things, software defect resolution.

For the year ended December 31, 1998, service revenues represented approximately 89% of our total revenues. As a result of providing these ongoing services, we have developed long-term strategic relationships with these customers. For example, it is generally our experience that once we begin supplying SFE solutions to our larger customers, we continue to provide support services to them beyond the expiration of the initial service agreement. In addition, as these relationships develop, our customers generally increase the amount of support services they purchase from us. These relationships have accounted for some of the increase in our service-related revenues.

The complexity and size of the sales data and market research databases being integrated and manipulated by our software products require highly specialized information systems skills, particularly as new sources of data must be integrated. The creation of a customer's database requires loading third party data onto a central server or servers and encoding that data with proprietary Dendrite data links. This encoding process allows the data to be integrated into a functional sales-related database used by Dendrite's sales force software products. We initially perform these services during installation and, if requested, may continue to manage these information systems over time. Many companies choose not to employ the information systems staff needed to manage these large, complex databases and consider the outsourcing of these tasks to us as both economically and operationally advantageous.

We offer the full range of support services to all of our customers. However, because customers of our SalesPlus and ForceOne products often require less functionality, we expect to sell fewer support services to these customers than to our ForcePharma customers.

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The following table outlines the principal services we offer:

#### IMPLEMENTATION SERVICES

##### PROJECT MANAGEMENT

Plan the configuration, if applicable, and implementation of a Dendrite sales force software product.

DATA MODELING

Create the customer's specific version of the Dendrite data model.

CONFIGURATION

Configure software, if applicable, to meet customer requirements for the software components of a Dendrite sales force software product.

DATABASE MODELING

Create the customer's integrated database, including:

- loading and linking third party prescription sales data, market research and other materials;
- identifying geographic and/or functional (e.g., formulary) segments; and
- allocating third party data by territory or other functional segment.

REMOTE COMPUTER HARDWARE PREPARATION

Load data onto customer's remote computer hardware (e.g., laptop and notebook computers) for training, testing and use.

TRAINING

Instruct on use and capabilities of Dendrite sales force software products.

TECHNICAL AND HARDWARE SUPPORT SERVICES

PROJECT MANAGEMENT

Design, structure and manage technical support for Dendrite sales force software products.

SOFTWARE CUSTOMIZATION

Modify source code to meet customer's needs.

DATABASE MAINTENANCE

Continue to support the customer's database, including:

- loading and linking new releases of third party data purchased by the customer; and
- identifying new functional segments for data analysis.

SOFTWARE CODE MAINTENANCE

Provide software defect resolution and issue performance updates, feature changes and, in certain circumstances, new versions of products.

SERVER SUPPORT

Operate and maintain server computers.

ASSET MANAGEMENT

Provide asset control and maintain remote computer hardware, including recapture of data on defective equipment and replacement of defective equipment.

BUSINESS INTERRUPTION SERVICES

Develop business interruption plan for management of any unforeseen interference with Dendrite's provision of ongoing support services, including coordinating the retention of a disaster recovery provider for the customer's servers.

## YEAR 2000 COMPLIANCE

## TESTING

Test customer's sales force automation production environment to determine whether it is Year 2000 compliant (i.e., accurately recognizes and processes dates beyond December 31, 1999). This testing covers not only the applicable Dendrite product, but also much of the related hardware, third party software and associated interfaces.

## SALES FORCE SUPPORT SERVICES

## PROJECT MANAGEMENT

Design, organize and manage support for customer sales forces.

## RETRAINING

Provide ongoing training on use and capabilities of Dendrite sales force software products.

## TERRITORY REALIGNMENT

Assist the customer in planning and executing realignments of sales territories or functional (e.g., formulary-based) segments to allow more effective resource allocation.

## TELEPHONE SUPPORT SERVICES

Provide direct customer service telephone support for Dendrite sales force and certain third party software products, seven days a week and in many foreign languages.

## DATA ANALYSIS

Provide pro-active prescription data analysis at a territory and physician level to a customer's sales representatives to improve sales and promotional campaigns.

When a customer licenses a Dendrite sales force software product, we typically establish an implementation services group for that customer, as well as a separate support service group composed of both customer support and technical support personnel who are primarily dedicated to servicing that customer. However, for customers with smaller sales forces or sales forces with specialized needs, such as non-home country language capability, the service group may have responsibility for more than one client. Our service groups are usually located at our facility in the country where a significant portion of the customer's sales force is located. This proximity to our customers allows the service group to provide assistance using a common language.

Typically, we provide services under a multi-year contract. In North America, we enter into service agreements directly with our customers. Outside North America, we enter into service agreements through our local wholly owned subsidiary or branch. Depending upon the size of the customer and the scope of services to be performed, a dedicated service group may be comprised of five to 100 persons.

## SOFTWARE CONFIGURATION

Our pharmaceutical sales force software products are configured to allow information access and communication among geographically dispersed sales and marketing personnel and regional and home offices. The core of the configuration is a central database server, which stores the customer information and integrates and controls all data flow from external points. Most of the servers used by our customers are manufactured by IBM, Compaq, Hewlett-Packard or Sun Microsystems and run on UNIX(TM) or Windows NT(R) operating systems. Servers are purchased or leased by Dendrite's customers or leased for them by Dendrite. Some smaller customers lease space on our servers located in various offices worldwide.

Remote databases are stored on laptop and palmtop computers used by sales representatives in the field and updated regularly over telephone lines via modem. Regional sales managers using personal

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computers may access the server via wide area networks. Our customers are responsible for selecting computer equipment and for deciding when to upgrade or replace it.

Our pharmaceutical sales force software products permit a sales representative to send updated information to the central database server. Similarly, the sales representative can receive information concerning upcoming calls as well as additional sales efforts planned by other sales representatives within the same company. This server, in most cases located at one of our facilities, contains the customer's own database of sales-related information which is generally maintained and operated for the customer by us.

Our pharmaceutical sales force software products are designed to provide information to those involved in sales and sales management and also to all other levels within each sales organization including its senior management. For example, information directly related to sales, such as travel and expense reports, may be provided to the finance and personnel departments. Similarly, representatives in the field can provide information concerning a physician that can assist managed care sales personnel. These systems create the linkage which connects a customer's sales and management functions with other business departments.

Our CPG software products are generally configured in a manner similar to our pharmaceutical software products. However, CPG sales representatives are more likely to use handheld or palmtop computing devices than laptop and desktop personal computers.

#### CUSTOMERS

Our customers include major multinational pharmaceutical companies, including: Eli Lilly; Johnson & Johnson; Kissei; Parke-Davis; Pfizer; Smith-Kline Beecham; and Takeda. In addition, in the CPG market, our customers include: Bacardi-Martini; Gillette; and Rayovac.

Revenues from Pfizer, Eli Lilly and Rhone-Poulenc Rorer (considering all affiliates of each customer as part of that customer) in the aggregate accounted for 58% of our revenues for the year ended December 31, 1996. Revenues from Pfizer, Johnson & Johnson and Rhone-Poulenc Rorer in the aggregate accounted for 59% of our revenues for the year ended December 31, 1997. Revenues from Pfizer, Johnson & Johnson and Parke-Davis accounted for 56% of our revenues for the year ended December 31, 1998. The loss of all or a significant part of the business of any of these customers would have a material adverse affect on us. See the heading under "Risk Factors" entitled "We depend on a few major customers for a significant portion of our revenues".

#### SALES AND MARKETING

We actively market our sales force software products and services to prescription-only pharmaceutical and CPG companies in the United States, Western Europe and the Pacific Rim using regional and local sales and marketing personnel. Sales presentations are typically made to the customer's management information services department or sales department. The selection of a sales force software product often entails an extended decision-making process that typically takes 9 to 12 months. This process may involve senior levels of management and, in some cases, the board of directors. For a discussion of the associated risks, see the heading under "Risk Factors" entitled "Our quarterly results of operations may fluctuate significantly and may not meet market expectations -- Our lengthy sales and implementation cycles make it difficult to predict quarterly revenues".



We work with a potential customer to identify its business requirements in light of its markets, sales organization and operating structure. We draw upon our broad product functionality and our experience in the applicable vertical market to provide a comprehensive, yet highly targeted SFE solution.

The positive response of our customers' sales representatives can influence the decisions of those customers to license

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additional functionality and/or to contract for expanded support services. Accordingly, we try to address the concerns of sales personnel during the training portion of our implementation services. We also promptly respond to customer communications and evaluate them for indications of potential systemic problems or changing market trends.

We believe that our relationships with existing customers create additional sales and marketing opportunities. Further, we believe that our network of international offices allows us to serve our existing customers in new locations. Many of our prescription-only pharmaceutical customers also have over-the-counter operations that provide us with additional sales opportunities.

Finally, we occasionally have entered into several arrangements with business partners to market our products and/or services jointly. In addition, we occasionally resell computer hardware and third-party software.

#### RESEARCH AND DEVELOPMENT

We continue to take advantage of new technologies in developing new products and services. We charged to expense approximately \$6.8, \$2.7 and \$3.7 million of research and development in the years ended December 31, 1996, 1997 and 1998.

We have capitalized certain costs related to the development of new software products and the enhancement of existing software products consistent with Statement of Financial Accounting Standards No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed". Capitalized software development costs net of accumulated amortization were \$2,408,000 at December 31, 1997 and \$3,503,000 at December 31, 1998.

#### COMPETITION

The current market for sales force software products and support services is highly competitive. Many companies offer SFA and SFE products and/or services in the prescription-only pharmaceutical and CPG industries. We believe that there are approximately ten other companies that sell sales force software products and specifically target the pharmaceutical industry, including:

- four competitors that are actively selling in more than one country; and
- three competitors that also offer sales force support services.

We believe that most of our competitors offer sales force software products and/or services that do not address the variety of customer needs that our solutions address. However, these competing solutions may cost less than our solutions.

SFA software products differ greatly in terms of functionality, flexibility and the type of hardware platform supported. Vendors of SFA software products also generally do not provide support services to the same extent as SFE vendors. We believe that our sales force software products and support services offer customers a more comprehensive solution than SFA software products. We

believe that potential competitors must incur significant expense in order to develop an integrated, configurable solution for the problems presented by complex multinational selling environments. While we believe SFA software products are a less compelling solution, these software products, nonetheless, often cost less than SFE solutions. We also face competition from many vendors that market and sell SFA and sales force software products in the CPG market. In addition, we also compete with many companies that provide support services similar to our services.

Our sales force products and services compete with others principally on the basis of the following factors:

- product flexibility and configuration;
- platform configuration;
- name recognition;
- global competence;
- service standards;
- breadth of customer base; and
- technical support and service.

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We believe our SFE solutions compete favorably with respect to these factors, and that we are positioned to maintain our market leadership position through innovative new product and application developments and continued focus on support services. Some of our existing competitors, as well as a number of potential market entrants, have larger technical staffs, larger marketing and sales organizations and greater financial resources than we do.

In the prescription-only pharmaceutical vertical market, two of our competitors, IMS Health Strategic Technologies and TVF (Cegedim), own and control, either directly or through affiliated entities, proprietary data collection systems. It may be possible for a competitor to gain a competitive advantage in the pricing of its sales force software products with respect to customers who are interested in purchasing the data it or its affiliates collect. In addition, as new data sources emerge, companies providing such data may enter the SFE market and provide SFE solutions to our customers directly.

We believe that competition will increase as new competitors enter the market to supply sales force software products and/or services and as existing competitors expand their product lines or consolidate. We also expect that we may encounter additional competition in the future from firms offering outsourcing of information technology services and from vendors of software products providing specialized applications not offered by us, including enterprise resource planning vendors and data base vendors. We also face potential competition from our customers and potential customers who may elect to design and install or to operate their own sales force management systems. For a discussion of the competitive risks we face in our business, see the heading under "Risk Factors" entitled "Increased competition may result in price reductions and decreased demand for our products and services".

PROPRIETARY RIGHTS

We rely on a combination of methods to protect our proprietary intellectual technology. These include:

- trade secret, copyright and trademark laws;
- license agreements with customers containing confidentiality provisions;
- confidentiality agreements with consultants, vendors and suppliers; and
- non-disclosure agreements with each of our executive officers and technical employees.

Existing United States copyright laws provide only limited protection and even less protection may be available under foreign laws. See the heading under "Risk Factors" entitled "Our business depends on proprietary technology that we may not be able to protect completely".

#### EMPLOYEES

As of December 31, 1998, we employed 771 employees: 507 in the United States; 210 in Europe; 46 in the Pacific Rim; and 8 in Brazil.

We believe that relations with our employees are good. Our employees generally are not part of any collective bargaining unit except for our employees in France who are subject to a national collective bargaining agreement. We believe that our future growth and success will depend upon our ability to attract and retain skilled and motivated personnel which is becoming progressively more difficult for many technology and services companies in many countries. See the heading under "Risk Factors" entitled "Our success depends on retaining our key senior management team and on attracting and retaining qualified personnel".

#### FACILITIES

We lease a 101,500 square foot building, which serves as our corporate headquarters in Morristown, New Jersey; a 26,280 square foot building in Basking Ridge, New Jersey, which houses customer support personnel;

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and a 5,000 square foot warehouse in Somerset, New Jersey. We also lease a total of 47,800 square feet in twelve locations in Australia, Belgium, Brazil, France, Germany, Italy, Japan, New Zealand, Spain and the United Kingdom for local management, sales offices and customer support operations. We believe that our existing U.S. corporate facilities will become insufficient for our needs in 1999, but that adequate space will be available as needed.

Servers located at our facilities are commonly maintained in a secured area and are often subject to regular audit and inspection by our customers. We maintain database servers located at our facilities for substantially all of our U.S. customers and for a substantial majority of our international customers. For these customers, we offer a business interruption service which is intended to protect these customers' businesses in the event of any unforeseen interruption, interference or disruption of our provision of customer support services. As part of this offering, we will assist a customer in developing a business interruption plan, which will include the coordination of the customer's retention of a disaster recovery provider.

#### LEGAL PROCEEDINGS

We are occasionally involved in litigation relating to personnel and other claims arising in the ordinary course of our business. We are not currently engaged in any legal proceedings that are expected, individually or in the

MANAGEMENT

The executive officers and directors of the Company and their respective ages and positions as of the date of this prospectus are as follows:

<TABLE>  
<CAPTION>

NAME	AGE	POSITION
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<S>	<C>	<C>
John E. Bailye.....	45	President, Chief Executive Officer, Director and Chairman of the Board
R. Bruce Savage.....	50	Executive Vice President and Chief Operating Officer
George T. Robson.....	51	Executive Vice President and Chief Financial Officer
Teresa F. Winslow.....	43	Senior Vice President for U.S. Operations
Mark H. Cieplik.....	44	Senior Vice President, Worldwide Sales
Jean LaHaie.....	43	Senior Vice President, SalesPlus Strategic Business Unit
Christopher J. French.....	39	Vice President, General Counsel and Secretary
Thierry Durand.....	38	Vice President, Europe
Bernard M. Goldsmith.....	55	Director
Edward J. Kfoury.....	60	Director
Paul A. Margolis.....	45	Director
John H. Martinson.....	51	Director
Terence H. Osborne.....	60	Director

</TABLE>

MR. JOHN E. BAILYE has served as President, Chief Executive Officer and Director since the Company's incorporation in March 1987 and, since October 1991, as Chairman of the Board. Prior to March 1987, Mr. Bailye served as a market researcher at Foresearch Pty., Limited, a consulting company to the pharmaceutical industry in Australia. In 1976, Mr. Bailye acquired Foresearch and served as its Managing Director, until he sold the company in 1986. Mr. Bailye holds a Bachelor of Commerce in Finance, Marketing and Business from the University of New South Wales.

MR. R. BRUCE SAVAGE has served as Executive Vice President and Chief Operating Officer since September 1994. From June 1993 until September 1994, Mr. Savage served as Vice President, Europe/Asia and, from September 1988 to June 1993, as Vice President, Europe. He also served as General Manager for Dendrite New Zealand from 1986 to 1987, and as the General Manager of Dendrite Australia and Dendrite New Zealand from 1987 until September 1988. Prior to joining the Company, Mr. Savage spent 15 years in the pharmaceutical industry working for Ciba Geigy (NZ) Limited as Manager of Sales and Marketing. Mr. Savage holds a Bachelor's degree from Nelson College.

MR. GEORGE T. ROBSON has served as Executive Vice President since February 1999, 1999 and as Senior Vice President and Chief Financial Officer since June 1997. Prior to joining the Company, Mr. Robson served as Senior Vice President and Chief Financial Officer of H&R Block, Inc. from January 1996 to May 1997, and as Treasurer of such corporation from June 1996 to May 1997. In addition, Mr. Robson served as Senior Vice President of Unisys Corporation from April 1991 to January 1996, and as Chief Financial Officer of such corporation from January 1990 until January 1996. Mr. Robson holds a B.S. in Economics from the Wharton School of the University of Pennsylvania and an M.S. in Management Science from the State University of New York.

MS. TERESA F. WINSLOW has served as Senior Vice President for U.S. Operations since June 1997. Ms. Winslow served as Senior Vice President for the Pfizer Pharmaceutical Global Account Group from September 1996 to June 1997, as Vice

President, Sales and Business Development from September 1994 to September 1996, as Executive Director, International Sales from August 1993 to September 1994, and as Director of Marketing and Sales, Americas from October 1991 to August 1993. From 1983 to 1991, Ms. Winslow served in various positions at Schering Laboratories, a division of Schering-Plough Corporation, most recently as National Sales director. Ms. Winslow is a registered pharmacist. She holds a B.S. in Pharmacy from the Philadelphia College of Pharmacy and Science.

MR. MARK H. CIEPLIK has served as Senior Vice President, Worldwide Sales since June 1997. Prior to joining the Company, Mr. Cieplik served as Vice President, Americas of Interleaf, Inc. from May 1995 to May 1997. In addition, Mr. Cieplik served as Director, North America Major Accounts for System Software Associates Inc. from December 1991 to April 1995, and served in various capacities for IBM Corporation from 1976 until 1991. Mr. Cieplik holds a B.S. in Marketing from Millikin University.

MR. JEAN LAHAIE has served as Senior Vice President since December 1998. He is responsible for the SalesPlus Strategic Business Unit. In addition, Mr. LaHaie served from September 1996 to December 1998 as Senior Vice President, Business Development, from April 1996 to September 1996 as Vice President, Product Development, from October 1993 to April 1996 as Executive Director, Corporate Technical Services, from February 1993 to October 1993 as Director of Operations, Corporate Technical Services, from April 1992 to February 1993 as Group Business Director, from July 1991 to April 1992 as Business Director for a Dendrite service group, and from July 1990 to July 1991 as Project Manager for a Dendrite service group. Prior to joining the Company, Mr. LaHaie spent nine years at American Cyanamid Corporation in positions ranging from Industrial Engineering Manager to International Business Manager for the Middle East and the Far East. Mr. LaHaie is a graduate of Montreal University Polytechnic Institute and of McGill Graduate School of Business.

