

August 21, 1997

Avant! reported to be losing market share.

Avant! Corporation ("Avant!") (OTC Symbol: AVNT) (Price: \$32.00) is claiming that its recent sales success has resulted from its technical superiority and consistently better performance over Cadence Design Systems, Inc. ("Cadence"). We found no evidence that supports either Avant!'s product superiority claims or its sales success. On the contrary, Cadence's products are widely regarded as the industry benchmark and are gaining market share. The semiconductor industry's latest drive towards smaller faster microprocessors has created a very strong market for place and route, and physical verification software tools. Yet despite the market's extraordinary growth, and Avant!'s very small historical sales base, Cadence is growing faster. In fact, Cadence's sales growth rate in its deep submicron segment is reported to be well over twice the growth rate experienced by Avant!'s far smaller business.

Investors have bid-up Avant!'s stock on this week's sales announcement and an assumed deal with VLSI Technology, Inc. Investors may believe that these sales indicate that Mr. Gerald C. Hsu's arrest and pending criminal trial have not and will not negatively impact sales. We have reviewed the announced deals and the VLSI and Compass deals. These transactions involve special circumstances. We found no evidence that supports the assumption that new customers are ignoring the criminal charges. Avant! is facing the possibility of a total removal of its products from the marketplace and judgements beyond its ability to pay. These, along with ethical concerns, are important issues. We believe that the negative affects of Avant!'s criminal liabilities are the cause of its slow sales growth despite the tool market's extraordinary growth. Avant!'s civil and criminal actions are already well developed and continue to proceed. Based merely on known physical evidence the probability of a negative outcome in this case is extremely high. This is not a "prudent" stock to own. In fact, last week's appeal of a court order denying an injunction raised the concern of "sudden death."

Avant! has been charged in criminal and civil court with stealing Cadence's algorithms and database. However, Cadence's request for an injunction is based alone on the proven theft of its database. This is contrary to Avant!'s representation of the proceedings and appears to be not widely known by investors. Asensio & Company, Inc. has obtained and reviewed the Motion for Preliminary Injunction, the Order Granting in Part and Denying in Part this Motion and the Appellant's Opening Brief, the Appellee's Opening Brief and the Appellant's Reply Brief, and a transcript of last week's oral arguments.

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