MR. CHRISTOPHER J. FRENCH has served as Vice President and General Counsel since January 1996, and as Secretary since July 1996. Prior to joining the Company, Mr. French was an associate at Skadden, Arps, Slate, Meagher & Flom from 1987 to 1996. Mr. French holds a B.S. in Economics from the Wharton School of the University of Pennsylvania and a J.D. from Fordham University School of Law.

MR. THIERRY DURAND has served as Vice President, Europe since July 1997. Mr. Durand also served as General Manager, France from January 1993 to July 1997 and as a Business Manager in France from September 1992 to September 1993. Mr. Durand holds a Bachelor's degree, a Master's degree in Economics and a Ph.D in Computer Sciences and Economy from the University of Lyon. Mr. Durand also holds an M.B.A. from the University of San Francisco ISG, Paris.

MR. BERNARD M. GOLDSMITH has served as a Director since May 1996. In 1986, he founded The Updata Group, Inc., an investment banking firm focused on mergers and acquisitions in the information technology industry. Mr. Goldsmith currently serves as Managing Director of The Updata Group, Inc. Mr. Goldsmith also founded Updata Software Company, where he served as Chief Executive Officer from 1986 to 1988 and CGA Computer, Inc., where he served as Chairman and Chief Executive Officer from 1968 to 1986. Mr. Goldsmith is also a director of Compuware Corporation and several privately held companies.

MR. EDWARD J. KFOURY has served as a Director since July 1997. Prior to joining the Company, Mr. Kfoury served as a division President and Vice President of IBM Corporation from 1988 through 1993 and in various other positions with IBM Corporation from 1963 to 1988. Mr. Kfoury is also a director of Mapics, Inc. and five privately held companies. In addition, Mr. Kfoury is a director of the Nature Conservancy, an advisory trustee of the Maine Audobon Society, and President of Rangeley Lakes Heritage Trust.

MR. PAUL A. MARGOLIS has served as a Director since July 1993. Mr. Margolis is President of Longworth Management Company, Inc., his personal investment management company. Mr. Margolis is a director of Marcam Corporation, an applications software and services company for manufacturers which he co-founded in 1980, and a member of Longworth Capital L.L.C. Mr. Margolis is also Chairman of the Board of Obtech, Inc., POMS Corporation and Big Brother Association of Greater Boston, and Past Chairman of the Open Applications Group, Inc., a

non-profit software industry organization. He previously worked as an independent business consultant and, prior to that, as Manufacturing Manager for Keltron Corporation. Mr. Margolis holds a B.A. from Brown University and an M.B.A. from Harvard Business School.

MR. JOHN H. MARTINSON has served as a Director since September 1991. In 1986, he founded the Edison Venture Fund. He currently serves as Managing Partner of Edison Partners I, II, III and IV and as President of Edison Management Corporation. Mr. Martinson is also a director of Best Software, Inc. and eight privately held companies. He is former Chairman of the New Jersey Technology Council and President-elect of the National Venture Capital Association. Mr. Martinson holds a B.S. in Aeronautics from the United States Air Force Academy, an M.S. in Astronautics from Purdue University and an M.B.A. from Southern Illinois University.

MR. TERENCE H. OSBORNE has served as a Director since August 1998. Mr. Osborne served as Chairman of Dr. Solomon's Group PLC from 1996 until 1998. Mr. Osborne also served as President and Chief Operating Officer of System Software Associates ("SSA"), a computer software company, from November 1994 until October 1996. From October 1992 until November 1994, he served as SSA's General Manager and Vice President -- Europe. Prior to joining SSA, he was employed by IBM Corporation in various capacities since 1961, including vice president level positions in both the United States and Europe. Mr. Osborne is also Chairman of Prime Response, Inc. and Cimax International and a director of Mapics, Inc. and Firepond, Inc.

SELLING STOCKHOLDERS

The table below sets forth the beneficial ownership of the Company's common stock by the selling stockholders as of the date of this prospectus and following the sale of shares of common stock offered hereby.

<TABLE>  
<CAPTION>

NAME OF SELLING STOCKHOLDER	SHARES BENEFICIALLY OWNED BEFORE OFFERING		NUMBER OF SHARES TO BE OFFERED	SHARES BENEFICIALLY OWNED AFTER OFFERING	
	NUMBER	PERCENTAGE		NUMBER	PERCENTAGE
<S>	<C>	<C>	<C>	<C>	<C>
John E. Bailye.....	3,390,491	14.68%	300,000	2,890,491	11.18%
Carinya Holding Company.....	649,000	2.83	150,000	499,000	1.94
Bailye Family Foundation.....	56,000	*	50,000	6,000	*

</TABLE>

\* Less than 1% of the outstanding shares of common stock.

Except as indicated herein, and as provided by applicable community property laws, the persons named in the table have sole voting and investment power with respect to all shares of common stock.

The applicable percentage of ownership prior to completion of the offering is based on 22,956,497 shares of common stock outstanding as of December 31, 1998. The applicable percentage ownership after completion of this offering includes 2,750,000 shares of common stock offered hereby and assumes that the option granted to the Underwriters to purchase additional shares is not exercised.

Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission (the "Commission"). For purposes of calculating beneficial ownership, common stock subject to options currently exercisable or exercisable on or prior to 60 days after the date of this prospectus are deemed outstanding for computing the percentage ownership of the person holding such options, but are not deemed outstanding for computing the

percentage ownership of any other person.

The numbers and percentages of Mr. Bailye's ownership stated in the table include:

- options exercisable for 142,000 shares of common stock currently exercisable or exercisable within 60 days of the date of this prospectus;
- 649,000 shares held by the Carinya Holdings Company; and
- 56,000 shares held by the Bailye Family Foundation.

Mr. Bailye disclaims beneficial ownership of the shares owned of record by Carinya and by the Foundation, except to the extent of the partnership interests in Carinya held by Mr. Bailye and his spouse.

Carinya is a general partnership consisting of Mr. Bailye, Mr. Bailye's wife, and trusts for the benefit of each of their two minor children, the trustees of which are Mr. Bailye's parents and Mrs. Bailye's parents, respectively, as general partners. The partnership agreement provides that the voting power with respect to shares owned by the partnership resides with the majority vote of all partners other than Mr. Bailye.

The Foundation is a trust established exclusively to provide financial support for charitable organizations, which are exempt institutions under Section 501(c)(3) of the Internal Revenue Code. Mr. Bailye and his spouse constitute two of the three trustees of the Foundation.

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#### DESCRIPTION OF CAPITAL STOCK

Following this offering, the total amount of our authorized capital stock will consist of 100,000,000 shares of no par value common stock, and 10,000,000 shares of no par value preferred stock without designation. Upon the completion of this offering, based on the number of shares outstanding as of December 31, 1998, 25,706,497 shares of common stock will be issued and outstanding, and no shares of preferred stock will be outstanding. As of March 23, 1999, there were approximately 95 holders of record.

#### COMMON STOCK

Holders of common stock are entitled to one vote for each share held on all matters submitted to a vote of stockholders and do not have cumulative voting rights. Holders of common stock are entitled to receive ratably such dividends, if any, as may be declared by the Board of Directors out of funds legally available therefor. Upon the liquidation, dissolution or winding-up of Dendrite, holders of common stock are entitled to receive ratably the net assets of Dendrite available for distribution after the payment of all debts and other liabilities of Dendrite, subject to the prior rights of the holders of any outstanding shares of preferred stock. Holders of common stock have no preemptive, subscription, redemption or conversion rights. The outstanding shares of common stock are, and the shares offered hereby will be, when issued and paid for, fully paid and nonassessable. The rights, preferences and privileges of holders of common stock are subject to, and may be adversely affected by, the rights of holders of shares of any class or series of preferred stock that the Board of Directors may designate and issue in the future. There will be no shares of preferred stock outstanding immediately following the consummation of this offering.

#### PREFERRED STOCK

The Board of Directors is authorized, subject to certain limitations prescribed by law, without further stockholder approval, to issue from time to time up to an aggregate of 10,000,000 shares of preferred stock in one or more classes and one or more series within each class and to fix the relative rights, preferences, and limitations of the shares within each such class and series, including the dividend rights, voting rights, redemption and sinking fund provisions, liquidation preferences, conversion rights and preemptive rights and the number of shares constituting any series. The Board of Directors may retain the authority, pursuant to our Restated Certificate of Incorporation and subject to certain limitations prescribed by law, without further stockholder action, to redesignate the preferred stock as undesignated shares of stock. The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could adversely affect the voting and other rights of holders of common stock, and, under certain circumstances, make it more difficult or costly for a third party to acquire, or discourage a third party from attempting to acquire, control of us. We have no present plans to issue any shares of preferred stock.

#### NEW JERSEY LAW AND CERTAIN CHARTER PROVISIONS

We are subject to the New Jersey Shareholders Protection Act, which prohibits a publicly held New Jersey corporation from engaging in a "business combination" with an "interested stockholder" for a period of five years after the date of the transaction in which the interested stockholder became an interested stockholder, unless:

- the business combination is approved by the Board of Directors in a prescribed manner;
- two-thirds of the shares not beneficially owned by the interested stockholder vote in favor of the business combination; or
- the combination meets certain objective tests designed to ensure the stockholders receive a fair price for their shares.

A "business combination" includes mergers, asset sales and other transactions resulting in a financial benefit to the interested stockholder. Subject to certain exceptions, an

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"interested stockholder" is a person who together with affiliates and associates, owns, or within the five years preceding the date of such determination did own, 10% or more of the New Jersey corporation's voting stock.

Our Restated Certificate of Incorporation, as permitted by New Jersey law, eliminates the personal liability of each of the directors and officers to us or our stockholders for monetary damages for breaches of the director's or officer's duty of care or other duties as a director or officer, except liabilities for any breach of duty based upon an act or omission:

- in breach of such person's duty of loyalty to the corporation or its stockholders;
- not in good faith or involving a knowing violation of law; or
- resulting in receipt by such person of an improper personal benefit.

In addition, our Restated By-laws provide broad indemnification rights to directors and officers so long as the director or officer acted in a manner believed in good faith to be in or not opposed to our best interest, and with respect to criminal proceedings if the director had no reasonable cause to believe his or her conduct was unlawful. We believe that the protection provided by these provisions will help us attract and retain qualified individuals to serve as officers and directors. These provisions also will limit the remedies



available to a stockholder who is dissatisfied with a Board decision protected by these provisions, and such stockholder's only remedy may be to bring a suit to prevent the Board's action.

#### TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar of our common stock is Continental Stock Transfer & Trust Company.

#### VALIDITY OF COMMON STOCK

The validity of the common stock offered hereby will be passed upon for Dendrite by Sullivan & Cromwell, New York, New York. Certain matters relating to the offering will also be passed upon for Dendrite by Buchanan Ingersoll Professional Corporation, Princeton, New Jersey, and for the Underwriters by Ropes & Gray, Boston, Massachusetts. Sullivan & Cromwell and Ropes & Gray may rely upon the opinion of Buchanan Ingersoll as to all matters governed by New Jersey law.

#### EXPERTS

Our consolidated financial statements of our as of December 31, 1997 and 1998 and for each of the three years in the period ended December 31, 1998, included and incorporated by reference in this prospectus and elsewhere in the Registration Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto, and are included in this prospectus in reliance upon the authority of said firm as experts in giving said reports.

#### AVAILABLE INFORMATION

We are subject to the informational requirements of the Exchange Act, and, in accordance therewith, files reports, proxy statements and other information with the Commission. You may read and copy all or any portion of the Registration Statement or any reports, statements or other information we file at the Commission's public reference room at 450 Fifth Street, N.W., Room 1024, Judiciary Plaza, Washington, D.C. 20549, as well as the Commission's Regional Offices at 7 World Trade Center, Suite 1300, New York, New York 10045 and Citicorp Center, 500 West Madison Street, Suite 1400, Chicago,

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Illinois 60611. You can request copies of these documents, upon payment of a duplicating fee, by writing to the Commission. Please call the Commission at 1-800-SEC-0330 for further information on the operation of the public reference rooms. Our Commission filings, including the Registration Statement, are also available to you on the Commission Internet site (<http://www.sec.gov>). Our common stock is quoted on the Nasdaq National Market. Reports, proxy and information statements and other information concerning our company can also be inspected at the National Association of Securities Dealers, Inc. at 1735 K Street, N.W., Washington, D.C. 20006. We will provide without charge to each person to whom this prospectus has been delivered, upon written or oral request of such person, a copy (without exhibits other than exhibits specifically incorporated by reference) of any or all documents incorporated by reference into this prospectus. Requests for such copies should be directed to 1200 Mt. Kemble Avenue, Morristown, New Jersey 07960-6797, Attention: Secretary, telephone number (973) 425-1200. We have filed with the Commission a Registration Statement on Form S-3 (including all amendments and exhibits thereto, the "Registration Statement") under the Securities Act with respect to the common stock offered hereby. This prospectus, which constitutes a part of the Registration Statement, omits certain of the information contained in the Registration Statement and the exhibits and schedules thereto on file with the Commission pursuant to the Securities Act and the rules and regulations of the Commission thereunder. For further information with respect to our company and our common stock, reference is made to the Registration Statement and the exhibits and schedules thereto. Statements contained in this prospectus regarding the contents of any agreement or other document filed as an exhibit to the Registration Statement are not necessarily complete, and in each instance reference is made to the copy of such agreement filed as an exhibit to the Registration Statement, each such statement being qualified in all respects by such reference.

#### INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Annual Report on Form 10-K for the fiscal year ended December 31, 1998 filed by the Company (File No. 0-26138) with the Commission pursuant to the Exchange Act is incorporated by reference herein and made a part hereof.

All documents we have filed pursuant to Sections 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the initial filing of the Registration Statement of which this prospectus forms a part and prior to the termination of the offering of the common stock made hereby shall be deemed incorporated by reference in this prospectus and to be a part hereof from the date of filing of such documents. Any statement contained in a document incorporated or deemed to be incorporated herein by reference, or contained in this prospectus, shall be deemed to be modified or superseded for purposes of this prospectus to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this prospectus.

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INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Dendrite International, Inc.:

We have audited the accompanying consolidated balance sheets of Dendrite International, Inc. (a New Jersey corporation) and Subsidiaries as of December 31, 1997 and 1998, and the related consolidated statements of operations, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1998. 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 reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Dendrite International, Inc. and Subsidiaries as of December 31, 1997 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Philadelphia, Pa.,

## DENDRITE INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT SHARE DATA)<TABLE>  
<CAPTION>

	DECEMBER 31,	
	1997	1998
	----	----
<S>	<C>	<C>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$15,917	\$31,298
Short-term investments.....	2,955	9,614
Accounts receivable, net.....	24,724	17,082
Prepaid expenses and other.....	2,222	3,090
Prepaid taxes.....	--	921
Deferred tax asset.....	441	467
	-----	-----
Total current assets.....	46,259	62,472
PROPERTY AND EQUIPMENT, net.....	3,110	5,267
DEFERRED TAXES.....	667	1,077
GOODWILL, net.....	575	2,496
CAPITALIZED SOFTWARE DEVELOPMENT COSTS, net.....	2,408	3,503
	-----	-----
	\$53,019	\$74,815
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable.....	\$ 2,211	\$ 2,002
Income taxes payable.....	867	122
Accrued compensation and benefits.....	3,439	4,012
Other accrued expenses.....	4,352	6,953
Deferred revenues.....	1,409	1,420
	-----	-----
Total current liabilities.....	12,278	14,509
DEFERRED RENT.....	598	392
	-----	-----
CAPITALIZED LEASE OBLIGATIONS.....	--	355
DEFERRED TAXES.....	1,970	2,889
	-----	-----
COMMITMENTS AND CONTINGENCIES (Note 8)		
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value, 10,000,000 shares authorized, none issued.....	--	--
Common stock, no par value, 100,000,000 shares authorized, 22,659,548 and 23,357,497 shares issued and 22,258,548 and 22,956,497 outstanding.....	32,814	40,050
Retained earnings.....	9,268	20,535
Deferred compensation.....	(1,141)	(1,494)
Accumulated other comprehensive income.....	(841)	(494)
Less treasury stock, at cost.....	(1,927)	(1,927)
	-----	-----
Total stockholders' equity.....	38,173	56,670
	-----	-----
	\$53,019	\$74,815
	=====	=====

&lt;/TABLE&gt;

The accompanying notes are an integral part of these statements.

## DENDRITE INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS  
(IN THOUSANDS, EXCEPT PER SHARE DATA)

&lt;TABLE&gt;

<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
<S>	<C>	<C>	<C>
REVENUES:			
License fees.....	\$ 8,774	\$ 7,707	\$ 12,827
Services.....	57,472	70,739	99,691
	66,246	78,446	112,518
COSTS OF REVENUES:			
Cost of license fees.....	832	1,758	2,314
Cost of services.....	31,544	36,894	47,558
	32,376	38,652	49,872
Gross margin.....	33,870	39,794	62,646
OPERATING EXPENSES:			
Selling, general and administrative.....	26,440	29,905	39,853
Research and development.....	6,834	2,676	3,687
Write-off of in-process research and development.....	2,640	--	1,230
	35,914	32,581	44,770
Operating income (loss).....	(2,044)	7,213	17,876
INTEREST INCOME.....	1,167	529	1,090
OTHER EXPENSE.....	(391)	(201)	(317)
Income (loss) before income taxes.....	(1,268)	7,541	18,649
INCOME TAXES.....	644	2,931	7,382
NET INCOME (LOSS).....	\$ (1,912)	\$ 4,610	\$ 11,267
NET INCOME (LOSS) PER SHARE:			
Basic.....	\$ (0.09)	\$ 0.21	\$ 0.50
Diluted.....	\$ (0.09)	\$ 0.20	\$ 0.46
SHARES USED IN COMPUTING NET INCOME (LOSS) PER SHARE:			
Basic.....	22,112	22,262	22,580
Diluted.....	22,112	23,036	24,623

</TABLE>

The accompanying notes are an integral part of these statements.

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DENDRITE INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(IN THOUSANDS)

<TABLE>

<CAPTION>

	COMMON STOCK		RETAINED EARNINGS	DEFERRED COMPENSATION	ACCUMULATED OTHER COMPREHENSIVE INCOME	COMPREHENSIVE INCOME	TREASURY STOCK
	SHARES	AMOUNT					
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
BALANCE, DECEMBER 31, 1995.....	21,352	\$26,809	\$ 6,570	\$ (502)	\$ (567)		\$ --
Issuance of common stock.....	376	1,094	--	(838)	--		--
Amortization of deferred compensation.....	--	--	--	113	--		--
Issuance of common stock from consummation of public offering, net of offering costs.....	600	4,295	--	--	--		--
Comprehensive income:							
Net loss.....	--	--	(1,912)	--	--	\$ (1,912)	--
Other comprehensive income:							
Realization of gain on short-term investments.....	--	--	--	--	(14)	(14)	--

Currency translation adjustment..	--	--	--	--	128	128	--
Comprehensive income.....						\$ (1,798)	
BALANCE, DECEMBER 31, 1996.....	22,328	32,198	4,658	(1,227)	(453)		--
Issuance of common stock.....	332	616	--	(20)	--		--
Amortization of deferred compensation.....	--	--	--	106	--		--
Purchase of 401,000 shares of treasury stock.....	(401)	--	--	--	--		(1,927)
Comprehensive income:							
Net income.....	--	--	4,610	--	--	\$ 4,610	--
Other comprehensive income:							
Currency translation adjustment..	--	--	--	--	(388)	(388)	--
Comprehensive income.....						\$ 4,222	
BALANCE, DECEMBER 31, 1997.....	22,259	32,814	9,268	(1,141)	(841)		(1,927)
Issuance of common stock.....	697	5,876	--	(394)	--		--
Amortization of deferred compensation.....	--	--	--	41	--		--
Stock option income tax benefits.....	--	1,360	--	--	--		--
Comprehensive income:							
Net income.....	--	--	11,267	--	--	\$11,267	--
Other comprehensive income:							
Currency translation adjustment..	--	--	--	--	347	347	--
Comprehensive income.....						\$11,614	
BALANCE, DECEMBER 31, 1998.....	22,956	\$40,050	\$20,535	\$ (1,494)	\$ (494)		\$ (1,927)

<CAPTION>

TOTAL  
STOCKHOLDERS'  
EQUITY

<S>	<C>
BALANCE, DECEMBER 31, 1995.....	\$32,310
Issuance of common stock.....	256
Amortization of deferred compensation.....	113
Issuance of common stock from consummation of public offering, net of offering costs.....	4,295
Comprehensive income:	
Net loss.....	(1,912)
Other comprehensive income:	
Realization of gain on short-term investments.....	(14)
Currency translation adjustment..	128
Comprehensive income.....	
BALANCE, DECEMBER 31, 1996.....	35,176
Issuance of common stock.....	596
Amortization of deferred compensation.....	106
Purchase of 401,000 shares of treasury stock.....	(1,927)
Comprehensive income:	
Net income.....	4,610
Other comprehensive income:	
Currency translation adjustment..	(388)
Comprehensive income.....	
BALANCE, DECEMBER 31, 1997.....	38,173
Issuance of common stock.....	5,482
Amortization of deferred compensation.....	41
Stock option income tax benefits.....	1,360
Comprehensive income:	
Net income.....	11,267
Other comprehensive income:	
Currency translation adjustment..	347
Comprehensive income.....	
BALANCE, DECEMBER 31, 1998.....	\$56,670

</TABLE>

DENDRITE INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
<S>	<C>	<C>	<C>
OPERATING ACTIVITIES:			
Net income (loss).....	\$ (1,912)	\$ 4,610	\$ 11,267
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization.....	2,037	2,740	3,020
Deferred income taxes (benefit).....	(304)	808	160
Write-off of in-process research and development.....	2,640	--	1,230
Changes in assets and liabilities, net of effect from acquisition:			
(Increase) decrease in accounts receivable.....	(3,193)	(6,137)	7,114
Increase in prepaid expenses and other.....	(253)	(669)	(904)
(Increase) decrease in prepaid income taxes.....	(1,397)	1,397	--
Increase in accounts payable and accrued expenses....	2,461	1,092	2,886
Increase (decrease) in deferred rent.....	262	(128)	(206)
Increase (decrease) in income taxes payable.....	(1,931)	283	(427)
(Increase) decrease in deferred revenues.....	(1,174)	(678)	66
Net cash provided by (used in) operating activities.....	(2,764)	3,318	24,206
INVESTING ACTIVITIES:			
Purchases of short-term investments.....	(8,271)	(3,800)	(13,552)
Sales of short-term investments.....	10,805	9,266	6,893
Purchases of businesses, net of cash acquired.....	(2,965)	--	(2,295)
Purchases of property and equipment.....	(772)	(1,246)	(1,974)
Additions to capitalized software development costs.....	(1,296)	(919)	(1,637)
Net cash provided by (used in) investing activities.....	(2,499)	3,301	(12,565)
FINANCING ACTIVITIES:			
Payments on capital lease obligations.....	--	--	(93)
Issuance of Common stock from consummation of public offering, net of offering costs.....	4,295	--	--
Purchase of treasury stock.....	--	(1,927)	--
Issuance of common stock.....	256	596	3,703
Net cash provided by (used in) financing activities.....	4,551	(1,331)	3,610
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH.....	94	(283)	130
NET INCREASE (DECREASE) IN CASH.....	(618)	5,005	15,381
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR.....	11,530	10,912	15,917
CASH AND CASH EQUIVALENTS, END OF YEAR.....	\$10,912	\$15,917	\$ 31,298

</TABLE>

DENDRITE INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

THE COMPANY

Dendrite International, Inc. and Subsidiaries (the "Company") provides comprehensive Sales Force Effectiveness solutions used to manage, coordinate and control the activities of large sales forces in complex selling environments primarily within the ethical pharmaceutical industry. The Company also markets its products in the consumer packaged goods market. The Company's solutions combine proprietary software products with extensive system support services.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Dendrite International, Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation. Pursuant to Statement of Financial Accounting Standards ("SFAS") No. 52, "Foreign Currency Translation," substantially all assets and liabilities of the Company's wholly-owned international subsidiaries are translated at their respective period-end currency exchange rates and revenues and expenses are translated at average currency exchange rates for the period. The resulting translation adjustments are accumulated in a separate component of stockholders' equity. All foreign currency transaction gains and losses are included in other expense on the accompanying statements of operations and are immaterial in each year.

Use of Estimates

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

Revenue Recognition

The Company generally recognizes license fees as revenue using the percentage-of-completion method over a period of time that commences with the execution of the license agreement and ends with the completion of initial customization and installation, if any. Some of the Company's newer products do not require initial customization. If the customer does not request such customization, the Company generally recognizes the license fees from these products upon delivery, assuming the services to be provided are not essential to the functionality of the software. The Company's software licensing agreements provide for a warranty period (typically 180 days from the date of execution of the agreement). The portion of the license fee associated with the warranty period is unbundled from the license fee and is recognized ratably over the warranty period. The Company does not recognize any license fees unless persuasive evidence of an arrangement exists, the license amount is fixed and determinable and collectability is probable.

The Company recognizes license fees from certain third party software embedded into the product when the related license fees are recognized. The cost of third party software is included in cost of license fees in the accompanying statements of operations. For the years ended December 31, 1996, 1997 and 1998, the Company recorded \$112,000, \$796,000 and \$1,208,000,

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DENDRITE INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

respectively, of license fees and \$93,000, \$658,000 and \$922,000, respectively, of cost of license fees relating to third party software.

Revenues from services are recognized as the services are performed. Revenues from customer maintenance, support and data server rental agreements are recognized ratably over the terms of the agreements.

Services are generally provided under multiyear contracts. The contracts specify the payment terms, which are generally over the term of the contract and generally provide for termination in the event of breach, as defined in the contract.

#### Deferred Revenues

Deferred revenues represent amounts collected from or invoiced to customers in excess of revenues recognized. Such amounts are recognized as revenue when the related significant performance obligations have been satisfied.

#### Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

#### Supplemental Cash Flow Information

For the years ended December 31, 1996 and 1997, the Company paid no interest. For the year ended December 31, 1998, the Company paid interest of \$10,000. For the years ended December 31, 1996, 1997 and 1998, the Company paid income taxes of \$4,346,000, \$422,000 and \$7,528,000, respectively.

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### DENDRITE INTERNATIONAL, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table lists noncash assets that were acquired and liabilities that were assumed as a result of the acquisitions discussed in Note 2:

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,	
	1996	1998
	-----	-----
<S>	<C>	<C>
Noncash assets:		
Accounts receivable.....	\$ 823,000	\$ 301,000
Prepaid expenses.....	31,000	59,000
Property and equipment.....	91,000	408,000
Capitalized software development costs.....	--	850,000
Goodwill.....	860,000	2,226,000
	-----	-----
	1,805,000	3,844,000
Assumed liabilities:		
Accounts payable.....	(488,000)	(294,000)
Income taxes payable.....	--	(121,000)
Accrued compensation and benefits.....	(250,000)	--
Other accrued expenses.....	(613,000)	(396,000)
Deferred revenues.....	(129,000)	(107,000)
Deferred taxes.....	--	(323,000)
	-----	-----
Net noncash assets acquired.....	325,000	2,603,000
Write-off of in-process research and development.....	2,640,000	1,230,000
Purchase price paid in stock.....	--	(1,538,000)
	-----	-----
Cash paid, net of cash acquired.....	\$2,965,000	\$ 2,295,000
	=====	=====

</TABLE>

#### Short-Term Investments

The Company follows SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities." Management determines the appropriate classification of debt and equity securities at the time of purchase and reevaluates such designation as of each balance sheet date. The Company invests in highly rated corporate bonds and municipal bonds. At December 31, 1997 and 1998, all marketable securities have been classified as available-for-sale. Available-for-sale securities are carried at fair value, based on quoted market prices, with unrealized gains and losses, net of tax, reported as a separate



component of stockholders' equity. Realized gains and losses, computed using specific identification, and declines in value determined to be permanent are recognized in the statement of operations.

#### Property and Equipment

Fixed assets are stated at cost. Depreciation and amortization are provided generally on the straight-line basis over the estimated useful lives of the respective assets, which range from 3 to 15 years. Leasehold improvements are amortized using the straight-line method over the estimated useful lives of the assets or the lease terms, whichever are shorter. Maintenance, repairs and minor replacements are charged to expense as incurred.

#### Capitalized Software Development Costs

In accordance with SFAS No. 86, "Accounting for the Costs of Computer Software to be Sold, Leased or Otherwise Marketed," the Company capitalizes certain costs related to the

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### DENDRITE INTERNATIONAL, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

development of new software products or the enhancement of existing software products for sale or license. These costs are capitalized from the point in time that technological feasibility has been established, as evidenced by a working model or a detailed working program design, to the point in time that the product is available for general release to customers. Capitalized software development costs are amortized on a product by product basis over the greater of the ratio of current revenues to total anticipated revenues or on a straight-line basis over the estimated economic lives of the products (no longer than four years), beginning with the release to the customer. Research and development costs incurred prior to establishing technological feasibility and costs incurred subsequent to general product release to customers are charged to expense as incurred. The Company continually evaluates whether events or circumstances have occurred that indicate that the remaining useful lives of the capitalized software development costs should be revised or that the remaining balance of such assets may not be recoverable. As of December 31, 1998, management believes that no revisions to the remaining useful lives or write-down of capitalized development costs is required.

Capitalized software development costs are net of accumulated amortization of \$3,041,000 and \$4,433,000 at December 31, 1997 and 1998, respectively. The Company capitalized software development costs of \$1,296,000, \$919,000 and \$2,487,000 for the years ended December 31, 1996, 1997 and 1998, respectively. Included in the 1998 additions to capitalized software development costs are \$850,000 of costs related to the acquisition of Associated Business Computing N.V. and an affiliated company (collectively "ABC"). Amortization of capitalized software development costs for the years ended December 31, 1996, 1997 and 1998, was \$739,000, \$1,100,000 and \$1,392,000, respectively, and is included in cost of license fees in the accompanying consolidated statements of operations.

#### Intangible Assets

Goodwill of \$3,086,000 is being amortized on a straight-line basis over five to seven years (see Note 2). Amortization of goodwill for the years ended December 31, 1996, 1997 and 1998 was \$113,000, \$172,000 and \$305,000, respectively.

#### Impairment of Long-Lived Assets

The Company follows SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of." The Company reviews its long-lived assets, including property and equipment, capitalized software development costs and goodwill for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be fully recoverable. To determine recoverability of its long-lived assets, the Company evaluates the probability that future undiscounted net cash flows, without interest charges, will be less than the carrying amount of the assets. Impairment is measured at fair value.

The Company accounts for income taxes in accordance with SFAS No. 109, "Accounting for Income Taxes." Under SFAS No. 109, deferred tax assets and liabilities are determined based on differences between the financial reporting and tax bases of assets and liabilities and are measured using enacted tax rates that are expected to be in effect when the differences reverse.

At December 31, 1998, there were approximately \$3,581,000 of accumulated undistributed earnings of subsidiaries outside the United States that are considered to be reinvested

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## DENDRITE INTERNATIONAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

indefinitely. If such earnings were remitted to the Company, applicable U.S. federal income and foreign withholding taxes may be partially offset by foreign tax credits.

## Major Customers

In the year ended December 31, 1996, the Company derived approximately 36% and 14% of its revenues from its two largest customers. In the year ended December 31, 1997, the Company derived approximately 33%, 15% and 11% from its three largest customers, two of which were the Company's largest customers in 1996. In the year ended December 31, 1998, the Company derived approximately 36% and 12% of its revenues from its two largest customers, both of which were among the Company's three largest customers in 1997.

## Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentration of credit risk consist principally of cash balances and trade receivables. The Company invests its excess cash with large banks. The Company's customer base principally comprises companies within the ethical pharmaceutical industry. The Company does not require collateral from its customers.

## Net Income (Loss) Per Share

The Company has presented net income (loss) per share pursuant to Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings Per Share," and the Securities and Exchange Commission Staff Accounting Bulletin No. 98.

Basic income (loss) per share (Basic EPS) was computed by dividing the net income (loss) for each year by the weighted average number of shares of common stock outstanding for each year. Diluted income (loss) per share (Diluted EPS) was computed by dividing net income (loss) for each year by the weighted average number of shares of common stock and common stock equivalents outstanding during each year.

The computation of shares used for Basic EPS and Diluted EPS is as follows:

	YEAR ENDED DECEMBER 31,						
	1996		1997		1998		
	LOSS (NUMERATOR)	SHARES (DENOMINATOR)	PER-SHARE AMOUNT	INCOME (NUMERATOR)	SHARES (DENOMINATOR)	PER-SHARE AMOUNT	INCOME (NUMERATOR)
<S>	<C>	<C>	<C>	<C>	<C>	<C>	<C>
Net income (loss).....	\$ (1,912)			\$4,610			\$11,267
Basic EPS.....		22,112	\$ (0.09)		22,262	\$0.21	
Effect of dilutive securities							
Stock options.....		--			774		
Diluted EPS.....		22,112	\$ (0.09)		23,036	\$0.20	

&lt;CAPTION&gt;

YEAR ENDED DECEMBER 31,

1998	
SHARES (DENOMINATOR)	PER-SHARE AMOUNT
<S>	<C>
Net income (loss).....	
Basic EPS.....	22,580      \$0.50
Effect of dilutive securities	
Stock options.....	2,043
Diluted EPS.....	24,623      \$0.46

</TABLE>

#### Recently Issued Accounting Pronouncements

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). This Statement establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities and is effective for all fiscal quarters of fiscal years beginning after June 15, 1999. Management believes that SFAS 133 will have no impact on the Company's consolidated financial statements.

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#### DENDRITE INTERNATIONAL, INC. AND SUBSIDIARIES

#### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

##### Recapitalization

In August 1998, the Company amended its articles of incorporation to reflect a 2-for-1 split of its common shares and to change the number of authorized common shares to 100,000,000. All references in the consolidated financial statements to the number of shares and to per share amounts have been retroactively restated to reflect these changes.

##### Reclassifications

Certain reclassifications have been made to prior year amounts to conform with current year presentation.

During the second quarter of 1998, the Company determined that costs associated with certain activities that were previously classified as research and development expense, should be classified as cost of services, as these expenditures related to client specific activities. For consistency of presentation, prior periods have been reclassified. The reclassification for the years ended December 31, 1996 and 1997 was \$1,913,000 and \$2,540,000.

#### 2. ACQUISITIONS:

On May 1, 1996, the Company acquired 100% of the capital stock of SRCI, S.A. ("SRCI") for approximately \$3,198,000 and transaction costs of \$302,000. The purchase was accounted for under the purchase method of accounting, whereby the purchase price is allocated to the assets acquired and liabilities assumed of SRCI based on their fair market values at the acquisition date. The excess of purchase price over the fair value of net assets acquired was assigned to identifiable intangibles. The Company assigned \$2,640,000 to in-process research and development and such amount was written off in the accompanying consolidated statements of operations. The Company also recorded \$860,000 as goodwill. SRCI's results of operations have been included in the Company's consolidated financial statements from the date of acquisition.

On July 24, 1998, the Company acquired 100% of the capital stock of ABC for approximately \$4,013,000 and transaction costs of \$150,000. The purchase was accounted for under the purchase method of accounting, whereby the purchase

price is allocated to the assets and liabilities assumed of ABC based on their respective fair market values at the acquisition date. The excess of purchase price over the fair value of net assets acquired was assigned to identifiable intangibles. The Company assigned \$1,230,000 to in-process research and development and such amount was written-off in the accompanying consolidated statements of operations. The Company also recorded \$2,226,000 as goodwill. ABC's results of operations have been included in the Company's financial consolidated statements from the date of acquisition.

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DENDRITE INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

3. PROPERTY AND EQUIPMENT:

<TABLE>

<CAPTION>

	DECEMBER 31,	
	1997	1998
<S>	<C>	<C>
Computer hardware and other equipment.....	\$ 4,861,000	\$ 7,471,000
Furniture and fixtures.....	1,573,000	1,692,000
Leasehold improvements.....	870,000	1,557,000
	7,304,000	10,720,000
Less -- Accumulated depreciation and amortization.....	(4,194,000)	(5,453,000)
	\$ 3,110,000	\$ 5,267,000

</TABLE>

4. REVOLVING LINE OF CREDIT:

During the year ended December 31, 1998, the Company amended its revolving line of credit agreement with a bank which provides for borrowings of up to \$15,000,000 and is available to finance working capital needs and possible future acquisitions. The agreement requires, among other covenants, that the Company maintain a minimum consolidated net worth, measured quarterly, which is equal to the Company's net worth as of December 31, 1997 plus 50% of the Company's net income earned after January 1, 1998, and 75% of the net proceeds of any stock offerings. This covenant has the effect of limiting the amount of cash dividends the Company may pay. As of December 31, 1998, approximately \$43,806,000 was available for the payment of dividends under this covenant. The line of credit expires on November 30, 2001. The Company has never had any borrowings under this revolving line of credit.

5. INCOME TAXES:

The components of income (loss) before income taxes were as follows:

<TABLE>

<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
<S>	<C>	<C>	<C>
Domestic.....	\$ (1,211,000)	\$ 5,990,000	\$ 18,209,000
Foreign.....	(57,000)	1,551,000	440,000
	\$ (1,268,000)	\$ 7,541,000	\$ 18,649,000

</TABLE>

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DENDRITE INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The components of income taxes were as follows:

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
Current Provision:			
Federal.....	\$ 575,000	\$1,933,000	\$6,893,000
State.....	--	--	--
Foreign.....	373,000	190,000	329,000
	948,000	2,123,000	7,222,000
Deferred Provision (Benefit):			
Federal.....	(149,000)	71,000	(199,000)
State.....	102,000	389,000	399,000
Foreign.....	(257,000)	348,000	(40,000)
	(304,000)	808,000	160,000
	\$ 644,000	\$2,931,000	\$7,382,000

The reconciliation of the statutory Federal income tax rate to the Company's effective income tax rate is as follows:

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
Federal statutory tax rate.....	(34.0)%	34.0%	34.0%
Impact of foreign subsidiaries subject to higher tax rates.....	0.2	0.1	--
Impact of enacted change in German tax rates on deferred tax assets.....	4.6	--	--
State income taxes, net of federal tax benefit.....	(5.0)	4.8	3.4
Nondeductible expenses.....	3.8	0.6	0.8
Write-off of in-process research and development.....	81.1	--	2.5
Tax credits utilized.....	--	(0.6)	(1.2)
	50.7%	38.9%	39.5%

The tax effect of temporary differences as established in accordance with SFAS No. 109 that give rise to deferred income taxes is as follows:

	DECEMBER 31,	
	1997	1998
Gross deferred tax asset:		
Depreciation and amortization.....	\$ 303,000	\$ 426,000
Foreign net operating loss.....	1,021,000	1,309,000
Accruals and revenues not currently deductible.....	87,000	234,000
Other.....	418,000	334,000
	\$ 1,829,000	\$ 2,303,000
Gross deferred tax liability:		
Capitalized software development costs.....	\$ (598,000)	\$ (1,357,000)
Other.....	(2,093,000)	(2,291,000)
	\$ (2,691,000)	\$ (3,648,000)

## DENDRITE INTERNATIONAL, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The Company has recorded a deferred tax asset of \$1,309,000 reflecting the benefit of approximately \$3,000,000 in foreign loss carryforwards, which expire in varying amounts commencing in 2000. Realization is dependent on generating sufficient foreign taxable income prior to the expiration of the loss carryforwards. Although realization is not assured, management believes it is more likely than not that all of the deferred tax asset will be realized. The amount of the deferred tax asset considered realizable, however, could be reduced in the near term if estimates of future taxable income during the carryforward period are reduced.

## 6. EQUITY PLANS:

## STOCK OPTION PLANS

The Company has three stock option plans that provide for the granting of options, the awarding of stock and the purchase of stock. Options granted under the three stock option plans generally vest over a four-year period and are exercisable over a period not to exceed ten years both as determined by the Board of Directors. Incentive stock options are granted at fair value. Nonqualified options are granted at exercise prices determined by the Board of Directors.

Information with respect to the options under the three stock option plans is as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	SHARES	EXERCISE PRICE PER SHARE	AGGREGATE PROCEEDS
	-----	-----	-----
<S>	<C>	<C>	<C>
Outstanding December 31, 1995.....	1,169,500	\$0.315-\$ 9.56	\$ 1,831,337
Granted.....	448,000	\$8.155-\$15.75	5,711,726
Exercised.....	(368,500)	\$0.315-\$ 5.00	(256,138)
Canceled.....	(117,500)	\$1.35 -\$15.75	(1,021,855)
	-----	-----	-----
Outstanding December 31, 1996.....	1,131,500	\$0.315-\$15.75	6,265,070
Granted.....	2,910,000	\$3.969-\$10.47	20,745,667
Exercised.....	(261,750)	\$0.315-\$ 5.00	(189,644)
Canceled.....	(213,000)	\$0.315-\$15.75	(1,969,909)
	-----	-----	-----
Outstanding December 31, 1997.....	3,566,750	\$0.315-\$15.75	\$24,851,184
Grants.....	1,114,000	\$9.500-\$22.72	18,924,692
Exercises.....	(557,300)	\$0.500-\$15.75	(3,125,920)
Terminations.....	(336,750)	\$ 3.97-\$15.75	(2,357,250)
	-----	-----	-----
Outstanding December 31, 1998.....	3,786,700	\$ 0.32-\$22.72	38,292,706
	=====	=====	=====

&lt;/TABLE&gt;

At December 31, 1998, there were 1,026,800 options exercisable at \$1.35-\$15.75 per share. The aggregate exercise price of these options was \$7,313,519 as of December 31, 1998.

The Company adopted the disclosure requirement of SFAS No. 123, "Accounting for Stock-Based Compensation," effective for the Company's December 31, 1996 financial statements. The Company applies Accounting Principles Board Opinion No. 25 and related interpretations in accounting for its plans. Accordingly, compensation cost has been computed for the stock option plans based on the intrinsic value of the stock option at the date of grant, which represents the difference between the exercise price and the fair value of the Company's stock. As the exercise price of the stock options equaled the fair value of the Company's stock at the date of option

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

issuance, no compensation cost has been recorded in the accompanying statements of operations. Had compensation cost for the three option plans and the employee stock purchase plan been determined consistent with SFAS No. 123, the Company's net income (loss) and net income (loss) per share would have been adjusted to the following pro forma amounts:

&lt;TABLE&gt;

&lt;CAPTION&gt;

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
	----	----	----
<S>	<C>	<C>	<C>
Net income (loss):			
As reported.....	\$(1,912,000)	\$4,610,000	\$11,267,000
Pro forma.....	\$(2,404,000)	\$2,335,000	\$ 5,468,000
Basic income (loss) per share:			
As reported.....	\$ (.09)	\$ .21	\$ .50
Pro forma.....	\$ (.11)	\$ .10	\$ .24
Diluted income (loss) per share:			
As reported.....	\$ (.09)	\$ .20	\$ .46
Pro forma.....	\$ (.11)	\$ .10	\$ .23

&lt;/TABLE&gt;

Because the SFAS No. 123 method of accounting is not required to be applied to options granted prior to January 1, 1995, the resulting pro forma compensation cost may not be representative of that to be expected in future years. The weighted average fair value of options granted was \$8.67, \$4.93 and \$10.97 for the years ended December 31, 1996, 1997 and 1998, respectively.

Information with respect to the options outstanding under the three stock option plans at December 31, 1998 is as follows:

&lt;TABLE&gt;

&lt;CAPTION&gt;

EXERCISE PRICE		WEIGHTED	WEIGHTED	NUMBER
PER SHARE	SHARES	AVERAGE	AVERAGE	OF VESTED
		EXERCISE	REMAINING	SHARES
		PRICE	CONTRACTUAL	
			LIFE	
-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
\$1.35-\$3.96	531,750	\$ 3.00	7.57	298,750
\$5.00-\$6.37	680,500	\$ 5.90	8.07	205,500
\$8.00-\$11.875	1,605,750	\$ 9.88	8.68	425,550
\$13.25-\$20.94	696,700	\$15.53	9.19	97,000
\$21.00-\$22.72	272,000	\$22.07	9.73	--
	-----	-----	---	-----
	3,786,700	\$10.11	9.01	1,026,800
	=====	=====	===	=====

&lt;/TABLE&gt;

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following assumptions used for grants in 1996, 1997 and 1998: risk-free interest rates ranging from 5.4% to 6.9% based on the rate in effect on the date of grant; no expected dividend yield; expected lives of 6.0 years for the options; and expected volatility of 70%.

## EMPLOYEE STOCK PURCHASE PLAN

In 1997, the Company established an employee stock purchase plan that provides full-time employees the opportunity to purchase shares at 85% of fair

value on dates determined by the Board of Directors, up to a maximum 10% of their eligible compensation or \$21,250, whichever is less. There were 300,000 shares available for purchase under this plan, of which 42,236 and 55,858 were purchased in 1997 and 1998, respectively.

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DENDRITE INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

ANNIVERSARY STOCK PLAN

The Company grants 200 shares of the Company's common stock to all employees who commenced employment prior to December 31, 1998 in July following their fifth anniversary of employment. The cost of the anniversary stock plan is accrued over the employment period of the employees.

7. SAVINGS AND DEFERRED COMPENSATION PLANS:

The Company maintains Employee Savings Plans (the "Plans") that cover substantially all of its full-time U.S. and U.K. employees. All eligible employees may elect to contribute a portion of their wages to the Plans, subject to certain limitations. In addition, the Company contributes to the Plans at the rate of 50% of the employee's contributions up to a maximum of 3% of the employee's salary. The Company's contributions to the Plans were \$222,000, \$212,000 and \$308,000 in the years ended December 31, 1996, 1997 and 1998, respectively.

The Company also maintains a noncontributory pension plan that covers substantially all of its full-time Japanese employees. All contributions to this pension plan are made by the Company in accordance with prescribed statutory requirements. The Company's contributions to the Plan were \$56,000, \$76,000 and \$74,000 for the years ended December 31, 1996, 1997 and 1998, respectively.

In 1998, the Company created a deferred compensation plan. Under the plan, eligible, highly compensated employees, as defined, can elect to defer a portion of their compensation and determine the nature of the investments which will be used to calculate earnings on the deferred amounts. The Company will record the deferrals as a liability and intends to place a corresponding amount into a trust fund.

8. COMMITMENTS AND CONTINGENCIES:

The Company leases office facilities and equipment under various operating leases with remaining noncancelable lease terms generally in excess of one year. Rent expense was \$3,709,000, \$4,867,000 and \$5,537,000 for the years ended December 31, 1996, 1997 and 1998, respectively. Future minimum rental payments at December 31, 1998, on these leases are as follows:

<S>	<C>
1999.....	\$ 7,088,000
2000.....	4,057,000
2001.....	2,218,000
2002.....	1,650,000
2003.....	1,170,000
Thereafter.....	972,000
	-----
	\$17,155,000
	=====

</TABLE>

From time to time the Company is involved in certain legal actions arising in the ordinary course of business. In the Company's opinion, the outcome of such actions will not have a material adverse effect on the Company's financial position or results of operations.



9. RELATED-PARTY TRANSACTIONS:

The Company paid approximately \$78,000 and \$33,000 in the years ended December 31, 1996 and 1997, respectively, to an entity owned by the President and Chief Executive Officer of the Company for rental and usage of an aircraft.

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DENDRITE INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

10. GEOGRAPHIC SEGMENT DATA:

See Note 1 for a brief description of the Company's business. The Company is organized by geographic locations and has two reportable segments: the United States and Europe. All license fees are recorded in the United States; service fees are recorded in the location in which the sale originates and the service is performed. All transfers between geographic areas have been eliminated from consolidated net sales. Operating income consists of total net sales recorded in the location less operating expenses and does not include interest income, other expense or income taxes. This data is presented in accordance with SFAS No. 131 "Disclosure About Segments of an Enterprise and Related Information".

<TABLE>  
<CAPTION>

	YEAR ENDED DECEMBER 31,		
	1996	1997	1998
	----	----	----
<S>	<C>	<C>	<C>
Revenues:			
United States.....	\$38,521,000	\$49,039,000	\$ 85,650,000
All Other.....	27,725,000	29,407,000	26,870,000
	-----	-----	-----
	\$66,246,000	\$78,446,000	\$112,520,000
	=====	=====	=====
Operating income (loss):			
United States.....	\$(1,940,000)	\$ 5,889,000	\$ 17,757,000
All Other.....	(104,000)	1,324,000	119,000
	-----	-----	-----
	\$(2,044,000)	\$ 7,213,000	\$ 17,876,000
	=====	=====	=====
Identifiable assets:			
United States.....	\$35,911,000	\$38,293,000	\$ 58,938,000
All Other.....	13,304,000	14,726,000	14,620,000
	-----	-----	-----
	\$49,215,000	\$53,019,000	\$ 73,558,000
	=====	=====	=====

</TABLE>

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UNDERWRITING

The Company, the selling stockholders and the underwriters for the offering (the "Underwriters") named below have entered into an underwriting agreement with respect to the shares being offered. Subject to certain conditions, each Underwriter has severally agreed to purchase the number of shares indicated in the following table. Goldman, Sachs & Co., Bear, Stearns & Co. Inc. and Hambrecht & Quist LLC are the representatives of the Underwriters.

<TABLE>  
<CAPTION>

Underwriter	Number of Shares
-----	-----
<S>	<C>
Goldman, Sachs & Co. ....	
Bear, Stearns & Co. Inc.....	
Hambrecht & Quist LLC.....	
	-----
Total.....	3,250,000

</TABLE>

If the Underwriters sell more shares than the total number set forth in the table above, the Underwriters have an option to buy up to an additional 487,500 shares from the selling stockholders to cover such sales. They may exercise that option for 30 days. If any shares are purchased pursuant to this option, the Underwriters will severally purchase shares in approximately the same proportion as set forth in the table above.

The following tables show the per share and total underwriting discounts and commissions to be paid to the Underwriters by the Company and the selling stockholders. Such amounts are shown assuming both no exercise and full exercise of the Underwriters' option to purchase 487,500 additional shares.

<TABLE>  
<CAPTION>

Paid by the Company

	No Exercise	Full Exercise
	-----	-----
<S>	<C>	<C>
Per Share.....	\$	\$
Total.....	\$	\$

</TABLE>

<TABLE>  
<CAPTION>

Paid by the Selling Stockholders

	No Exercise	Full Exercise
	-----	-----
<S>	<C>	<C>
Per Share.....	\$	\$
Total.....	\$	\$

</TABLE>

Shares sold by the Underwriters to the public will initially be offered at the initial public offering price set forth on the cover of this prospectus. Any shares sold by the Underwriters to securities dealers may be sold at a discount of up to \$ per share from the initial public offering price. Any such securities dealers may resell any shares purchased from the Underwriters to certain other brokers or dealers at a discount of up to \$ per share from the initial public offering price. If all the shares are not sold at the initial offering price, the representatives may change the offering price and the other selling terms.

The Company and the selling stockholders have agreed with the Underwriters not to dispose of or hedge any of their common stock or securities convertible into or exchangeable for shares of common stock during the period from the date of this prospectus continuing through the date 90 days after the date of this prospectus, except with the prior written consent of the representatives. This agreement does not apply to any existing employee stock plans.

In connection with the offering, the Underwriters may purchase and sell shares of common stock in the open market. These transactions may include short sales, stabilizing transactions and purchases to cover positions created by short sales. Short sales involve the sale by the Underwriters of a greater number of shares than they are required to purchase in the offering. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the common stock while the offering is in progress.

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The Underwriters also may impose a penalty bid. This occurs when a particular Underwriter repays to the Underwriters a portion of the underwriting discount received by it because the representatives have repurchased shares sold by or for the account of such Underwriter in stabilizing or short covering transactions.

These activities by the Underwriters may stabilize, maintain or otherwise affect the market price of the common stock. As a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. These transactions may be effected on the Nasdaq National Market, in the over-the-counter market or otherwise. Goldman, Sachs & Co. has provided investment advisory services to the Company from time to time.

The Company and selling stockholders have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the

The Company estimates that the total expenses of the offering, excluding underwriting discounts and commissions, will be approximately \$550,000.

In connection with this offering, certain Underwriters and selling group members (if any) who are qualified market makers on the Nasdaq National Market may engage in passive market making transactions in the common stock on the Nasdaq National Market in accordance with Rule 103 of Regulation M under the Securities Exchange Act of 1934, as amended, during the business day prior to the pricing of the offering before the commencement of offers or sales of the common stock. Passive market makers must comply with applicable volume and price limitations and must be identified as such. In general, a passive market maker must display its bid at a price not in excess of the highest independent bid of such security; if all independent bids are lowered below the passive market makers' bid, however, such bid must then be lowered when certain purchase limits are exceeded.

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 No dealer, salesperson or other person is authorized to give any information or to represent anything not contained in this prospectus. You must not rely on any unauthorized information or representations. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

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</TABLE>

-----  
 -----  
 -----  
 -----  
 3,250,000 Shares

DENDRITE INTERNATIONAL, INC.

Common Stock

-----  
 DENDRITE INT'L LOGO

-----  
GOLDMAN, SACHS & CO.  
BEAR, STEARNS & CO. INC.  
HAMBRECHT & QUIST  
Representatives of the Underwriters  
-----  
-----

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PART II

INFORMATION NOT REQUIRED IN PROSPECTUS

ITEM 14. OTHER EXPENSES OF ISSUANCE AND DISTRIBUTION\*

The following are the estimated expenses of the issuance and distribution of the securities being registered, all of which will be paid by the Registrant.

<TABLE>	<C>
<S>	
SEC registration fee.....	\$ 28,511
NASD filing fee.....	10,756
Nasdaq National Market fee.....	17,500
Printing and engraving expenses.....	70,000
Legal fees and expenses.....	250,000
Accounting fees and expenses.....	100,000
Blue sky fees and expenses (including attorneys' fees).....	10,000
Transfer Agent's and Registrar's Fees.....	12,500
Miscellaneous.....	50,773
	-----
Total.....	\$550,000
	=====

</TABLE>

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\* All amounts are estimated except for the SEC registration fee and NASD filing fee.

ITEM 15. INDEMNIFICATION OF OFFICERS AND DIRECTORS

Section 14A:3-5 of the New Jersey Business Corporation Act (the "NJBCA") gives the Company power to indemnify each of its directors and officers against expenses and liabilities in connection with any proceeding involving him by reason of his being or having been a director or officer if (a) he acted in good faith and in a manner he reasonably believed to be in, or not opposed to, the best interests of the Company and (b) with respect to any criminal proceeding, he had no reasonable cause to believe his conduct was unlawful. However, in a proceeding by or in the right of the Company, there shall be no indemnification in respect of any liabilities or expenses if the officer or director shall have been adjudged liable to the Company unless the court in such proceeding determines he is entitled to indemnity for such liabilities and/or expenses. Furthermore, no indemnification shall be made to or on behalf of a director or officer if a judgment or other final adjudication adverse to such director or officer establishes that his acts or omissions (a) were in breach of his duty of loyalty to the Company and its shareholders, (b) were not in good faith or involved a knowing violation of law or (c) resulted in receipt by the director or officer of an improper personal benefit. The NJBCA defines an act or omission in breach of a person's duty of loyalty as an act or omission which that person knows or believes to be contrary to the best interests of the Company or its shareholders in connection with a matter in which he has a material conflict of interest. If a director or officer is successful in a proceeding, the statute mandates that the Company indemnify him against expenses.

The Company's Restated Certificate of Incorporation, as permitted by New Jersey law, eliminates the personal liability of the directors and officers to the Company or its shareholders for monetary damages for breaches of such director's or officer's duty of care or other duties as a director or officer; except liabilities for any breach of duty based upon an act or omission (a) in breach of such person's duty of loyalty to the corporation or its shareholders, (b) not in good faith or involving a knowing violation of law or (c) resulting in receipt by such person of an improper personal benefit. In addition, the Company's Restated By-laws provide broad indemnification rights to directors and officers so long as the director or officer acted in a manner

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believed in good faith to be in or not opposed to the best interest of the

Company and with respect to criminal proceedings if the director had no reasonable cause to believe his or her conduct was unlawful. The Company believes that the protection provided by these provisions will help the Company attract and retain qualified individuals to serve as officers and directors. These provisions also will limit the remedies available to a shareholder who is dissatisfied with a Board decision protected by these provisions, and such shareholder's only remedy may be to bring a suit to prevent the Board's action.

The Company maintains a directors and officers liability insurance policy.

As of October 28, 1998, the Company entered into an Indemnification Agreement with each Director of the Company, providing that, with certain exceptions, the Company would hold harmless and indemnify each Director in connection with his directorship to the extent permitted under the New Jersey Business Corporation Act. More specifically, the Indemnification Agreement provides that the Company is obligated to indemnify each Director against all reasonable costs, expenses (including attorneys' fees), fines, judgments, and settlement amounts that such Director may incur in connection with any actual or threatened action, suit, or proceeding (whether, civil, criminal, investigative or administrative) to which such Director is, or may be, a party by reason of his position as Director or as a director, officer, employee, or agent of any other company to which such Director provides services at the request of the Company.

ITEM 16. EXHIBITS

(a) Exhibits. Attached hereto are the following exhibits:

EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT
1.1	Form of Underwriting Agreement
4.1	Specimen of Stock Certificate (incorporated herein by reference to Exhibit 4.1 to the Company's Registration Statement on form S-1, filed with the Commission May 17, 1995)
4.2	Registration Rights Agreement dated October 2, 1991 between the several purchasers named therein and the Company (incorporated herein by reference to Exhibit 4.2 to the Company's Registration Statement on Form S-1, filed with the Commission May 17, 1995)
4.3	Amendment to Registration Rights Agreement dated April 23, 1992 between the Company and the parties named therein as shareholders of the Company (incorporated herein by reference to Exhibit 4.3 of Amendment 1 to the Company's Registration Statement on Form S-1, filed with the Commission May 17, 1995)
5.1	Opinion of Sullivan & Cromwell
10.1	Amended and Restated Credit Agreement, entered into as of November 30, 1998, between the Company and The Chase Manhattan Bank (incorporated herein by reference to Exhibit 10.1 of the Company's Annual Report on Form 10-K, filed with the Commission March 26, 1998)
23.1	Consent of Sullivan & Cromwell (included as part of Exhibit 5.1)
23.2	Consent of Arthur Andersen LLP, independent public accountants
24	Power of Attorney*

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\* Previously filed.

ITEM 17. UNDERTAKINGS

The undersigned Registrant hereby undertakes that, for purposes of determining any liability under the Securities Act of 1933, each filing of the registrant's annual report pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (and, where applicable, each

filing of an employee benefit plans' annual report pursuant to Section 15(d) of the Securities Exchange Act of 1934) that is incorporated by reference in the registration statement shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the before initial bona fide offering thereof.

The undersigned Registrant hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act of 1933, the information omitted from the form of prospectus filed as part of this registration statement in reliance on Rule 430A and contained in a form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purposes of determining any liability under the Securities Act of 1933, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

Insofar as indemnification for liabilities arising under the Securities Act of 1933 may be permitted to directors, officers and controlling persons of the Registrant pursuant to the foregoing provisions, or otherwise, the Registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the Registrant of expenses incurred or paid by a director, officer or controlling person of the Registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the Registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

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SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the Registrant certifies it has reasonable grounds to believe that it meets all of the requirements for filing on Form S-3 and has duly caused this Amendment No. 1 to the Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the Township of Harding, State of New Jersey on the 24th day of March, 1999.

DENDRITE INTERNATIONAL, INC.

By: /s/ GEORGE T. ROBSON

-----  
George T. Robson

Executive Vice President and  
Chief Financial Officer

Pursuant to the requirements of the Securities Act of 1933, as amended, this Amendment No. 1 to the Registration Statement has been signed below by the following persons in the capacities indicated on the 24th day of March, 1999.

<TABLE>  
<CAPTION>

NAME	TITLE
----	-----

<S>

<C>

\*

-----  
John E. Bailye

Chief Executive Officer, President and Director  
(Principal Executive Officer)

\*  
-----  
George T. Robson  
Executive Vice President and Chief Financial Officer (Principal Financial Officer and Accounting Officer)

\*  
-----  
Bernard M. Goldsmith  
Director

\*  
-----  
Edward J. Kfoury  
Director

\*  
-----  
Paul A. Margolis  
Director

\*  
-----  
John H. Martinson  
Director

\*  
-----  
Terence H. Osborne  
Director

\*By /s/ GEORGE T. ROBSON

-----  
George T. Robson  
Power of Attorney

</TABLE>

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EXHIBIT INDEX

<TABLE> <CAPTION> EXHIBIT NUMBER	DESCRIPTION OF EXHIBIT	PAGE NUMBER
-----	-----	-----
<C>	<S>	<C>
1.1	Form of Underwriting Agreement.....	
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4.3	Amendment to Registration Rights Agreement dated April 23, 1992 between the Company and the parties named therein as shareholders of the Company (incorporated herein by reference to Exhibit 4.3 of Amendment 1 to the Company's Registration Statement on Form S-1, filed with the Commission May 17, 1995).....	
5.1	Opinion of Sullivan & Cromwell.....	
10.1	Amended and Restated Credit Agreement, entered into as of November 30, 1998, between the Company and The Chase Manhattan Bank (incorporated herein by reference to Exhibit 10.1 of the Company's Annual Report on Form 10-K, filed with the Commission March 26, 1998).....	
23.1	Consent of Sullivan & Cromwell (included as part of Exhibit 5.1).....	
23.2	Consent of Arthur Andersen LLP, independent public accountants.....	
24	Power of Attorney*.....	

</TABLE>

-----  
\* Previously filed.

Dendrite International, Inc.

Common Stock  
(no par value)

Underwriting Agreement

March , 1999

Goldman, Sachs & Co.  
Bear, Stearns & Co. Inc.  
Hambrecht & Quist LLC  
As representatives of the several  
Underwriters named in Schedule I hereto  
c/o Goldman, Sachs & Co.  
85 Broad Street,  
New York, New York 10004.

Ladies and Gentlemen:

Dendrite International, Inc., a New Jersey corporation (the "Company"), proposes, subject to the terms and conditions stated herein, to issue and sell to the Underwriters named in Schedule I hereto (the "Underwriters") an aggregate of 2,750,000 shares of Common Stock, no par value ("Stock"), of the Company, and the stockholders of the Company named in Schedule II hereto (the "Selling Stockholders") propose, subject to the terms and conditions stated herein, to sell to the Underwriters an aggregate of 500,000 shares and, at the election of the Underwriters, up to an additional 487,500 shares of Stock. The aggregate of 3,250,000 shares to be sold by the Company and the Selling Stockholders is herein called the "Firm Shares" and the aggregate of 487,500 additional shares to be sold by the Selling Stockholders is herein called the "Optional Shares". The Firm Shares and the Optional Shares that the Underwriters elect to purchase pursuant to Section 2 hereof are herein collectively called the "Shares".

1. (a) The Company represents and warrants to, and agrees with, each of the Underwriters that:

(i) The Company meets the requirements for use of Form S-3 under the Securities Act of 1933, as amended (the "Act") and a registration statement on Form S-3 (File No. 333-71337) (together with any pre-effective amendments thereto, the "Initial Registration Statement") in respect of the Shares has been filed with the Securities and Exchange Commission (the "Commission"); the Initial Registration Statement and any post-effective amendment thereto, each in the form heretofore delivered to you, and, excluding exhibits thereto but including all documents incorporated by reference in the Prospectus



contained therein, to you for each of the other Underwriters, have been declared effective by the Commission in such form; other than a registration statement, if any, increasing the size of the offering (a "Rule 462(b) Registration Statement"), filed pursuant to Rule 462(b) under the Act, which became or will become effective upon filing and other than prospectuses filed pursuant to Rule 424(b) of the rules and regulations of the Commission under the Act, each in the form heretofore delivered to the Underwriters, no other document with respect to the Initial Registration Statement or any document incorporated by reference therein has heretofore been filed with the Commission; and no stop order suspending the effectiveness of the Initial Registration Statement, any post-effective amendment thereto or the Rule 462(b) Registration Statement, if any, has been issued and no proceeding for that purpose has been initiated or threatened by the Commission. Any preliminary prospectus included in the Initial Registration Statement and incorporated by reference in the Rule 462(b) Registration Statement, if any, or filed with the Commission pursuant to Rule 424(a) of the rules and regulations of the Commission under the Act is hereinafter called a "Preliminary Prospectus"; the various parts of the Initial Registration Statement and the Rule 462(b) Registration Statement, if any, including all exhibits thereto and including the information contained in the form of final prospectus filed with the Commission pursuant to Rule 424(b) under the Act in accordance with Section 5(a) hereof and deemed by virtue of Rule 430A under the Act to be part of the Initial Registration Statement at the time it was declared effective or the Rule 462(b) Registration Statement, if any, at the time it became effective, each as amended at the time such part of the Initial Registration Statement became effective or such part of the Rule 462(b) Registration Statement, if any, became or hereafter becomes effective, are hereinafter collectively called the "Registration Statement"; the final prospectus, in the form first filed pursuant to Rule 424(b) under the Act, is hereinafter called the "Prospectus"; any reference herein to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include the documents incorporated by reference therein pursuant to Item 12 of Form S-3 under the Act, as of the date of such Preliminary Prospectus or Prospectus, as the case may be; any reference to any amendment or supplement to any Preliminary Prospectus or the Prospectus shall be deemed to refer to and include any documents filed after the date of such Preliminary Prospectus or Prospectus, as the case may be, under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and incorporated by reference in such Preliminary Prospectus or Prospectus, as the case may be; and any reference to any amendment to the Registration Statement shall be deemed to refer to and include any annual report of the Company filed pursuant to Section 13(a) or 15(d) of the Exchange Act after the effective date of the Registration Statement that is incorporated by reference in the Registration Statement;

(ii) No order preventing or suspending the use of any Preliminary Prospectus has been issued by the Commission, and each Preliminary Prospectus, at the time of filing thereof, conformed in all material

respects to the requirements of the Act and the rules and regulations of the Commission thereunder, and did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through Goldman, Sachs & Co. expressly for use therein or by a Selling Stockholder expressly for use in the preparation of the answers therein to Item 7 of Form S-3;

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(iii) The Registration Statement conforms, and any further amendments to the Registration Statement will conform, in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and do not and will not as of the applicable effective date contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading. The Prospectus conforms, and any further supplements to the Prospectus will conform, in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and do not and will not, as of the applicable filing date, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through Goldman, Sachs & Co. expressly for use therein or by a Selling Stockholder expressly for use in the preparation of the answers therein to Item 7 of Form S-3;

(iv) The documents incorporated by reference in the Prospectus, when they became effective under the Act or were filed with the Commission under the Exchange Act, as the case may be, conformed in all material respects to the requirements of the Act or the Exchange Act, as applicable, and the rules and regulations of the Commission thereunder, and as of the date such documents became effective under the Act or were filed with the Commission under the Exchange Act, such documents did not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; any further documents so filed and incorporated by reference in the Prospectus or any further amendment or supplement thereto, when such documents become effective or are filed with the Commission, as the case may be, will comply as to form in all material respects with the requirements of the Act or the Exchange Act, as

applicable, and the rules and regulations of the Commission thereunder and will not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading; provided, however, that this representation and warranty shall not apply to any statements or omissions made in reliance upon and in conformity with information furnished in writing to the Company by an Underwriter through Goldman, Sachs & Co. expressly for use therein;

(v) Neither the Company nor any of its subsidiaries has sustained since the date of the latest audited financial statements included or incorporated by reference in the Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, that is in each case material to the Company and its subsidiaries taken as a whole, otherwise than as set forth or contemplated in the Prospectus; and, since the respective dates as of which information is given in the Registration Statement and the Prospectus, there has not been any change in the capital stock (other than the issuance of Common Stock pursuant to the 1997 Stock Incentive Plan, the 1997 Employee Stock Purchase Plan, the 1992 Stock Plan and the 1992 Senior Management Incentive Stock Option Plan or upon the exercise of stock options disclosed in the Prospectus), short-term debt (other than changes not material and adverse in the aggregate) or long-term debt of the Company or any of its subsidiaries or any material

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adverse change, or any development that is reasonably likely to result in a material adverse change, in or affecting the business, assets, financial position, stockholders' equity or results of operations of the Company and its subsidiaries taken as a whole, otherwise than as set forth or contemplated in the Prospectus;

(vi) The Company and its subsidiaries have good and marketable title to all personal property owned by them, in each case free and clear of all liens, encumbrances and defects except such as are described in the Prospectus or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and its subsidiaries; and any real property and buildings held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries; and the Company owns no material real property;

(vii) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of New

Jersey, with power and authority (corporate and other) to own its properties and conduct its business as described in the Prospectus, and has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each other jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, or is subject to no material liability or disability by reason of the failure to be so qualified in any such jurisdiction; and each subsidiary of the Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation;

(viii) The Company has an authorized capitalization as set forth in the Prospectus, and all of the issued shares of capital stock of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and conform to the description of the capital stock contained in the Prospectus; and all of the issued shares of capital stock of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and (except for directors' qualifying shares and, in the case of certain foreign subsidiaries, shareholdings required to satisfy requirements of local law) are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims;

(ix) The unissued Shares to be issued and sold by the Company to the Underwriters hereunder have been duly and validly authorized and, when issued and delivered against payment therefor as provided herein, will be duly and validly issued and fully paid and non-assessable and will conform in all material respects to the description of the Stock contained in the Prospectus;

(x) The issue and sale of the Shares to be sold by the Company and the compliance by the Company with all of the provisions of this Agreement and the consummation of the transactions herein contemplated will not result in a breach or violation of any of the terms or provisions of, or constitute a default under, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Company or any of its subsidiaries is a party or by which the Company or any of its subsidiaries is bound or to which any of the property or assets of the Company or any of

its subsidiaries is subject or any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over the Company or any of its subsidiaries or any of their properties other than breaches or defaults that, individually or in the aggregate, are not reasonably likely to have a material adverse effect upon the business, assets, financial position, stockholders' equity or results of

operations of the Company and its subsidiaries taken as a whole, nor will such action result in any violation of the provisions of the Certificate of Incorporation or By-laws of the Company; and no consent, approval, authorization, order, registration or qualification of or with any such court or governmental agency or body is required for the issue and sale of the Shares or the consummation by the Company of the transactions contemplated by this Agreement, except the registration under the Act of the Shares, such consents, approvals, authorizations, registrations or qualifications as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of the Shares by the Underwriters and the listing of the Shares with the National Association of Securities Dealers, Inc.;

(xi) Neither the Company nor any of its subsidiaries is (a) in violation of its Certificate of Incorporation or By-laws or (b) in default in the performance or observance of any obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, lease or other agreement or instrument to which it is a party or by which it or any of its properties may be bound other than, in the case of clause (b), defaults that, individually or in the aggregate, are not reasonably likely to have a material adverse effect upon the business, assets, financial position, stockholders' equity or results of operations of the Company and its subsidiaries taken as a whole;

(xii) The statements set forth in the Prospectus under the caption "Underwriting" accurately summarize in all material respects the provisions of the laws and documents referred to therein;

(xiii) Other than as set forth in the Prospectus, there are no legal or governmental proceedings pending to which the Company or any of its subsidiaries is a party or of which any property of the Company or any of its subsidiaries is the subject which, if determined adversely to the Company or any of its subsidiaries, would individually or in the aggregate have a material adverse effect on the current or future consolidated financial position, stockholders' equity or results of operations of the Company and its subsidiaries; and, to the Company's knowledge, no such proceedings are threatened or contemplated by governmental authorities or threatened by others;

(xiv) The Company is not and, after giving effect to the offering and sale of the Shares, will not be an "investment company" subject to registration as such under the Investment Company Act of 1940, as amended (the "Investment Company Act");

(xv) Arthur Andersen, LLP, who have certified certain financial statements of the Company and its subsidiaries, are independent public accountants as required by the Act and the rules and regulations of the Commission thereunder;

(xvi) The Company and its subsidiaries have sufficient interests in all patents, trademarks, service marks, trade names, copyrights, trade

secrets, information, proprietary rights and processes ("Intellectual Property") necessary for their business as now

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conducted and as proposed to be conducted without any conflict with or infringement of the interests of any others and have taken all steps necessary to secure interests in such Intellectual Property from its contractors; neither the Company nor any of its subsidiaries is aware of any outstanding material option, license or agreement of any kind relating to its Intellectual Property, and neither the Company nor its subsidiaries is a party to or bound by any material option, license or agreement with respect to the Intellectual Property of any other person or entity, except in each case as set forth in its reports filed under the Exchange Act; none of the technology employed by the Company or its subsidiaries has been obtained or is being used by the Company or its subsidiaries in violation of any contractual or fiduciary obligation binding on the Company, its subsidiaries or any of their respective directors or executive officers or, to the Company's knowledge, any of their respective employees or consultants or otherwise in violation of the rights of any person; none of the Company, its subsidiaries and any of its employees has received any written or, to the Company's knowledge, oral communications alleging that the Company or any of its subsidiaries has violated or, by conducting its business as proposed, would violate any of the Intellectual Property of any other person or entity; neither the execution nor delivery of this Agreement, nor the operation of the Company's business by the employees of the Company or its subsidiaries, nor the conduct of the Company's business as proposed, will result in a breach or violation of the terms, conditions or provisions of, or constitute a default under, any material contract, covenant or instrument under which any of such employees is now obligated; and the Company and its subsidiaries have taken and will maintain reasonable measures to prevent the unauthorized dissemination or publication of its confidential information or the confidential information of third parties in its possession;

(xvii) The Company has filed all reports it has been required to file under the Exchange Act; such reports when filed conformed in all material respects to the requirements of the Exchange Act; and none of such reports contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein to make the statements therein, in light of the circumstances under which they were made, not misleading; and

(xviii) The Company has reviewed its operations and that of its subsidiaries and any third parties with which the Company or any of its subsidiaries has a material relationship to evaluate the extent to which the business or operations of the Company or any of its subsidiaries will be affected by the Year 2000 Problem. As a result of such review, the

Company has no reason to believe, and does not believe, that the Year 2000 Problem will have a material adverse effect on the general affairs, management, the current or future consolidated financial position, business prospects, stockholders' equity or results of operations of the Company and its subsidiaries or result in any material loss or interference with the business or operations of the Company. The "Year 2000 Problem" as used herein means any significant risk that computer hardware or software used in the receipt, transmission, processing, manipulation, storage, retrieval, retransmission or other utilization of data or in the operation of mechanical or electrical systems of any kind will not, in the case of dates or time periods occurring after December 31, 1999, function at least as effectively as in the case of dates or time periods occurring prior to January 1, 2000.

(b) Each of the Selling Stockholders severally represents and warrants to, and agrees with, each of the Underwriters and the Company that:

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(i) All consents, approvals, authorizations and orders necessary for the execution and delivery by such Selling Stockholder of this Agreement and the Power of Attorney and the Custody Agreement hereinafter referred to, and for the sale and delivery of the Shares to be sold by such Selling Stockholder hereunder, have been obtained, provided, however, that each such Selling Stockholder makes no representation or warranty with respect to consents, approvals, authorizations or orders required under state securities or Blue Sky laws; and such Selling Stockholder has full right, power and authority to enter into this Agreement, the Power-of-Attorney and the Custody Agreement and to sell, assign, transfer and deliver the Shares to be sold by such Selling Stockholder hereunder;

(ii) The sale of the Shares to be sold by such Selling Stockholder hereunder and the compliance by such Selling Stockholder with all of the provisions of this Agreement, the Power of Attorney and the Custody Agreement and the consummation of the transactions herein and therein contemplated will not conflict with or result in a breach or violation of any of the terms or provisions of, or constitute a default under, any statute (other than state securities or Blue Sky laws, as to which no warranty or representation is made), indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which such Selling Stockholder is a party or by which such Selling Stockholder is bound or to which any of the property or assets of such Selling Stockholder is subject, nor will such action result in any violation of the provisions of any statute or any order, rule or regulation of any court or governmental agency or body having jurisdiction over such Selling Stockholder or the property of such Selling Stockholder;

(iii) Such Selling Stockholder has, and immediately prior to each

Time of Delivery (as defined in Section 4 hereof) such Selling Stockholder will have, good and valid title to the Shares to be sold by such Selling Stockholder hereunder, free and clear of all liens, encumbrances, equities or claims; and, upon delivery of such Shares and payment therefor pursuant hereto, good and valid title to such Shares, free and clear of all liens, encumbrances, equities or claims, will pass to the several Underwriters;

(iv) During the period beginning from the date hereof and continuing to and including the date ninety (90) days after the date of the Prospectus, such Selling Stockholder will not offer, sell, contract to sell or otherwise dispose of, except as provided hereunder, any securities of the Company that are substantially similar to the Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, Stock or any such substantially similar securities (other than pursuant to employee stock plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date of this Agreement and other than bona fide gifts to persons who agree in writing with you to be bound by the provisions of this clause), without the prior written consent of Goldman, Sachs & Co.;

(v) Such Selling Stockholder has not taken and will not take, directly or indirectly, any action which is designed to or which has constituted or which might reasonably be expected to cause or result in stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of the Shares in violation of applicable laws;

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(vi) To the extent that any statements or omissions made in the Registration Statement, any Preliminary Prospectus, the Prospectus or any amendment or supplement thereto are made in reliance upon and in conformity with written information furnished to the Company by such Selling Stockholder expressly for use therein, such Preliminary Prospectus, the Prospectus and the Registration Statement conformed in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and did not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading; and any further amendments or supplements to the Prospectus and the Registration Statement when they are filed or become effective, as the case may be, will conform in all material respects to the requirements of the Act and the rules and regulations of the Commission thereunder and will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein not misleading;



(vii) In order to document the Underwriters' compliance with the reporting and withholding provisions of the Tax Equity and Fiscal Responsibility Act of 1982 with respect to the transactions herein contemplated, such Selling Stockholder will deliver to you prior to or at each Time of Delivery (as hereinafter defined) a properly completed and executed United States Treasury Department Form W-9 (or other applicable form or statement specified by Treasury Department regulations in lieu thereof);

(viii) Certificates in negotiable form representing in the aggregate all of the Shares to be sold by such Selling Stockholder hereunder have been placed in custody under a Custody Agreement, in the form heretofore furnished to you (the "Custody Agreement"), duly executed and delivered by such Selling Stockholder to Continental Stock Transfer & Trust Company, as custodian (the "Custodian"), and such Selling Stockholder has duly executed and delivered a Power of Attorney, in the form heretofore furnished to you (the "Power of Attorney"), appointing the persons indicated in Schedule II hereto, and each of them, as such Selling Stockholder's attorneys-in-fact (the "Attorneys-in-Fact") with authority to execute and deliver this Agreement on behalf of such Selling Stockholder, to determine the purchase price to be paid by the Underwriters to the Selling Stockholders as provided in Section 2 hereof, to authorize the delivery of the Shares to be sold by such Selling Stockholder hereunder and otherwise to act on behalf of such Selling Stockholder in connection with the transactions contemplated by this Agreement and the Custody Agreement; and

(ix) The Shares represented by the certificates held in custody for such Selling Stockholder under the Custody Agreement are subject to the interests of the Underwriters hereunder; the arrangements made by such Selling Stockholder for such custody, and the appointment by such Selling Stockholder of the Attorneys-in-Fact by the Power of Attorney, are to that extent irrevocable; the obligations of the Selling Stockholders hereunder shall not be terminated by operation of law, whether by the death or incapacity of any individual Selling Stockholder or, in the case of an estate or trust, by the death or incapacity of any executor or trustee or the termination of such estate or trust, or by the occurrence of any other event; if any individual Selling Stockholder or any such executor or trustee should die

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or become incapacitated, or if any such estate or trust should be terminated, or if any other such event should occur, before the delivery of the Shares hereunder, certificates representing the Shares shall be delivered by or on behalf of the Selling Stockholders in accordance with the terms and conditions of this Agreement and of the Custody Agreements; and actions taken by the Attorneys-in-Fact pursuant to the Powers of

Attorney or by the Custodian pursuant to the Custody Agreement shall be as valid as if such death, incapacity, termination, or other event had not occurred, regardless of whether or not the Custodian, the Attorneys-in-Fact, or any of them, shall have received notice of such death, incapacity, termination or other event.

2. Subject to the terms and conditions herein set forth, (a) the Company and each of the Selling Stockholders agree, severally and not jointly, to sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company and each of the Selling Stockholders, at a purchase price per share of \$\_\_\_\_, the number of Firm Shares (to be adjusted by you so as to eliminate fractional shares) determined by multiplying the aggregate number of Firm Shares to be sold by the Company and each of the Selling Stockholders as set forth opposite their respective names in Schedule II hereto by a fraction, the numerator of which is the aggregate number of Firm Shares to be purchased by such Underwriter as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the aggregate number of Firm Shares to be purchased by all of the Underwriters from the Company and all of the Selling Stockholders hereunder and (b) in the event and to the extent that the Underwriters shall exercise the election to purchase Optional Shares as provided below, the Company agrees to sell to each of the Underwriters, and each of the Underwriters agrees, severally and not jointly, to purchase from the Company, at the purchase price per share set forth in clause (a) of this Section 2, that portion of the number of Optional Shares as to which such election shall have been exercised (to be adjusted by you so as to eliminate fractional shares) determined by multiplying such number of Optional Shares by a fraction the numerator of which is the maximum number of Optional Shares which such Underwriter is entitled to purchase as set forth opposite the name of such Underwriter in Schedule I hereto and the denominator of which is the maximum number of Optional Shares that all of the Underwriters are entitled to purchase hereunder.

The Selling Stockholders hereby grant, severally and not jointly, to the Underwriters the right to purchase at their election up to 487,500 Optional Shares, at the purchase price per share set forth in the paragraph above, for the sole purpose of covering over-allotments in the sale of the Firm Shares. Any such election to purchase Optional Shares shall be made in proportion to the maximum number of Optional Shares to be sold by each Selling Stockholder as set forth in Schedule II hereto. Any such election to purchase Optional Shares may be exercised only by written notice from you to the Company and the Attorneys-In-Fact, or either of them singly, given within a period of thirty (30) calendar days after the date of this Agreement and setting forth the aggregate number of Optional Shares to be purchased and the date on which such Optional Shares are to be delivered, as determined by you but in no event earlier than the First Time of Delivery (as defined in Section 4 hereof) or, unless you and the Company and the Attorneys-In-Fact, or either of them singly, otherwise agree in writing, earlier than two or later than ten business days after the date of such notice.

3. Upon the authorization by you of the release of the Firm Shares, the several Underwriters propose to offer the Firm Shares for sale upon the terms and conditions set forth in the Prospectus.

4. (a) The Shares to be purchased by each Underwriter hereunder, in definitive form, and in such authorized denominations and registered in such names as Goldman, Sachs & Co. may request upon at least forty-eight hours' prior notice to the Company and the Selling Stockholders, shall be delivered by or on behalf of the Company and the Selling Stockholders to Goldman, Sachs & Co., through the facilities of the Depository Trust Company for the account of such Underwriter, against payment by or on behalf of such Underwriter of the purchase price therefor by wire transfer of Federal (same day) funds to the account specified by the Company and the Custodian, as their interests may appear. The Company will cause the certificates representing the Shares to be made available for checking and packaging at least twenty-four hours prior to the Time of Delivery (as defined below) with respect thereto at the office of the Depository Trust Company or its designated office (the "Designated Office"). The time and date of such delivery and payment shall be, with respect to the Firm Shares, 9:30 a.m., New York time, on March \_\_\_\_, 1999 or such other time and date as Goldman, Sachs & Co., the Company and the Selling Stockholders may agree upon in writing, and, with respect to the Optional Shares, 9:30 a.m., New York time, on the date specified by Goldman, Sachs & Co. in the written notice given by Goldman, Sachs & Co. of the Underwriters' election to purchase such Optional Shares, or such other time and date as Goldman, Sachs & Co. and the Company may agree upon in writing. Such time and date for delivery of the Firm Shares is herein called the "First Time of Delivery", such time and date for delivery of the Optional Shares, if not the First Time of Delivery, is herein called the "Second Time of Delivery", and each such time and date for delivery is herein called a "Time of Delivery".

(b) The documents to be delivered at each Time of Delivery by or on behalf of the parties hereto pursuant to Section 7 hereof, including the cross receipt for the Shares and any additional documents requested by the Underwriters pursuant to Section 7(1) hereof, will be delivered at the offices of Sullivan & Cromwell, 125 Broad Street, New York, New York 10004 (the "Closing Location"), and the Shares will be delivered at the Designated Office, all at such Time of Delivery. A meeting will be held at the Closing Location at 1:00 p.m., New York time, on the business day preceding such Time of Delivery, at which meeting the final drafts of the documents to be delivered pursuant to the preceding sentence will be available for review by the parties hereto.

5. The Company agrees with each of the Underwriters:

(a) To prepare the Prospectus in a form approved by you and to file such Prospectus pursuant to Rule 424(b) under the Act no later than the Commission's close of business on the second business day following the execution and delivery of this Agreement or, if applicable, such earlier time as may be required by Rule 430A(a) (3) under the Act; to make no further amendment or any supplement to the Registration Statement or Prospectus prior to the last Time of

Delivery unless after reasonable notice thereof you shall have approved such amendment or supplement (such approval not to be unreasonably withheld or delayed); to advise you, promptly after it receives notice thereof, of the time when any amendment to the Registration Statement has been filed or becomes effective or any supplement to the Prospectus or any amended Prospectus has

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been filed and to furnish you with copies thereof; to file promptly all reports and any definitive proxy or information statements required to be filed by the Company with the Commission pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act subsequent to the date of the Prospectus and for so long as the delivery of a prospectus is required in connection with the offering or sale of the Shares; to advise you, promptly after it receives notice thereof, of the issuance by the Commission of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or prospectus, of the suspension of the qualification of the Shares for offering or sale in any jurisdiction, of the initiation or threatening of any proceeding for any such purpose, or of any request by the Commission for the amending or supplementing of the Registration Statement or Prospectus or for additional information; and, in the event of the issuance of any stop order or of any order preventing or suspending the use of any Preliminary Prospectus or prospectus or suspending any such qualification, promptly to use its best efforts to obtain the withdrawal of such order;

(b) Promptly from time to time to take such action as you may reasonably request to qualify the Shares for offering and sale under the securities laws of such jurisdictions in the United States of America as you may request and to continue such qualification in effect in such jurisdictions for as long as may be necessary to complete the distribution of the Shares, provided that in connection therewith the Company shall not be required to qualify as a foreign corporation or to file a general consent to service of process in any jurisdiction;

(c) Prior to 12:00 noon, New York time, on the New York Business Day next succeeding the date of this Agreement and from time to time, to furnish the Underwriters with copies of the Prospectus in New York City in such quantities as you may reasonably request, and, if the delivery of a prospectus is required at any time prior to the expiration of nine months after the time of issue of the Prospectus in connection with the offering or sale of the Shares and if at such time any events shall have occurred as a result of which the Prospectus as then amended or supplemented would include an untrue statement of a material fact or omit to state any material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made when such Prospectus is delivered, not misleading, or, if for any other reason it shall be necessary during such period to amend or supplement the Prospectus or to file under the Exchange Act any document incorporated by reference in the Prospectus in order to comply with the Act or the Exchange Act, to notify you

and upon your request to file such document and to prepare and furnish without charge to each Underwriter and to any dealer in securities as many copies as you may from time to time reasonably request of an amended Prospectus or a supplement to the Prospectus which will correct such statement or omission or effect such compliance, and in case any Underwriter is required to deliver a prospectus in connection with sales of any of the Shares at any time nine months or more after the time of issue of the Prospectus, upon your request but at the expense of such Underwriter, to prepare and deliver to such Underwriter as many copies as you may request of an amended or supplemented Prospectus complying with Section 10(a)(3) of the Act; "New York Business Day" shall mean each Monday, Tuesday, Wednesday, Thursday and Friday which is not a day on which banking institutions in New York are generally authorized or obligated by law or executive order to close;

(d) To make generally available to its securityholders as soon as practicable, but in any event not later than eighteen months after the effective date of the Registration Statement (as

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defined in Rule 158(c) under the Act), an earning statement of the Company and its subsidiaries (which need not be audited) complying with Section 11(a) of the Act and the rules and regulations of the Commission thereunder (including, at the option of the Company, Rule 158);

(e) During the period beginning from the date hereof and continuing to and including the date ninety (90) days after the date of the Prospectus, not to offer, sell, contract to sell or otherwise dispose of, except as provided hereunder, any securities of the Company that are substantially similar to the Shares, including but not limited to any securities that are convertible into or exchangeable for, or that represent the right to receive, Stock or any such substantially similar securities (other than pursuant to employee stock plans existing on, or upon the conversion or exchange of convertible or exchangeable securities outstanding as of, the date of this Agreement; provided, however, that the Company will use its best efforts to cause any person receiving such securities under any such plan to be subject to this provision), without the prior written consent of Goldman, Sachs & Co.;

(f) To furnish to its stockholders within 90 days after the end of each fiscal year an annual report (including a balance sheet and statements of income, stockholders' equity and cash flows of the Company and its consolidated subsidiaries certified by independent public accountants); and, within 45 days after the end of each of the first three quarters of each fiscal year (beginning with the fiscal quarter ending after the effective date of the Registration Statement), consolidated summary financial information of the Company and its subsidiaries for such quarter in reasonable detail;

(g) During a period of five years from the effective date of the

Registration Statement, to furnish to you copies of all reports or other communications (financial or other) furnished to stockholders, and to deliver to you (i) as soon as they are available, copies of any reports and financial statements furnished to or filed with the Commission or any national securities exchange on which any class of securities of the Company is listed; and (ii) such additional information concerning the business and financial condition of the Company as you may from time to time reasonably request (such financial statements to be on a consolidated basis to the extent the accounts of the Company and its subsidiaries are consolidated in reports furnished to its stockholders generally or to the Commission); provided, however, that this clause shall not obligate the Company to disclose information that in its sole judgment it considers confidential;

(h) To use the net proceeds received by it from the sale of the Shares pursuant to this Agreement in the manner specified in the Prospectus under the caption "Use of Proceeds";

(i) To use its best efforts to list the Shares on the National Association of Securities Dealers Automated Quotations ("Nasdaq") National Market System; and

(j) If the Company elects to rely upon Rule 462(b), to file a Rule 462(b) Registration Statement with the Commission in compliance with Rule 462(b) by 10:00 p.m., Washington, D.C. time, on the date of this Agreement, and at the time of filing either to pay to the Commission the filing fee for the Rule 462(b) Registration Statement or to give irrevocable instructions for the payment of such fee pursuant to Rule 111(b) under the Act.

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6. The Company and each of the Selling Stockholders covenant and agree with one another and with the several Underwriters that the Company will pay or cause to be paid the following: (i) the fees, disbursements and expenses of the Company's counsel and accountants in connection with the registration of the Shares under the Act and all other expenses in connection with the preparation, printing and filing of the Registration Statement, any Preliminary Prospectus, the Prospectus and amendments and supplements thereto and the mailing and delivering of copies thereof to the Underwriters and dealers; (ii) the cost of copying and reproducing any Agreement among Underwriters, this Agreement, the Blue Sky Memorandum, closing documents (including any compilations thereof) and any other documents in connection with the offering, purchase, sale and delivery of the Shares; (iii) all expenses in connection with the qualification of the Shares for offering and sale under state securities laws as provided in Section 5(b) hereof, including the fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky survey (iv) all fees and expenses in connection with listing the Shares on the Nasdaq National Market; (v) the filing fees incident to, and the fees and disbursements of counsel for the Underwriters in connection with, securing any

required review by the National Association of Securities Dealers, Inc. of the terms of the sale of the Shares; (vi) the cost of preparing stock certificates; (vii) the cost and charges of any transfer agent or registrar; (viii) the fees and expenses of the Attorneys-in-Fact and the Custodian; (ix) all expenses and taxes incident to the sale and delivery of the Shares to be sold by the Selling Stockholders to the Underwriters hereunder (provided, however, that Goldman, Sachs & Co. agrees to pay New York State stock transfer tax, and the Company agrees to reimburse Goldman, Sachs & Co. for associated carrying costs if such tax payment is not rebated on the day of payment and for any portion of such tax payment not rebated); and (x) all other costs and expenses incident to the performance of the Company's and the Selling Stockholders' obligations hereunder which are not otherwise specifically provided for in this Section. It is understood, however, that the Company shall bear, and the Selling Stockholders shall not be required to pay or to reimburse the Company for, the cost of any other matters not directly relating to the sale and purchase of the Shares pursuant to this Agreement, and that, except as provided in this Section, and Sections 8 and 11 hereof, the Underwriters will pay all of their own costs and expenses, including the fees of their counsel, stock transfer taxes on resale of any of the Shares by them, and any advertising expenses connected with any offers they may make.

7. The obligations of the Underwriters hereunder, as to the Shares to be delivered at each Time of Delivery, shall be subject, in their discretion, to the condition that all representations and warranties and other statements of the Company and, with respect to the First Time of Delivery only, of the Selling Stockholders herein are, at and as of such Time of Delivery, true and correct, the condition that the Company and the Selling Stockholders shall have performed all of its and their obligations hereunder theretofore to be performed, and the following additional conditions:

(a) The Prospectus shall have been filed with the Commission pursuant to Rule 424(b) within the applicable time period prescribed for such filing by the rules and regulations under the Act and in accordance with Section 5(a) hereof; if the Company has elected to rely upon Rule 462(b), the Rule 462(b) Registration Statement shall have become effective by 10:00 p.m., Washington, D.C. time, on the date of this Agreement; no stop order suspending the effectiveness of the Registration Statement or any part thereof shall have been issued and no proceeding for that purpose shall have been initiated or threatened by the Commission; and all requests for additional

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information on the part of the Commission shall have been complied with to your reasonable satisfaction;

(b) Ropes & Gray, counsel for the Underwriters, shall have furnished to you such opinion or opinions, dated such Time of Delivery, with respect to the incorporation of the Company, the validity of the Shares being delivered at such

Time of Delivery, the Registration Statement, the Prospectus, and such other related matters as you may reasonably request, and such counsel shall have received such papers and information as they may reasonably request to enable them to pass upon such matters;

(c) Sullivan & Cromwell, special counsel for the Company, shall have furnished to you their written opinion and letter, dated such Time of Delivery to the effect that:

(i) The Company has been duly incorporated and is validly existing as a corporation in good standing under the laws of the State of New Jersey, with corporate power and authority to own its properties and conduct its business as described in the Prospectus;

(ii) The Company has an authorized capitalization as set forth in the Prospectus, and all of the issued shares of capital stock of the Company (including the Shares being delivered at such Time of Delivery) have been duly authorized and validly issued and are fully paid and non-assessable;

(iii) This Agreement has been duly authorized, executed and delivered by the Company;

(iv) The issuance of the Shares being delivered by the Company at such Time of Delivery and the sale of the Shares to the Underwriters pursuant to this Agreement do not, and the performance by the Company of its obligations under this Agreement will not, violate the Company's Restated Certificate of Incorporation or Restated By-laws, result in a default under or breach of any agreement, indenture or other instrument filed by the Company as an exhibit to the Registration Statement or to any document incorporated by reference therein to which the Company or any of its subsidiaries is a party or by which any of them is bound or to which any of their properties is subject, or violate any federal law of the United States or law of the State of New York or any Federal rule or regulation or any rule or regulation adopted by a governmental agency of the State of New York or any decree known to such counsel of any court or governmental agency having jurisdiction over the Company or any of its subsidiaries, provided that such counsel may state that for purposes of such paragraph they express no opinion with respect to the antifraud provisions of Federal or state securities laws, and provided further that such counsel may state that insofar as performance by the Company of its obligations under this Agreement and the Shares is concerned, such counsel expresses no opinion as to bankruptcy, insolvency, reorganization, moratorium and similar laws of general applicability relating to or affecting creditors' rights;



(v) All regulatory consents, approvals, authorizations and filings required to be obtained or made by the Company under the Federal laws of the United States and the laws of the State of New York for the issuance, sale and delivery of the Shares by the Company to the Underwriters have been obtained or made;

(vi) The Company is not subject to regulation as an "investment company" under the Investment Company Act; and

(vii) The Registration Statement is effective under the Act.

Such counsel may state that their opinions are limited to the Federal laws of the United States, the laws of the State of New York and the Business Corporation Law of the State of New Jersey, and that they express no opinion as to the laws of any other jurisdiction.

Such counsel shall further state that, as counsel to the Company, such counsel have reviewed the Registration Statement and the Prospectus, participated in discussion with your representatives and those of the Company, its independent accountants and its local counsel, and advised the Company as to the requirements of the Act and the applicable rules and regulations thereunder, and that between the effective date of the Registration Statement and such Time of Delivery they performed such additional procedures as are described in their opinion; on the basis of the information that such counsel gained in the course of the performance of such services, considered in the light of their understanding of the law and the experience they have gained through their practice under the Act, such counsel shall confirm to you that, in their opinion (i) the Registration Statement and the Prospectus, as of the effective date of the Registration Statement, appeared on their face to be appropriately responsive in all material respects to the requirements of the Act and the applicable rules and regulations thereunder; (ii) the documents incorporated by reference into the Prospectus or any supplement thereto, when they became effective or as of the date of filing thereof with the Commission, as the case may be, complied as to form in all material respects with the requirements of the Act or the Exchange Act, as the case may be, and the rules and regulations of the Commission thereunder; nothing that came to such counsel's attention in the course of such review has caused such counsel to believe that the Registration Statement as of its effective date, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that the Prospectus, as of its date and as of the First Time of Delivery, contained or contains an untrue statement of a material fact or omitted or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading or that any document incorporated by reference in the Registration Statement, the Prospectus, any amendment or supplement thereof, or any Preliminary Prospectus, as of the date of filing thereof with the Commission, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein not misleading, or that, as of such Time of Delivery, any such document or any further amendment thereto prior to such Time of Delivery contains an untrue statement of a material fact or omits

to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and such counsel do not know of any litigation or any governmental proceeding instituted or threatened against the Company that would be required to be disclosed in the Prospectus, or any document incorporated by reference in the Prospectus, that

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is not so disclosed, and do not know of any documents that are required to be filed as exhibits to the Registration Statement or required to be incorporated by reference into the Prospectus that are not so filed or incorporated by reference, or any documents required to be summarized in the Registration Statement or the Prospectus that are not so summarized. Such counsel may state that the limitations inherent in the independent verification of factual matters and the character of the determinations involved in the registration process are such that they do not assume any responsibility for the accuracy, completeness or fairness of the statements contained in the Registration Statement and the Prospectus except those made under the captions "Underwriting" and "Description of Capital Stock", which accurately summarize in all material respects the provisions of the laws and documents referred to therein. Such counsel may also state that they do not express any opinion or belief as to the financial statements or other financial data contained in the Registration Statement or the Prospectus and that their opinion is furnished as counsel for the Company to the several Underwriters and is solely for their benefit;

(d) Buchanan Ingersoll, counsel for the Company, shall have furnished to you their written opinion, dated such Time of Delivery to the effect that:

(i) The Company has been duly qualified as a foreign corporation for the transaction of business and is in good standing under the laws of each jurisdiction in which it owns or leases properties or conducts any business so as to require such qualification, or is subject to no material liability or disability by reason of failure to be so qualified in any such jurisdiction (such counsel being entitled to rely in respect of the opinion in this clause upon opinions of local counsel and in respect of matters of fact upon certificates of officers of the Company, provided, however, that such counsel shall provide copies of such opinions and certificates to you and shall state that they believe that both you and they are justified in relying upon such opinions and certificates);

(ii) Each United States subsidiary of the Company listed on Schedule IV has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation; and all of the issued shares of capital stock of each such subsidiary have been duly authorized and validly issued, are fully paid and non-assessable, and, except for directors' qualifying shares, are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims (such counsel being entitled to rely in respect of the

opinion in this clause upon opinions of local counsel and in respect of matters of fact upon certificates of officers of the Company or its subsidiaries, provided, however, that such counsel shall provide copies of such opinions and certificates to you and shall state that they believe that both you and they are justified in relying upon such opinions and certificates);

(iii) Any real property and buildings held under lease by the Company or any of its subsidiaries and which is material to their business as currently conducted or proposed to be conducted are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries (such counsel being entitled to rely in respect of the opinion in this clause upon opinions of local counsel and in respect of matters of fact upon certificates of officers of the Company or its

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subsidiaries, provided that such counsel shall provide copies of such opinions and certificates to you and shall state that they believe that both you and they are justified in relying upon such opinions and certificates);

(iv) Neither the Company nor any of its subsidiaries is in violation of its Certificate of Incorporation or By-laws or in default in the performance or observance of any material obligation, agreement, covenant or condition contained in any indenture, mortgage, deed of trust, loan agreement, or lease or agreement or other instrument to which it is a party or by which it or any of its properties may be bound;

(v) The issuance of the Shares being delivered by the Company at such Time of Delivery and the sale of the Shares to the Underwriters pursuant to this Agreement do not, and the performance by the Company of its obligations under this Agreement will not, violate the Business Corporation Law of the State of New Jersey and all regulatory consents, approvals, authorizations and filings required to be obtained or made by the Company under the Business Corporation Law of the State of New Jersey for the issuance, sale and delivery of the Shares by the Company to the Underwriters have been obtained or made; and

(vi) All regulatory consents, approvals, authorizations and filings required to be obtained or made by the Company under the Federal laws of the United States and the laws of the State of New Jersey for the issuance, sale and delivery of the Shares by the Company to the Underwriters have been obtained or made.

(e) You shall have been furnished from one or more foreign counsel to the

Company, which counsel shall be reasonably acceptable to you, one or more written opinions to the effect that each significant foreign subsidiary of the Company listed on Schedule V hereto has been duly incorporated and is validly existing as a corporation in good standing under the laws of its jurisdiction of incorporation; and all of the issued shares of capital stock of each such subsidiary have been duly and validly authorized and issued, are fully paid and non-assessable, and, except for directors' qualifying shares, are owned directly or indirectly by the Company, free and clear of all liens, encumbrances, equities or claims (such counsel being entitled to rely in respect of the opinion in this paragraph in respect of matters of fact upon certificates of officers of the Company or its subsidiaries, provided, however, that such counsel shall provide copies of such certificates to you and shall state that they believe that both you and they are justified in relying upon such certificates);

(f) The respective counsel for each of the Selling Stockholders, as indicated in Schedule II hereto, each shall have furnished to you their written opinion with respect to each of the Selling Stockholders for whom they are acting as counsel, dated such Time of Delivery to the effect that:

(i) A Power-of-Attorney and a Custody Agreement have been duly executed and delivered by each Selling Stockholder and constitute valid and binding agreements of each such Selling Stockholder in accordance with their terms;

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(ii) With respect to each Selling Stockholder, this Agreement has been duly executed and delivered by or on behalf of such Selling Stockholder; and, assuming the Registration Statement has been declared effective by the Commission, the sale of the Shares to be sold by such Selling Stockholder hereunder and the compliance by such Selling Stockholder with all of the provisions of this Agreement, the Power-of-Attorney and the Custody Agreement and the consummation of the transactions herein and therein contemplated will not conflict with or result in a breach or violation of any terms or provisions of, or constitute a default under, any statute (other than state securities or Blue Sky laws), indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which such Selling Stockholder is a party or by which such Selling Stockholder is bound or to which any of the property or assets of such Selling Stockholder is subject and which is material and known to such counsel, or any order, rule or regulation of any court or governmental agency or body having jurisdiction over such Selling Stockholder or the property of such Selling Stockholder which is material and known to such counsel;

(iii) No consent, approval, authorization or order of any court or governmental agency or body is required for the consummation of the

transactions contemplated by this Agreement in connection with the Shares to be sold by each Selling Stockholder hereunder, except such as have been obtained under the Act and such as may be required under state securities or Blue Sky laws in connection with the purchase and distribution of such Shares by the Underwriters; and

(iv) Immediately prior to the Time of Delivery, each Selling Stockholder is the sole record owner of the Shares to be sold by it at such Time of Delivery. Upon delivery to the Underwriters of a certificate for such of the Shares that are being sold by each Selling Stockholder under the Underwriting Agreement and payment for such Shares by the Underwriters, and assuming the Underwriters purchase the Shares in good faith and without notice of any "adverse claim" within the meaning of Section 8-302(2) of the Uniform Commercial Code, the Underwriters will acquire all of the rights of such Selling Stockholder in such Shares and will acquire the Shares free and clear of any adverse claim.

(g) On the date of the Prospectus at a time prior to the execution of this Agreement, at 9:30 a.m., New York time, on the effective date of any post-effective amendment to the Registration Statement filed subsequent to the date of this Agreement and also at each Time of Delivery, Arthur Andersen, LLP shall have furnished to you a letter or letters, dated the respective dates of delivery thereof, in form and substance reasonably satisfactory to you and covering the matters referred to in Annex I attached hereto.

(h) (i) Neither the Company nor any of its subsidiaries shall have sustained since the date of the latest audited financial statements included or incorporated by reference in the Prospectus any loss or interference with its business from fire, explosion, flood or other calamity, whether or not covered by insurance, or from any labor dispute or court or governmental action, order or decree, that is in each case material to the Company and its subsidiaries taken as a whole, otherwise than as set forth or contemplated in the Prospectus, and (ii) since the respective dates as of which information is given in the Prospectus there shall not have been any change in the

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capital stock (other than the issuance of Stock pursuant to the 1997 Stock Incentive Plan, the 1997 Employee Stock Purchase Plan, the 1992 Stock Plan and the 1992 Senior Management Incentive Stock Option Plan or upon the exercise of stock options disclosed in the Prospectus), short-term debt (other than changes not material and adverse in the aggregate) or long-term debt of the Company or any of its subsidiaries or any material adverse change, or any development that is reasonably likely to result in a material adverse change, in or affecting the business, assets, financial position, stockholders' equity or results of operations of the Company and its subsidiaries, otherwise than as set forth or contemplated in the Prospectus, the effect of which, in any such case described in clause (i) or (ii), is in the judgment of the Underwriters so material and

adverse as to make it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Prospectus;

(i) On or after the date hereof there shall not have occurred any of the following: (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange or on the Nasdaq National Market; (ii) a suspension or material limitation in trading in the Company's securities on the Nasdaq National Market; (iii) a general moratorium on commercial banking activities declared by either Federal or New York State authorities; or (iv) the outbreak or escalation of hostilities involving the United States or the declaration by the United States of a national emergency or war, if the effect of any such event specified in this clause (iv) in the judgment of the Underwriters makes it impracticable or inadvisable to proceed with the public offering or the delivery of the Shares being delivered at such Time of Delivery on the terms and in the manner contemplated in the Prospectus;

(j) The Shares at such Time of Delivery shall have been duly listed on the Nasdaq National Market;

(k) The Company shall have obtained and delivered to the Underwriters executed copies of an agreement from each stockholder listed on Schedule III hereto, substantially to the effect set forth in subsection 1(b)(iv) hereof in form and substance reasonably satisfactory to you;

(l) The Company and the Selling Stockholders, as applicable, shall have furnished or caused to be furnished to you at such Time of Delivery certificates of officers of the Company and of the Selling Stockholders, respectively, reasonably satisfactory to you as to the accuracy of the representations and warranties of the Company and the Selling Stockholders, respectively, herein at and as of such Time of Delivery, as to the performance by the Company and the Selling Stockholders of all of their respective obligations hereunder to be performed at or prior to such Time of Delivery, and as to such other matters as you may reasonably request, and the Company shall have furnished or caused to be furnished certificates as to the matters set forth in subsections (a) and (g) of this Section 7; and

(m) The Company shall have complied with the provisions of Section 5(c) hereof with respect to the furnishing of prospectuses on the New York Business Day next succeeding the date of this Agreement.

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8. (a) The Company and each of the Selling Stockholders, jointly and severally, will indemnify and hold harmless each Underwriter against any losses, claims, damages or liabilities, joint or several, to which such Underwriter may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based

upon an untrue statement or alleged untrue statement of a material fact contained or incorporated by reference in any Preliminary Prospectus, the Registration Statement or the Prospectus, any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse each Underwriter for any legal or other expenses reasonably incurred by such Underwriter in connection with investigating or defending any such action or claim as such expenses are incurred (it being understood that the Underwriters shall collectively be reimbursed under this Section 8(a) for the fees and expenses of not more than one counsel in each jurisdiction where such counsel is to be retained); provided, however, that the Company and the Selling Stockholders shall not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon an untrue statement or alleged untrue statement or omission or alleged omission made in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, in reliance upon and in conformity with written information furnished to the Company by any Underwriter through Goldman, Sachs & Co. expressly for use therein; provided, however, that the liability of each such Selling Stockholder pursuant to this subsection 8(a) shall not exceed the product of the number of Shares sold by such Selling Stockholder and the public offering price of the Shares as set forth in the Prospectus, less the amount of any payments made by such Selling Stockholder pursuant to subsection 8(d).

(b) Each Underwriter will indemnify and hold harmless the Company and each Selling Stockholder against any losses, claims, damages or liabilities to which the Company or such Selling Stockholder may become subject, under the Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon an untrue statement or alleged untrue statement of a material fact contained in any Preliminary Prospectus, the Registration Statement or the Prospectus, or any amendment or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or alleged untrue statement or omission or alleged omission was made in any Preliminary Prospectus, the Registration Statement or the Prospectus or any such amendment or supplement in reliance upon and in conformity with written information furnished to the Company by such Underwriter through Goldman, Sachs & Co. expressly for use therein; and will reimburse the Company and each Selling Stockholder for any legal or other expenses reasonably incurred by the Company or such Selling Stockholder in connection with investigating or defending any such action or claim as such expenses are incurred.

(c) Promptly after receipt by an indemnified party under subsection (a) or (b) above of notice of the commencement of any action, such indemnified party shall, if a claim in respect thereof is to be made against the indemnifying party under such subsection, notify the indemnifying party in writing of the commencement thereof; but the omission so to notify the indemnifying party shall not relieve it from any liability which it may have to any indemnified party otherwise than under such subsection. In case any such action shall be brought

shall notify the indemnifying party of the commencement thereof, the indemnifying party shall be entitled to participate therein and, to the extent that it shall wish, jointly with any other indemnifying party similarly notified, to assume the defense thereof, with counsel satisfactory to such indemnified party (who shall not, except with the consent of the indemnified party, be counsel to the indemnifying party), and, after notice from the indemnifying party to such indemnified party of its election so to assume the defense thereof, the indemnifying party shall not be liable to such indemnified party under such subsection for any legal expenses of other counsel or any other expenses, in each case subsequently incurred by such indemnified party, in connection with the defense thereof other than reasonable costs of investigation. No indemnifying party shall, without the written consent of the indemnified party, effect the settlement or compromise of, or consent to the entry of any judgment with respect to, any pending or threatened action or claim in respect of which indemnification or contribution may be sought hereunder (whether or not the indemnified party is an actual or potential party to such action or claim).

(d) If the indemnification provided for in this Section 8 is unavailable to or insufficient to hold harmless an indemnified party under subsection (a) or (b) above in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each indemnifying party shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative benefits received by the Company and the Selling Stockholders on the one hand and the Underwriters on the other from the offering of the Shares. If, however, the allocation provided by the immediately preceding sentence is not permitted by applicable law or if the indemnified party failed to give the notice required under subsection (c) above, then each indemnifying party shall contribute to such amount paid or payable by such indemnified party in such proportion as is appropriate to reflect not only such relative benefits but also the relative fault of the Company and the Selling Stockholders on the one hand and the Underwriters on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative benefits received by the Company and the Selling Stockholders on the one hand and the Underwriters on the other shall be deemed to be in the same proportion as the total net proceeds from the offering (before deducting expenses) received by the Company and the Selling Stockholders bear to the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover page of the Prospectus. The relative fault shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state



a material fact relates to information supplied by the Company or the Selling Stockholders on the one hand or the Underwriters on the other and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company, each of the Selling Stockholders and the Underwriters agree that it would not be just and equitable if contributions pursuant to this subsection (d) were determined by pro rata allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation which does not take account of the equitable considerations referred to above in this subsection (d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above in this subsection (d) shall be deemed to include any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim.

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Notwithstanding the provisions of this subsection (d), (i) no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages which such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission and (ii) the liability of each Selling Stockholder pursuant to this subsection (d) shall not exceed the difference between the product of the number of Shares sold by such Selling Stockholder and the initial public offering price of the Shares as set forth in the Prospectus, and the amount of any indemnification payments made by such Selling Stockholder pursuant to subsection (a) or (b), as the case may be. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The Underwriters' obligations in this subsection (d) to contribute are several in proportion to their respective underwriting obligations and not joint.

(e) The obligations of the Company and the Selling Stockholders under this Section 8 shall be in addition to any liability which the Company and the respective Selling Stockholders may otherwise have and shall extend, upon the same terms and conditions, to each person, if any, who controls any Underwriter within the meaning of the Act; and the obligations of the Underwriters under this Section 8 shall be in addition to any liability which the respective Underwriters may otherwise have and shall extend, upon the same terms and conditions, to each officer and director of the Company and to each person, if any, who controls the Company or any Selling Stockholder within the meaning of the Act.

9. (a) If any Underwriter shall default in its obligation to purchase the Shares which it has agreed to purchase hereunder at a Time of Delivery, you may in your discretion arrange for you or another party or other parties to purchase

such Shares on the terms contained herein. If within thirty-six hours after such default by any Underwriter you do not arrange for the purchase of such Shares, then the Company and the Selling Stockholders shall be entitled to a further period of thirty-six hours within which to procure another party or other parties satisfactory to you to purchase such Shares on such terms. In the event that, within the respective prescribed periods, you notify the Company and the Selling Stockholders that you have so arranged for the purchase of such Shares, or the Company and the Selling Stockholders notify you that they have so arranged for the purchase of such Shares, you or the Company and the Selling Stockholders shall have the right to postpone a Time of Delivery for a period of not more than seven (7) days, in order to effect whatever changes may thereby be made necessary in the Registration Statement or the Prospectus, or in any other documents or arrangements, and the Company agrees to file promptly any amendments to the Registration Statement or the Prospectus which in your opinion may thereby be made necessary. The term "Underwriter" as used in this Agreement shall include any person substituted under this Section with like effect as if such person had originally been a party to this Agreement with respect to such Shares.

(b) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company and the Selling Stockholders as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased does not exceed one-eleventh of the aggregate number of all the Shares to be purchased at such Time of Delivery, then the Company and the Selling Stockholders shall have

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the right to require each non-defaulting Underwriter to purchase the number of Shares which such Underwriter agreed to purchase hereunder at such Time of Delivery and, in addition, to require each non-defaulting Underwriter to purchase its pro rata share (based on the number of Shares which such Underwriter agreed to purchase hereunder) of the Shares of such defaulting Underwriter or Underwriters for which such arrangements have not been made; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

(c) If, after giving effect to any arrangements for the purchase of the Shares of a defaulting Underwriter or Underwriters by you and the Company and the Selling Stockholders as provided in subsection (a) above, the aggregate number of such Shares which remains unpurchased exceeds one-eleventh of the aggregate number of all of the Shares to be purchased at such Time of Delivery, or if the Company and the Selling Stockholders shall not exercise the right described in subsection (b) above to require non-defaulting Underwriters to purchase Shares of a defaulting Underwriter or Underwriters, then this Agreement (or, with respect to the Second Time of Delivery, the obligations of the Underwriters to purchase and of the Company to sell the Optional Shares) shall thereupon terminate, without liability on the part of any non-defaulting

Underwriter or the Company or the Selling Stockholders, except for the expenses to be borne by the Company and the Selling Stockholders and the Underwriters as provided in Section 6 hereof and the indemnity and contribution agreements in Section 8 hereof; but nothing herein shall relieve a defaulting Underwriter from liability for its default.

10. The respective indemnities, agreements, representations, warranties and other statements of the Company, the Selling Stockholders and the several Underwriters, as set forth in this Agreement or made by or on behalf of them, respectively, pursuant to this Agreement, shall remain in full force and effect, regardless of any investigation (or any statement as to the results thereof) made by or on behalf of any Underwriter or any controlling person of any Underwriter, or the Company, or any of the Selling Stockholders, or any officer or director or controlling person of the Company, or any controlling person of any Selling Stockholder, and shall survive delivery of and payment for the Shares.

11. If this Agreement shall be terminated pursuant to Section 9 hereof, neither the Company nor the Selling Stockholders shall then be under any liability to any Underwriter except as provided in Sections 6 and 8 hereof; but, if for any other reason any Shares are not delivered by or on behalf of the Company and the Selling Stockholders as provided herein, the Company and each of the Selling Stockholders pro rata (based on the number of Shares to be sold by the Company and such Selling Stockholder hereunder) will reimburse the Underwriters through you for all out-of-pocket expenses approved in writing by you, including fees and disbursements of counsel, reasonably incurred by the Underwriters in making preparations for the purchase, sale and delivery of the Shares not so delivered, but the Company and the Selling Stockholders shall then be under no further liability to any Underwriter in respect of the Shares not so delivered except as provided in Sections 6 and 8 hereof.

12. In all dealings hereunder, you shall act on behalf of each of the Underwriters, and the parties hereto shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of any Underwriter made or given by you jointly or by Goldman, Sachs & Co. on behalf of you as the representatives of the several Underwriters; and in all dealings with any Selling

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Stockholder hereunder, you and the Company shall be entitled to act and rely upon any statement, request, notice or agreement on behalf of such Selling Stockholder made or given by any or all of the Attorneys-in-Fact for such Selling Stockholder.

All statements, requests, notices and agreements hereunder shall be in writing, and if to the Underwriters shall be delivered or sent by mail, telex or facsimile transmission to you as the Underwriters in care of Goldman, Sachs &

Co., at 85 Broad Street, New York, New York 10004, Attention: Registration Department; if to any Selling Stockholder shall be delivered or sent by mail, telex or facsimile transmission to counsel for such Selling Stockholder at its address set forth in Schedule II hereto; and if to the Company shall be delivered or sent by mail, telex or facsimile transmission to the address of the Company set forth in the Registration Statement, Attention: Secretary; provided, however, that any notice to an Underwriter pursuant to Section 8(c) hereof shall be delivered or sent by mail, telex or facsimile transmission to such Underwriter at its address set forth in its Underwriters' Questionnaire or telex constituting such Questionnaire, which address will be supplied to the Company or the Selling Stockholders by you on request. Any such statements, requests, notices or agreements shall take effect upon receipt thereof.

13. This Agreement shall be binding upon, and inure solely to the benefit of, the Underwriters, the Company and the Selling Stockholders and, to the extent provided in Sections 8 and 10 hereof, the officers and directors of the Company and each person who controls the Company, any Selling Stockholder or any Underwriter, and their respective heirs, executors, administrators, successors and assigns, and no other person shall acquire or have any right under or by virtue of this Agreement. No purchaser of any of the Shares from any Underwriter shall be deemed a successor or assign by reason merely of such purchase.

14. Time shall be of the essence of this Agreement. As used herein, the term "business day" shall mean any day when the Commission's office in Washington, D.C. is open for business.

15. This Agreement shall be governed by and construed in accordance with the laws of the State of New York.

16. This Agreement may be executed and delivered by any one or more of the parties hereto in any number of counterparts, each of which shall be deemed to be an original, but all such counterparts when so executed and delivered shall together constitute one and the same instrument.

If the foregoing is in accordance with your understanding, please sign and return to us six counterparts hereof, and upon the acceptance hereof by you, this letter and such acceptance hereof shall constitute a binding agreement among each of you, the Company and each of the Selling Stockholders. It is understood that your acceptance of this letter is pursuant to the authority set forth in a form of Agreement among Underwriters, the form of which shall be submitted to the Company and the Selling Stockholders for examination, upon request, but without warranty on your part as to the authority of the signers thereof.

Any person executing and delivering this Agreement as Attorney-in-Fact for a Selling Stockholder represents by so doing that he has been duly appointed as Attorney-in-Fact by such

Selling Stockholder pursuant to a validly existing and binding Power-of-Attorney which authorizes such Attorney-in-Fact to take such action.

Very truly yours,

Dendrite International, Inc.

By: \_\_\_\_\_  
Name: John E. Bailye  
Title: Chief Executive Officer and President

By: \_\_\_\_\_  
Name: John E. Bailye  
As Attorney-in-Fact acting on behalf of each of the Selling Stockholders named in Schedule II to this Agreement.

Accepted as of the date hereof:

Goldman, Sachs & Co.  
Bear, Stearns & Co. Inc.  
Hambrecht & Quist LLC

By: \_\_\_\_\_  
(Goldman, Sachs & Co.)

On behalf of each of the Underwriters

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SCHEDULE I

Underwriter

<TABLE>  
<CAPTION>

Underwriter -----	Total Number of Firm Shares to be Purchased -----	Number of Optional Shares to be Purchased If Maximum Option Exercised -----
<S> Goldman, Sachs & Co.....	<C>	<C>

Bear Stearns & Co. Inc.....  
 Hambrecht & Quist LLC.....

	-----	-----
Total.....	3,250,000	487,500

</TABLE>

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SCHEDULE II

<TABLE>

<CAPTION>

Underwriter	Total Number of Firm Shares to be Sold	Number of Optional Shares to be Sold If Maximum Option Exercised
-----	-----	-----
<S>	<C>	<C>
The Company .....	2,750,000	--
The Selling Stockholders:		
John E. Bailye.....	300,000	292,500
Carinya Holding Company...	150,000	146,250
Bailye Family Foundation...	50,000	48,750
Total.....	3,250,000	487,500

</TABLE>

(a) The Selling Stockholders are represented by Buchanan Ingersoll, 500 College Road East, Princeton Forrestal Center, Princeton, New Jersey 08540-6615, and each of the Selling Stockholders has appointed John Edward Bailye and Christopher J. French, and each of them, as the Attorneys-in-Fact for each such Selling Stockholder.

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SCHEDULE III

Holdback Agreements

Name

John E. Bailye  
Carinya Holding Company  
Bailye Family Foundation

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SCHEDULE IV

United States Subsidiaries for Opinions

1. Dendrite Delaware, Inc., a Delaware corporation
2. Dendrite Financial Services, Inc., a Delaware corporation
3. Dendrite Holdings, Inc., a Delaware corporation
4. Dendrite Corporate Services, Inc., a New Jersey corporation

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SCHEDULE V

Foreign Subsidiaries for Opinions

1. Dendrite Japan K.K.
2. Dendrite Frances, S.A.

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ANNEX I

Pursuant to Section 7(f) of the Underwriting Agreement, the accountants shall furnish letters to the Underwriters to the effect that:

(i) They are independent certified public accountants with respect to the Company and its subsidiaries within the meaning of the Act and the applicable published rules and regulations thereunder;

(ii) In their opinion, the financial statements and any supplementary financial information and schedules (and, if applicable, financial forecasts and/or pro forma financial information) audited by them and included or incorporated by reference in the Registration Statement or the Prospectus comply as to form in all material respects with the applicable accounting requirements of the Act and the Exchange

Act, as applicable, and the related published rules and regulations thereunder; and, if applicable, they have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the unaudited consolidated interim financial statements, selected financial data, pro forma financial information, financial forecasts and/or condensed financial statements derived from audited financial statements of the Company for the periods specified in such letter, as indicated in their reports thereon, copies of which have been separately furnished to the representatives of the several Underwriters (the "Representatives") and are attached hereto;

(iii) They have made a review in accordance with standards established by the American Institute of Certified Public Accountants of the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included in the Prospectus and/or included in the Company's Quarterly Reports on Form 10-Q incorporated by reference into the Prospectus as indicated in their reports thereon copies of which are attached hereto and on the basis of specified procedures including inquiries of officials of the Company who have responsibility for financial and accounting matters regarding whether the unaudited condensed consolidated financial statements referred to in paragraph (vi) (A) (i) below comply as to form in all material respects with the applicable accounting requirements of the Act and the Exchange Act, as applicable, and the related published rules and regulations, nothing came to their attention that caused them to believe that the unaudited condensed consolidated financial statements do not comply as to form in all material respects with the applicable accounting requirements of the Act and the Exchange Act, as applicable, and the related published rules and regulations;

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(iv) The unaudited selected financial information with respect to the consolidated results of operations and financial position of the Company for the five most recent fiscal years included in the Prospectus and included or incorporated by reference in Item 6 of the Company's Annual Report on Form 10-K for the most recent fiscal year agrees with the corresponding amounts (after restatement where applicable) in the audited consolidated financial statements of the Company for such five fiscal years;

(v) They have compared the information in the Prospectus under selected captions with the disclosure requirements of Regulation S-K and on the basis of limited procedures specified in such letter nothing came to their attention as a result of the foregoing procedures that caused them to believe that this information does not conform in all material respects with the disclosure requirements of Items 301, 302 and 402, respectively, of Regulation S-K;



(vi) On the basis of limited procedures, not constituting an audit in accordance with generally accepted auditing standards, consisting of a reading of the unaudited financial statements and other information referred to below, a reading of the latest available interim financial statements of the Company and its subsidiaries, inspection of the minute books of the Company and its subsidiaries since the date of the latest audited financial statements included or incorporated by reference in the Prospectus, inquiries of officials of the Company and its subsidiaries responsible for financial and accounting matters and such other inquiries and procedures as may be specified in such letter, nothing came to their attention that caused them to believe that:

(A) (i) the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included or incorporated by reference in the Prospectus do not comply as to form in all material respects with the applicable accounting requirements of the Exchange Act and the related published rules and regulations thereunder, or (ii) any material modifications should be made to the unaudited condensed consolidated statements of income, consolidated balance sheets and consolidated statements of cash flows included or incorporated by reference in the Prospectus for them to be in conformity with generally accepted accounting principles;

(B) any other unaudited income statement data and balance sheet items included in the Prospectus do not agree with the corresponding items in the unaudited consolidated financial statements from which such data and Items were derived, and any such unaudited data and items were not determined on a basis substantially consistent with the basis for the corresponding amounts in the audited consolidated financial statements included or incorporated by reference in the Prospectus;

(C) the unaudited financial statements which were not included in the Prospectus but from which were derived any unaudited condensed financial statements referred to in clause (A) and any unaudited income statement data and balance sheet items included in the Prospectus and referred to in clause (B) were

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not determined on a basis substantially consistent with the basis for the audited consolidated financial statements included or incorporated by reference in the Prospectus;

(D) as of a specified date not more than five days prior to the date of such letter, there have been any changes in the

consolidated capital stock (other than issuances of capital stock upon exercise of options and stock appreciation rights, upon earn-outs of performance shares and upon conversions of convertible securities, in each case which were outstanding on the date of the latest balance sheet included or incorporated by reference in the Prospectus) or any increase in the consolidated long-term debt of the Company and its subsidiaries, or any decreases in consolidated net current assets or stockholders' equity or other items specified by the Representatives, or any increases in any items specified by the Representatives, in each case as compared with amounts shown in the latest balance sheet included or incorporated by reference in the Prospectus, except in each case for changes, increases or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(E) for the period from the date of the latest financial statements included or incorporated by reference in the Prospectus to the specified date referred to in clause (D) there were any decreases in consolidated net revenues or operating profit or the total or per share amounts of consolidated net income or other items specified by the Representatives, or any increases in any items specified by the Representatives, in each case as compared with the comparable period of the preceding year and with any other period of corresponding length specified by the Representatives, except in each case for increases or decreases which the Prospectus discloses have occurred or may occur or which are described in such letter; and

(vii) In addition to the examination referred to in their report(s) included or incorporated by reference in the Prospectus and the limited procedures, inspection of minute books, inquiries and other procedures referred to in paragraphs (iii) and (vi) above, they have carried out certain specified procedures, not constituting an examination in accordance with generally accepted auditing standards, with respect to certain amounts, percentages and financial information specified by the Representatives, which are derived from the general accounting records of the Company and its subsidiaries, which appear in the Prospectus, or in documents incorporated by reference therein specified by the Representatives, or in Part II of, or in exhibits and schedules to, the Registration Statement specified by the Representatives, and have compared certain of such amounts, percentages and financial information with the accounting records of the Company and its subsidiaries and have found them to be in agreement.

March 26, 1999

Dendrite International, Inc.,  
1200 Mt. Kemble Avenue,  
Morristown, NJ 07960-6797

Dear Ladies and Gentlemen:

In connection with the registration under the Securities Act of 1933, as amended (the "Act"), of 3,737,500 shares of common stock, without par value (the "Securities"), of Dendrite International, Inc., a New Jersey corporation (the "Company"), we, as your special counsel, have examined such corporate records, certificates and other documents, and such questions of law, as we have considered necessary or appropriate for the purposes of this opinion. Upon the basis of such examination, we advise you that, in our opinion, when the registration statement on Form S-3 (File No. 333-71337) relating to the Securities (the "Registration Statement") has become effective under the Act, the terms of the issue and sale of the Securities have been duly established in conformity with the Company's amended and restated certificate of incorporation, and the Securities have been duly issued and sold as contemplated by the Registration Statement, the Securities will be validly issued, fully paid and nonassessable.

The foregoing opinion is limited to the Federal laws of the United States and the Business Corporation Act of the State of New Jersey, and we are expressing no opinion as to the effect of the laws of any other jurisdiction.

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We have relied as to certain matters on information obtained from public officials, officers of the Company and other sources believed by us to be responsible.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement. In giving such consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Act.

Very truly yours,

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

/s/ ARTHUR ANDERSEN LLP

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Philadelphia, Pa.,

March 23, 1999